



# BANK OF FINLAND

*Monthly Bulletin*

## **Recent developments**

**Forest resources, forest ownership and their development in Finland**

**Trade agreement between Finland and the U.S.S.R.**

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**The Bank of Finland annual statement for 1978**

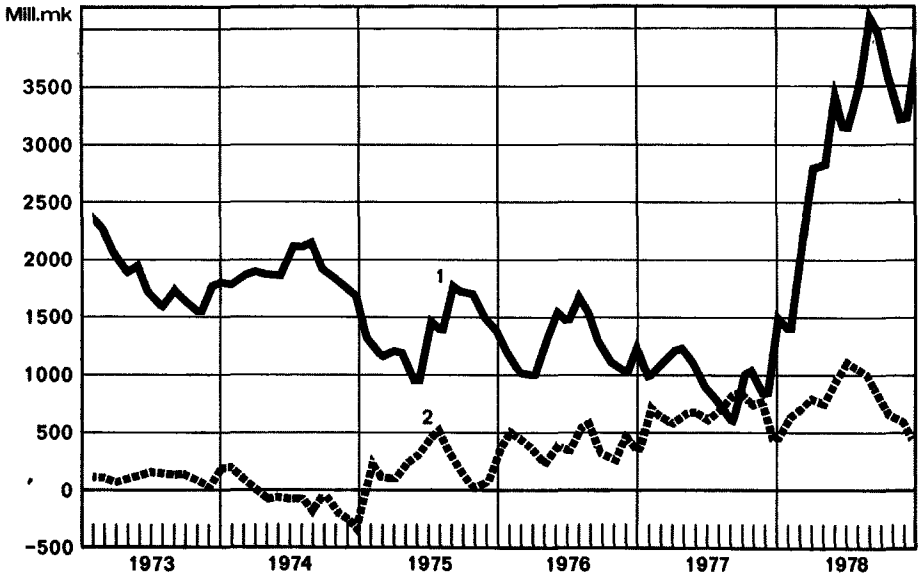
**Changes in statistical tables**

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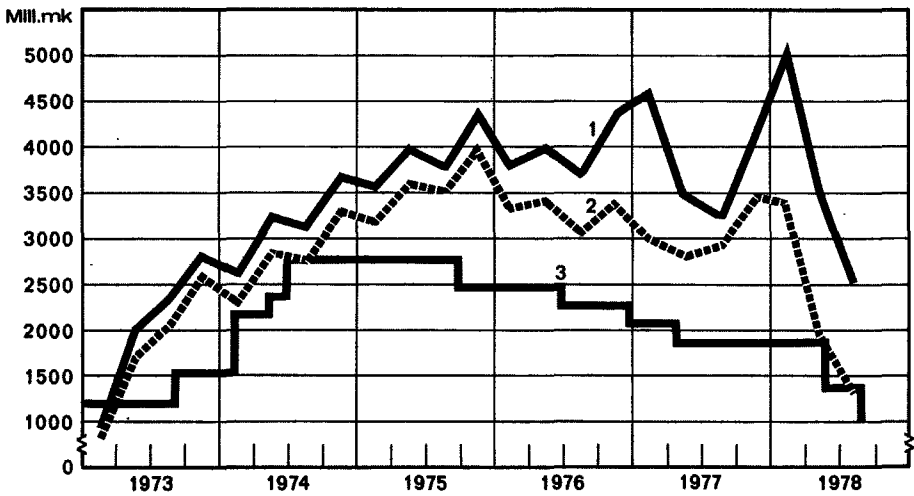
**Vol. 53 No. 1**

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



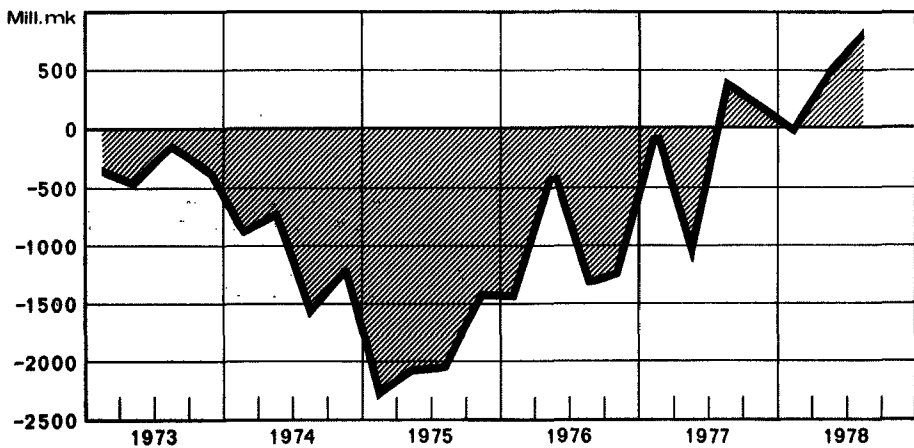
- 1. Gold and convertible currencies
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**COMMERCIAL BANKS' CENTRAL BANK FINANCING, 1973 - 1978**



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Seasonally adjusted quarterly figures

## RECENT DEVELOPMENTS

One of the main aims of Finnish economic policy in recent years has been to moderate inflation and to enhance competitiveness. A strategy of this sort has been regarded as a feasible long-term means of promoting stable growth and raising employment in conditions of weak international demand. The policy has met with some success. Following several years of rapid inflation, the rise in consumer prices has been brought down well below the OECD average despite the reductions in the external value of the Finnmark which took place in connection with devaluations of the Scandinavian currencies in 1977 and 1978. No doubt the improvement in competitiveness has contributed to the fairly rapid expansion of Finland's exports which has occurred despite the fact that Finland's major export markets have grown more slowly than the OECD countries on average. Rapid export expansion together with stagnant domestic demand has produced a marked improvement in the external position. In 1978 the current account continued to improve and a surplus amounting to some 1 ½ per cent of GDP was recorded.

Total production grew by only about two per cent in 1978 as domestic demand remained in the doldrums. Although employment did not fall to any great extent during the year, growth in the labour supply increased the number of unemployed persons, and the unemployment rate rose to nearly 8 per cent for the year a whole.

The sluggishness in private domestic demand is explained by several factors. Despite strong export growth and stimulatory measures, capacity utilization and profitability in the business sector remained relatively low and discouraged corporate investment. Perhaps because of the considerable uncertainty generated by growing unemployment, the pickup in household real disposable income which occurred did not lead to an increase in consumer demand but rather to a rise in financial saving.

However, scope has been created for reflationary demand management policy by the deceleration of inflation and the improvement in the external balance. Consequently an expansionary fiscal policy stance has been adopted, which is reflected in a sharp turn-round in the State's Budgetary position during the past couple of years. In the selection of fiscal measures, consideration has been given to the need to moderate cost rises and promote a shift of resources into the open sector. Moreover, monetary policy has been framed to encourage productive investment. The general interest rate level was reduced by one percentage point in October 1977 and again in May 1978 by the same amount. In the course of 1978 the availability of finance also increased substantially.

A considerable improvement in external liquidity occurred in 1978. The combined effect of the surplus on the current account and capital imports caused the Bank of Finland's net foreign assets to increase by almost 4 000 million marks in the course of the year. During the same time the convertible foreign exchange reserves grew by nearly 2 300 million marks, the difference being mainly due to the fact that 1 200 million marks in convertible currencies was used in 1978 to cover the repayment of reserve credits drawn abroad in the previous year.

The growth of the foreign exchange reserves was supported by monetary and capital import policies. The target has been to ensure greater monetary policy autonomy in present conditions of volatile international capital flows. The need for larger reserves became evident in late 1977 and early 1978 when speculation against the Finnmark caused an outflow of capital. Because foreign exchange reserves were comparatively small at that time, the capital outflow led to a substantial tightening in the domestic financial market which was not in line with the counter-cyclical policy then being pursued.

The improved reserve position made it possible to maintain an easy monetary policy during the last few months of 1978 despite some outflow of short-term capital. The effects of fluctuations in the foreign exchange reserves on domestic liquidity were neutralized by central bank actions affecting the call money market.

The increase in the Bank of Finland's net foreign position in 1978 was reflected in a decline of more than 1 700 million marks in the total central bank financing of the commercial banks. In order to maintain its monetary control, the Bank of Finland reduced the commercial banks' credit quotas twice: from 1 900 million marks to 1 400 million marks on the first of June, and from 1 400 million marks to 1 000 million marks on the first of September. Owing to these quota reductions, the relative importance of the call money market increased. The commercial banks' quota-related debt declined by almost 2 100 million marks, whereas call money advances increased by more than 400 million marks. In

line with the general reflationary policy the costs of central bank financing fell considerably. The call money rate was reduced from a peak of 23 per cent in January when currency speculation was rampant to roughly 9 per cent in August and has remained at about that level since then.

