



# BANK OF FINLAND

*Monthly Bulletin*

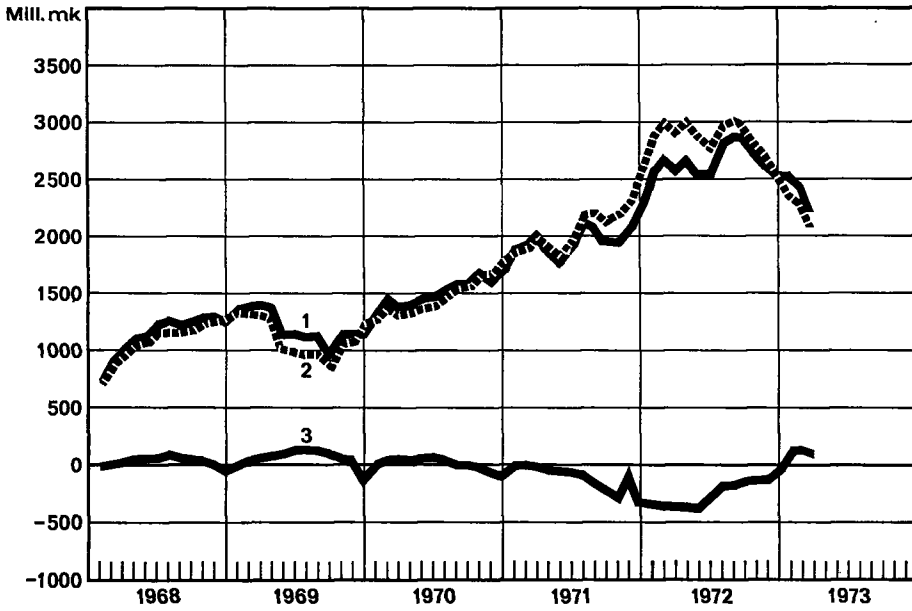
Common labour market of the Nordic  
countries and emigration

The Finnish economy in 1972 and  
the current outlook

MAY 1973

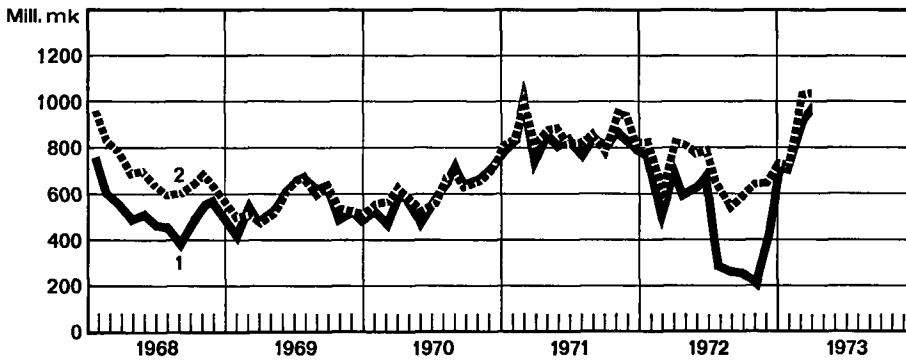
Vol. 47 No. 5

Bank of Finland foreign exchange reserve, 1968-1973



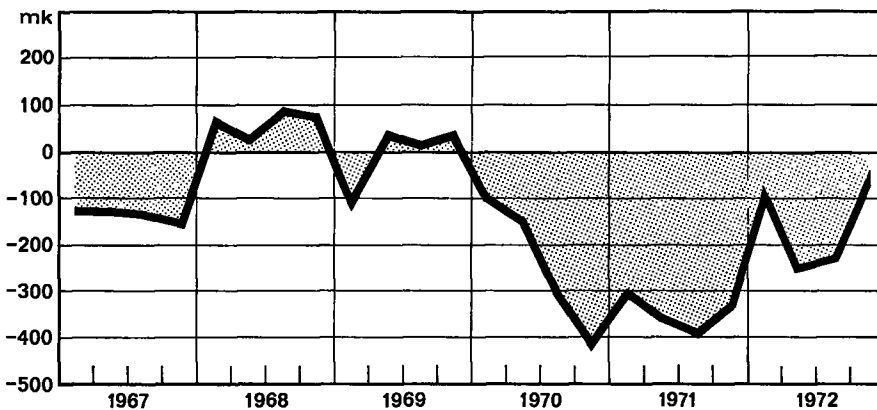
1. Total gold and foreign exchange
2. Gold and convertible currencies
3. Other currencies

Bank of Finland's position in regard to the banks, 1968-1973



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

Balance of payments current account surplus / deficit, 1967-1972



Seasonally adjusted quarterly figures

# COMMON LABOUR MARKET OF THE NORDIC COUNTRIES AND EMIGRATION

In 1954 Denmark, Norway, Sweden and Finland signed an agreement establishing a common labour market in the Nordic countries. The governments of these four countries believed that the free mobility of labour would contribute to the economic and social development of the contracting countries. To ensure that each party would benefit from the free movement of labour, the Agreement contained an article indicating that every attempt should be made to encourage migrating labour to use the official employment services.

The Common Nordic Labour Market is closely linked with the common Nordic agreement on social security signed in 1955, which guarantees equal rights to all Nordic citizens in any Nordic country, for instance in matters concerning pensions. The agreement has been revised four times, most recently in 1970. A Nordic agreement on notification of removal, which came into force in 1969, made it possible to compile statistical data on migration flows between the Nordic countries.

When the agreement establishing the Common Nordic Labour Market was formulated, little attention was paid to the possibility of large and imbalanced migration flows. With the exception of the flows between Finland and Sweden, migration between the other Nordic countries has been insignificant. For instance, total net emigration from Denmark to Sweden in the 1960s amounted to 2 000 persons, and from Norway to Sweden 8 000 persons, whereas the net flow from Finland to Sweden came to as much as 122 000 persons.

Since the signing of the agreement, 300 000 persons have emigrated from Finland to Sweden, and of these about 100 000 have returned to Finland. Of those who settled in

Sweden, every fourth person has acquired Swedish citizenship. In the 1960s, annual net emigration from Finland to Sweden ranged from 9 000 to 32 000 persons. The peak years of emigration were 1969 and 1970, when Finland's population actually fell. In both years, Finland lost more than one per cent of its labour force. Since 1971, Finland has experienced net immigration, largely as a result of the cyclical deterioration in the employment situation in Sweden.

Fluctuations in emigration to Sweden follow rather closely the variations in the number of unfilled vacancies in Sweden with a half-year lag. In practice this has meant that the peaks of emigration have occurred in years of strong economic activity in Finland. Similarly, *homeward flows have increased during periods of unemployment.*

As a result of emigration, the population has fallen precipitously in the northern parts of Finland. As the emigrants are mainly young people of working age, the age structure of population has become skewed, so that in some places there are very few left in the age groups with the highest propensity to move. Although the northern-most province of Finland (Lapland) saw six per cent of its population move to Sweden during the three-year period 1968—1970, the employment situation continues to be as weak as it was at the end of the 1960s. Because of emigration it has been necessary to close schools and shops. Even though the tax base of the local authorities has been reduced substantially, it has not been possible to cut back local government services to the same degree. The rise in rates and the decline in the quantity and quality of the services have made the migratory deficit area even less attractive than before.

Most of the people who have emigrated to Sweden have done so without turning to the official Employment Service. They have rather moved on their own or have been recruited privately. Most of those migrating have had only a meagre knowledge of the conditions in Sweden, and have not been adequately prepared to meet the language and adjustment difficulties.

In order to reduce these hardships, the Finnish and Swedish labour authorities have intensified their co-operation substantially in recent years. In spite of this, only one in five Finnish emigrants to Sweden finds his job through the Finnish Employment Service. For this reason, and because the Common Nordic Labour Market agreement presupposes labour movements between these countries to take place as much as possible through the official employment service, it has been agreed to try to persuade the Finnish migrants as well as the Swedish employers to make greater use of the official employment services.

The purpose of the agreement, which was signed in April 1973 by the labour authorities and labour market organisations of both Sweden and Finland, was to ensure that every job-seeker who wants to work in the other country receives extensive and reliable information before his departure about conditions in the country of potential immigration. The job-seeker is to be given information on openings and opportunities for training both in Sweden and at home. This requires a substantial expansion of the service and information facilities of the Finnish Employment Service. Steps in this direction

have already been taken. On the basis of earlier experience, it is believed that a considerable number of those who are planning to emigrate will, when furnished with reliable information, find that they can secure comparable jobs in their home country.

To ensure that use is made of the Employment Service, the agreement requires that the Swedish employer take on only those Finnish job-seekers who have received assignment to the job in question from the Employment Service in their home country. This provision does not apply to those Finns who already are employed in Sweden. Before the agreement is generally known and understood, some migration may still continue outside the Employment Service. However, in these cases the employer must, before employing a job-seeker, see that he visits the nearest Employment Service Office which before issuing the assignment is to notify the Employment Service in the job-seeker's home country. When an employer wishes to obtain labour from the other country, he must now report the vacancy to his local Employment Service Office. These provisions apply reciprocally to Finnish employers.

Clearly such an agreement does not eliminate the basic reasons for emigration, but it should certainly help keep the migration flows from doing too much damage. A joint Working Group, in which both the labour authorities and the labour market organisations are represented, has been set up to follow developments and to see how well the agreement serves its purposes.

