



# BANK OF FINLAND

*Monthly Bulletin*

**The 1977 Budget**

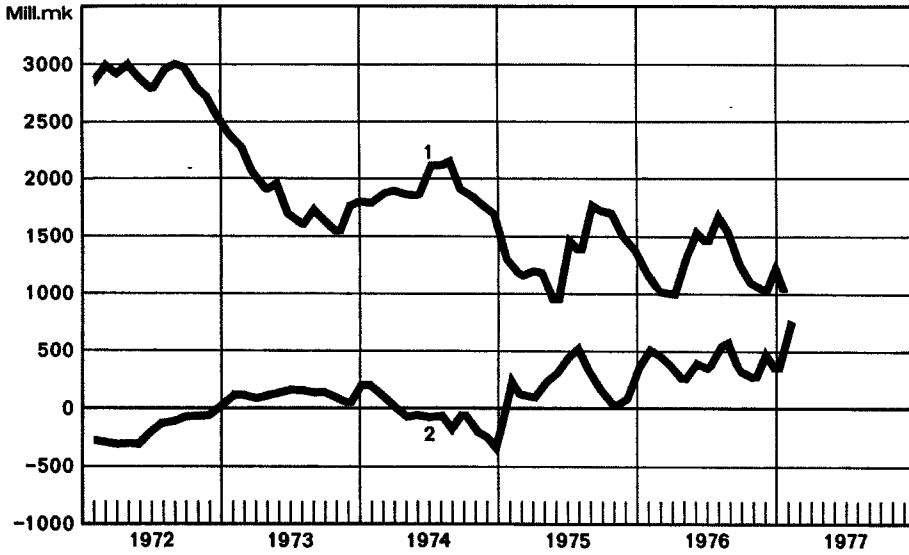
**Finnish forest industries: an overview**

**The report of the Banking Legislation  
Committee**

**MARCH 1977**

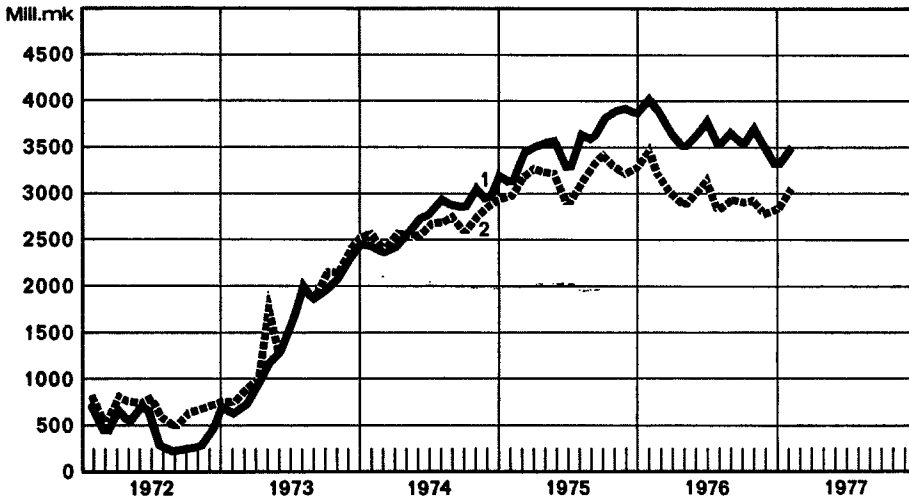
**Vol. 51 No. 3**

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



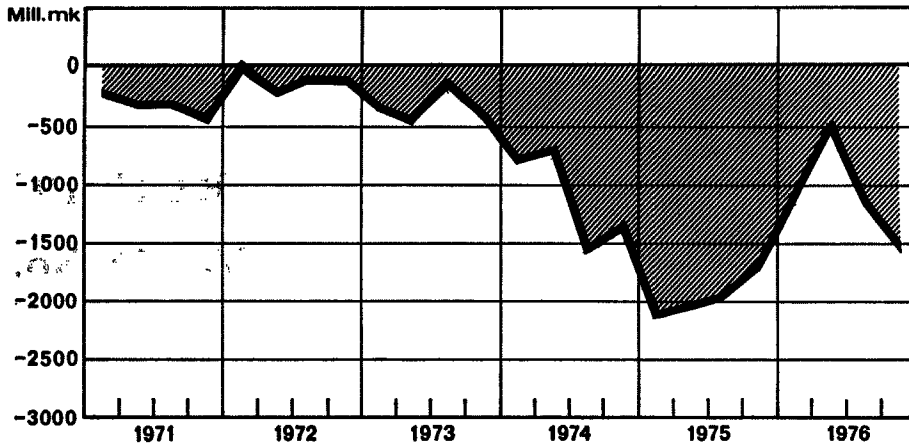
- 1. Gold and convertible currencies
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**BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1972 - 1977**



- 1. Net receivables from the domestic financial sector
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**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1971 - 1976**



Seasonally adjusted quarterly figures

## THE 1977 BUDGET

The economic background during the preparation of the 1977 Budget proposal was still one of no growth of output and a general expectation of further increases in unemployment. On the other hand, balance was being restored to the foreign trade position, and the rate of inflation seemed to be falling. Estimates of international cyclical developments suggested that growth was starting to pick up in the market economy countries, and that the upswing would gain more impetus during 1977. As a result, a stimulus would also be given to Finnish exports and output. In fact, the Government's Budget proposal was based on the assumption that total production would grow by five per cent in 1977, and employment prospects would consequently improve in the second half of the year.

The broad strategy of fiscal policy for 1977 follows on from the economic policy guidelines formulated in March 1975, which were also used as a basis for the 1976 Budget. Those principles also underlay the economic policy programme released in April 1976, which was designed to secure employment and restore balance to the Finnish economy. In the 1977 Budget, this policy is reflected in only modest growth of total state expenditure: above all in tight restraint of state consumption expenditure and real investment expenditure, but also in a more gradual increase in subsidies and financial investments than in previous years.

Budget expenditure totals slightly more than 33 000 million marks, which is 13 per cent more than the ordinary Budget for 1976. However, in 1976 three supplementary budgets were approved, totalling about 3 000 million marks; these were necessitated mainly by employment-promoting measures and by increases in wages and prices which were larger than had been forecast. Additional funds were also needed for the marketing abroad of the surplus agricultural output resulting from two exceptionally good harvests. Accordingly, budgeted expenditure for 1977 is only 2½ per cent larger than total expenditure in 1976.

When the Budget proposal was being prepared, attempts were made to take into account all possible ways of restraining expenditure.

According to the Budget, the growth of consumption expenditure will be kept below two per cent. Restraints on consumption expenditure have been focussed particularly on the employment of civil servants. The number of new vacancies, which has increased during the 1970s by an average of almost two per cent a year, will grow by only half a per cent in 1977. On the other hand, pension expenditure will continue to increase rapidly. Due to particularly severe unemployment amongst young people, further efforts will be taken to expand vocational courses, and particularly vocational training in the Development Regions.

At present, about one third of local authority expenditure is financed through the State Budget. In recent years this category of expenditure has been one of the fastest expanding ones: the current reforms in the school and public health systems have increased local authority expenditure and caused a rise in state aid and contributions. In order to contain the growth of local authority expenditure in 1977, the timing of certain reforms will be revised, although not for the reforms in the school, public health, or social welfare systems. The Government has also proposed a new bill, on the basis of which increases in the number of local authority employees would, in so far as the new jobs were to be subsidised by the central government, be dependent upon the general Budget strategy. In the Budget for 1977, state aid to Local Authorities is 16 per cent higher than that proposed in last year's ordinary Budget.

Income transfers to the household sector will be increased, because pensioners and families with children are to be partially compensated for the higher prices caused by an increase in indirect taxes. Child allowances have been increased by 22 per cent from the beginning of the year, which means that total expenditure on

**STATE BUDGETARY EXPENDITURE BY FUNCTIONAL CATEGORIES, 1975—1976**

	Finance accounts 1975 Mill. mk	Budget 1976	Budget 1977	Change on 1976	
				Mill. mk	Per cent
General administration	1 435	1 517	1 752	+ 235	+15
Courts, police, etc	971	1 119	1 254	+ 134	+12
National defence	1 452	1 555	1 632	+ 76	+ 5
Education, arts and sciences	4 605	5 167	6 068	+ 901	+17
Public health	2 411	2 554	2 688	+ 134	+ 5
Social security	2 937	3 189	4 019	+ 830	+26
Housing and community development	1 849	2 383	2 579	+ 196	+ 8
Employment	587	341	455	+ 114	+33
Agriculture and forestry	3 309	3 211	4 007	+ 796	+25
Transport and communications	3 560	3 897	4 244	+ 347	+ 9
Industry and other economic activities	2 442	1 805	1 672	— 133	— 7
Other expenditure	1 987	2 509	2 752	+ 243	+10
<b>Total</b>	<b>27 546</b>	<b>29 250</b>	<b>33 122</b>	<b>+3 873</b>	<b>+13</b>

these allowances will amount to 1 040 million marks in 1977. In all, income transfers to the household sector will increase by 20 per cent over last year's figures.

In recent years, state subsidies to industries have increased rapidly, mainly due to agricultural export support and the cost guarantee payments made to the heavy metal industry. According to the Closing of the Accounts Statement for 1975, state subsidies totalled 3 800 million marks in that year, and it is estimated that they totalled 4 500 million marks in 1976. In the Budget for 1977, provision for these has been increased by only four per cent. This deceleration in the growth of expenditure is due to the fact that the cost guarantee system will be revised so that it will cause less strain on state finances, and the agricultural sector will be called upon to participate itself in the financing of the marketing of the surplus output of certain agricultural products.

Investment expenditure planned in the Budget totals 5 700 million marks, an increase of only four per cent, implying a reduction in investment in real terms. Appropriations for administrative investments, mainly in land and waterway construction, will decline in nominal terms as well. Similarly, appropriations granted for increases in the share capital of state-owned companies will be reduced. On the other hand, appropriations for housing loans will be increased by eight per cent.