The outlook for 1979 is for slightly more rapid growth of total production and a modest recovery in industrial investment. The seriousness of unemployment speaks in favour of the continued use of reflationary measures to speed up the process of equilibration in the labour market. However, the scope for monetary policy ease is set by domestic cost developments and by confidence in the internal and external value of the mark. A re-acceleration of inflation would quickly eliminate the room for manoeuvre which has been won at considerable cost.

January 3, 1979

## BANK OF FINLAND

Mill. mk

	1977		1978				
	Nov. 30	Dec. 31	Dec. 8	Dec. 15	Dec. 23	Dec. 30	
<b>Assets</b>							
Gold and foreign exchange receivables	1 749	2 139	4 126	4 083	4 132	4 339	
Gold	127	133	133	133	139	169	
Special drawing rights	176	204	155	155	155	316	
IMF reserve tranche	—	—	246	246	246	243	
Convertible currencies	600	1 265	2 877	2 803	2 894	3 126	
Tied currencies	846	537	715	746	698	485	
Other foreign receivables	1 912	1 959	2 538	2 564	2 600	1 968	
Foreign bills <sup>1</sup>	455	488	595	606	642	—	
Foreign bonds	523	543	833	848	848	872	
Mark subscription to Finland's quota in the IMF	934	928	1 110	1 110	1 110	1 096	
Receivables from financial institutions	4 999	5 420	3 459	3 488	4 066	3 695	
Cheque accounts of the commercial banks	132	110	166	172	147	137	
Discounted bills	3 058	3 091	949	964	964	970	
Bonds	687	354	368	364	358	361	
Call money market advances	1 100	1 804	1 959	1 973	2 582	2 213	
Other financial institution receivables	22	61	17	15	15	14	
Receivables from the public sector	364	391	617	620	634	633	
Government promissory notes	—	—	188	188	188	188	
Bonds	59	60	91	92	94	93	
Total coinage	303	304	336	336	336	336	
Other public sector receivables	2	27	2	4	16	16	
Receivables from corporations	1 428	1 416	1 290	1 282	1 293	1 948	
Financing of exports <sup>2</sup>	200	194	241	244	246	904	
Financing of domestic deliveries	694	714	754	753	751	752	
Bonds	233	214	215	214	214	207	
Other corporate receivables	301	294	80	71	82	85	
Other assets	79	85	65	65	65	64	
	Total	10 531	11 410	12 095	12 102	12 790	12 647
<b>Liabilities</b>							
Foreign exchange liabilities	95	94	45	48	45	60	
Convertible accounts	46	53	31	35	32	46	
Tied accounts	49	41	14	13	13	14	
Other foreign liabilities	2 556	3 447	2 197	2 197	2 204	2 195	
IMF mark accounts	1 772	1 838	1 897	1 897	1 904	1 881	
Allocations of special drawing rights	258	300	300	300	300	314	
Term liabilities	526	1 309	—	—	—	—	
Notes and coins in circulation	3 075	3 167	3 670	4 033	4 068	3 822	
Notes	2 806	2 892	3 366	3 726	3 755	3 509	
Coins	269	275	304	307	313	313	
Deposit certificates in circulation	180	200	890	890	890	1 090	
Claims of financial institutions	1 143	1 194	2 251	1 922	2 605	2 520	
Cheque account of Postipankki	0	1	1	0	1	1	
Cheque accounts of the commercial banks	1	3	1	5	1	1	
Call money market deposits	853	850	1 780	1 472	2 177	2 075	
Capital import deposits	278	246	429	410	407	405	
Other financial institution claims	11	94	40	35	19	38	
Claims of the public sector	407	328	138	129	130	114	
Cheque accounts	0	2	0	1	0	2	
Counter-cyclical reserves	34	36	38	38	38	40	
Capital import deposits	369	287	99	89	88	70	
Other public sector claims	4	3	1	1	4	2	
Claims of corporations	236	242	361	358	361	356	
Deposits for investment and ship purchase	37	35	37	35	33	32	
Capital import deposits	180	181	305	303	308	303	
Import levy deposits	18	19	5	6	5	6	
Other corporate claims	1	7	14	14	17	15	
Other liabilities	13	13	15	15	13	12	
Equalization accounts	850	671	441	411	362	350	
Capital accounts	1 976	2 054	2 087	2 099	2 112	2 128	
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400	
Reserve fund	436	436	545	545	545	545	
Net earnings	140	218	142	154	167	183	
	Total	10 531	11 410	12 095	12 102	12 790	12 647

End of year or month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserves (1-2)	Tied exchange reserves	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	
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	—
1977	1 602	53	1 549	496	1 959	3 447	557	391	328	— 63	200
1978	3 854	46	3 808	471	1 968	2 195	4 052	633	114	-519	1 090

## 1978

Jan.	1 492	40	1 452	648	1 983	3 360	723	399	320	-79	180
Feb.	2 236	36	2 200	730	2 093	3 393	1 630	401	297	-104	180
March	2 854	40	2 814	822	2 142	3 391	2 387	405	288	-117	0
April	2 890	51	2 839	785	2 187	3 408	2 403	382	289	-93	—
May	3 596	38	3 558	995	2 636	3 914	3 275	382	229	-153	—
June	3 284	98	3 186	1 149	2 641	3 046	3 930	393	222	-171	400
July	3 583	40	3 543	1 084	2 659	3 038	4 248	404	203	-201	760
Aug.	4 237	43	4 194	1 019	2 407	2 786	4 834	453	202	-251	859
Sept.	4 039	53	3 986	842	2 428	2 756	4 500	464	199	-265	1 209
Oct.	3 620	48	3 572	663	2 551	2 729	4 057	614	191	-423	1 359
Nov.	3 252	31	3 221	622	2 553	2 197	4 199	624	138	-486	890
Dec.	3 854	46	3 808	471	1 968	2 195	4 052	633	114	-519	1 090

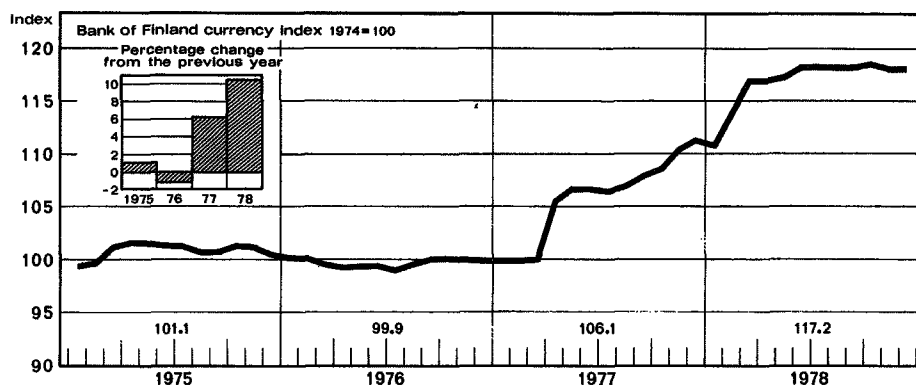
## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1977			Net holdings, Nov. 30, 1978			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Nov.	Jan.—Nov.
	Gold	133	—	133	133	—	133	—
Special drawing rights	204	—	204	155	—	155	+ 6	— 49
IMF reserve tranche	—	—	—	246	—	246	—	+ 246
Convertible currencies	1 212	-2 785	-1 573	2 686	-1 896	790	-363	+ 2 363
Total	1 549	-2 785	-1 236	3 220	-1 896	1 324	-357	+ 2 560
Non-convertible currencies	496	146	642	623	158	781	— 41	+ 139
Grand total	2 045	-2 639	— 594	3 843	-1 738	2 105	-398	+ 2 699

End of year or month	Domestic financial sector					Corporate sector				Notes and coins in circulation
	Dis-counted and redis-counted bills	Cheque accounts net, commercial banks	Demand for call money by deposit banks	Supply of call money by deposit banks	Other liabilities, net	Net receiv-ables (1+2+3-4-5)	Permanent special financing schemes	Liabilities, net	Net receiv-ables (7-8)	
	1	2	3	4	5	6	7	8	9	10
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	110	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	69	1 175	1 948	356	1 592	3 822