April 30, 1973

## BANK OF FINLAND

Mill. mk

	1972		1973				
	April 28	Dec. 29	April 6	April 13	April 19	April 30	
<b>Assets</b>							
Gold and other foreign assets	3 256	2 912	2 528	2 482	2 431	2 399	
Gold	205	205	205	205	205	205	
Special drawing rights	282	283	283	283	283	283	
IMF gold tranche	268	268	268	268	268	268	
Foreign exchange	2 324	1 929	1 555	1 508	1 460	1 421	
Foreign bills	105	110	103	104	98	104	
Foreign bonds	72	117	114	114	117	118	
Claims on domestic banks	813	758	1 046	1 050	1 035	2 037	
Discounted bills	807	752	1 037	1 034	1 023	2 036	
Rediscounted bills	1	1	1	1	1	1	
Cheque accounts	5	5	8	15	11	—	
Other lending	317	316	327	332	330	330	
Inland bills discounted							
In foreign currency	—	—	—	—	—	—	
In Finnish marks	85	44	44	45	44	43	
Loans	232	272	283	287	286	287	
Other assets	645	607	617	623	669	958	
Finnish bonds	72	47	44	51	98	389	
Finnish coin	26	25	37	37	36	33	
Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530	
Other claims	17	5	6	5	5	6	
	<b>Total</b>	<b>5 031</b>	<b>4 593</b>	<b>4 518</b>	<b>4 487</b>	<b>4 465</b>	<b>5 724</b>
<b>Liabilities</b>							
Notes in circulation	1 451	1 730	1 516	1 586	1 603	1 937	
Liabilities payable on demand	630	136	252	154	109	903	
Foreign exchange accounts	333	78	29	27	25	27	
Mark accounts of holders abroad	39	43	49	60	61	46	
Cheque accounts							
Treasury	37	1	49	45	8	46	
Post Office Bank	207	2	112	4	1	768	
Private banks	—	—	—	—	—	3	
Other	3	1	2	8	4	2	
Other sight liabilities	11	11	11	10	10	11	
Term liabilities	1 076	899	877	874	872	1 022	
Foreign	—	—	—	—	—	—	
Domestic	1 076	899	877	874	872	1 022	
IMF mark accounts	530	530	530	530	530	530	
Allocations of special drawing rights	258	258	258	258	258	258	
Equalization accounts	341	286	314	312	319	299	
Bank's own funds	745	754	771	773	774	775	
Capital	600	600	600	600	600	600	
Reserve fund	74	74	114	114	114	114	
Profits undisposed	42	—	40	40	40	40	
Earnings less expenses (Dec. 31, Net profit)	29	80	17	19	20	21	
	<b>Total</b>	<b>5 031</b>	<b>4 593</b>	<b>4 518</b>	<b>4 487</b>	<b>4 465</b>	<b>5 724</b>

## BANK OF FINLAND

Mill. mk

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)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7-8)
	1	2	3	4	5	6	7	8	9
1966	556	61	495	81	101	475	10	40	— 30
1967	701	75	626	98	354	370	— 7	4	— 11
1968	1 353	62	1 291	125	34	1 382	—354	3	—357
1969	1 268	92	1 176	517	360	1 333	—196	4	—200
1970	1 844	106	1 738	639	518	1 859	—118	2	—120
1971	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1972	2 685	121	2 564	757	530	2 791	— 2	1	— 3
<b>1972</b>									
March	2 991	370	2 621	708	530	2 799	— 3	30	— 33
April	3 079	372	2 707	707	530	2 884	— 3	37	— 40
May	2 941	370	2 571	725	530	2 766	— 3	32	— 35
June	2 865	282	2 583	732	530	2 785	— 3	36	— 39
July	3 028	181	2 847	748	530	3 065	— 3	35	— 38
Aug.	3 073	175	2 898	743	530	3 111	— 3	43	— 46
Sept.	3 034	137	2 897	741	530	3 108	— 2	48	— 50
Oct.	2 881	134	2 747	742	530	2 959	— 2	43	— 45
Nov.	2 791	146	2 645	740	530	2 855	— 2	47	— 49
Dec.	2 685	121	2 564	757	530	2 791	— 2	1	— 3
<b>1973</b>									
Jan.	2 629	70	2 559	748	530	2 777	— 2	43	— 45
Feb.	2 530	70	2 460	740	530	2 670	— 2	47	— 49
March	2 287	75	2 212	737	530	2 419	— 2	41	— 43
April	2 177	73	2 104	752	530	2 326	— 2	46	— 48

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1972			Net holdings, March 31, 1973			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Mar.	Jan.-Mar.
	Gold	205	—	205	205	—	205	—
Special drawing rights	283	—	283	283	—	283	—	—
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 814	463	2 277	1 327	325	1 652	—183	—625
Other currencies	— 6	— 3	— 9	128	—19	109	— 37	+118
Total	2 564	460	3 024	2 211	306	2 517	—220	—507

End of year and month	Domestic banks					Other					Notes in circulation
	Dis-counted bills	Redis-counted bills	Cheque accounts <sup>1</sup>	Liabilities, Cheque accounts		Net claims on the banks (1+2+3-4-5)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (7+8-9)	
				Private banks <sup>2</sup>	Post Office Bank <sup>2</sup>						
1	2	3	4	5	6	7	8	9	10	11	
1966	—	915	—	14	17	884	180	85	72	193	1 106
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	827	9	3	1	4	834	137	246	528	-145	1 344
1971	848	1	—	9	2	838	121	234	908	-553	1 479
1972	752	1	5	—	2	756	44	277	909	-588	1 730
1972											
March	786	1	—	5	48	734	89	242	1 110	-779	1 423
April	807	1	5	—	207	606	85	249	1 087	-753	1 451
May	796	1	6	—	74	729	79	254	1 067	-734	1 450
June	860	1	—	6	154	701	67	261	1 096	-768	1 555
July	616	1	19	—	347	289	63	256	1 072	-753	1 513
Aug.	488	1	5	—	249	245	63	256	1 057	-738	1 474
Sept.	661	1	15	—	388	289	63	248	977	-666	1 557
Oct.	753	1	29	—	507	276	65	262	949	-622	1 507
Nov.	787	1	17	—	312	493	57	265	937	-615	1 556
Dec.	752	1	5	—	2	756	44	277	909	-588	1 730
1973											
Jan.	621	1	9	—	18	613	40	273	911	-598	1 497
Feb.	828	1	56	—	162	723	40	275	900	-585	1 521
March	986	1	17	—	16	988	41	291	891	-559	1 562
April	2 036	1	—	3	768	1 266	43	293	1 033	-697	1 937

<sup>1</sup> Including special index accounts.

<sup>2</sup> Including cash reserve accounts.

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

April 27, 1973

New York <sup>1</sup>	1 \$	3.888	Frankfurt o. M.	100 DM	137.20	Vienna	100 S	18.80
Montreal	1 \$	3.880	Amsterdam	100 FI	131.35	Lisbon	100 Esc	15.40
London	1 £	9.670	Brussels <sup>2</sup>	100 Fr		Reykjavik	100 Kr	4.02
Stockholm	100 Kr	86.00	Zurich	100 Fr	120.00	Madrid	100 Pta	6.74
Oslo	100 Kr	65.50	Paris <sup>3</sup>	100 FF		Moscow <sup>5</sup>	1 Rbl	5.241
Copenhagen	100 Kr	62.40	Rome <sup>4</sup>	100 Lit				

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

<sup>2</sup> 9.660 commercial rate; 9.680 financial rate.

<sup>3</sup> 85.20 commercial rate; 85.30 financial rate.

<sup>4</sup> 0.6580 commercial rate; 0.6560 financial rate.

<sup>5</sup> Clearing account; also Bucharest.

# DEPOSITS BY THE PUBLIC

Mill. mk

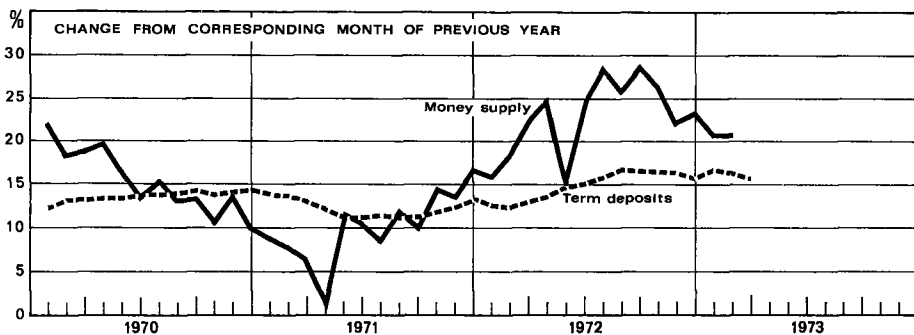
End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1966	639.8	849.4	318.0	3 660.9	3 329.9	2 202.1	863.6	380.7	10 437.3	11 604.7
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	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8

## 1972\*

Feb.	1 456.3	1 820.1	772.5	7 021.9	5 540.5	4 008.4	1 548.9	658.5	18 778.2	21 370.8
March	1 421.2	1 767.8	782.6	7 052.8	5 572.5	4 040.8	1 566.2	663.4	18 895.7	21 446.1
April	1 374.8	1 714.7	798.0	7 112.5	5 611.9	4 080.0	1 577.5	670.2	19 052.1	21 564.8
May	1 497.3	1 882.8	763.6	7 206.3	5 662.4	4 133.3	1 586.1	674.5	19 262.6	21 909.0
June	1 542.5	1 927.3	850.0	7 236.5	5 675.7	4 106.5	1 599.3	674.5	19 292.5	22 069.8
July	1 655.1	2 046.3	779.9	7 341.4	5 728.4	4 150.2	1 619.5	677.1	19 516.6	22 342.8
Aug.	1 637.3	2 078.4	793.6	7 418.0	5 813.8	4 218.5	1 634.3	678.4	19 763.0	22 635.0
Sept.	1 568.9	2 009.4	852.1	7 491.7	5 882.5	4 270.0	1 669.2	695.4	20 008.8	22 870.3
Oct.	1 735.6	2 181.9	793.0	7 567.4	5 934.6	4 311.5	1 693.8	697.2	20 204.5	23 179.4
Nov.	1 689.1	2 140.7	797.0	7 658.3	6 018.3	4 396.2	1 727.8	700.9	20 501.5	23 439.2
Dec.	1 851.2	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8

## 1973\*

Jan.	1 849.2	2 315.5	944.6	8 190.6	6 327.8	4 583.8	1 839.0	729.6	21 670.8	24 930.9
Feb.	1 796.9	2 261.8	1 047.7	8 221.3	6 399.2	4 655.8	1 866.7	737.5	21 880.5	25 190.0
March	1 649.4	2 132.3	989.5	8 197.1	6 412.9	4 672.2	1 869.7	742.3	21 894.2	25 016.0





# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

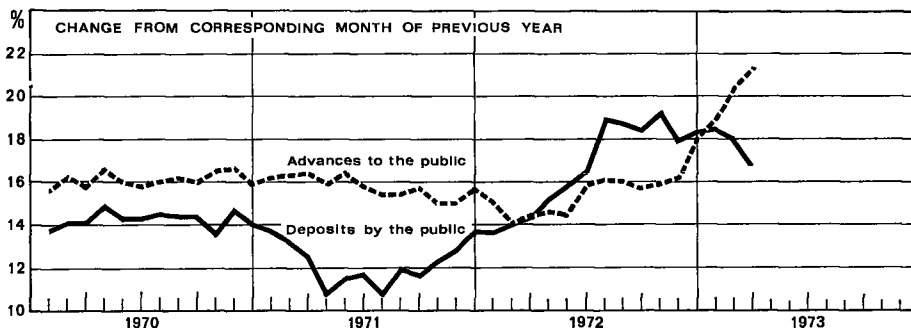
End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1966	5 205.4	2 951.4	2 261.0	779.6	908.8	11 618.1	488.1	12 106.2	2 181
1967	5 558.9	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	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 974

## 1972\*

Feb.	9 283.7	4 874.0	3 895.8	1 813.6	1 795.0	20 903.2	758.9	21 662.1	3 930
March	9 417.3	4 912.2	3 941.0	1 838.6	1 831.1	21 144.3	795.9	21 940.2	3 950
April	9 583.6	4 954.0	3 976.1	1 879.5	1 869.7	21 432.3	830.6	22 262.9	3 964
May	9 671.5	5 011.3	4 034.2	1 918.8	1 908.3	21 725.5	818.6	22 544.1	4 018
June	9 887.3	5 052.3	4 074.7	1 943.4	1 975.1	22 074.8	858.0	22 932.8	4 275
July	9 867.9	5 101.2	4 124.7	1 963.3	2 086.5	22 332.1	811.5	23 143.6	4 247
Aug.	9 865.5	5 167.3	4 187.4	2 022.3	2 103.7	22 540.1	806.1	23 346.2	4 268
Sept.	10 038.7	5 253.3	4 269.7	2 095.4	2 135.6	22 957.3	835.4	23 792.7	4 408
Oct.	10 214.8	5 335.2	4 357.3	2 087.0	2 171.6	23 370.8	795.1	24 165.9	4 422
Nov.	10 386.3	5 429.3	4 417.6	2 107.8	2 229.2	23 758.6	811.6	24 570.2	4 418
Dec.	10 667.3	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 974

## 1973\*

Jan.	10 788.6	5 590.5	4 525.4	2 344.4	2 438.0	24 878.1	808.8	25 686.9	4 627
Feb.	11 007.4	5 659.5	4 593.6	2 399.7	2 446.4	25 249.9	856.7	26 106.6	4 757
March	11 284.3	5 732.6	4 626.6	2 538.3	2 450.7	25 699.4	933.1	26 632.5	4 644





# FOREIGN TRADE

Mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1967	5 231	5 794	- 563
1968	6 874	6 711	+ 163
1969	8 345	8 505	- 160
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972*	12 082	13 114	-1 032

Period	Indices of exports and imports 1962 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1967	129	135	115	110	105
1968	143	129	136	132	103
1969	167	160	141	135	104
1970	176	192	156	147	106
1971	171	190	164	157	104
1972*	200	194	171	172	99

1972\*

Jan.	872	957	- 85
Feb.	963	958	+ 5
March	1 050	1 032	+ 18
April	857	1 093	-236
May	892	1 080	-188
June	1 123	1 116	+ 7
July	993	1 100	-107
Aug.	832	999	-167
Sept.	1 171	1 092	+ 79
Oct.	1 019	1 215	-196
Nov.	1 135	1 257	-122
Dec.	1 175	1 215	- 40

1970

July-Sept.	182	186	154	147	105
Oct.-Dec.	193	228	157	151	104

1971

Jan.-Mar.	152	169	162	152	107
Apr.-June	157	182	166	156	106
July-Sept.	176	184	162	158	103
Oct.-Dec.	198	223	166	163	102

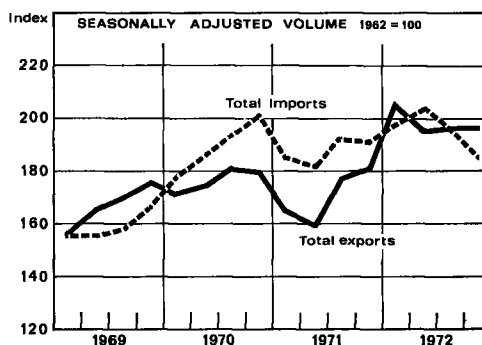
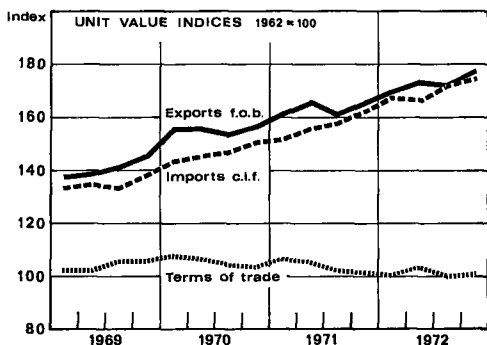
1973\*

Jan.	1 074	1 391	-317
Feb.	1 079	1 104	- 25

1972<sup>1</sup>

Jan.-Mar.	192	179	170	168	101
Apr.-June	187	200	174	167	104
July-Sept.	197	189	173	172	101
Oct.-Dec.	212	215	178	175	102

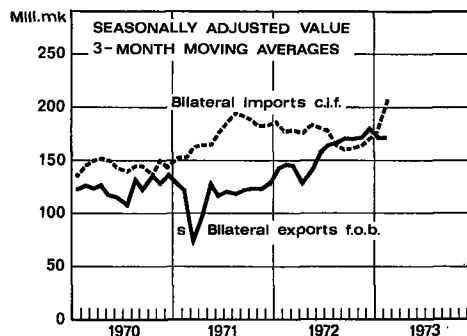
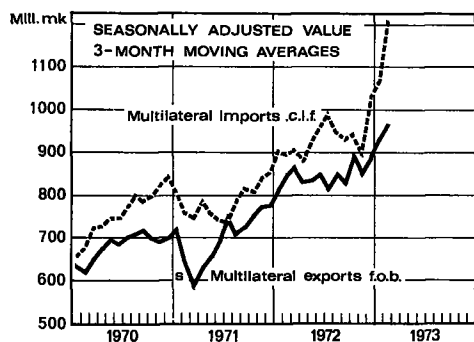
<sup>1</sup> The 1972 figures have been calculated by converting the final 1971 Fisher index with the percentage change in the 1972-1971 Laspeyres index.



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f. o. b.						Imports, c. i. f.			
	Agri-cultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods	
									Investment goods	Consumer goods
1967	261	54	866	2 384	1 081	585	2 546	668	1 463	1 117
1968	327	56	1 158	2 994	1 566	773	3 023	874	1 525	1 289
1969	360	72	1 400	3 374	2 012	1 127	3 693	949	2 229	1 634
1970	426	88	1 544	3 789	2 437	1 403	4 918	1 243	2 906	2 004
1971	547	89	1 653	3 721	2 323	1 564	4 639	1 557	3 427	2 111
1972*	633	55	1 824	4 253	3 245	2 072	5 243	1 629	3 585	2 657
1972*										
Jan.	73	3	133	321	227	115	361	137	293	166
Feb.	38	4	115	341	312	153	387	84	291	196
March	88	1	114	378	287	182	437	76	279	240
April	33	3	119	310	235	157	396	105	364	228
May	65	4	128	269	274	152	419	125	319	217
June	48	5	153	371	375	171	463	157	291	205
July	46	9	173	363	267	135	400	188	312	200
Aug.	30	4	145	319	172	162	413	144	241	201
Sept.	55	7	199	420	248	242	451	143	269	229
Oct.	45	4	170	343	257	200	480	167	309	259
Nov.	41	8	189	380	310	207	508	162	313	274
Dec.	71	3	186	438	281	196	528	141	304	242
1973*										
Jan.	89	6	175	359	279	166	556	164	364	307
Feb.	24	6	159	398	308	184	444	86	311	263



## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	Jan.—Feb.				Jan.—Feb.			
	1972*		1973*		1972*		1973*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	71.2	1 308	71.0	1 529	74.9	1 435	75.8	1 892
Austria	0.8	15	1.0	22	1.3	24	1.8	45
Belgium-Luxembourg	1.6	30	1.7	37	1.7	33	2.4	60
Denmark	3.6	66	4.8	104	2.8	54	3.7	92
France	4.0	74	4.5	96	5.6	107	3.2	81
Federal Republic of Germany	9.4	173	9.9	213	19.8	380	18.7	466
Italy	1.6	30	1.8	39	2.0	39	2.0	49
Netherlands	3.5	65	4.4	94	3.9	74	3.7	93
Norway	2.8	51	2.6	56	2.4	46	2.3	58
Portugal	0.3	5	0.3	7	0.6	12	0.9	22
Spain	1.0	18	1.2	26	0.5	10	0.7	18
Sweden	19.2	352	15.2	327	17.8	341	19.4	483
Switzerland	2.4	44	2.4	51	3.3	63	3.4	84
United Kingdom	18.2	334	19.5	421	13.0	248	13.1	327
Other	2.8	51	1.7	36	0.2	4	0.5	14
<b>OECD countries outside Europe</b>	6.9	127	6.2	133	6.8	131	7.6	189
Canada	1.3	24	0.5	11	0.2	5	0.3	7
Japan	0.4	8	0.6	12	1.6	30	2.8	70
United States	5.2	95	5.1	110	5.0	96	4.5	112
<b>Eastern Bloc</b>	13.9	256	13.3	287	15.4	296	12.8	320
Czechoslovakia	0.5	9	0.3	7	0.6	11	0.5	12
Democratic Republic of Germany	0.4	8	0.6	13	0.6	11	0.6	15
People's Republic of China	0.3	5	0.6	12	0.1	2	0.1	4
Poland	0.6	11	2.4	52	0.6	12	1.2	30
Soviet Union	11.5	211	8.5	183	11.9	228	9.0	224
Other	0.6	12	0.9	20	1.6	32	1.4	35
<b>Latin America</b>	1.9	34	2.0	42	1.6	30	1.5	37
Argentina	0.4	7	0.4	9	0.1	1	0.0	1
Brazil	0.8	14	0.8	17	0.3	6	0.5	12
Colombia	0.1	2	0.1	2	0.8	15	0.7	18
Other	0.6	11	0.7	14	0.4	8	0.3	6
<b>Other</b>	6.1	111	7.5	162	1.3	24	2.3	58
<b>GRAND TOTAL</b>	100.0	1 836	100.0	2 153	100.0	1 916	100.0	2 496
of which								
<b>EFTA countries</b>	25.5	469	21.6	466	25.4	486	27.8	693
<b>EEC countries</b>	42.9	787	47.2	1 017	48.8	935	47.2	1 178
<b>OECD countries</b>	78.1	1 435	77.2	1 662	81.7	1 566	83.4	2 081