The total of state employment funds and state subsidies and loans intended for investment, 6 000 million marks, is only slightly larger than last year. It has been deemed necessary that the economy's scarce financial resources will be directed primarily towards objects which contribute to the creation of permanent industrial jobs and the restoration of current account balance. In the Budget, a total of 70 million marks is earmarked for the Regional Development Fund Ltd, and it is intended that lending by the Fund will be increased to 300 million marks. In addition, 100 million marks has been budgeted for the promotion of industrial activities in the Development Regions. Employment will also be promoted because of the lending activities of Nordiska Investeringsbanken (The Nordic Investment Bank).

The economy's gross taxation level has risen rapidly in recent years, and the income tax burden on the household sector has grown particularly fast due to inflation and progressive tax scales. In connection with the conclusion of the comprehensive incomes policy agreement in February 1976, the Government promised to make revisions in the 1977 income taxation schedules so as to take account of the price rises which took place during the agreement period. In fact, the revisions made in the 1977 Budget in tax scales and deductions will reduce the overall level of income taxation by

(continued on page 27)

	1976		1977			
	Feb. 27	Dec. 31	Feb. 8	Feb. 15	Feb. 23	Feb. 28
<b>Assets</b>						
Gold and foreign exchange receivables	1 645	1 801	1 759	1 863	1 748	1 862
Gold	121	121	127	127	127	127
Special drawing rights	278	236	236	236	236	236
Convertible currencies	714	1 004	649	761	680	817
Tied currencies	532	440	747	739	705	682
Other foreign receivables	1 390	1 660	1 624	1 620	1 634	1 637
Foreign bills	270	436	384	380	392	394
Foreign bonds	322	397	413	413	415	416
Currency subscription to Finland's quota in the IMF	798	827	827	827	827	827
Receivables from financial institutions	4 639	4 674	5 032	5 127	5 523	5 185
Cheque accounts of the commercial banks	196	174	167	147	137	176
Discounted bills	3 035	2 920	2 665	2 636	2 563	2 604
Bonds	467	332	426	473	524	509
Call money market advances	901	1 204	1 721	1 841	2 274	1 869
Other financial institution receivables	40	44	53	30	25	27
Receivables from the public sector	334	447	440	427	425	426
Bonds	71	67	68	68	68	68
Total coinage	261	279	280	281	281	282
Other public sector receivables	2	101	92	78	76	76
Receivables from corporations	1 031	1 400	1 303	1 299	1 321	1 306
New export bills	126	165	170	171	175	171
Financing of suppliers' credits	426	554	552	555	564	563
Bonds	220	198	197	198	197	195
Other corporate receivables	259	483	384	375	385	377
Other assets	46	53	52	59	61	60
<b>Total</b>	<b>9 085</b>	<b>10 035</b>	<b>10 210</b>	<b>10 395</b>	<b>10 712</b>	<b>10 476</b>
<b>Liabilities</b>						
Foreign exchange liabilities	132	101	79	77	77	77
Convertible accounts	82	50	52	49	50	49
Tied accounts	50	51	27	28	27	28
Other foreign liabilities	1 385	1 923	1 923	1 923	1 923	1 923
IMF mark accounts	1 127	1 665	1 665	1 665	1 665	1 665
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 677	2 885	2 653	2 658	2 632	2 790
Notes	2 447	2 635	2 409	2 414	2 388	2 545
Coins	230	250	244	244	244	245
Deposit certificates in circulation	—	—	—	—	—	—
Claims of financial institutions	714	1 143	1 728	1 862	2 320	1 867
Cheque account of Postipankki	0	2	2	0	0	1
Cheque accounts of the commercial banks	5	2	1	1	1	1
Call money market deposits	708	1 137	1 716	1 856	2 317	1 864
Other financial institution claims	1	2	9	5	2	1
Claims of the public sector	1 380	1 133	980	922	889	873
Cheque accounts	0	2	2	0	0	0
Counter-cyclical reserves	55	59	38	34	34	34
Import deposits	1 309	973	847	795	763	747
Other public sector claims	16	99	93	93	92	92
Claims of corporations	548	308	247	360	277	353
Investment deposits	66	58	53	53	53	53
Capital import deposits	470	242	189	302	219	291
Import levy deposits	8	6	4	4	4	4
Other corporate claims	4	2	1	1	1	5
Other liabilities	33	13	15	14	13	13
Equalization accounts	354	592	635	627	628	624
Capital accounts	1 862	1 937	1 950	1 952	1 953	1 956
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	334	334	436	436	436	436
Undisposed profits	97	—	102	102	102	102
Net earnings	31	203	12	14	15	18
<b>Total</b>	<b>9 085</b>	<b>10 035</b>	<b>10 210</b>	<b>10 395</b>	<b>10 712</b>	<b>10 476</b>

End of year and month	Foreign sector						Public sector			Deposit certificates in circulation	
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1-2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities		Net liabilities (9-8)
	1	2	3	4	5	6	7	8	9	10	11
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—

## 1976

Jan.	1 277	86	1 191	533	1 373	1 385	1 712	335	1 318	983	160
Feb.	1 113	82	1 031	482	1 390	1 385	1 518	334	1 380	1 046	—
March	1 184	157	1 027	378	1 442	1 413	1 434	338	1 465	1 127	—
April	1 393	47	1 346	281	1 449	1 413	1 663	341	1 390	1 049	—
May	1 627	46	1 581	434	1 465	1 922	1 558	352	1 360	1 008	—
June	1 546	48	1 498	392	1 456	1 923	1 423	350	1 320	970	—
July	1 800	62	1 738	507	1 483	1 923	1 805	361	1 227	866	—
Aug.	1 670	123	1 547	620	1 503	1 923	1 747	388	1 263	875	—
Sept.	1 414	142	1 272	355	1 533	1 923	1 237	415	1 188	773	—
Oct.	1 257	134	1 123	304	1 560	1 923	1 064	421	1 130	709	—
Nov.	1 197	123	1 074	529	1 595	1 923	1 275	432	1 215	783	—
Dec.	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—

## 1977

Jan.	1 074	53	1 021	768	1 636	1 923	1 502	440	979	539	—
Feb.	1 180	49	1 131	654	1 637	1 923	1 499	426	873	447	—

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

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1975			Net holdings, Dec. 31, 1976			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Dec.	Jan.-Dec.
Gold	121	—	121	121	—	121	—	—
Special drawing rights	278	—	278	236	—	236	— 15	— 42
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	1 011	—1 759	—748	954	—1 783	—829	+ 76	— 81
Total	1 410	—1 759	—349	1 311	—1 783	—472	+ 61	—123
Non-convertible currencies	368	—1	367	389	—27	362	—152	— 5

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

## 1976

Jan.	3 085	147	543	2	3	2	3 768	973	540	433	2 614
Feb.	3 035	196	1 408	5	0	709	3 925	1 031	548	483	2 677
March	3 035	202	1 421	1	1	843	3 813	1 098	427	671	2 544
April	3 053	193	1 098	1	0	683	3 660	1 126	523	603	2 676
May	3 235	176	1 004	2	0	551	3 862	1 175	488	687	2 775
June	3 358	196	1 111	1	0	685	3 979	1 215	413	802	2 969
July	2 775	164	1 189	3	0	793	3 332	1 284	374	910	2 895
Aug.	2 749	169	926	3	0	531	3 310	1 297	301	996	2 858
Sept.	3 031	185	1 153	2	0	783	3 584	1 342	189	1 153	2 840
Oct.	3 148	164	1 566	3	0	1 005	3 870	1 356	297	1 059	2 882
Nov.	3 036	178	1 401	5	1	785	3 824	1 315	352	963	2 839
Dec.	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885

## 1977

Jan.	2 729	119	2 095	2	0	1 673	3 268	1 308	244	1 064	2 758
Feb.	2 604	176	2 405	1	1	1 865	3 318	1 306	353	953	2 790

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

<sup>2</sup> Including special index accounts.

<sup>3</sup> Including cash reserve accounts.

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

February 22, 1977

New York <sup>1</sup>	1 \$	3.817	Frankfurt o. M.	100 DM	160.10	Vienna	100 S	22.50
Montreal	1 \$	3.700	Amsterdam	100 Fl	153.30	Lisbon	100 Esc	11.73
London	1 £	6.520	Brussels <sup>2</sup>	100 Fr		Madrid	100 Pta	5.54
Stockholm	100 Kr	90.60	Zurich	100 Fr	151.90	Tokyo	100 Y	1.350
Oslo	100 Kr	72.70	Paris	100 FF	76.60	Reykjavik	100 Kr	2.01
Copenhagen	100 Kr	64.90	Rome	100 Lit	0.436	Moscow <sup>3</sup>	1 Rbl	5.089

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

<sup>2</sup> 10.420 commercial rate; 10.420 financial rate.

<sup>3</sup> Clearing account; also Bucharest.