1978	1	2	3	4	5	6	7	8	9	10
Jan.	3 060	138	2 110	1 528	-93	3 873	1 439	239	1 200	2 990
Feb.	2 658	149	2 124	2 056	-189	3 064	1 504	331	1 173	3 040
March	2 454	122	1 894	2 034	-88	2 524	1 477	386	1 091	3 333
April	2 346	154	1 444	1 653	-236	2 527	1 483	389	1 094	3 302
May	2 004	119	1 331	1 781	63	1 610	1 386	416	970	3 271
June	1 607	106	1 495	1 629	37	1 542	1 311	386	925	3 572
July	1 571	83	1 408	1 623	34	1 405	1 297	304	993	3 520
Aug.	1 320	80	1 229	1 628	108	893	1 288	505	783	3 414
Sept.	1 107	77	1 680	1 298	59	1 507	1 311	372	939	3 538
Oct.	1 113	69	2 013	1 413	87	1 695	1 298	344	954	3 431
Nov.	968	168	1 995	1 821	60	1 250	1 297	360	937	3 492
Dec.	970	136	2 213	2 075	69	1 175	1 948	356	1 592	3 822



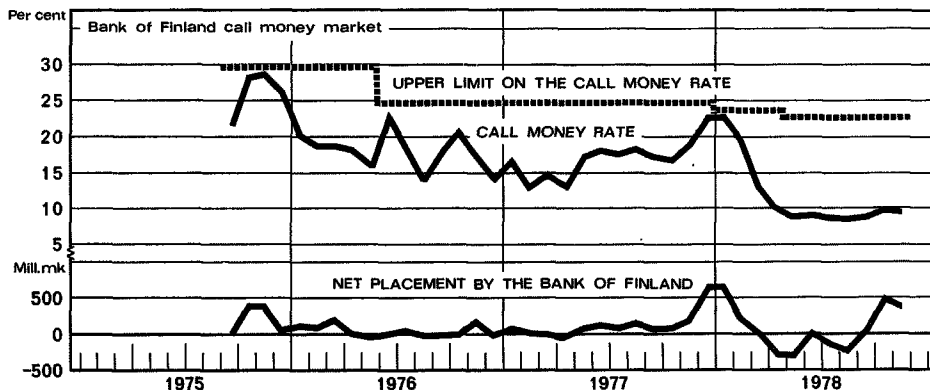
# MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Bank of Finland placements in the call money market, mill. mk	Basic discount rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks <sup>1</sup> %
	1	2	3	4	5	5	7	8
1972	805	795	1 224		7.75		7.75	7.87
1973	2 038	1 815	1 333		8.50		9.99	8.65
1974	3 204	2 840	2 494		9.25		10.57	9.52
1975	4 000	3 611	2 725	239 <sup>2</sup>	9.25	26.80 <sup>2</sup>	12.10	9.65
1976	4 001	3 345	2 400	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	90	7.58	11.99	8.88	..
1977								
Dec.	4 993	4 108	1 900	687	8.25	22.99	14.30	8.85
1978								
Jan.	5 180	3 944	1 900	691	8.25	23.00	12.52	8.86
Feb.	5 405	3 485	1 900	244	8.25	19.77	10.41	8.83
March	4 822	2 821	1 900	— 36	8.25	13.08	8.31	8.82
April	3 950	2 325	1 900	—331	8.25	10.18	8.89	8.84
May	3 586	1 965	1 900	—337	7.25	9.12	7.51	7.99
June	3 110	1 611	1 400	— 28	7.25	9.43	7.05	7.99
July	2 700	1 452	1 400	—182	7.25	9.14	7.87	7.86
Aug.	2 552	1 260	1 400	—271	7.25	8.97	7.61	7.94
Sept.	2 373	1 253	1 000	100	7.25	9.18	7.90	7.88
Oct.	2 961	1 754	1 000	524	7.25	10.04	8.59	7.88
Nov.	3 105	1 573	1 000	421	7.25	9.85	8.31	..
Dec.	3 134	1 397	1 000	287	7.25	9.29	7.94	..

See explanations on page 22.

<sup>1</sup> End of period.

<sup>2</sup> 1. 9.—31. 12. 1975.



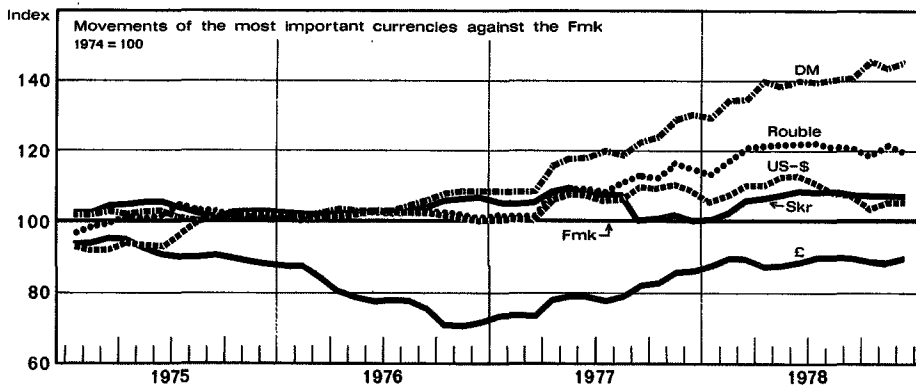


# BANK OF FINLAND

## Average selling rates for foreign exchange, mk

Period	Average selling rates for foreign exchange, mk									Currency index 1974 = 100
	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	
	1	2	3	4	5	5	7	8	9	10
1972	4.146	10.368	87.20	62.97	59.72	130.07	108.64	82.25	4.960	102.1
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1977										
Dec.	4.119	7.651	86.78	78.67	69.42	191.85	198.75	86.08	5.785	111.5
1978										
Jan.	4.022	7.797	86.44	78.44	69.97	190.20	202.49	85.60	5.712	111.1
Feb.	4.090	7.961	88.54	78.56	72.57	197.72	215.72	84.97	5.882	114.1
March	4.180	7.998	90.98	78.80	74.97	205.63	220.47	89.04	6.080	117.3
April	4.193	7.777	91.42	78.50	75.05	205.73	220.71	91.80	6.099	117.2
May	4.281	7.800	92.22	78.89	75.38	203.57	218.15	92.42	6.130	117.5
June	4.285	7.887	93.22	79.61	76.27	205.94	227.55	93.87	6.132	118.5
July	4.209	7.995	92.96	78.33	75.41	205.21	233.82	95.13	6.137	118.5
Aug.	4.113	8.005	92.96	78.57	75.15	206.32	247.18	94.93	6.079	118.5
Sept.	4.076	7.994	92.40	78.50	75.28	207.03	259.64	93.81	6.091	118.5
Oct.	3.939	7.919	92.07	80.23	77.20	214.03	256.37	93.81	5.988	118.7
Nov.	4.008	7.885	92.04	79.53	76.58	211.17	240.28	92.57	6.117	118.5
Dec.	4.012	7.988	91.88	79.16	76.88	213.79	239.61	93.30	6.002	118.5

See explanations on page 22.