# 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
1970	9 634	11 099	-1 465	+716	+142	+17	-590	-397	--18	-1 005
1971	9 845	11 762	-1 917	+660	+247	+66	-944	-477	- 1	-1 422
1972*	12 012	13 145	-1 133	+736	+336	+56	- 5	-600	-24	- 629

## Jan.-Mar

1970 <sup>f</sup>	2 074	2 309	-235	+192	- 9	- 3	- 55	- 86	-11	-152
1971 <sup>f</sup>	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

## Apr.-June

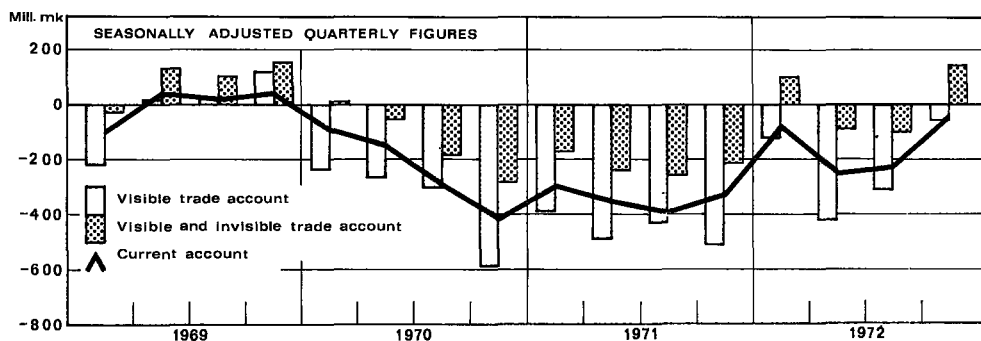
1970 <sup>f</sup>	2 429	2 721	-292	+180	+ 10	+ 0	-102	- 96	+ 1	-197
1971 <sup>f</sup>	2 291	2 797	-506	+141	+ 47	+21	-297	-118	- 1	-416
1972	2 856	3 298	-442	+162	+ 57	+46	-177	-155	- 8	-340

## July-Sept.

1970 <sup>f</sup>	2 469	2 690	-221	+180	+109	- 4	+ 64	-110	- 1	- 47
1971 <sup>f</sup>	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

## Oct.-Dec.

1970 <sup>f</sup>	2 662	3 379	-717	+164	+ 32	+24	-497	-105	- 7	-609
1971 <sup>f</sup>	2 885	3 565	-680	+152	+ 47	+10	-471	-105	+ 5	-571
1972*	3 308	3 692	-384	+187	+ 85	-10	-122	-163	-14	-299

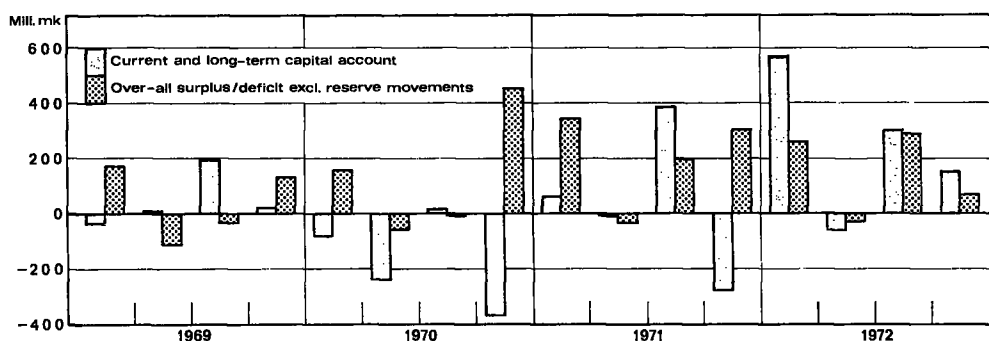


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 479	-694	-253	-202	+330	-675	+751	+237	+232 <sup>2</sup>	+545	-563	+ 18
+2 730	-855	-208	- 85	+1 582	+160	+387	+197	+ 62 <sup>2</sup>	+806	-555	-251
+3 014	-1 011	-376	- 81	+1 546	+917	+111	-113	-324 <sup>2</sup>	+591	-271	-320
+ 278	-158	- 51	+ 1	+ 70	- 82	- 9	+225	+ 23	+157	-240	+ 83
+ 609	-228	- 5	-17	+359	+ 69	+ 21	+329	- 77	+342	-314	- 28
+ 968	-273	-115	+17	+597	+564	-152	- 27	-124 <sup>2</sup>	+261	-327	+ 66
+ 220	-191	- 69	- 4	- 44	-241	+142	+ 42	- 4	- 61	- 86	+147
+ 596	-201	- 11	-30	+354	- 62	-140	+146	+ 19	- 37	+ 99	- 62
+ 655	-180	-192	- 5	+278	- 62	+ 92	+ 25	- 84	- 29	+ 37	- 8
+ 359	-175	- 60	-58	+ 66	+ 19	+ 87	+ 5	-119	- 8	-116	+124
+ 869	-252	- 89	+ 5	+533	+388	- 60	+ 21	-150	+199	- 35	-164
+ 628	-327	- 41	-25	+235	+278	+265	-124	-131	+288	-314	+ 26
+ 622	-170	- 73	-141	+238	-371	+531	- 35	+332	+457	-121	-336
+ 656	-174	-103	- 43	+336	-235	+566	-299	+270	+302	-305	+ 3
+ 763	-231	- 28	- 68	+436	+137	- 94	+ 13	+ 15	+ 71	+333	-404

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

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

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



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1970	297	300	286	299	317	290	329	290	283	138	146	126
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
1972												
July	339	343	325	329	401	337	373	318	333	163	187	142
Aug.	340	344	325	329	401	338	372	319	334	164	187	142
Sept.	343	347	328	334	402	340	375	324	337	164	187	144
Oct.	346	350	334	339	406	341	379	328	339	165	187	144
Nov.	352	356	335	347	406	344	393	333	340	165	187	145
Dec.	356	361	339	351	408	350	396	338	344	166	187	147
1973												
Jan.	363	365	352	356	413	359	401	345	352	168	190	147
Feb.	367	370	357	361	413	364	403	351	356	169	190	149
March	372	374	365	367	429	365	405	358	362	171	190	152
Period	Consumer prices 1967 = 100											
	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1970	223	175	115	116	115	109	115	121	115	113	113	115
1971	237	186	122	121	119	112	125	141	119	125	119	125
1972	254	199	131	133	125	118	131	147	126	135	128	135
1972												
July	256	201	132	134	126	118	132	146	126	138	129	137
Aug.	257	202	133	135	126	119	132	146	127	137	129	138
Sept.	259	203	133	137	126	121	132	146	128	137	129	138
Oct.	260	204	134	137	126	121	134	146	128	138	129	139
Nov.	262	205	135	138	126	122	134	147	129	138	130	140
Dec.	262	206	135	139	127	122	135	149	130	139	130	140
1973												
Jan.	265	208	136	140	130	124	135	149	131	141	131	141
Feb.	267	210	138	141	131	126	136	151	132	142	132	142
March	269	211	139	142	132	126	137	153	133	142	133	143



## 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	220	195	191	193	211	187	220	205
1971										
July-Sept.	210	199	200	180	178	178	192	171	200	188
Oct.-Dec.	219	205	207	185	181	184	196	177	204	192
1972*										
Jan.-Mar.	236	207	206	186	182	185	197	177	205	193
Apr.-June	251	225	219	196	193	194	214	189	223	208
July-Sept.	255	226	226	198	196	196	218	190	228	212
Oct.-Dec.	271	228	228	199	196	197	218	191	226	211
1973*										
Jan.-Mar.	285	231	228	202	199	199	220	194	229	213