# DEPOSITS BY THE PUBLIC

Mill. mk

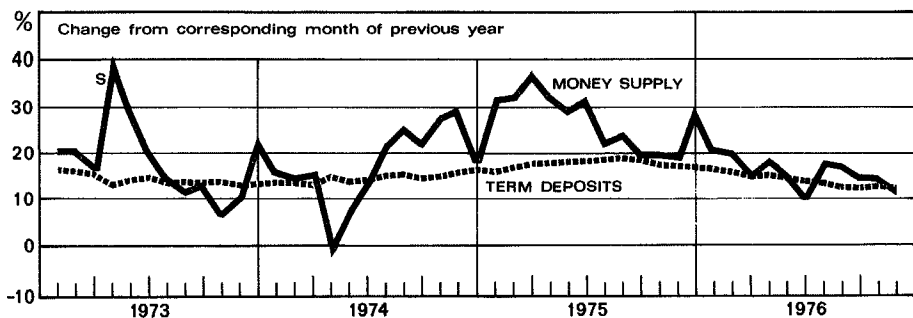
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
1	2	3	4	5	6	7	8	9	10	
1970	1 143	1 508	603	6 099	4 847	3 458	1 288	574	16 266	18 377
1971	1 343	1 734	754	6 962	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 806	720	21 353	24 703
1973	2 144	2 892	1 360	8 989	7 109	5 237	2 159	805	24 299	28 551
1974	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487
1975	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260
1976*	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

## 1975

Nov.	2 659	3 649	1 652	11 234	9 331	7 262	2 985	1 057	31 869	37 170
Dec.	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260

## 1976\*

Jan.	3 270	4 296	2 038	11 872	9 867	7 670	3 229	1 118	33 756	40 090
Feb.	2 855	4 188	2 258	11 929	10 033	7 779	3 263	1 132	34 136	40 582
March	3 007	4 336	2 032	11 837	10 032	7 751	3 224	1 139	33 983	40 351
April	3 040	4 120	2 155	11 894	10 080	7 819	3 270	1 148	34 211	40 486
May	2 843	4 021	2 048	11 972	10 174	7 870	3 292	1 161	34 469	40 538
June	3 004	4 222	1 865	11 963	10 279	7 971	3 332	1 167	34 712	40 799
July	2 985	4 176	1 951	11 966	10 389	8 064	3 390	1 184	34 993	41 120
Aug.	3 102	4 375	1 968	11 988	10 531	8 216	3 423	1 194	35 352	41 695
Sept.	2 856	4 094	1 935	11 896	10 545	8 286	3 426	1 213	35 366	41 395
Oct.	2 715	3 930	1 948	11 986	10 599	8 341	3 465	1 231	35 622	41 500
Nov.	2 933	4 170	1 913	12 031	10 769	8 477	3 480	1 248	36 005	42 088
Dec.	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028





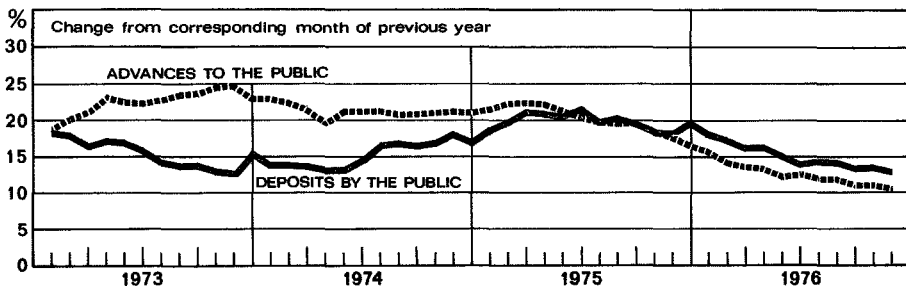
# ADVANCES TO THE PUBLIC—MONEY SUPPLY

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		
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 115
1974	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283
1975	17 773	9 108	7 798	5 488	4 129	43 002	1 294	44 296	9 450
1976*	19 090	10 616	9 256	6 012	4 582	..	..	49 556	..

1975									
Nov.	17 851	9 000	7 662	5 421	4 046	42 577	1 403	43 980	7 643
Dec.	17 773	9 108	7 798	5 488	4 129	43 002	1 294	44 296	9 450

1976*									
Jan.	17 769	9 263	7 882	5 586	4 222	43 456	1 266	44 722	8 621
Feb.	17 868	9 333	7 939	5 605	4 226	43 653	1 318	44 971	8 771
March	17 902	9 453	8 009	5 688	4 245	43 913	1 384	45 297	8 582
April	18 049	9 576	8 079	5 691	4 258	44 192	1 461	45 653	8 607
May	18 138	9 647	8 178	5 697	4 378	44 605	1 433	46 038	8 488
June	18 396	9 728	8 279	5 779	4 409	45 121	1 470	46 591	8 652
July	18 212	9 831	8 376	5 844	4 479	45 365	1 377	46 742	8 665
Aug.	18 309	9 965	8 505	5 885	4 507	45 652	1 519	47 171	8 830
Sept.	18 453	10 148	8 683	5 937	4 470	46 092	1 599	47 691	8 504
Oct.	18 658	10 279	8 855	5 939	4 475	46 617	1 589	48 206	8 422
Nov.	18 791	10 418	9 000	6 046	4 494	47 168	1 581	48 749	8 565
Dec.	19 090	10 616	9 256	6 012	4 582	..	..	49 556	..



# STATE FINANCES

Mill. mk

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1975	1976		1975	1976
Income and property tax (net)	8 530	10 638	Wages, salaries, pensions etc.	3 965	4 735
Gross receipts	(17 890)	(21 946)	Repair and maintenance	582	643
Refunds & local authorities	(-9 360)	(-11 308)	Other consumption expenditure	1 822	2 123
Other taxes on income and property	174	218	<b>Total consumption expenditure</b>	<b>6 369</b>	<b>7 501</b>
Employers' child allowance payments	774	1 019	State aid to local authorities	4 297	5 410
Sales tax	5 316	5 736	State aid to industries	3 886	4 083
Revenue from Alcohol Monopoly	1 282	1 484	of which: agric. price subsidies	(1 924)	(2 295)
Customs duties & import charge	546	524	Child allowances	635	775
Counter-cyclical tax	—	—	Share in national pensions and health insurance	208	244
Excise duty on tobacco	533	771	Other transfer expenditure	2 475	3 088
»  »  on liquid fuel	1 071	1 398	<b>Total transfer expenditure</b>	<b>11 501</b>	<b>13 600</b>
Other excise duties	572	840	Machinery and equipment	926	1 015
Tax on autom. and motor cycles	685	749	House construction	507	522
Stamp duties	445	566	Land and waterway construction	1 277	1 416
Special diesel etc. vehicles tax	61	70	<b>Total real investment</b>	<b>2 710</b>	<b>2 953</b>
Other taxes and similar revenue <sup>1</sup>	518	755	Interest on State debt	165	199
<b>Total taxes</b>	<b>20 507</b>	<b>24 768</b>	Index compensations	39	33
Miscellaneous revenue	2 065	1 556	Net deficit of State enterprises	377	202
Interest, dividends etc.	473	489	Other expenditure	41	42
Sales and depreciation of property	10	4	<b>Total other expenditure</b>	<b>622</b>	<b>476</b>
Redemptions of loans granted	234	366	Increase in inventories	+244	+63
<b>Total revenue</b>	<b>23 289</b>	<b>27 183</b>	Lending	2 168	2 645
Foreign borrowing	151	590	Other financial investment	550	550
Domestic borrowing	447	740	<b>Total expenditure</b>	<b>24 164</b>	<b>27 788</b>
<b>Total borrowing</b>	<b>598</b>	<b>1 330</b>	Redemption of foreign loans	131	132
<b>Deficit (+) or surplus (—)</b>	<b>(+708)</b>	<b>(—358)</b>	Redemption of domestic loans	300	235
			<b>Total redemptions</b>	<b>431</b>	<b>367</b>
<b>Total</b>	<b>24 595</b>	<b>28 155</b>	<b>Total</b>	<b>24 595</b>	<b>28 155</b>

<sup>1</sup> Including supplementary turnover tax and import-equalization tax from June 1971.

State debt	1973	1974	1975	1976		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
<b>Foreign debt</b>	<b>1 395</b>	<b>1 152</b>	<b>1 603</b>	<b>2 157</b>	<b>2 144</b>	<b>2 152</b>
Loans	1 758	1 528	1 645	2 016	2 058	2 117
Compensatory obligations	1	1	1	1	1	1
Short-term credit	39	37	85	82	83	187
Cash debt (net)	—468	—571	—242	—555	—365	—609
<b>Domestic debt</b>	<b>1 330</b>	<b>995</b>	<b>1 489</b>	<b>1 544</b>	<b>1 777</b>	<b>1 696</b>
<b>Total State debt</b>	<b>2 725</b>	<b>2 147</b>	<b>3 092</b>	<b>3 701</b>	<b>3 921</b>	<b>3 848</b>
Total debt, mill \$	710	590	798	952	1 015	1 000

# FOREIGN TRADE

Mill. mk

Value m.ill. mk

Period	Value m.ill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976*	24 505	28 560	-4 055

1975			
Dec.	2 371	2 545	- 174

1976*			
Jan.	1 564	2 131	- 567
Feb.	1 478	1 949	- 471
March	1 967	2 249	- 282
April	1 452	1 851	- 399
May	2 212	1 956	+ 256
June	2 232	2 441	- 209
July	2 256	2 543	- 287
Aug.	1 758	2 357	- 599
Sept.	2 119	2 632	- 513
Oct.	2 394	2 361	+ 33
Nov.	2 463	2 783	+ 320
Dec.	2 610	3 307	- 697

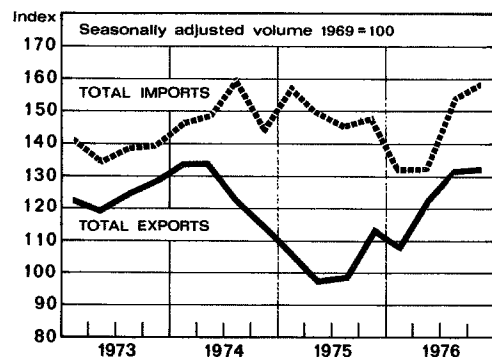
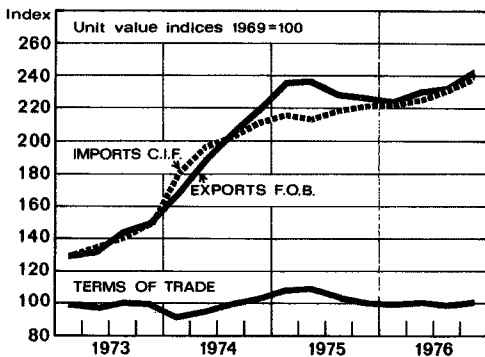
Indices of exports and  
imports 1969 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1971	103	119	115	
1972	118	124	123	125	98
1973	127	141	138	139	99
1974	126	151	196	200	98
1975	105	151	232	218	106
1976*	126	148	234	228	103

1974					
Jan.-Mar.	131	146	169	184	92
Apr.-June	131	147	190	199	95
July-Sept.	119	158	206	204	101
Oct.-Dec.	125	152	221	213	104