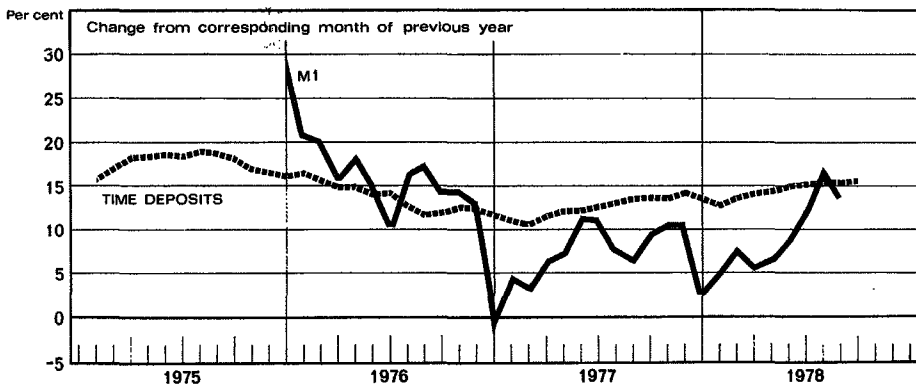


# DEPOSITS BY THE PUBLIC<sup>1</sup>

Mill. mk

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	
1974	2 723	913	1 638	5 274	10 811	8 279	6 299	2 646	28 035	33 309
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1977										
May	3 287	1 359	2 253	6 899	13 598	11 594	9 074	3 850	38 116	45 015
June	3 267	1 406	2 231	6 904	13 740	11 815	9 211	3 909	38 675	45 579
July	3 031	1 407	2 131	6 569	13 828	11 995	9 330	3 954	39 107	45 676
Aug.	3 271	1 486	2 049	6 806	13 960	12 120	9 474	3 989	39 543	46 349
Sept.	3 042	1 431	2 053	6 526	13 966	12 101	9 471	3 978	39 516	46 042
Oct.	3 147	1 495	2 027	6 669	14 167	12 152	9 491	4 012	39 822	46 491
Nov.	3 342	1 508	2 027	6 877	14 382	12 350	9 697	4 066	40 495	47 372
Dec.	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978										
Jan.	3 096	1 351	2 330	6 777	14 890	12 747	9 903	4 203	41 743	48 520
Feb.	3 106	1 468	2 478	7 052	15 191	12 901	9 996	4 243	42 331	49 383
March	2 922	1 420	2 340	6 682	15 350	13 058	10 107	4 363	42 878	49 560
April	3 068	1 414	2 415	6 897	15 596	13 190	10 225	4 368	43 379	50 276
May	3 550	1 541	2 304	7 395	15 975	13 287	10 277	4 393	43 932	51 327
June	3 713	1 517	2 359	7 589	16 210	13 523	10 458	4 485	44 676	52 265
July	3 712	1 594	2 352	7 658	16 440	13 679	10 567	4 600	45 286	52 944
Aug.	3 716	1 718	2 237	7 671	16 323	13 956	10 796	4 681	45 756	53 427
Sept.	3 475	1 699	2 226	7 400	16 328	14 008	10 818	4 707	45 861	53 261

<sup>1</sup> New series. See explanations on page 18.



# ADVANCES TO THE PUBLIC<sup>1</sup> — MONEY SUPPLY<sup>1</sup>

Mill. mk

End of year and month	Advances granted by				Types of advances				Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	M <sub>1</sub>	M <sub>1</sub> +Quasi- Money
	1	2	3	4	5	6	7	8	9	10
1974	17 462	7 715	6 457	4 653	33 261	1 136	1 890	36 287	7 549	35 943
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581

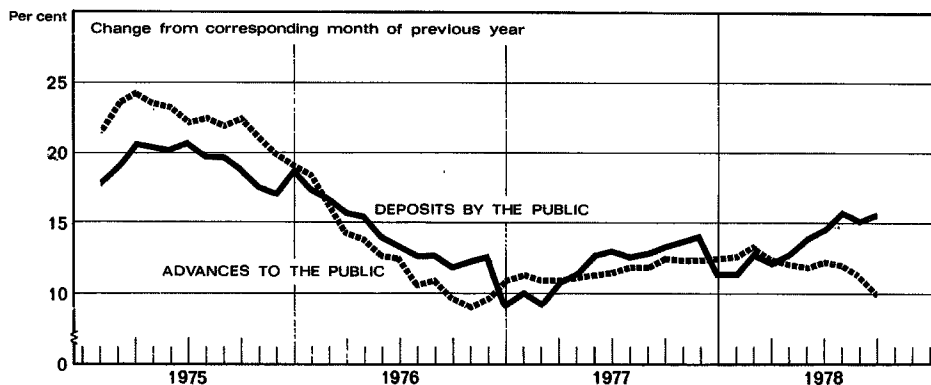
1977

May	23 240	11 055	9 405	6 337	43 679	1 545	4 813	50 037	9 786	48 845
June	23 469	11 154	9 544	6 352	43 929	1 639	4 951	50 519	9 996	49 380
July	23 475	11 263	9 668	6 312	44 229	1 575	4 914	50 718	9 651	49 509
Aug.	23 598	11 430	9 791	6 351	44 670	1 660	4 840	51 170	9 818	50 103
Sept.	24 063	11 640	9 962	6 476	45 328	1 659	5 154	52 141	9 670	50 258
Oct.	24 149	11 823	10 120	6 598	45 946	1 717	5 027	52 690	9 732	50 614
Nov.	24 440	12 004	10 283	6 676	46 592	1 723	5 088	53 403	9 933	51 436
Dec.	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581

1978

Jan.	24 843	12 421	10 575	6 852	47 794	1 763	5 134	54 691	9 875	52 716
Feb.	25 472	12 509	10 636	6 731	47 977	1 787	5 584	55 348	10 137	53 709
March	25 599	12 553	10 650	6 500	47 817	1 732	5 753	55 302	10 058	54 272
April	25 820	12 661	10 743	6 488	48 095	1 641	5 976	55 712	10 272	54 990
May	25 841	12 816	10 878	6 537	48 575	1 655	5 842	56 072	10 679	55 962
June	26 123	12 914	11 023	6 707	48 930	1 771	6 066	56 767	11 247	57 365
July	26 017	13 048	11 148	6 753	49 217	1 761	5 988	56 966	11 351	58 025
Aug.	25 771	13 241	11 367	6 650	49 649	1 659	5 721	57 029	11 177	58 501
Sept.	25 774	13 477	11 596	6 682	50 317	1 769	5 443	57 529	..	..

<sup>1</sup> New series. See explanations on page 22.



## STATE FINANCES

Mill. mk

Revenue	Jan.—Oct.		Expenditure	Jan.—Oct.	
	1977	1978		1977	1978
Income and wealth tax (net)	8 492	7 406	Wages, salaries, pensions etc.	4 764	5 172
Gross receipts	(22 129)	(22 217)	Repair and maintenance	664	682
Refunds & local authorities	(-13 637)	(-14 811)	Other consumption expenditure	2 305	2 648
Other taxes on income and wealth	213	227	Total consumption expenditure	7 733	8 502
Employers' child allowance payments	990	869	State aid to local authorities	5 842	6 658
Sales tax	6 506	7 680	State aid to industries	3 916	3 893
Customs duties and import charges and levies	721	725	of which: agric. price subsidies	(2 237)	(2 063)
Excise duties <sup>1</sup>	4 553	5 229	Child allowances	772	855
Excise duty on alcoholic beverages <sup>1</sup>	1 461	1 636	Share in national pensions and sickness insurance schemes	247	268
Excise duty on tobacco	689	731	Other transfer expenditure	3 286	3 764
Excise duty on liquid fuel	1 539	1 866	Total transfer expenditure	14 063	15 438
Other excise duties <sup>1</sup>	864	996	Machinery and equipment	1 037	1 135
Tax on autom. and motor-cycles	715	710	Construction of buildings	509	585
Stamp duties	598	652	Land and waterway construction	1 208	1 232
Special diesel etc. vehicles tax	116	136	Total real investment	2 754	2 952
Other taxes and similar revenue <sup>1</sup>	700	680	Interest on State debt	347	420
Total taxes	23 604	24 314	Net deficit of State enterprises	15	-63
Miscellaneous revenue	1 566	1 813	Other expenditure	42	41
Interest, dividends etc.	523	619	Total other expenditure	404	398
Redemptions of loans granted	264	376	Increase in inventories	33	-114
<b>Total revenue</b>	25 957	27 122	Lending	2 524	2 268
Foreign borrowing	503	2 488	Other financial investment	512	427
Domestic borrowing	961	1 785	<b>Total expenditure</b>	28 023	29 871
<b>Total borrowing</b>	1 464	4 273	Redemption of foreign loans	107	140
<b>Deficit (+) or surplus (-)</b>	+988	-937	Redemption of domestic loans	279	447
			<b>Total redemptions</b>	386	587
<b>Total</b>	28 409	30 458	<b>Total</b>	28 409	30 458

<sup>1</sup> New series.