## PRODUCTION

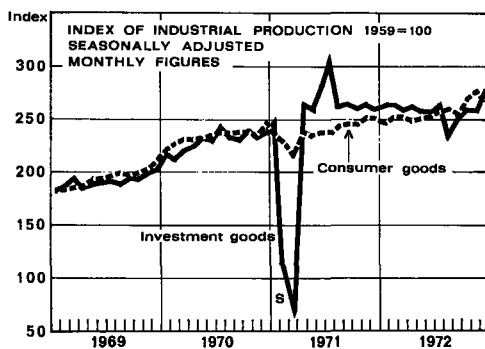
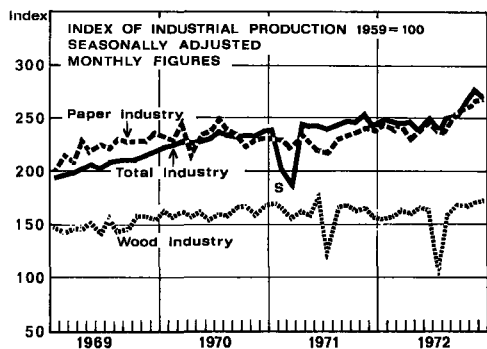
Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1969	123	138	97	102	123	104	124	123	123	123	127
1970	132	154	96	111	141	98	132	132	129	128	134
1971*	136	158	97	106	138	97	134	140	135	134	140
1972*	144	173	94	95	147	102	144	154	142	139	147
1972*											
Jan.-Mar.	140	179	59	132	106	101	132	145	141	138	146
Apr.-June	141	168	83	108	137	105	146	148	141	138	147
July-Sept.	143	154	175	51	170	101	148	151	142	139	147
Oct.-Dec.	150	191	57	90	175	100	150	171	145	141	149
1973*											
Jan.-Mar.	149	194	52	146	109	103	142	155	146	143	153

# PRODUCTION

Index of industrial production 1959 = 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	
1968	182	175	191	164	163	132	202	253	240	177	181
1969	207	194	214	196	173	151	223	285	281	199	207
1970	232	230	223	235	182	164	234	336	341	233	232
1971*	238	235	229	241	192	164	231	363	360	231	238
1972*	258	261	245	261	202	164	248	389	372	259	255
<b>1971*</b>											
Sept.	256	283	244	258	192	170	241	374	378	278	248
Oct.	264	288	256	257	229	173	250	375	394	282	248
Nov.	269	289	260	264	234	166	251	389	370	283	256
Dec.	251	274	242	250	188	159	223	375	305	272	245
<b>1972*</b>											
Jan.	257	286	246	249	171	164	256	418	308	277	249
Feb.	258	280	245	257	175	171	245	402	321	273	248
March	277	295	261	280	190	188	262	423	372	287	245
April	254	270	236	265	183	180	218	386	349	267	248
May	259	271	242	271	213	191	231	394	350	270	250
June	244	247	226	262	207	164	220	371	340	250	251
July	180	144	178	178	183	91	235	238	325	139	240
Aug.	254	233	234	283	217	138	247	325	421	236	251
Sept.	262	267	249	265	195	168	261	369	425	266	254
Oct.	290	292	279	286	256	182	278	443	441	289	271
Nov.	292	284	281	292	244	172	278	450	433	287	278
Dec.	268	265	263	250	190	165	249	449	382	274	273



# LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Total labour force, 1 000 persons	Employed 1 000 persons	Unemployed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100	Indicator of traffic activity 1964 = 100
1968	2 188	2 100	88	4.0	31 859	100	100	106
1969	2 189	2 127	62	2.8	35 338	108	117	118
1970	2 194	2 153	41	1.9	39 267	114	130	125
1971	2 199	2 150	49	2.2	36 238	118	137	122
1972*	2 206	2 149	57	2.6	31 441	128	151	132
1972*								
Jan.	2 134	2 063	71	3.3	3 009	110	126	121
Feb.	2 128	2 055	73	3.4	3 927	110	137	116
March	2 126	2 053	73	3.4	4 658	119	152	125
April	2 142	2 078	64	3.0	3 774	114	143	125
May	2 192	2 141	51	2.3	2 842	123	152	130
June	2 355	2 303	52	2.2	1 854	133	149	144
July	2 359	2 305	54	2.3	768	126	132	127
Aug.	2 276	2 225	51	2.2	1 185	129	159	136
Sept.	2 198	2 153	45	2.0	1 637	130	157	137
Oct.	2 194	2 148	46	2.1	2 092	134	164	143
Nov.	2 190	2 142	50	2.3	2 367	134	169	147
Dec.	2 187	2 132	55	2.5	3 328	177	173	137

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1970	41.42	17.96	3.72	15.56	2.36	38.55	16.41	4.29	12.59	3.35	36.56
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	17.04	4.28	39.72	18.02	2.81	14.13	2.96	39.29
1971*											
Oct.-Dec.	9.62	4.48	0.38	3.49	0.80	13.02	5.47	1.16	5.20	0.76	37.64
1972*											
Jan.-Mar.	7.31	2.73	0.55	3.20	0.48	7.75	3.16	0.33	3.34	0.73	34.34
Apr.-June	13.52	6.22	1.55	3.91	0.85	8.02	4.08	0.35	2.56	0.65	38.57
July-Sept.	13.44	6.11	0.55	4.89	1.17	9.90	4.49	0.83	3.18	0.75	40.93
Oct.-Dec.	13.46	5.50	0.43	4.88	1.78	13.32	5.94	1.26	4.83	0.77	39.29

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

Page 4. Since Dec. 31, 1968. *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. *Claims on Treasury* = Treasury bills covering certain IMF and IBRD accounts + Advances for stand-by stocks — Export levies (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 and Advances for stand by stocks). *Liabilities* = Other cheque accounts + Other sight liabilities + Domestic term liabilities — Cash reserve accounts — Export levies (net).

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

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

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 the Post Office Bank 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 indices are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indices corresponds to the annual level of the Fisher index 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 Institute for Economic Research. 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 international nomenclature (ISIC). The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research 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 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indices: food industry ISIC no. 20, weight 11.2, wood industry no. 25, weight 6.6, paper industry no. 27, weight 13.1, chemical industry no. 31, weight 5.2, non-metallic mineral industry no. 33, weight 3.8 and metal industry nos. 34—38, weight 23.5

## 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. *Indicator of traffic activity* calculated by the Bank of Finland Institute for Economic Research. Figures are weighted averages of the sea, air, railway and road traffic. *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. The President for the current period, March 1, 1968, to March 1, 1978, is Urho Kekkonen.

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 were as follows: Social Democrats 55, People's Democrats 37, Centre Party 35, Conservatives 34, Finnish People's Unification Party 13, Swedish Party 10, Liberal Party 7, Finnish Farmers' Party 5 and Christian League 4.

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

NUMBER OF INHABITANTS (1971): 4.6 million. Sweden 8.1, Switzerland 6.3, Denmark 5.0 and Norway 3.9 million.

DENSITY OF POPULATION (1971): In South Finland 44.2 in East and Central Finland 14.2, in North Finland 3.9 and in the whole country an average of 15.2 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1971): 52 % of the population inhabit the rural areas, 48 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 519 900 inhabitants, Tampere (Tammerfors) 159 600, Turku (Åbo) 159 900.

EMPLOYMENT (1971): Agriculture and forestry 21 %, industry and construction 36 %, commerce 15 %, transport and communications 7 %, services 21 %.

LANGUAGE (1970): Finnish speaking 93.2 %, Swedish speaking 6.6 %, others 0.2 %.

EDUCATION (1971): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 10 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

CHANGE OF POPULATION (1971): births 13.3 ‰, deaths 9.9 ‰, change + 3.3 ‰, net emigration 0.0 ‰. Deaths in France 10.7 ‰ and Great Britain 11.6 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1972, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 225 (7 %),

forestry and fishing 2 721 (6 %), manufacturing 15 147 (31 %), construction 4 703 (10 %), transport and communication 4 750 (10 %), commerce, banking and insurance 6 174 (13 %), public administration 2 191 (4 %), ownership of dwellings 2 538 (5 %), services 6 891 (14 %), total 48 340. Index of real domestic product 143 (1964 = 100).

FOREST RESOURCES (1971). The growing stock comprised 1 448 million of solid cu. m incl. bark (51 135 million cu. ft.), of which pine 44 % and spruce 37 %, the remaining 19 % being broad-leaf-trees, chiefly birch. Of the growing stock 17 386 million cu. ft., 48 % of them pine, was up to the standard required for logs. The annual growth is 47.6 million solid cu. m green wood excl. bark (1 681 mill. cu. ft.). The total removal calculated according to the use of wood was 48.4 million cu. m excl. bark (1 709 million cu. ft.).

AGRICULTURE (1971): Cultivated land 2.7 million hectares. Number of holdings 297 257, of which 188 461 are of more than 5 ha. Measure of self-sufficiency in bread cereals 97 % in the crop year 1970/71 and 115 % in 1971/72.

INDUSTRY (1970): Gross value of industrial production 35 577 mill. marks, number of workers 502 981, salaried employees 103 449, motive power (1970) 5.1 mill. kW. Index of industrial production 238 for 1971 (1959 = 100).

STATE RAILWAYS (Jan. 1, 1973): Length 5 887 km.

MERCHANT FLEET (March 31, 1973): Steamers 33 (39 200 gross reg. tons), motor vessels 392 (768 600 gross reg. tons), tankers 59 (755 300 gross reg. tons), sailing vessels with auxiliary engines 3 (500 gross reg. tons). Total 487 (1 563 600 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1972): Passenger cars 818 000, lorries and vans 116 100, buses 8 400, others 5 400. Total 947 900.

FINNISH AIRLINES (March 31, 1973): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6s, 8 Super Caravelles 8 DC-9s and 5 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 25 airports and to 18 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 U.S. dollar). Since Feb. 15, 1973 a central rate of 3.90 marks to one U.S. dollar has been applied.

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, 1972). There are two big and five small commercial banks with in all 837 offices, 302 savings banks, 406 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and fifty-nine private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1972). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 7 <sup>3</sup>/<sub>4</sub> %. The range of rates for other credits granted by the Bank of Finland is between 6 and 9 %. Other credit institutions: term deposits 4 <sup>1</sup>/<sub>4</sub> %, 6 month deposits 4 <sup>3</sup>/<sub>4</sub> %, 12 month deposits 5 <sup>1</sup>/<sub>4</sub> %, 24 month deposits 6 <sup>1</sup>/<sub>4</sub> %; highest lending rate 11 %.