1975					
Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110
July-Sept.	94	143	230	220	105
Oct.-Dec.	124	153	228	223	102

1976*					
Jan.-Mar.	106	134	226	224	101
Apr.-June	122	130	231	226	102
July-Sept.	125	152	234	233	100
Oct.-Dec.	147	165	244	240	102



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

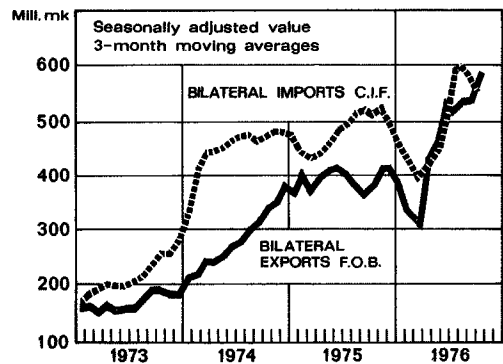
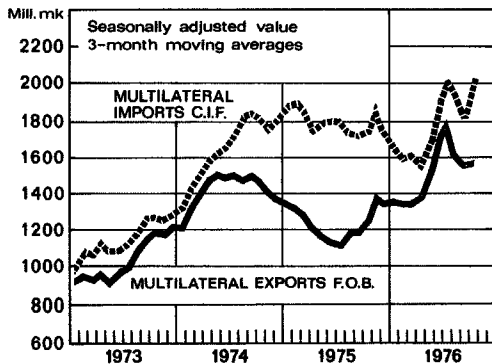
Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976*	804	2 892	7 860	6 891	6 058	17 828	1 581	4 972	4 102	77

1975

Dec.	82	234	659	877	519	1 511	140	565	323	6
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1976\*

Jan.	114	190	477	436	347	1 190	133	495	312	1
Feb.	14	196	592	287	389	1 211	114	327	291	6
March	125	214	780	338	510	1 339	91	461	353	5
April	19	140	397	475	421	1 034	66	433	318	0
May	78	158	601	837	538	1 236	106	291	316	7
June	38	302	804	529	559	1 604	100	390	347	0
July	29	320	693	739	475	1 725	164	342	307	5
Aug.	42	257	645	324	490	1 483	163	381	308	22
Sept.	47	276	665	554	577	1 564	166	515	386	1
Oct.	71	255	741	749	578	1 448	177	380	346	10
Nov.	66	273	724	826	574	1 849	157	371	397	9
Dec.	161	311	741	797	600	2 145	144	586	421	11



## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—December				January—December			
	1975*		1976*		1975*		1976*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	63.9	12 933	63.9	15 664	65.5	18 330	64.2	18 328
Austria	0.9	171	0.7	170	1.3	367	1.5	420
Belgium-Luxembourg	1.4	286	1.7	418	1.8	494	1.8	508
Denmark	3.5	713	3.8	938	3.2	904	3.0	861
France	3.6	725	3.5	867	3.9	1 099	2.8	785
Federal Republic of Germany	8.6	1 740	9.8	2 408	15.8	4 414	16.0	4 567
Italy	1.3	267	1.6	386	2.0	558	1.8	527
Netherlands	2.6	526	3.0	741	2.9	817	3.0	863
Norway	4.4	897	3.4	832	2.7	740	3.0	867
Portugal	0.6	112	0.3	71	0.4	120	0.3	86
Spain	1.1	227	1.0	242	1.0	282	1.3	364
Sweden	18.2	3 687	17.7	4 350	18.2	5 105	18.2	5 205
Switzerland	1.5	307	1.7	405	3.2	887	3.2	923
United Kingdom	14.7	2 967	14.3	3 493	8.9	2 497	8.0	2 277
Other	1.5	308	1.4	343	0.2	46	0.3	75
<b>OECD countries outside Europe</b>	4.8	975	4.9	1 201	9.7	2 713	9.7	2 761
Canada	0.5	106	0.6	144	0.5	134	0.4	117
Japan	0.5	100	0.7	165	1.6	453	1.6	445
United States	3.1	634	2.7	659	7.6	2 114	7.7	2 187
Other	0.7	135	0.9	233	0.0	12	0.0	12
<b>CMEA countries</b>	23.5	4 752	23.3	5 722	21.3	5 970	21.5	6 144
Czechoslovakia	0.5	107	0.5	134	0.4	114	0.5	136
Democratic Republic of Germany	0.7	149	0.8	205	0.7	202	0.5	137
Poland	1.3	252	1.1	269	2.2	617	1.6	479
Soviet Union	20.1	4 069	20.0	4 904	16.9	4 737	18.0	5 136
Other	0.9	175	0.9	210	1.1	300	0.9	256
<b>Latin America</b>	2.0	418	2.3	552	1.1	317	2.1	599
Argentina	0.7	136	0.2	47	0.0	14	0.0	14
Brazil	0.5	109	0.5	121	0.2	62	0.6	177
Colombia	0.0	13	0.1	21	0.4	113	0.6	163
Other	0.8	160	1.5	363	0.5	128	0.9	245
<b>Other</b>	5.8	1 169	5.6	1 366	2.4	672	2.5	728
<b>GRAND TOTAL</b>	100.0	20 247	100.0	24 505	100.0	28 002	100.0	28 560
of which								
<b>EFTA countries</b>	25.7	5 208	23.9	5 860	25.8	7 233	20.1	5 731
<b>EEC countries</b>	36.3	7 348	38.3	9 378	38.6	10 800	36.5	10 419
<b>OECD countries</b>	68.7	13 908	68.8	16 865	76.2	21 343	73.9	21 089

# 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
1973	14 525	16 560	-2 035	+ 996	+340	+ 29	- 670	- 753	-57	-1 480
1974 <sup>r</sup>	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974

## 1973

Jan.-March	3 282	3 868	- 586	+260	- 5	+28	-303	-139	-14	-456
Apr.-June	3 182	3 843	- 661	+218	+ 48	+16	-379	-190	-22	-591
July-Sept.	3 656	4 084	- 428	+271	+240	+10	+ 93	-173	- 9	- 89
Oct.-Dec.	4 405	4 765	- 360	+247	+ 57	-25	- 81	-251	-12	-344

## 1974

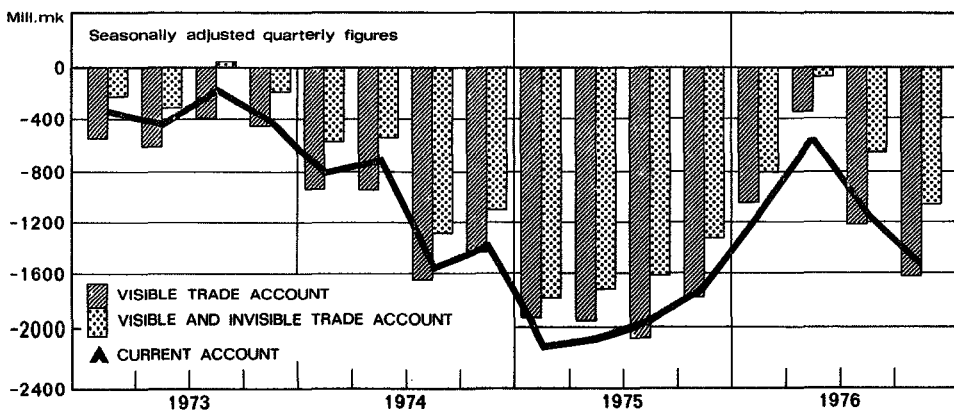
Jan.-March	4 589	5 683	-1 094	+338	+ 10	+ 5	- 741	-233	-25	- 999
Apr.-June	5 159	6 198	-1 039	+282	+ 74	+47	- 636	-239	-11	- 886
July-Sept.	5 104	6 838	-1 734	+251	+243	-36	-1 276	-243	- 4	-1 523
Oct.-Dec.	5 753	6 879	-1 126	+204	- 1	+89	- 834	-291	-29	-1 154

## 1975\*

Jan.-March	5 127	7 369	-2 242	+291	- 43	- 44	-2 038	-316	-58	-2 412
Apr.-June	4 695	6 689	-1 994	+221	+ 12	- 2	-1 763	-383	-14	-2 160
July-Sept.	4 498	6 647	-2 149	+237	+143	+ 58	-1 711	-309	- 6	-2 026
Oct.-Dec.	5 861	7 234	-1 373	+235	- 7	+205	- 940	-406	-30	-1 376

## 1976\*

Jan.-March	4 989	6 357	-1 368	+276	- 53	+ 51	-1 094	-349	-24	-1 467
Apr.-June	5 833	6 241	- 408	+295	- 5	+ 15	- 103	-484	-37	- 624
July-Sept.	6 113	7 481	-1 368	+322	+112	+115	- 819	-436	-17	-1 272