State debt	1975	1976	1977	1978		
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.
<b>Foreign debt</b>	1 603	2 248	3 679	5 982	6 404	6 301
Loans	1 645	2 175	2 963	3 787	3 853	4 116
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	175	313	312	317
Cash debt (net)	-242	-643	-669	-385	-346	-660
<b>Domestic debt</b>	1 489	1 820	2 470	3 716	3 820	3 774
<b>Total State debt</b>	3 092	4 068	6 149	9 698	10 224	10 075
Total debt, mill \$	798	1 069	1 493	2 358	2 508	2 558

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		Surplus of exports (+) or imports (-)
	Exports f. o. b.	Imports c. i. f.	
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223

1977			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Sept.	2 901	2 849	+ 52
Oct.	2 991	2 583	+408
Nov.	2 960	2 891	+ 69
Dec.	3 141	3 050	+91

1978*			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.	2 511	2 631	-120
Feb.	2 524	2 188	+336
March	2 750	2 570	+180
April	2 894	2 426	+468
May	2 942	2 935	+7
June	2 823	2 668	+155
July	2 677	2 635	+42
Aug.	2 401	2 473	-72
Sept.	3 240	2 718	+522
Oct.	3 437	3 042	+395

1977			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.-Oct.	24 830	24 772	+ 58
1977	24 830	24 772	+ 58
1978*	28 199	26 286	+1 913

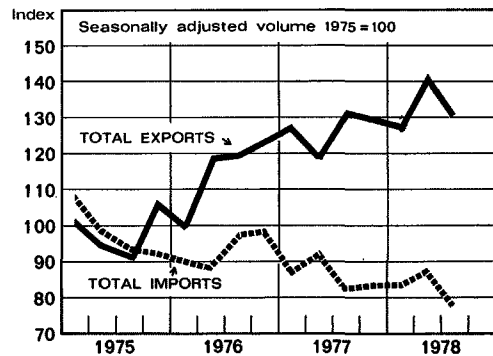
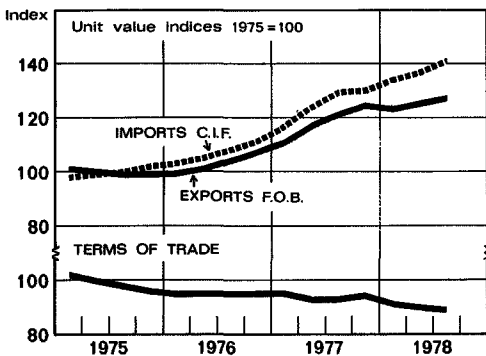
Indices of exports and imports 1975 = 100

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

1976					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	99	87	100	104	96
Apr.-June	114	84	102	106	96
July-Sept.	116	98	105	109	96
Oct.-Dec.	136	107	108	112	96

1977					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	123	83	112	117	96
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95

1978*					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	138	91
July-Sept.	128	79	128	142	90



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Exports, f.o.b.

Imports, c.i.f.

Period	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83

1977\*

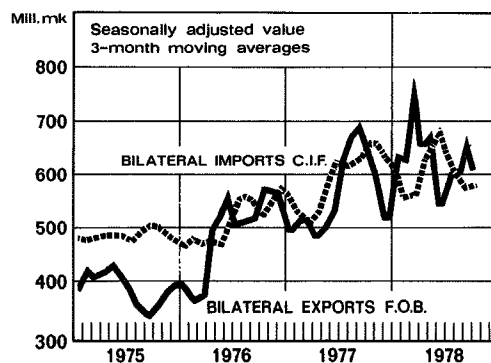
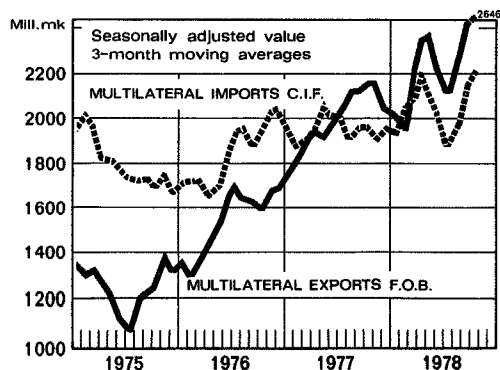
Sept.	44	337	794	943	783	1 792	284	371	399	3
Oct.	41	321	753	1 106	770	1 650	222	321	389	1
Nov.	44	417	896	802	801	1 729	198	511	453	0
Dec.	143	346	836	963	853	1 876	230	526	415	3

1978\*

Jan.	160	322	721	656	652	1 567	193	493	376	2
Feb.	34	266	821	727	676	1 395	124	327	340	2
March	153	322	901	546	828	1 569	89	475	436	1
April	19	348	907	799	821	1 445	123	402	455	1
May	113	431	850	729	819	1 823	199	412	501	0
June	40	414	873	810	686	1 732	196	376	362	2
July	44	414	775	747	697	1 700	233	362	325	15
Aug.	33	330	750	553	735	1 558	215	328	370	2
Sept.	36	421	948	887	948	1 715	200	396	389	18
Oct.	36	454	1 002	987	958	1 944	195	448	453	2

Jan.-Oct.

1977	900	3 091	7 066	7 419	6 354	15 525	1 638	3 794	3 735	80
1978*	668	3 722	8 548	7 441	7 820	16 448	1 767	4 019	4 007	45



FOREIGN TRADE BY COUNTRIES<sup>1</sup>

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January—October				January—October			
	1977*		1978*		1977*		1978*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	62.8	15 581	61.9	17 458	57.1	14 133	58.4	15 340
Austria	0.9	220	0.7	207	1.4	339	1.3	352
Belgium and Luxembourg	1.8	451	1.6	461	1.9	457	1.8	478
Denmark	3.8	932	4.2	1 174	2.7	667	2.8	732
France	3.3	824	3.8	1 067	2.7	671	3.4	884
Federal Republic of Germany	10.2	2 525	10.2	2 886	13.7	3 383	13.6	3 565
Italy	1.2	306	1.7	473	2.1	526	2.3	605
Netherlands	3.5	880	3.7	1 047	2.8	689	2.9	759
Norway	5.3	1 320	4.5	1 265	3.2	800	2.7	719
Portugal	0.3	70	0.2	48	0.4	98	0.4	96
Spain	0.9	227	0.8	232	1.3	311	1.0	255
Sweden	16.0	3 975	14.6	4 107	13.5	3 354	14.4	3 793
Switzerland	1.6	391	1.7	478	2.0	497	2.1	552
United Kingdom	12.1	3 000	12.7	3 596	8.8	2 191	9.3	2 451
Other	1.9	460	1.5	417	0.6	150	0.4	99
<b>OECD countries outside Europe</b>	6.6	1 641	7.3	2 042	8.2	2 032	8.4	2 208
Canada	0.6	144	0.5	145	0.3	69	0.4	96
Japan	0.8	208	1.6	446	2.8	699	2.8	739
United States	4.4	1 095	4.1	1 152	4.9	1 204	5.0	1 309
Other	0.8	194	1.1	299	0.2	60	0.2	64
<b>CMEA countries</b>	22.1	5 485	21.3	6 005	22.0	5 462	22.7	5 966
Czechoslovakia	0.4	97	0.5	132	0.5	114	0.5	137
German Democratic Republic	1.0	236	0.7	197	0.9	236	0.7	197
Poland	0.7	183	0.6	181	0.7	183	0.7	181
Soviet Union	19.2	4 763	18.4	5 191	19.2	4 763	19.8	5 191
Other	0.8	206	1.1	304	0.7	166	1.0	260
<b>Latin America</b>	2.0	499	2.3	664	4.1	1 005	3.8	1 010
Argentina	0.2	51	0.2	61	0.2	48	0.2	58
Brazil	0.4	110	0.5	141	0.6	147	0.7	186
Colombia	0.1	18	0.1	34	1.3	309	1.2	320
Other	1.3	320	1.5	428	2.0	501	1.7	446
<b>Other</b>	6.5	1 624	7.2	2 030	8.6	2 140	6.7	1 762
<b>GRAND TOTAL</b>	100.0	24 830	100.0	28 199	100.0	24 772	100.0	26 286
of which								
<b>EFTA countries</b>	24.2	6 007	21.8	6 150	20.7	5 124	21.2	5 571
<b>EEC countries</b>	36.5	9 056	38.7	10 901	34.8	8 624	36.2	9 522
<b>OECD countries</b>	69.4	17 222	69.2	19 500	65.3	16 165	66.8	17 548

<sup>1</sup> New series. See explanations on page 22.

# BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507
1977	30 766	30 625	+ 141	+1 392	- 3	+411	+1 941	-2 434	-147	- 640

## 1975

July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 861	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

## 1976

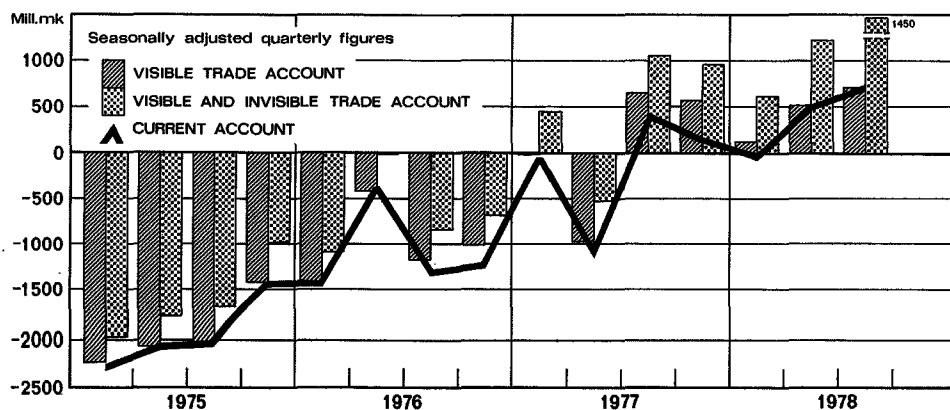
Jan.-March	4 987	6 307	-1 320	+252	- 50	+ 65	-1 053	-347	-35	-1 435
Apr.-June	5 864	6 224	- 360	+252	+ 49	+ 26	- 33	-485	-26	- 544
July-Sept.	6 098	7 515	-1 417	+365	+ 62	+110	- 880	-434	-17	-1 331
Oct.-Dec.	7 423	8 426	-1 003	+324	- 39	+ 44	- 674	-483	-40	-1 197

## 1977

Jan -March	6 977	6 765	+ 212	+ 331	- 80	+ 82	+ 545	- 506	-46	- 7
Apr.-June	6 817	7 689	- 872	+ 299	+ 10	+ 49	- 514	- 726	-12	-1 252
July-Sept.	7 931	7 671	+ 260	+ 377	+118	+180	+ 935	- 532	-30	+ 373
Oct.-Dec.	9 041	8 500	+ 541	+ 385	- 51	+100	+ 975	- 670	-59	+ 246

## 1978\*

Jan.-March	7 745	7 359	+ 386	+ 399	- 66	+165	+ 884	- 613	-63	+ 208
Apr.-June	8 616	8 018	+ 598	+ 298	+ 11	+213	+1 120	- 821	-21	+ 278
July-Sept.	8 266	7 810	+ 456	+ 494	+222	+104	+1 276	- 643	-25	+ 608



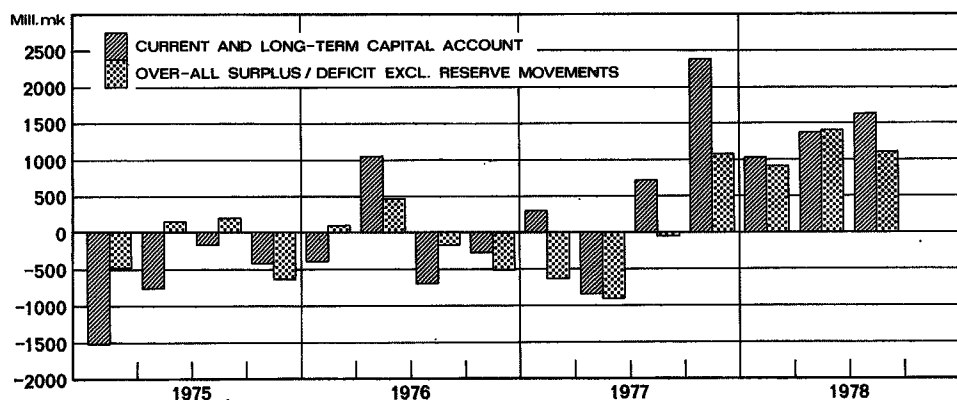


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	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
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+ 638	+1 449	+ 8	- 747	- 444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+ 138	-1 288	+1 327	- 128	+ 78	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 599	-1 547	- 470	-1 071	- 489	- 170	+ 659
+2 121	- 287	- 3	+ 57	+1 888	- 157	+ 131	- 34	+ 265	+ 205	+ 91	- 296
+1 532	- 415	-139	- 15	+ 963	- 418	+ 337	- 33	- 518	- 632	+ 165	+ 467
+1 404	- 374	+ 5	+ 11	+1 046	- 389	- 628	+ 119	+ 996	+ 98	+ 373	- 471
+2 096	- 394	- 95	- 7	+1 600	+1 056	- 158	+ 120	- 560	+ 458	- 485	+ 27
+1 239	- 568	- 11	- 25	+ 635	- 696	+ 565	- 764	+ 722	- 173	+ 263	- 90
+1 391	- 449	- 90	+ 69	+ 921	- 276	+ 359	- 763	+ 169	- 511	- 73	+ 584
+1 022	- 550	-127	- 24	+ 321	+ 314	- 799	+ 149	- 269	- 605	- 140	+ 745
+1 273	- 857	+ 35	- 37	+ 414	- 838	- 333	+ 149	+ 116	- 906	+ 358	+ 548
+1 252	- 647	-156	- 89	+ 360	+ 733	+ 227	- 384	- 631	- 55	- 319	+ 374
+2 907	- 691	+ 7	- 79	+2 144	+2 390	- 642	- 384	- 287	+1 077	- 69	-1 008
+1 876	- 854	-167	- 14	+ 841	+1 049	- 568	- 402	+ 845	+ 924	-1 556	+ 632
+2 900	-1 733	-	- 51	+1 116	+1 394	+ 232	- 402	+ 176	+1 400	- 687	- 713
+2 265	-1 089	- 95	- 42	+1 039	+1 647	- 74	- 70	- 386	+1 117	- 581	- 536

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

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

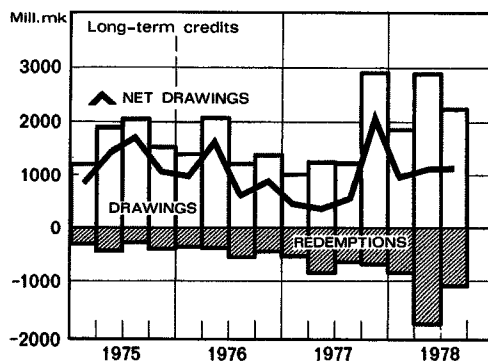
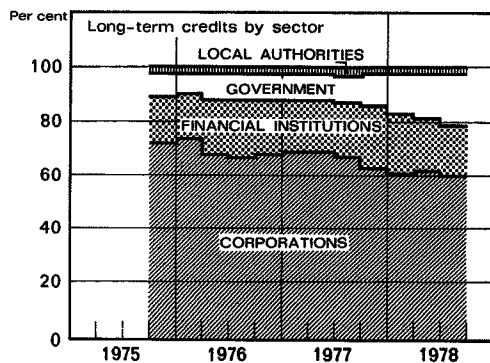
<sup>2</sup> Including Allocations of special drawing rights: 88 million in 1970, 85 million in 1971 and 85 million in 1972.



# FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (9-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other	Total (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1975	1 871	1 224	364	3 459	14 295	3 373	1 125	109	18 902	15 443
1976	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1975										
March	1 601	1 143	296	3 040	10 029	2 669	889	84	13 671	10 631
June	1 624	1 182	318	3 124	11 345	2 868	978	84	15 275	12 151
Sept.	1 699	1 184	320	3 203	13 488	3 228	1 066	88	17 870	14 667
Dec.	1 871	1 224	364	3 459	14 295	3 373	1 125	109	18 902	15 443
1976										
March	1 813	1 250	369	3 432	14 915	3 786	1 165	106	19 972	16 540
June	1 878	1 259	392	3 529	16 690	3 901	1 216	130	21 937	18 408
Sept.	1 910	1 310	425	3 645	17 045	4 321	1 273	155	22 794	19 149
Dec.	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977										
March	2 094	1 312	489	3 895	17 598	4 974	1 632	163	24 367	20 472
June	2 175	1 404	508	4 087	19 150	5 483	1 708	156	26 497	22 410
Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978										
March	2 499	1 673	837	5 009	25 107	6 068	1 774	159	33 108	28 099
June	2 517	1 759	859	5 135	26 769	6 134	1 865	159	34 927	29 792
Sept.	2 548	1 785	863	5 196	28 212	5 812	1 885	187	36 096	30 900

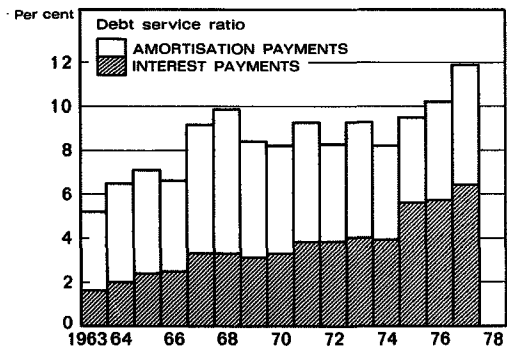
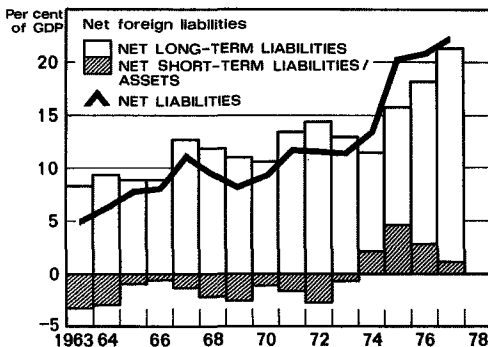
See explanations on page 22.