# THE FINNISH ECONOMY IN 1972 AND THE CURRENT OUTLOOK

by Tapio Korhonen, M.Pol.Sc.  
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In 1971 the growth rate of total production dropped sharply, but the recession did not last long, and the economy began to revive in 1972. Growth was encouraged above all by exports, which expanded rapidly as a result of the international upswing, Finland's favourable competitive position and the existing slack in productive resources. A substantial decline in the current account deficit and a further improvement in the country's external liquidity eased the balance of payments constraint on growth. The main emphasis of economic policy was thus shifted to problems of internal balance — particularly the weakened employment situation and rapidly rising prices.

The growth rate of the gross domestic product has continued to accelerate during the first months of the current year, and it is expected to remain high throughout the year. Investment is likely to join consumption and exports as a clearly expansive demand factor. Because of the mildness of the recent recession, the increase in total demand will rapidly remove the slack in productive capacity. In light of the continuing cost and price pressures, efficient demand management policies are obviously called for.

## FOREIGN DEMAND

The international business climate improved significantly in 1972. Economic activity in the United States recovered fully, and real growth accelerated clearly in Western Europe and Ja-

pan. Since there was considerable unused capacity in most countries, expansionary policies were pursued. However, towards the end of the year many countries took a more restrictive policy stance in order to check the renewed acceleration in inflation. The clear narrowing in the range of both growth and inflation rates in various countries became still more apparent, reflecting the increased interdependence of economies.

The revival of foreign economic activity was clearly reflected by the growth of Finnish exports to OECD markets. Simultaneously, the growth of exports to the Soviet Union picked up sharply. Total export volume grew by 17 per cent — a good performance, even if allowance is made for transitory factors such as the strikes of 1971. Growth was sharpest for metal industry products and other industrial products. The volume of wood-based exports also developed favourably even though the increase in prices was less marked. Despite the average weighted rise in exchange rates, the unit value of total merchandise exports rose by only some five per cent.

In the early months of the current year, the growth of exports followed the upward trend in foreign demand. Even though the growth rate is not expected to be quite as high as it was last year, it should still be well above the long-term average. Export prices are also expected to rise considerably; the prices of wood industry products have been increasing quite steeply since the last quarter of 1972. As

the upswing matures, further growth of wood-based exports may become more difficult as a result of capacity and raw material constraints.

## DOMESTIC DEMAND

The sluggishness of investment in 1972 despite the revival in exports was expected; indeed it is typical of economic recovery following a cyclical downswing. The increase in fixed capital formation which did occur was largely the result of brisk public investment and a public policy designed to promote private investment. The increase in total investment was almost 3 per cent, with the main emphasis on construction. As in the previous year, investment in stocks was reduced.

Since production capacity, completed during the previous boom was not in full use in 1972, private investment remained weak. Uncertainty about trade policy may have retarded the revival of investment somewhat. On the other hand, a bill proposing an investment tax on buildings of lower priority constructed during the boom may have hastened the starting of some projects. In order to stimulate private investment, residential building was actively supported and counter-cyclical and investment deposits were released. Accordingly residential building became the most expansive factor in private investment. The release of counter-cyclical reserves was designed primarily to stimulate investment in industrial plant and in land and waterway construction. A reduction was recorded only in investment in machinery and equipment. On the whole, private investment increased slightly.

Towards the end of the year the rise in private residential building continued, but at a slower pace, whereas a slight acceleration in non-residential building was observed. During the current year non-residential building and machinery and equipment investment will expand as a consequence of brisk export demand and increasing capacity utilization. The shortage of some types of skilled labour in Southern

Finland may retard investment in construction during the second half of this year.

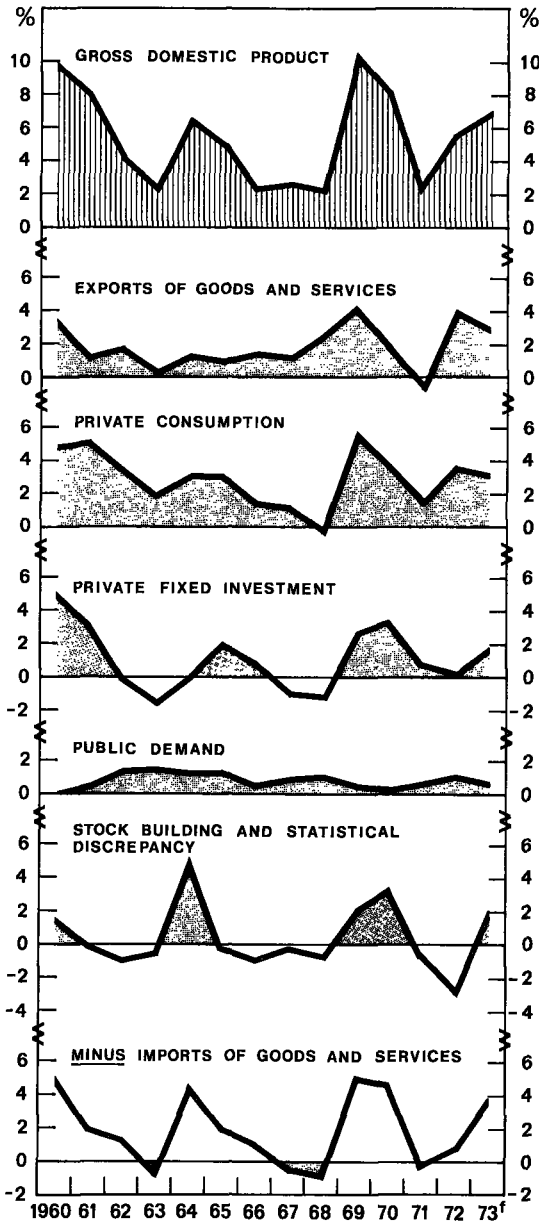
In 1972 the growth of domestic demand received its main stimulus from consumption, which grew almost twice as rapidly as in the previous year. The increase in private consumption was primarily affected by favourable income formation and an increased propensity to consume, partly typical of the cyclical situation and partly the result of the removal of the supplementary turnover tax on consumer durables at the beginning of the year. The easing of the financial market and the relaxation of hire purchase terms also worked in the same direction. Sales of durable consumer goods, particularly passenger cars, grew vigorously. Similarly, the consumption of services, which generally follows income formation very closely, increased rapidly.

Since the last months of 1972, the volume of consumption has accelerated rapidly, mainly due to a sharp rise in the sales of durables. The heavy demand has probably been caused by expectations of future price increases. Taking into account the new wage and salary agreements already concluded, real disposable household income is expected to grow less than real GDP in 1973. In spite of the increase in the propensity to consume, the real growth of private consumption will obviously slow down and fall short the real growth of total production.

The effect of public measures on demand was clearly expansive in 1972 (Chart 1). Public investment in construction was increased in order to support employment. In real terms the increase in total public investment was almost 9 per cent. The growth rate of public consumption expenditure also accelerated and somewhat exceeded its trend value. This was primarily a result of increased repair and maintenance expenditure, which was carried out in order to improve the employment situation, and of the extension of public health services.

On account of the rising trend in private demand, public expenditure will be slowed in the

**CHART 1. CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT 1960 - 1972 AND FORECAST 1973<sup>1</sup>**



Change in volume over previous year in per cent of previous year's gross domestic product.

current year. There will still be some increase in the first months of the year, but following the improvement of the employment situation, public investment activity will be reduced towards the second half of the year. All in all, the volume of public investment in 1973 is

expected to fall somewhat from the level of 1972. The real growth of public consumption is expected to be about the same as in the previous year. The growth in expenditure is largely a result of the new National Health Act and the reform of the educational system.

**PRODUCTION**

The growth in total production was supported by the substantial revival in exports and to a lesser extent by the recovery in domestic demand (Chart 1). Growth was sharpest in industry, construction and commerce. The impact of the strike of the previous year was still distinguishable in the most expansive branches of industry, i.e. metal manufacturing and mining, which, however, also benefited from an increase in foreign demand. Although export developments were favourable for the wood-processing industry, growth exceeded its trend value only slightly because a considerable proportion of exports was supplied from stocks. The substantial decline in forestry output was primarily caused by disagreement on stumpage prices and ample stocks of raw wood. In construction, growth was most vigorous in residential building as well as in land and waterway construction, where expansive policy measures played a major role.

Towards the end of the year industrial production picked up distinctly (Chart page 16). Following the rise in investment and exports, production is likely to accelerate further throughout this year. The peak in the rate of growth should then be reached sometime next winter. The average growth rate for industrial production is forecast to be about nine per cent in 1973. In spite of strengthening in the private construction, the curbing of public demand towards the end of this year will lead to a slight deceleration in the average growth of total construction. The stumpage price agreements already reached have led to increased fellings, and this trend is expected to continue so that the depleted stocks of raw material in



the wood processing industry can be built up. The growth in the volume of GDP is forecast to accelerate somewhat from 1972.

**CHART 2. LABOUR MARKET**



## EMPLOYMENT

Changes in employment follow changes in production with a lag; and in spite of the revival in activity the employment situation continued to deteriorate until the second half of 1972. The average rate of unemployment for the year was 2.6 per cent (Chart 2), and regional differences remained significant. Northern Finland suffered from substantial structural unemployment, which was further exacerbated by a reduction in fellings. At the same time a shortage of some types of labour was felt in Southern Finland. Migration to Southern Finland was limited by the shortage of dwellings. In 1972 the central government increased its employment appropriations so as to be able to provide jobs for 45 000 persons, i.e. 5 000 more than one year earlier. On the other hand, jobs created through municipal employment appropriations declined by almost an equal amount, primarily because of the new Employment Act. Accordingly, the direct impact of public measures on employment was only somewhat stronger than in the previous year.

Since the end of 1972 the average unemployment rate has been falling and the rise in unfilled vacancies accelerating. Although this trend is expected to continue, a rapid fall in the unemployment rate is not possible because of regional imbalances. The average unemployment rate in 1973 is expected to drop to 2 per cent.