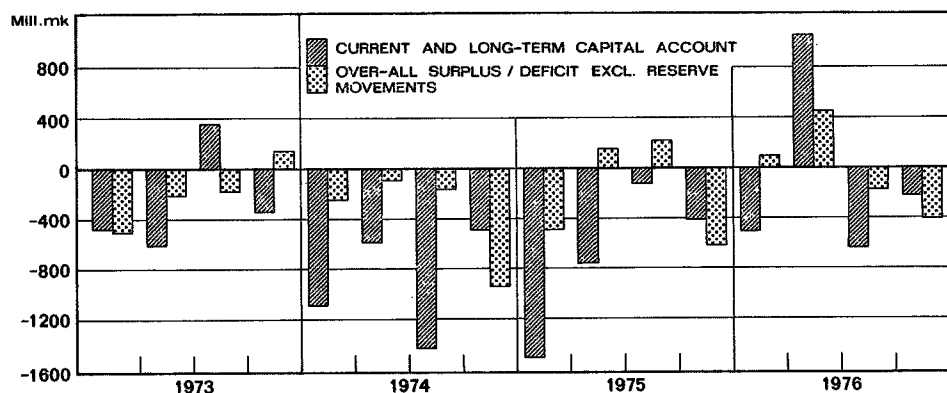


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, 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
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	- 8	+ 538	- 784	+491	+293
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+736
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+638	+1 449	+ 8	- 747	-444	+1 191
+364	-396	+35	-24	- 21	-477	+ 21	- 98	+ 47	-507	+353	+154
+309	-265	-48	- 9	- 13	-604	+ 95	+191	+ 91	-227	+301	- 74
+774	-370	+59	-15	+448	+359	-403	-322	+180	-186	+ 66	+120
+411	-335	-12	-66	- 2	-346	+ 41	+221	+220	+136	-229	+ 93
+481	-522	- 24	-26	- 91	-1 090	+288	+124	+409	-269	+138	+131
+758	-362	-114	+13	+295	- 591	+349	+ 58	+ 88	- 96	- 99	+195
+549	-379	- 61	-25	+ 84	-1 439	+502	+312	+462	-163	+202	- 39
+942	-274	- 24	+15	+659	- 495	-209	-157	- 86	-947	+498	+449
+1 206	-310	- 24	+11	+ 883	-1 529	+309	+758	- 15	-477	- 32	+509
+1 870	-433	- 48	+ 9	+1 398	- 762	-139	+758	+300	+157	-668	+511
+2 121	-287	- 3	+57	+1 888	- 138	+130	- 34	+247	+205	+ 91	-296
+1 532	-415	-139	-15	+ 963	- 413	+338	- 33	-524	-632	+165	+467
+1 404	-374	+ 2	-79	+ 953	- 514	-579	+119	+1072	+ 98	+373	-471
+2 096	-394	-115	+83	+1 670	+1 046	-158	+120	-550	+458	-485	+ 27
+1 239	-568	- 20	-25	+ 626	- 646	+520	+ 41	- 88	-173	+263	- 90

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

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

<sup>2</sup> Including Allocations of special drawing rights 68 million in 1970, 85 million in 1971 and 85 million in 1972.



# PRICE INDICES

## Wholesale prices 1949 = 100

Building costs  
1973 = 100<sup>1</sup>

Period	Wholesale prices 1949 = 100									Building costs 1973 = 100 <sup>1</sup>		
	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			
1974	495	498	482	523	536	448	555	495	459	125	114	130
1975	562	575	513	570	637	532	629	536	539	139	131	142
1976	626	646	548	614	707	621	679	594	614	152	142	154
1976												
March	605	624	532	589	691	604	656	572	597	146	136	147
April	610	630	535	597	696	606	669	575	598	146	137	148
May	610	629	537	598	696	604	666	576	598	149	146	149
June	611	629	539	599	698	605	669	576	599	150	146	150
July	628	648	554	610	706	633	686	596	615	151	146	153
Aug.	641	662	560	627	709	642	697	611	627	154	146	155
Sept.	648	670	565	640	721	640	700	623	633	157	146	160
Oct.	650	671	567	642	726	640	699	624	637	158	146	161
Nov.	656	678	570	646	727	651	706	627	645	159	146	163
Dec.	659	681	573	647	738	654	710	627	649	160	146	164
1977												
Jan.	669	692	584	653	770	665	710	629	672	165	149	169

<sup>1</sup> New series.

## Consumer prices 1972 = 100

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.—Dec. 1957 = 100	Consumer prices 1972 = 100									
			Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1974	333	261	129	130	109	128	144	161	129	128	118	127
1975	392	308	153	157	135	150	162	184	150	145	144	156
1976	449	352	174	182	164	166	171	200	164	174	162	185
1976												
March	436	343	170	174	161	163	169	191	161	170	157	182
April	440	345	171	176	161	164	169	192	161	171	160	182
May	441	346	171	176	161	164	169	201	161	172	160	182
June	442	347	172	176	161	164	171	201	161	172	161	182
July	450	353	175	185	168	161	171	202	162	175	161	186
Aug.	456	358	177	191	168	163	171	202	165	176	161	187
Sept.	460	361	179	193	169	168	171	202	166	177	162	190
Oct.	465	365	181	192	168	173	174	208	167	178	167	194
Nov.	468	367	182	194	168	173	174	209	170	180	169	194
Dec.	469	368	182	195	168	173	174	209	170	181	171	195
1977												
Jan.	476	374	185	196	174	173	174	210	174	185	179	198



# WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
1975	508	383	389	313	312	307	362	300	384	347
1976*	597	441	427	360	361	353	417	346	441	399

1975										
Jan.-March	467	354	362	281	280	277	330	269	351	315
Apr.-June	500	392	395	316	315	310	371	304	393	354
July-Sept.	514	390	395	319	322	311	374	308	396	358
Oct.-Dec.	559	399	405	335	334	332	380	318	404	366

1976*										
Jan. March	584	416	411	351	349	347	396	337	417	382
Apr.-June	591	448	427	362	364	355	422	348	448	404
July-Sept.	600	447	434	362	365	355	425	349	451	406
Oct.-Dec.	608	453	437	363	365	356	427	351	453	408

# PRODUCTION

Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1974	160	197	90	96	168	103	163	179	158	159	165
1975*	160	189	97	83	170	105	158	188	166	168	172
1976*	161	193	105	77	145	103	159	188	173	174	177

1975*											
Jan.-March	161	200	52	119	163	106	157	185	163	166	171
Apr.-June	161	193	81	100	161	108	162	185	165	167	173
July-Sept.	157	164	179	48	178	103	155	185	166	168	171
Oct.-Dec.	162	200	77	64	180	103	158	198	170	171	174

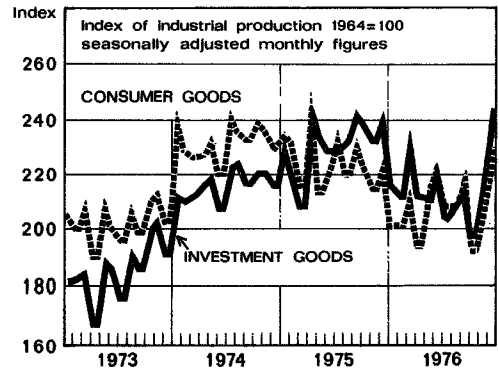
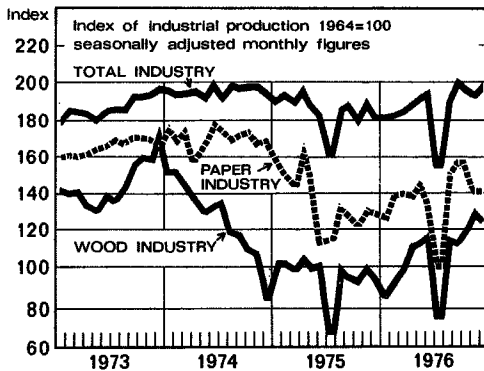
1976*											
Jan.-March	156	199	64	84	115	104	149	182	171	172	175
Apr.-June	161	193	95	91	149	106	159	185	172	173	177
July-Sept.	161	170	186	55	155	101	162	187	173	175	176
Oct.-Dec.	166	208	77	76	160	101	168	201	177	177	178

# PRODUCTION<sup>1</sup>

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975*	121	151	111	132	112	81	99	136	123	145	120
1976*	124	144	121	123	118	94	102	120	114	142	123
1975*											
June	109	148	96	125	111	84	68	120	118	139	116
July	74	65	70	84	112	33	82	95	76	64	108
Aug.	117	144	108	131	111	70	100	133	123	135	121
Sept.	125	163	112	139	119	83	92	137	126	155	120
Oct.	132	175	118	150	133	84	96	140	136	165	117
Nov.	127	165	116	136	120	81	101	139	130	156	123
Dec.	116	147	107	126	98	73	88	134	110	139	116
1976*											
Jan.	123	155	120	119	108	70	97	129	102	149	119
Feb.	122	143	121	117	106	81	108	132	104	139	119
March	138	169	135	132	103	104	115	134	115	164	120
April	123	155	119	119	103	107	84	133	99	150	123
May	133	152	130	132	128	115	115	130	120	150	126
June	118	150	110	127	132	103	74	91	120	147	121
July	68	57	68	74	114	37	71	74	61	56	100
Aug.	123	133	120	126	124	85	113	116	118	133	123
Sept.	135	151	133	135	129	101	116	136	139	155	131
Oct.	136	151	135	132	126	102	121	119	133	153	128
Nov.	137	160	135	133	129	117	109	106	133	159	126
Dec.	132	152	130	130	112	104	97	143	120	154	129

<sup>1</sup> Revised figures.



## LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force. 1 000 persons	Employed 1 000 persons	Un-employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975	3 513	2 272	2 221	51	2.2	29 133	118	119
1976*	3 530	2 244	2 158	86	3.8	27 305	..	..

1976*								
Jan.	3 523	2 198	2 107	91	4.1	1 684	97	106
Feb.	3 525	2 190	2 100	90	4.1	2 332	92	104
March	3 527	2 187	2 102	85	3.9	3 269	104	124
April	3 529	2 195	2 105	90	4.1	3 217	110	113
May	3 531	2 224	2 151	73	3.3	2 735	111	116
June	3 533	2 396	2 320	76	3.2	1 821	114	124
July <sup>1</sup>	3 532	2 416	2 317	99	4.1	1 047	114	106
Aug.	3 531	2 352	2 253	99	4.2	1 155	106	121
Sept.	3 533	2 215	2 144	71	3.2	1 839	109	133
Oct.	3 532	2 183	2 111	72	3.3	2 293	111	125
Nov.	3 534	2 183	2 099	84	3.8	2 787	102	125
Dec.	3 535	2 186	2 085	101	4.6	3 126	..	..

<sup>1</sup> Revised figures since July 1976.

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1973	54.96	24.68	3.82	20.66	2.81	40.20	18.81	2.91	13.63	2.82	51.42
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975*	51.42	19.65	3.79	21.62	3.39	47.59	20.49	2.76	18.34	3.93	53.73

1975*											
Apr.-June	15.90	7.46	1.67	5.00	0.51	10.49	5.18	0.36	3.73	0.74	54.44
July-Sept.	12.21	4.84	0.79	4.72	1.13	11.97	4.70	0.92	4.17	1.27	56.38
Oct.-Dec.	10.71	4.04	0.59	4.36	1.00	13.86	5.97	1.02	5.50	0.77	53.73

1976*											
Jan.-March	8.52	3.04	0.73	3.29	0.86	8.04	3.55	0.52	3.25	0.42	49.19
Apr.-June	14.00	7.39	1.80	2.81	0.55	9.59	3.60	0.35	4.45	0.78	51.30
July-Sept.	12.42	5.43	0.71	4.44	0.97	8.89	3.59	0.97	2.95	0.67	54.82

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

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

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

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

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

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

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

Liabilities = Cheque accounts + Counter-cyclical reserves + Import deposits + Other public sector liabilities.