# FINLAND'S FOREIGN ASSETS AND LIABILITIES

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service	Of which amortisation payments
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	2 414	996
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
2 774	2 227	5 054	10 055	993	3 151	8 829	12 973	2 918	13 549	562	246
3 681	2 113	4 650	10 444	1 280	3 512	9 100	13 892	3 448	15 599	711	328
3 569	2 853	4 767	11 189	1 275	4 272	9 360	14 907	3 718	18 385	496	187
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	645	235
3 187	3 061	4 817	11 065	1 301	4 519	9 293	15 113	4 048	20 588	639	292
3 610	3 095	4 949	11 654	1 201	4 215	9 377	14 793	3 139	21 547	763	278
3 517	3 307	5 313	12 137	1 298	4 379	9 497	15 174	3 037	22 186	882	448
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	819	336
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
6 091	3 409	6 632	16 132	1 293	6 594	7 475	15 362	— 770	27 329	1 392	779
7 387	4 097	6 815	18 299	1 772	6 610	7 574	15 956	— 2 343	27 449	2 351	1 530
7 641	4 412	6 903	18 956	1 483	6 264	7 534	15 281	— 3 675	27 225	1 650	1 007

See explanations on page 22.



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1973 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1976	626	646	548	614	707	621	679	594	614	152	142	154
1977	692	713	610	667	804	695	728	654	695	171	154	176
1978												
Jan.	706	725	637	675	845	713	730	667	719	177	155	183
Feb.	711	730	639	679	853	719	736	665	727	177	155	183
March	716	731	658	683	869	719	736	670	733	178	155	184
April	717	733	658	683	869	725	740	669	736	178	156	185
May	721	734	669	687	877	726	737	675	741	180	160	185
June	721	734	674	687	884	725	737	673	743	180	160	185
July	730	742	685	691	902	739	752	677	752	180	160	186
Aug.	730	742	686	690	905	739	745	679	756	180	160	186
Sept.	735	747	688	696	909	743	744	681	765	184	168	188
Oct.	741	752	697	704	920	744	748	691	769	185	168	189
Nov.	744	756	700	710	918	744	753	695	771	185	168	189

Period	Consumer prices 1972 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Furniture, household equip. and operation	Transport	Education and recreation	Other goods and services
1976	174.4	182.2	164.4	166.0	170.5	199.7	163.7	173.9	161.7	185.4
1977	196.4	216.1	174.1	180.8	182.9	220.9	181.2	196.9	187.5	208.9
1978										
Jan.	204.3	222.4	174.3	183.3	192.0	234.2	187.6	209.4	197.8	218.1
Feb.	206.8	222.9	189.9	186.6	191.7	234.8	188.3	211.6	198.3	222.4
March	207.3	223.9	189.9	189.7	191.7	234.8	188.8	211.7	198.0	222.7
April	208.1	224.3	189.9	192.1	191.7	235.6	190.2	213.2	199.7	223.4
May	211.3	224.4	204.0	192.9	195.3	235.0	190.0	217.7	200.7	228.8
June	211.4	223.8	204.1	192.5	195.3	234.8	189.6	217.9	201.2	230.4
July	211.8	224.8	204.1	187.3	195.3	236.4	190.1	218.9	201.4	233.6
Aug.	212.7	224.0	204.0	191.4	195.7	236.4	190.3	219.2	208.6	234.7
Sept.	214.3	227.0	204.1	194.8	195.7	236.6	190.8	219.0	209.3	239.0
Oct.	215.3	227.4	204.1	199.8	195.7	237.1	193.0	218.4	211.5	241.2
Nov.	216.5	227.1	204.2	202.0	196.7	237.6	196.9	221.4	212.9	242.4

# 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							
1977	671	484	457	386	387	378	453	373	479	433
1978*	747	523	482	411	406	394	489	397	513	462
1977*										
Jan.-March	652	457	440	372	373	365	428	357	453	411
Apr.-June	666	488	456	386	390	382	457	374	485	437
July-Sept.	672	493	462	389	390	382	461	377	488	440
Oct.-Dec.	708	499	468	398	394	382	468	385	492	445
1978*										
Jan.-March	728	501	471	398	396	383	471	385	496	448
Apr.-June	736	516	477	403	401	386	482	390	508	456
July-Sept.	744	528	483	413	407	396	495	399	520	467
Oct.-Dec.	777	547	498	429	420	411	508	413	532	480

# PRODUCTION<sup>1</sup>

Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce	Public sector services	Others
1976*										
Apr.-June	100	103	89	108	70	102	99	100	105	102
July-Sept.	100	89	192	64	92	93	101	100	106	98
Oct.-Dec.	108	110	75	121	107	98	114	111	108	104
1977*										
Jan.-March	98	106	71	110	78	96	94	84	111	101
Apr.-June	100	103	87	112	74	95	97	95	110	103
July-Sept.	100	90	153	63	94	90	106	96	111	100
Oct.-Dec.	108	110	75	110	105	93	114	101	113	106
1978*										
Jan.-March	99	107	71	115	74	92	97	84	116	102
Apr.-June	104	109	89	104	76	95	107	93	115	104
July-Sept.	101	92	154	60	94	90	110	94	117	102

<sup>1</sup> New series

# PRODUCTION

Index of industrial production 1970 = 100

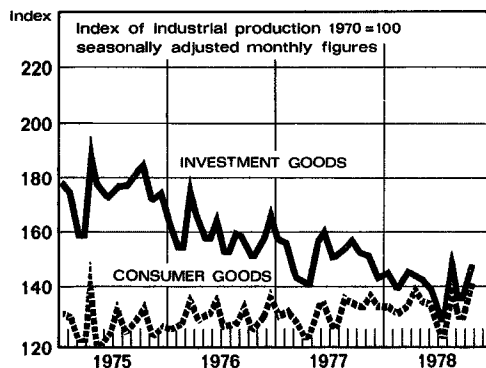
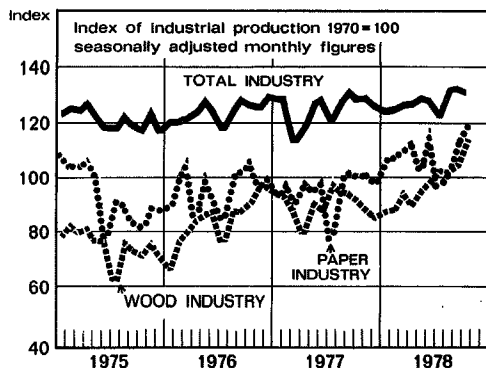
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975	122	178	110	130	113	76	95	143	128	150	122
1976	125	162	116	132	110	85	99	153	121	150	125
1977*	127	153	119	133	108	91	98	152	119	151	127

## 1977\*

July	66	61	64	74	95	42	59	82	63	56	122
Aug.	129	146	122	140	115	90	111	151	125	146	128
Sept.	140	171	132	146	114	100	117	162	137	167	132
Oct.	139	168	132	145	123	94	113	154	133	165	130
Nov.	142	173	133	149	127	99	112	166	127	172	130
Dec.	129	149	122	135	111	84	94	164	108	152	127

## 1978\*

Jan.	136	159	130	139	103	88	111	175	122	158	126
Feb.	128	147	123	134	94	87	113	164	118	145	126
March	136	156	130	141	104	104	107	183	121	156	127
April	134	147	129	140	106	114	115	179	128	149	128
May	140	159	134	146	119	126	112	165	127	161	130
June	124	145	116	136	113	109	97	126	129	145	129
July	67	52	67	72	101	43	72	98	49	49	125
Aug.	134	145	128	145	124	97	112	177	117	150	133
Sept.	138	148	134	142	114	106	129	182	129	154	133
Oct.	147	161	142	152	136	120	133	199	133	163	132



# LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un-employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1977								
Nov.	3 567	2 195	2 050	145	6.6	2 355	111	125
Dec.	3 570	2 210	2 051	159	7.2	2 714	139	133
1978*								
Jan.	3 572	2 199	2 007	192	8.7	2 625	94	102
Feb.	3 571	2 187	2 001	186	8.5	3 076	92	110
March	3 572	2 195	2 007	188	8.5	3 641	105	123
April	3 576	2 172	2 004	168	7.7	3 443	107	120
May	3 575	2 228	2 073	155	7.0	2 436	112	124
June	3 576	2 420	2 241	179	7.4	1 379	111	120
July	3 579	2 418	2 243	175	7.2	613	109	95
Aug.	3 579	2 326	2 171	155	6.7	1 080	113	127
Sept.	3 580	2 233	2 086	147	6.6	1 829	110	126
Oct.	3 584	2 219	2 066	153	6.9	..	..	..