## IMPORTS

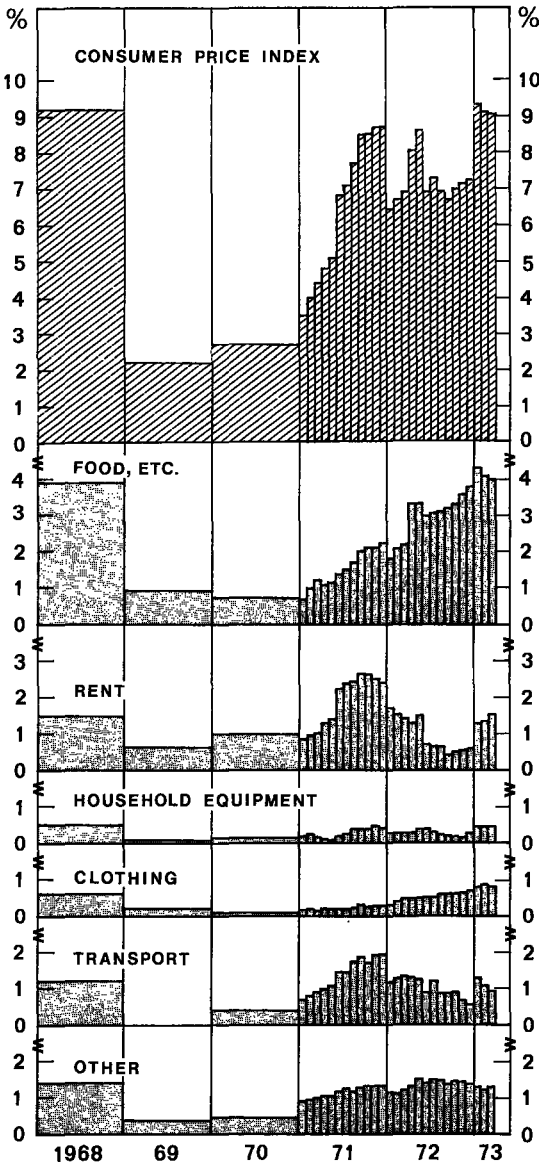
Domestic demand did not provide much stimulus for imports last year; the volume of merchandise imports increased by only some two per cent after a small contraction during the preceding year. An additional factor which probably held back imports was the vigorous growth of import prices following the acceleration in international inflation and the rise in foreign exchange rates. The pattern of domestic demand was clearly reflected by the development of imports. As consumption was the most expansionary domestic demand factor, imports of consumer goods and passenger cars grew most rapidly. The revival in production also led to a slight increase in imports of raw materials and semi-finished goods. However, imports of investment goods declined as domestic investment activity was sluggish.

In line with the normal cyclical pattern, the share of imports in the total supply of goods and services is expected to increase this year as economic expansion picks up further. In the early months of the year, a clear upward trend seems to have been set in the import of raw materials, semi-finished goods and consumer goods. Imports of investment goods still lagged somewhat behind. As investment activity gathers momentum, imports of investment goods will also expand. The strong increase in prices abroad seems to be continuing, and this adds to domestic cost pressure.

## PRICES AND WAGES

Prices continued to climb sharply. The cost of living index rose steadily at an annual rate of more than 7 per cent, and the rise in the wholesale price index accelerated towards the end of the year, producing an average annual increase of more than 8 per cent. Almost half of the increase in the consumer price index was caused by a strong rise in food prices (Chart 3). The acceleration of wholesale prices at the end of the year was largely a result of a rapid rise in raw material prices.

**CHART 3. THE CONSUMER PRICE INDEX AND ITS COMPONENTS<sup>1</sup>**



<sup>1</sup> Percentage changes from corresponding period of previous year. The various components are weighted so that they show their impact on the consumer price index.

Many different factors contributed to the price pressures. The substantial rise in earnings on the previous year combined with the relatively poor growth in productivity still affected costs and prices during 1972. Wages and salaries were raised on average from the beginning of April by 7.2 per cent; the annual increase was about the same as in 1971. As a result of the cyclical situation, wage drift remained smaller

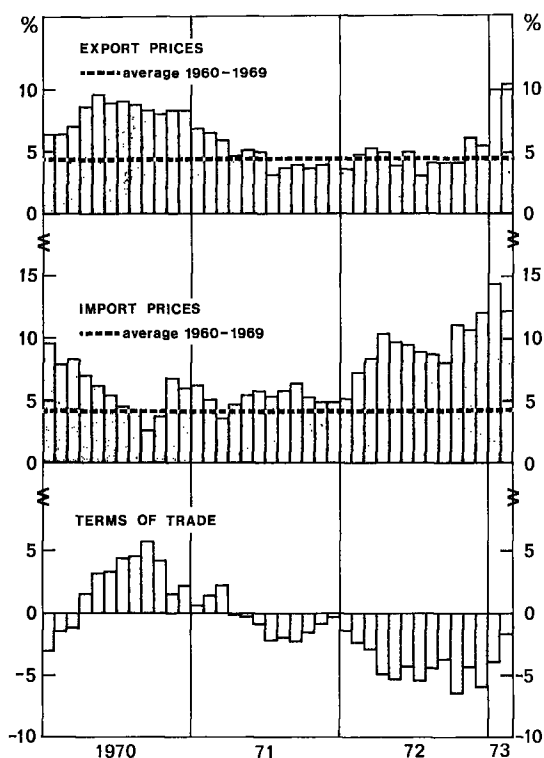
than in the previous year and the level of earnings rose by some 11 per cent, or substantially more than the growth in labour productivity. Price pressures were further strengthened by continuously rising import prices. Import prices of investment and consumer goods increased particularly sharply. Furthermore, the increase in agricultural target prices at the beginning of April pushed up consumer prices by about one per cent. On the other hand, the reduction in interest rates and the abolition of the supplementary turnover tax at the beginning of the year eased inflationary pressures somewhat. Price regulation was revised in March and made more flexible, but the overall impact was not changed materially.

No comprehensive incomes agreement was reached this year. Still, the Special Powers Act was extended for a year from the beginning of April, and thus prices will remain subject to regulation. The wage negotiations have taken place by branch, and a substantial number of agreements have already been reached. A general line in the agreements has been a mix of absolute and per cent increases, the average increase amounting to about 9 per cent. The negotiated increases in wages tend to exceed the growth in productivity. Furthermore, the employers' social security contribution will rise sharply as a result of earlier decisions, and the annual paid holiday will be lengthened to four weeks. Thus unit labour costs will rise materially; this together with sharply increasing import prices, and demand pressures will place continuous upward pressure on prices.

## BALANCE OF PAYMENTS

As the value of merchandise exports grew almost twice as fast as the value of merchandise imports last year, the trade deficit narrowed by more than 40 per cent. The cyclical position contributed to the decline in the trade deficit vis-à-vis western industrial countries, even if the terms of trade deteriorated considerably (Chart 4). However, the major source for the improvement in the trade balance was bilateral trade with the Socialist countries,

**CHART 4. FOREIGN TRADE PRICES AND THE TERMS OF TRADE<sup>1</sup>**



<sup>1</sup> Percentage changes from corresponding period of previous year. Based on the export and import price indices published by the Central Statistical Office.

especially the Soviet Union. The overall trade deficit was more than offset by net receipts from services. The main factor contributing to the increase in the service account surplus was a further improvement in the tourism balance, a trend of rather recent origin in Finland. The relative impact of other invisible items on the current deficit remained unchanged. All in all, the current balance showed a deficit of some 600 million marks, i.e. less than half of the deficit of 1971. When due allowance is made for cyclical and exceptional factors affecting the external balance of the economy, the actual current deficit roughly represents the underlying position.

As in the preceding year, the current deficit was more than offset by imports of long-term capital. Backed by the easiness on international financial markets, drawings of long-term foreign loans amounted to 3 000 million marks. Conse-

quently foreign indebtedness rose somewhat in relation to GNP, but the debt service ratio remained unchanged against the preceding year. Even though the out-flow of long-term capital in the form of export credits and direct investments increased, the basic balance remained in surplus by a good margin. The favourable liquidity position also allowed a reduction in short-term foreign debt. The overall balance surplus and the increase in total foreign exchange reserves amounted to almost 600 million marks, with about half of the increase accruing in commercial banks.

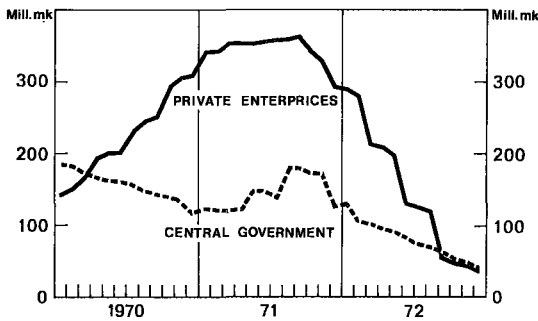
This year the value of imports will grow more rapidly than the value of exports, and the trade deficit will again widen. The postponement of some import deliveries to the beginning of this year will contribute to the deterioration of the trade balance. Although the favourable trend in net income from services will continue, a deficit in the balance of goods and services will occur as a result of the adverse shift in the trade balance. Interest payments on foreign loans will grow substantially and contribute to the deterioration on current account. As a percentage of current payments, the deficit this year will lie somewhere around the long-term average of six per cent.

During the first two months of this year, movements of long-term capital in the form of loans were about in balance, and total foreign exchange reserves of the country declined clearly. This development was no doubt largely a result of disturbances in foreign exchange markets.

#### MONETARY DEVELOPMENTS

The short recession had almost no impact on the growth of the financial market. With the exception of the spring of 1971, no cyclical deceleration occurred in the growth of deposits by the public. In 1972 there was a further acceleration in the monetary expansion, which was supported by the rapid increase in export earnings, the large inflow of foreign capital and

**CHART 5. COUNTER-CYCLICAL RESERVES IN THE BANK OF FINLAND**



the release of counter-cyclical reserves. Although part of the supply was neutralized by the State cash surplus, overall liquidity improved substantially. On the demand side, the easiness in the credit market was connected with sluggishness in private business investment.