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

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

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

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

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

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

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

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

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

## STATE FINANCES

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

## FOREIGN TRADE

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

## BALANCE OF PAYMENTS

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

## PRICE INDICES

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

## WAGES — PRODUCTION

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

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

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

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

## SYMBOLS USED

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

# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1975 is as follows: Social Democrats 54, People's Democrats 40, Centre Party 39, Conservatives 35, Swedish Party 10, Liberal Party 9, Christian League 9, Finnish Farmers Party 2, Finnish People's Unification Party 1 and Finnish People's Constitutional Party 1.

## 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 (1975): 4.7 million. Sweden 8.2, Switzerland 6.4, Denmark 5.1 and Norway 4.0 million.

DENSITY OF POPULATION (1975): In South Finland 46.1, in East and Central Finland 13.3, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1975): 41 % of the population inhabit the rural areas, 59 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 496 872 inhabitants, Tampere (Tammerfors) 165 928, Turku (Åbo) 163 981.

EMPLOYMENT (1975): Agriculture and forestry 15 %, industry and construction 36 %, commerce 16 %, transport and communications 7 %, services 26 %.

LANGUAGE (1974): Finnish speaking 93.3 %, Swedish speaking 6.5 %, others 0.2 %.

EDUCATION (1976): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1975): births 14.1 ‰, deaths 9.4 ‰, change + 3.8 ‰, net emigration 0.9 ‰. Deaths in France 10.4 ‰ and Great Britain 11.9 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1975, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 5 625 (6 %), forestry and fishing 5 025 (6 %), manufacturing 28 290 (32 %),

construction 9 310 (10 %), transport and communication 8 841 (10 %), commerce, banking and insurance 11 964 (13 %), public administration 4 313 (5 %), ownership of dwellings 3 299 (4 %), services 13 035 (14 %), total 89 702. Index of real domestic product 159 (1964 = 100).

FOREST RESOURCES (1975): The growing stock comprised of 1 513 million m<sup>3</sup> (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, 656 million m<sup>3</sup> was up to the standard required for logs, 55 % of these being pine. The annual growth was 57.5 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 40.1 million m<sup>3</sup>.

AGRICULTURE (1974): Cultivated land 2.6 million hectares. Number of holdings 258 600, of which 172 400 are of more than 5 ha. Measure of self-sufficiency in bread cereals 116 % in the crop year 1974/75.

INDUSTRY (1973): Gross value of industrial production 54 650 mill. marks, number of workers 417 884, salaried employees 119 436, motive power (1973) 6.0 mill. kW. Index of industrial production 122 for 1973 (1970 = 100).

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

MERCHANT FLEET (Dec. 31, 1976): Steamers 23 (10 300 gross reg. tons), motor vessels 363 (977 800 gross reg. tons), tankers 56 (1 102 400 gross reg. tons). Total 442 (2 090 500 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1975): Passenger cars 996 300 lorries and vans 128 400, buses 8 600, others 6 600. Total 1 139 900

FINNISH AIRLINES (Feb. 10, 1976): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 10 Super Caravelles, 9 DC-9s, 3 DC-9-51s, 2 DC-10-30 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, 1976). There are two big and five small commercial banks with in all 856 offices, 280 savings banks 380 co-operative banks, six mortgage banks, Posti-pankki and five development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-nine private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1975). 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 %; 36 month deposits 9 % + savings premium; 36 month deposits 8 ¼ % + tax concession and sight deposits 1 ½ %; highest lending rate 12 ¼ %.

# FINNISH FOREST INDUSTRIES: AN OVERVIEW

by Heikki Pärnänen, Director

Central Association of Finnish Forest  
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## THE ROLE OF FOREST INDUSTRIES IN THE FINNISH ECONOMY

The forest industries, based on domestic raw materials, have been — and still are — the backbone of Finland's economy and foreign trade. At present about 80 per cent of forest industry output is sold on foreign markets, and these exports make up about half of the nation's total commodity exports. In the immediate postwar years, forest industry products still made up as much as 90 per cent of the total value of Finnish exports, but since then the structure of exports has become more diversified.

The foreign exchange earnings from forest industry exports are particularly important to Finland because the industry requires only a fairly small amount of imported inputs, equivalent to some 10 to 15 per cent of its output value. Accordingly, the net balance-of-payments impact of the forest industries is more beneficial than that of most other industries.

The forest industries account for about one fifth of total manufacturing industry value added. In recent years, the forest industries' contribution to gross domestic product has varied between five and eight per cent. The woodprocessing industries employ nearly 100 000 persons, almost one fifth of all industrial employment and over four per cent of the country's total labour force. In addition, the collection and transportation of raw wood, the movement of finished products by land and by sea, the demand for machinery and equipment, building projects and investment plus other necessary services all involve the employment of a substantial quantity of labour in other

sectors of the economy. Indirectly, then, the impact of the forest industries is felt all over the Finnish economy.

On the whole, forest industry plants have been sited along waterways, location having been determined by the availability of raw materials and power supplies. Forest industry enterprises have thus not been attracted to existing population centres; on the contrary, the towns have developed around the factories.

## OUTPUT DEVELOPMENTS

In 1959—1974 the Finnish forest industries' output volume more than doubled, implying an average annual growth of about six per cent. The output of the wood industry grew on average by 4.7 per cent a year and that of the paper industry by 7.2 per cent, almost equalling the growth rate of total industrial production. In general, the more highly-processed was the product, the more rapid the growth of output.

**TABLE 1. THE VOLUME OF FOREST INDUSTRY  
OUTPUT IN 1960—1975, BY TYPE OF PRODUCT<sup>1</sup>**

	1960	1970	1973	1975
	1 000 cubic metres			
Sawn wood	7 737	7 310	8 140	5 020
Plywood	413	706	730	415
Chipboard	86	380	887	693
Wallboard	191	241	264	148
Pulp and woodpulp	3 515	6 222	6 678	5 174
Paper and paperboard	1 970	4 258	5 446	3 994

<sup>1</sup> Marketing difficulties due to the international recession caused output in 1974 and 1975 to be lower than that in 1973; in 1976 it was lower still.

Of chemical forest industry products, the output of primary fibres (i.e. pulp and woodpulp) has increased since 1960 at about the same rate as

total forest industry output. On the other hand, further-processing of pulp, i.e. the output of paper and paperboard, has grown more rapidly.

The expansion of pulp output since the beginning of the 1960s has been almost entirely attributable to increased production of sulphate pulp. While the raw material used in the manufacture of sulphite pulp is mainly spruce, that used for manufacturing sulphate pulp is pine, and birch, aspen, and wastewood from the sawmill and plywood industries can also be used as raw materials. The shift towards sulphate pulp production has taken place because it involves lower production costs and less water pollution than does sulphite pulp production.

Besides, this structural change has also been affected by demand factors in export markets. At present, the output of sulphite pulp is at about the same level as in 1960. The share of more highly-processed, bleached qualities has increased in both sulphate and sulphite pulp production.

In the paper and paperboard industry, the raw materials used are mechanical, semi-chemical and chemical woodpulp, and waste paper. In addition, different kinds of fillers and coatings, such as clay and talc are used. Printing and writing papers are the most important product group, accounting for about 45 per cent of total paper output; newsprint accounts for about 30 per cent and kraft paper for just over 10 per cent. A large number of other types of paper are manufactured, such as greaseproof paper, wrapping papers, various types of household paper, condenser tissues, carbon paper, cigarette paper, and so on.

Between 1960 and 1974, paper output increased by 170 per cent. Production of printing and writing papers grew most rapidly showing a seven-fold increase. This growth was generated partly through the installation of new machinery, but largely as a result of product up-grading and the conversion of old newsprint plant.

The output of paperboard tripled in the period 1960—1974. This growth centred mainly on the manufacture of kraft-liner, bleached sulphate board, fluting, and folding boxboard. The products of the paperboard industry are used for two main purposes: kraft-liner and semi-chemical fluting are made into containerboards; folding boxboard and solid bleached boards are used in the production of cartons. However, the growth of output of these basic materials has been outstripped by the growth of the paper and board converting industry. The product range of this industry is very large, including products like sacks, consumer packages, household papers, wrappings, stationery etc.

The sawmill industry is the largest of the mechanical forest industries. At present there are some 400 regularly exporting sawmills in Finland, which together produce some 80 to 90 per cent of Finland's total output of sawn goods. There are thousands of small sawmills, which work more intermittently, and serve mainly local consumers. Sawmill industry output has grown slowly. An increase of 30 per cent during the 1950s to a peak in 1960 was followed by a gradual decline, until the later years of the decade, when output recovered, to peak once again in 1973. Raw material handling methods, processing techniques, quality grading, and methods of delivery have developed substantially in the sawmill industry during the past fifteen years.

Between 1960 and 1974, the output of the plywood industry almost doubled, and its products are mostly used by the construction industry. The main products of the plywood industry are birch plywood, different mixed birch and spruce plywoods, coated plywoods, blockboards, and laminated boards. Chipboard is the newest product of the woodboard industry; the rapid growth in demand for it has been mainly based on increased use in construction and in the furniture industry. The manufacture of chipboard, which at the beginning of the 1960s was still in its infancy, has since undergone a ten-fold expansion. The output of wallboards grew by one third between 1960 and 1974.

**TABLE 2. FOREST INDUSTRIES' VALUE ADDED:  
PERCENTAGE BREAKDOWN**

	1960	1970	1973	1975
Sawn wood	25.2	15.6	20.5	9.8
Plywood	8.8	8.5	9.3	3.5
Chipboard	0.7	1.5	2.8	1.0
Wallboard	2.1	1.9	1.3	1.0
Other wood industry products	2.3	2.2	7.1	7.7
Woodpulp	3.1	1.8	1.5	1.7
Pulp	25.0	30.2	16.6	24.1
Paper and paperboard	26.0	30.8	31.7	38.4
Processed paper and paperboard products	6.8	7.5	9.2	12.8
Total	100.0	100.0	100.0	100.0

## EXPORTS

Since foreign markets take the major part of forest industry output, the growth rate of exports has been about the same as that of total output. In 1960 processed wood products accounted for 68.8 per cent of all the country's exports. Since then, this share has declined because other exports have expanded relatively faster, and the share in 1974 was 51.9 per cent. Due to marketing difficulties, the forest industries' contribution to total exports in 1975 was exceptionally small, 44.5 per cent. Pulp and paper industry products accounted for 42.3 per cent of the total value of Finnish exports in 1960 and for 34.9 per cent in 1975; the figures for mechanical forest industry products were 26.5 per cent and 9.6 per cent respectively. With the economic recession continuing in 1976, forest industry products accounted — according to preliminary figures — for only 42 per cent of total exports in that year.

Changes in the internal structure of the forest industries towards more highly-processed products have been clearly reflected in changes in relative export shares: since the 1960s, the share of sawn wood in total exports of forest industry products has declined noticeably. On the other hand, despite vigorous growth in actual export quantity, the joint share of plywood and other particleboard products has remained almost unchanged.

**TABLE 3. FOREST INDUSTRY EXPORTS  
IN 1960—1975: PERCENTAGE BREAKDOWN  
BY CATEGORY OF PRODUCT**

	1960	1970	1973	1974	1975
Sawn wood	29.3	17.5	19.4	20.0	13.2
Plywood	6.7	7.8	7.9	5.1	5.0
Chipboard	0.4	0.8	2.0	1.2	1.3
Wallboard	1.5	1.2	1.2	0.9	0.8
Other wood products	0.6	1.1	1.4	1.0	1.3
Pulp and wood-pulp	24.9	23.0	15.1	12.1	15.4
Paper and paperboard	35.1	43.3	46.2	53.1	53.3
Processed paper and paperboard products	1.5	5.3	6.8	6.6	9.7
Total	100.0	100.0	100.0	100.0	100.0
Total value, mill. mk	2 176.0	5 289.2	7 506.3	10 733.7	9 004.3

The export share of woodpulp continued to grow in the early 1960s, but started to decline during the second half of the decade, when the quantity demanded for domestic paper and paperboard production increased faster than did total output of pulp. Owing to the increased output of paper and paperboard, the export share of these products has grown steadily, and exports of converted paper and paperboard products have shown the fastest growth.

Finland exports forest industry products to over 140 countries in all, but European markets are the most important, taking about 80 per cent.

Pulp accounts for about six per cent of the country's total exports, while paper, paperboard and converted products account together for more than 30 per cent. The United Kingdom, the Federal Republic of Germany, and Italy are the major buyers of pulp. Paper, paperboard and products converted therefrom are sold mainly to the United Kingdom, the Federal Republic of Germany, and the Soviet Union. Sawn wood accounts for about ten per cent,



and plywood and other particle board products for four to five per cent of Finnish exports. The United Kingdom is the major customer for these products.

As an exporter of pulp Finland ranks fourth in the world, after Canada, Sweden and the United States, and as an exporter of paper and paperboard second after Canada. As an exporter of sawn softwood Finland ranks fourth, and she is also one of the world's leading exporters of plywood. Of the world's total exports of pulp, Finland accounts for 5 or 6 per cent, of those of paper and paperboard for 15 or 16 per cent, and of those of sawn softwood and wood boards for 9 or 10 per cent.

**TABLE 4. FOREST INDUSTRY EXPORTS IN 1970—1975: PERCENTAGE BREAKDOWN BY DESTINATION<sup>1</sup>**

	1970	1974	1975
EEC countries	62.6	62.2	55.0
EFTA countries	6.6	6.8	7.3
Other European			
OECD countries	2.8	2.7	2.7
CMEA countries	11.7	11.7	21.5
Rest of the world	16.3	16.6	13.5
Total	100.0	100.0	100.0

<sup>1</sup> Economic groupings are taken at their current (1977) extent: i.e. EEC figures are for nine countries, even in 1970.

## WOOD RESOURCES

The expansion of the forest industries depends not only on the development of export demand but also on the continued availability of sufficient raw material—in other words an increasing supply of wood from the forests. The doubling of the forest industries' output after 1960 was based mainly on increased use of raw timber; however, a rise in the degree of processing done domestically also accounted for a substantial part of the output growth. Similarly, for the growth to continue, it will be necessary to use increasing amounts of raw material and to raise the degree of processing even more.

At present, Finland has a forest stock of about 1 520 million cubic metres, of which 44 per

cent is pine, 38 per cent spruce, 16 per cent birch and two per cent other hardwood.

In forest utilization, Finland has followed the principle of sustained yield. This means that the annual total drain should be kept within the limits set by potential estimates of the cut. In the late 1950s and the early 1960s, when the forest industries underwent a period of vigorous development and expansion, these limits were exceeded substantially. However, the total drain was brought back to the level of the potential cut by the end of the 1960s this was due to the fact that non-industrial consumption of wood (exports of roundwood, farming, building and other uses) declined sharply, while the potential cut increased owing to forest improvement activities. Accordingly, it became possible to increase the industrial consumption of wood from over 34 million cubic metres of wood (incl. bark) in 1960 to 49 million cubic metres in 1970, an increase of 44 per cent. The industrial consumption of domestic roundwood grew by only 31 per cent, but the utilization of wood residues increased vigorously. In the 1960s, a new factor appeared: exports of roundwood were replaced by imports. In all, the portion of the total drain going for industrial use rose in the 1960s from 52 to 70 per cent.

In the first years of the current decade, the annual drain has totalled some 55 to 56 million cubic metres, of which the industrial consumption has accounted for 39 to 40 million cubic metres, and wood residues and imported wood also consumed add up to a total wood consumption that has varied between 47 and 51 million cubic metres.

According to a recent study, since the middle of the 1960s, Finland's wood resources have been increasing due to under-felling. In other words, the quantity of wood taken from the forests each year has been less than the potential maximum annual cut which natural growth and silvicultural improvements would have allowed. During the recent recession years, the forest balance—the difference between the potential cut and the actual cut—has shown

**TABLE 5. INDUSTRIAL WOOD CONSUMPTION, TOTAL DRAIN CALCULATED FROM DOMESTIC ROUNDWOOD CONSUMPTION FIGURES, ESTIMATE OF POTENTIAL DRAIN, AND FOREST BALANCE IN 1960—1975, MILLION CUBIC METRES**

	1960	1970	1973	1975
Industrial consumption of wood	34.11	49.03	51.31	36.76
Imported wood residues	0.00	0.51	0.82	1.03
Imported roundwood	0.31	2.76	4.79	4.80
Domestic wood residues	2.35	4.64	5.80	3.71
Industrial consumption of domestic roundwood	31.45	41.12	39.90	27.22
Other consumption of roundwood	..	0.23	0.21	0.19
Exports	5.47	1.34	0.68	0.66
Use on farms, buildings, etc.	15.36	9.17	8.15	7.44
Industrial fuel wood	1.37	0.13	0.06	0.05
Felling losses	5.22	5.48	4.79	3.40
Floating losses	0.24	0.04	0.02	0.01
Natural drain	1.21	1.21	1.16	1.16
Total drain	60.32	58.72	54.97	40.13
Estimate of potential drain	54.7	58.1	59.2	60.1
Forest balance	-5.6	-0.6	+4.2	+19.97

a surplus even larger than during the years of normal utilization rates. At present, the potential annual cut is about 60 million cubic metres. Such a high estimate of the potential cut assumes that a certain number of seeding and planting, stand improvement, drainage, fertilization and other silvicultural projects are undertaken annually, and that each year's fellings remain within the planned cut limit.

Most silvicultural improvement schemes take a long time to affect the amount of wood available. However, the implementation of such schemes does provide some scope for increasing the potential cut estimates even now. Furthermore, good results have been obtained from efforts to make more efficient use of wood residues produced in both logging and processing the wood. In fact, the current expansion projects in the industrial sector are based, to a great extent, on increased utilization of industrial wood residues, and it is estimated that this will provide 36 per cent of the increase

in wood consumption in the coming years. A certain amount of wood can also be made available for industrial use by reducing other types of wood consumption, mainly the use of wood as fuel. The industry's raw material base will also be strengthened by improved collection of wastepaper.

Studies undertaken show that the forest industries still have fairly large unused raw material reserves, the most important being forest residues and bark, the utilization of which has so far been restrained by profitability considerations and technical difficulties. Some experiments, e.g. in the utilization of stumps, have already led to industrial applications. It should be possible to increase the supply of roundwood proper by almost one fifth by 1985; although this is largely dependent on the willingness of forest-owners to sell timber. Of Finland's forest area, two thirds is owned by private persons and seven per cent by forest industry corporations.

The above examination of raw material resources indicates that there will be sufficient raw material resources for expansion projects implemented already or planned for implementation during the period 1973—1980. It should also be noted that in this examination, imported raw materials are expected to account for only a fairly marginal part of total consumption.

## TECHNOLOGY AND INVESTMENT NEEDS

The output of the Finnish forest industries can also be increased by means of technological advances. The level of technological knowledge in the Finnish forest industries is one of the highest in the world; new wood-saving methods developed in recent years include the introduction of hot grinding during the production process, the increased production of thinner types of paper and greater use of fillers and coatings, all of which contribute to reducing the consumption of wood. During the last ten to fifteen years, both output and exports of

Finnish forest industry products have risen steadily. So has the degree of processing. This trend will continue but productivity improvements will play a pivotal role in the coming years.