The foreign liquidity position of the Bank of Finland and the commercial banks improved markedly. The release of the counter-cyclical reserves from the Central Bank also contributed to the easing of domestic financial market. About 250 million marks of private counter-cyclical and investment deposits was drawn upon, and Central Government also drew 85 million marks of its counter-cyclical taxes and export levy funds (Chart 5). However, the easing of the liquidity position of the commercial banks was curbed by sales of the Bank of Finland's deposit certificates totalling 390 million marks. Thus there was only a moderate fall in the commercial banks' average debt to the Bank of Finland in 1972 as compared with 1971, and the debt remained on a relatively high level.

Deposits by the public grew by 18 per cent, which is the largest increase for more than a decade. The increase in sight deposits was as much as 35 per cent<sup>1</sup>. The development of term deposits was supported by an increase in nominal private household income and the fall in the supply of Government bonds. Inflation and the lowering of the interest rates paid

<sup>1</sup> See charts on pages 6 and 7

on term deposits at the beginning of the year do not seem to have affected deposit growth in 1972. On the other hand, the removal of the supplementary turnover tax reduced the rate of growth of deposits during the early months of the year.

Reflecting the ease in the credit market, lending by deposit banks grew by two percentage points less than deposits. As industrial investment activity remained sluggish, the overall demand for credit was relatively weak throughout the year. The release of counter-cyclical reserves and the inflow of foreign long-term capital also contributed to the modest growth in business credit, and the lending by financial institutions was largely directed to residential building. The growth in other personal credits was also substantial.

The State's cash surplus remained exceptionally high in 1972. This was in part the result of the release of the Government's counter-cyclical reserves, but primarily it was caused by the significant increase in tax revenue. Keeping most of the cash surplus outside the financial market tended to restrain the growth of the money supply.

As the trade deficit is forecast to increase, a general tightening of the financial situation is to be expected for the current year.

## POLICY ISSUES

In 1971 the sharp deterioration of the external balance gave rise to considerable concern. With the improvement of the balance of payments in 1972, short-term economic policy was focused on domestic problems. The employment situation began to deteriorate in 1971 with the slow-down in production, and it was expected to worsen in 1972. However, at the same time the rate of inflation accelerated markedly, mainly as a result of rising import prices and labour costs.

Attempts were made to alleviate unemployment by promoting production through fiscal

and monetary policy measures. In the autumn of 1971, the release of private counter-cyclical reserves was begun, but the major part of these funds was not released until 1972. Most of the State's counter-cyclical reserves were also drawn in 1972. Furthermore the increase in the commercial banks' credit quotas at the Bank of Finland and the reduction in interest rates from the beginning of 1972 were both designed to ease the financial market. The recovery in export growth, the relatively strong external liquidity position and easy access to foreign credits made it possible to pursue a less stringent monetary policy.

The promotion of growth and employment was also emphasized in fiscal policy. In the budget of 1972 and in the subsequent supplementary budgets, distinct increases were made in the central government's investment programme. In allocating public investments, special attention was paid to the pronounced employment problems in Eastern and Northern Finland. Furthermore, residential building was supported by sharply increased governmental housing loans. This measure was designed to both improve the employment situation directly and to even out regional differences in employment by increasing labour mobility.

Moreover, in the prevailing cyclical situation, it was possible to relax certain measures designed to restrain consumption. The cash payment system for imports of consumer goods was discontinued from the beginning of June. In the summer, the quantitative restrictions on consumer credits granted by the banks as well as some restrictions on hire purchase credit were removed. Hire purchase terms were also made easier.

On the other hand, attempts were made to curb inflation by lowering interest rates and by removing the supplementary turnover tax at the beginning of the year. The general stabilization policy followed since 1968 was continued in 1972. The Special Economic Powers Act, and with it the price regulatory powers of the Government, was extended for one year from the beginning of April. At the same time, price

regulation was made somewhat more flexible. The Government also made efforts to develop the framework for incomes policy negotiations e. g. by appointing a committee to provide information for the negotiations. To strengthen the basis for incomes policy negotiations, the Special Economic Powers Act was extended for yet another year at the end of March of this year. At the same time, a decision was made to replace rent control with special housing courts from the beginning of 1974.

From the point of view of the balance of payments, attention was focused on the continuing instability in the foreign exchange market and on inflation abroad, both of which threatened domestic price stability through increasing import prices. The foreign exchange policy pursued was defensive and conditioned by the changes in exchange rates abroad. A central rate system was applied for multilateral transactions, and attempts were made to keep the average weighted rate between the Finnish mark and the currencies of Finland's main trading partners relatively stable. The Bank of Finland countenanced the inflow of long-term foreign capital, laying main emphasis on credits which would be used for financing new or expanding industrial activity, or to amortize previous loans with a shorter life or less favourable terms.

In current economic policy, attention is being paid to restraining the economy during the coming boom. To this end, the Bank of Finland gave general guide-lines on the granting of credit as early as May, 1972. Financial institutions were advised to support investments during 1972 and 1973, but to be more stringent with credits for investments which would be made subsequently. Furthermore, early this year the Bank of Finland reduced the share of domestic delivery credits which it financed. Similarly the budget for the current year was formulated so as to rein in the economy towards the end of the year. The problems of inflation will require continuous attention, and with the cyclical growth in the current account deficit, the room of manoeuvre in economic policy will become narrower.

In order to secure her competitive position in Western export markets, Finland completed negotiations last year for a free trade agreement with the expanding EEC. The approval of the agreement is, however, subject to further consideration. This postponement will have a relatively minor impact on Finland's foreign trade this year, particularly as Great Britain and Denmark have agreed not to impose customs duties on Finnish goods before the end of the current year. However, planning and decision-making on the enterprise level, particularly with regard to investment, has been affected to some extent. This spring a framework agreement with the Council for Mutual Economic Assistance was negotiated. The aim of this proposed protocol is to develop economic, scientific and technological co-operation.

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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

A. Simonen

*Deputy Governor*

Ahti Karjalainen

*Absent as a Member  
of Government*

Heikki Valvanne

Jaakko Lassila

Päiviö Hetemäki

Timo Helelä

*ad int.*

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## Directors

Jouko J. Voutilainen

Timo Helelä

Jorma Aranko

Pertti Tammivuori

Markku Puntila

---

## Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Pauli Kanerva

*Administration*

K. Ignatius

*Personnel*

Antti Lehtinen

*Domestic financial  
operations*

Helge Lindström

*Credits and securities*

Kalle Koski

*Capital transfers*

Kari Nars

*Foreign exchange policy*

Raili Nuortila

*Eastern trade*

J. Ojala

*Foreign exchange control*

Kari Puumanen

*Economics dept., ad int.*

Henri J. Vartiainen

*Research dept.*

Stig Törnroth

*Cash*

K. Eirola

*Automatic Data Processing*

A. Nenonen

*Foreign correspondence*

Väinö Heiskanen

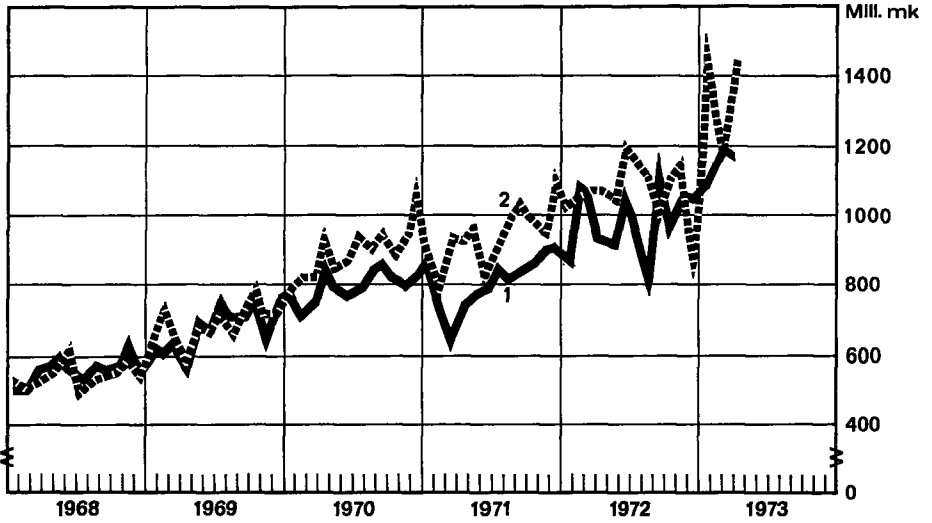
*Banking services*

Eino Suomela

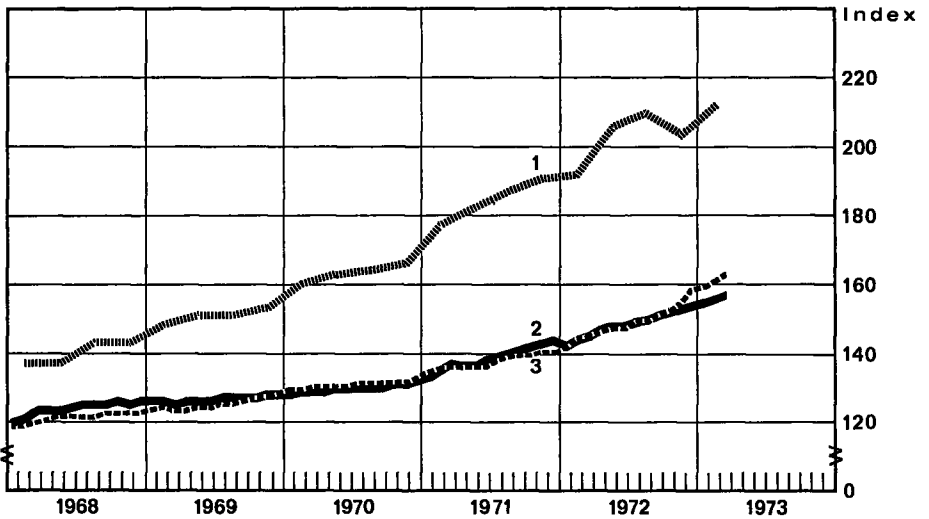
*Internal Audit*

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Foreign trade, 1968-1973



Prices and wages, 1968-1973



Production, 1968-1973