If the forest industries are to gain the maximum benefit from all market opportunities, they must naturally be able to make the necessary investments in good time. During the second half of the 1970s, the average annual investment requirement will be about 3 000 million marks. About half of this will be used for increasing productive capacity and for product development. The other half will be used for modernizing existing equipment, for environmental protection purposes and for energy saving measures.

In the long run, investment will be increasingly allocated to measures optimizing the usage of wood, plant modernization, further development of electronic guidance and control methods etc.

## DEMAND PROSPECTS

The consumption of forest industry products in Europe increased by nearly 40 per cent in both the 1950s and the 1960s. The consumption of products made from pulpwood increased slightly faster than that of products made from

roundwood. Although the international recession and sharp fluctuations in the world trade in recent years have caused a deceleration in the growth of consumption of processed wood products, it is reasonable to expect that the demand for forest industry products will increase further in the future. Leaving out any particular new factors which might bear on future consumption developments, it can be assumed that long-run consumption growth will continue, although at a slower rate than before the beginning of the 1970s. By revising previous international estimates slightly downwards, one could tentatively predict that European consumption will grow in 1975—1985 on average by one per cent a year for sawnwood, by five to six per cent for particleboard products, and by three to four per cent for paper industry products. Of course, it is clear that a highly reserved attitude should be taken towards this kind of estimate, since so many unknown factors are involved. It is to be hoped that a more reliable estimate of growth can be made when the uncertainties of the next few years have been passed and their effects analysed.

The Finnish forest industries will be able to satisfy future demand, provided that both domestic and foreign general conditions are such that profitable production can be carried on. Given this, it is estimated that the average annual volume growth of forest industry output in 1975—1985 will be about four per cent.

## ITEMS

**The report of the Banking Legislation Committee.** In the Report it submitted to the Ministry of Finance in November 1976, the Banking Legislation Committee proposed that Finnish commercial banks and mortgage credit banks should continue to be entitled to buy shareholdings in foreign credit and financial institutions. It is suggested that, for the commercial banks, the maximum holding of foreign shares should be 15 per cent and, for exceptional reasons, temporarily 20 per cent of the bank's own equity capital. The limit on a commercial bank's total holdings of the shares of credit and financial institutions, domestic and foreign, would be increased from the present 30 per cent of the bank's equity capital to 35 per cent. For the mortgage credit banks, the Committee proposes that the maximum holding of foreign shares should be 5 per cent and, in exceptional circumstances, 10 per cent of the bank's equity capital.

According to the proposal, the permission of the Ministry of Finance should be required for the acquisition of foreign shareholdings. In addition, the permission of the Bank of Finland, based on its Foreign Exchange Regulations, will still be needed.

The Committee suggests further that Finnish commercial banks should remain entitled to establish representative offices abroad. The Ministry of Finance should be notified of the opening of a representative office. Because of the risks involved, Finnish banks should be permitted to establish branch offices abroad only in very well-founded, exceptional cases, and the Committee suggests that this should be subject to permission being obtained from the Ministry of Finance.

The Committee considers it necessary that a special law be enacted concerning the right of foreigners to own shares of a Finnish bank

or other credit institution or to carry on banking activities in Finland. Under such a law, foreign banks and other credit institutions would be allowed to establish representative offices or to acquire shareholdings in Finnish commercial banks, mortgage credit banks, or finance companies; however, they would not be allowed to establish branch offices in Finland. Moreover, foreigners would not be allowed to participate in the election of the trustees of a Finnish savings bank, nor to become members of a Finnish co-operative bank. The Committee also suggests that the permission of the Ministry of Finance should be required for the establishment of a representative office by a foreign bank or other credit institution.

Any foreign bank, credit institution, or individual should be entitled to acquire shares in a Finnish commercial bank, mortgage credit bank or finance company, subject to the permission of the Ministry of Finance. The sum of all the foreign holdings in any individual bank may not, however, exceed 20 per cent of the bank's share capital without the special permission of the Council of State.

As to revisions in current banking legislation, the Committee suggests that amendments be made in the laws governing the commercial banks, the mortgage credit institutions, the savings banks, the co-operative banks and the Bank Inspectorate; these amendments mainly concern the banks' business activities, consumer protection, methods of increasing the equity capital of savings banks and co-operative banks, structural rationalization, the operations of premium reserves, and the banks' investment activities. The amendments suggested for the Bank Inspection Law are mainly concerned with increasing the power of the Bank Inspectorate to supervise the activities of subsidiary organizations controlled by the banks.

(continued from page 2)

16 per cent, 4½ percentage points more than demanded by the price rises during the agreement period concerned. Hence state revenue in a full year will be 1 300 million marks lower than it would be if the 1976 income tax schedules were applied. Corresponding revisions will also be made in wealth tax scales but, at the same time, the rates of tax will be increased for any wealth with a taxable value of 300 000 marks or more.

The purchase tax rate has been increased by 3 percentage points to 14 per cent of the taxable value of sales, although basic foodstuffs still remain exempt. In addition, the insurance premium tax has been increased. In the supplementary budgets of 1976, several indirect tax rates were increased and new excise duties, e.g. a special electricity duty, were introduced. These new taxes and higher rates, will be in force almost unchanged for 1977 as well. The excise duties on petrol and diesel oil have been

increased as from the beginning of the year, while heavy fuel remains exempt from excise duty. Charges for various state services and railway and postal charges have also been increased. It is estimated that the changes in the rates of indirect taxes, including the full-year impact of the tax increases and new taxes introduced in the course of 1976, will involve an addition to state revenue of about 2 300 million marks. Accordingly, the structure of taxation will have altered substantially as compared with the previous year: the share of taxes collected on income and wealth will be reduced to 37 per cent, a reduction of 5 percentage points, while the share of indirect taxes will increase correspondingly.

To cover the difference between estimated state revenue and planned expenditure, the Budget involves state borrowing of 1 400 million marks, 40 per cent more than in 1976.

February 22, 1977

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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

Ahti Karjalainen

*Absent as a Member  
of Government*

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

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## Directors

Jouko J. Voutilainen

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

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## Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Reino Airikkala

*Monetary Policy*

Pekka Tukiainen

*Domestic Financial  
Operations*

Kari Pekonen

*Foreign Exchange Policy*

Raine Panula

*Foreign Exchange*

Raili Nuortila

*Eastern Trade*

Antti Lehtinen

*Capital Transfers*

J. Ojala

*Foreign Exchange Control*

Kari Puumanen

*Economics Dept.*

Heikki Koskenkylä

*Research Dept.*

Heikki T. Hämäläinen

*Administration and Legal Affairs*

A. Nenonen

*Foreign Correspondence*

Eino Suomela

*Internal Audit*

K. Eirola

*Automatic Data Processing*

Pauli Kanerva

*Personnel Administration and  
General Affairs*

Stig G Björklund

*Banking Services*

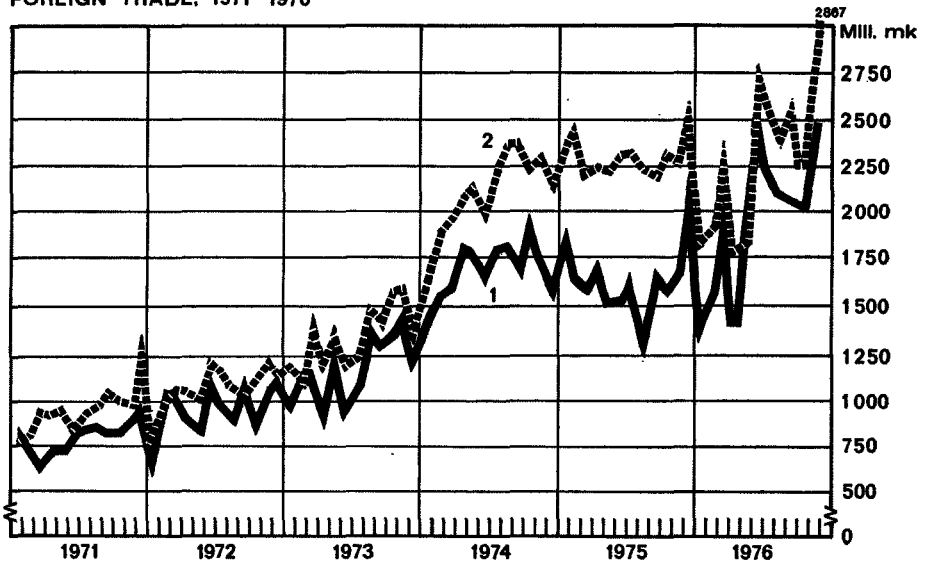
Antti Luukka

*Cash*

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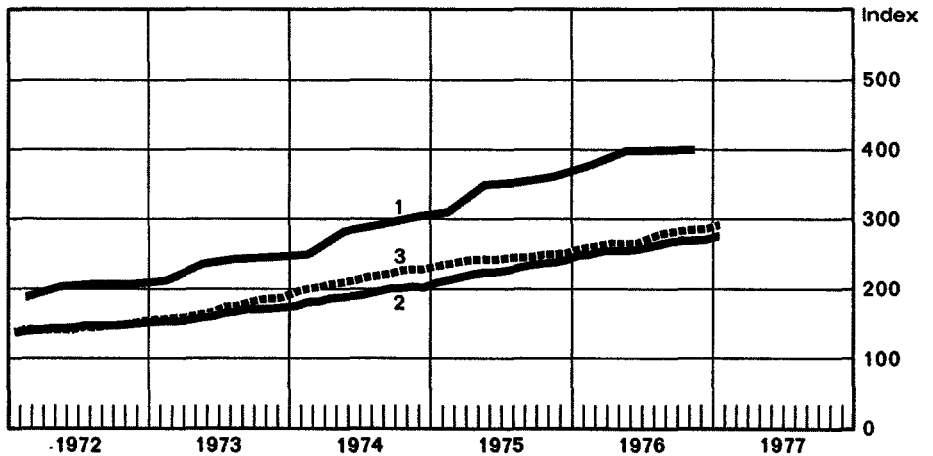
**FOREIGN TRADE, 1971-1976**

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



**PRICES AND WAGES, 1972-1977**

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



**PRODUCTION, 1971-1976**

- 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