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.82	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
1977*	41.62	18.82	4.23	11.90	3.72	43.12	17.89	3.01	16.57	3.28	48.38
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.43	3.59	0.47	4.51	0.57	47.95
Apr.-June	13.22	7.00	1.71	2.69	0.80	8.76	4.16	0.38	2.76	0.99	51.52
July-Sept.	11.20	4.67	1.06	3.70	0.91	10.92	4.04	1.05	4.02	0.99	52.69
Oct.—Dec.	10.47	4.23	0.80	3.60	1.18	14.01	6.10	1.11	5.28	0.73	48.38
1978*											
Jan.-March	10.21	3.72	1.02	4.06	0.92	8.36	3.81	0.66	2.80	0.75	45.37
Apr.-June	12.92	6.51	2.17	2.59	0.69	9.54	4.21	0.54	3.38	0.91	47.13

# 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. The balance sheet was re-organized from Dec. 31, 1978. Foreign bills were included in corporate sector receivables rather than in receivables from the foreign sector as was the case before. Changes in the domestic financial sector and the corporate sector are explained below. 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 reserve 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 bonds + Currency subscription to Finland's quota in the IMF.

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

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

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

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

Page 5. *Domestic financial sector*: Other liabilities, net = Capital import deposits + Cheque account liabilities to Postipankki + Other financial institution claims — Bonds — Other financial institution receivables.

*Corporate sector*: Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers credits.

Liabilities, net = Investment deposits + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Other corporate claims — Bonds — Other corporate receivables.

## MONETARY POLICY INDICATORS

Page 6. All the figures except the Average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The Average lending rate of the commercial banks is the mean value of end of the month lending rates weighted by credit outstanding.

Total central bank debt of the commercial banks = Discounted and rediscounted bills + net cheque account receivables from the commercial banks + call money debt + bond transactions with repurchase obligations — call money deposits by the commercial banks.

Actual central bank debt of the commercial banks = Total central bank debt — Postipankki's call money deposits.

Bank of Finland placements in the call money market = Demand for call money by the deposit banks — Supply of call money by the deposit banks.

Average cost of the total central bank debt of the commercial banks: Net costs paid to the Bank of Finland by the commercial banks, as a percentage of their total central bank debt, per annum.

Page 7. *Exchange rates* are annual and monthly averages of the Bank of Finland's daily quotations. *Currency index* is annual and monthly average of daily index numbers.

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

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

Page 8. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public. From 1974 deposits include domestic deposits denominated in foreign currency.

Page 9. *Advances to the public*. The central government and the financial institutions are not included in the public. Postipankki's (Post Office Banks) advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

*Money Supply*.  $M_1$  = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland) Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

## STATE FINANCES

Page 10. 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 11—13. Figures supplied by the Board of Customs. *Indices* (p. 11): 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. 13): from January 1978 imports by countries of origin exports by countries of consumption.

## BALANCE OF PAYMENTS

Pages 14—15. 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.

## FOREIGN ASSETS AND LIABILITIES

Pages 16—17. Figures calculated by the Bank of Finland. Long-term assets: Other = financial loans + Finland's subscriptions to international financial institutions. Long-term liabilities: Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 21 Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payments of long-term foreign assets and liabilities.

Chart Long-term credits by sector: Quarterly figures available since 1976. Chart Debt service ratio: Debt service as a per cent of current account earnings.

## PRICE INDICES

Page 18. All indices calculated by the Central Statistical Office.

## WAGES — PRODUCTION

Pages 19—20. Figures supplied by the Central Statistical Office. Page 20. *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 — INTERNATIONAL TRADE — TRAFFIC — CONSTRUCTION OF BUILDINGS

Page 21. *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, — Break in series.



# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. Mr. Urho Kekkonen has been President since 1956 and he was re-elected for the period March 1, 1978, to March 1, 1984.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1975 is as follows: Social Democrats 54, Centre Party 41, People's Democrats 40, Conservatives 35, Swedish Party 10, Liberal Party 8, Christian League 8, Finnish Farmers Party 2 and Finnish People's Constitutional Party 2.

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

NUMBER OF INHABITANTS (1977): 4.7 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.0 million.

DENSITY OF POPULATION (1977): In South Finland 46.4, in East and Central Finland 13.9, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1977): 40% of the population inhabit the rural areas. 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 487 519 inhabitants, Tampere (Tammerfors) 166 118, Turku (Åbo) 165 215.

EMPLOYMENT (1977): Agriculture and forestry 13%, industry and construction 35%, commerce 15%, transport and communication 7%, services 30%.

LANGUAGE (1977): Finnish speaking 93.4%, Swedish speaking 6.4%, others 0.2%.

EDUCATION (1978): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1977): births 13.9 ‰, deaths 9.4 ‰, change + 2.2 ‰, net emigration - 2.2 ‰. Deaths in France 10.1 ‰ and Great Britain 11.7 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1977, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 308 (6%), forestry and fishing 5 345 (5%), manufacturing 33 593 (30%), construction 9 979 (9%), transport and communication 11 604 (11%), commerce, banking and insurance 14 903 (14%), public administration 5 956 (5%), ownership of dwellings 4 030 (4%), services 17 543 (16%), total 109 261. Index of real domestic product 163 (1964 = 100).

FOREST RESOURCES (1977): The growing stock comprised of 1 520 million m<sup>3</sup> (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 637 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 57.4 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 40.7 million m<sup>3</sup>.

AGRICULTURE (1976): Cultivated land 2.3 million hectares. Number of holdings 242 700 of which 164 600 are of more than 5 ha. Measure of self-sufficiency in bread cereals 150% in the crop year 1976/77.

INDUSTRY (1976): Gross value of industrial production 95 790 mill. marks, number of workers 412 718, salaried employees 136 890, motive power (1976) 6.8 mill. kW. Index of industrial production 125 for 1976 (1970 = 100).

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

MERCHANT FLEET (Sept. 30, 1978): Passenger vessels 119 (185 172 gross reg. tons), tankers 50 (1 153 350 gross reg. tons), dry cargo vessels 213 (980 962 gross reg. tons), other vessels 76 (10 041 gross reg. tons), total 458 (2 329 525 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1977): Passenger cars 1 075 400, lorries and vans 136 200, buses 8 800, others 7 200, total 1 227 600.

FINNISH AIRLINES (Aug. 1, 1978): Finnair and Kar-Air have in use 4 DC-8, 1 DC-8-ST, 8 Super Caravelles, 9 DC-9s, 6 DC-9-51s, 2 DC-10-30 and 4 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 30 airports and to 20 domestic airports.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 20.3, Skr 17.1, £ 13.7, DM 13.2, \$ 9.7, other currencies 26.0. The permissible range of fluctuation is 2.25 per cent on either side of the arithmetic mean. The fluctuation limits are 121.7 and 116.4.

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

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

RATES OF INTEREST (May 1, 1978). 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 ½%. The range of rates for other credits granted by the Bank of Finland is between 5 ½% and 8 ½%. Other credit institutions time deposits 3 ¼%; 6 month deposits 4 ¼%; 12 month deposits 5 ¼%; 24 month deposits 6 ¼%; 36 month deposits 7 ¼% + savings premium; 36 month deposits 7 ¼% + tax concession. The highest lending rate 10 ¼%.

# FOREST RESOURCES, FOREST OWNERSHIP AND THEIR DEVELOPMENT IN FINLAND

by Kullervo Kuusela

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The data on forest resources and forest ownership in Finland are based on the results of national forest inventories compiled by the Forest Research Institute. The first inventory was carried out in 1921—1924 and the sixth and most recent, in 1971—1976. The data indicating recent developments are obtained by comparing the results of the sixth inventory with those of the fifth, carried out in 1964—1970. The results of these inventories are supplemented with estimates of the annual cut and the drain of timber based on wood utilization investigations.

## FOREST RESOURCES

Forest resources include both the land area utilized by forestry and its growing stock. Forest land, in which the annual yield from the tree stand at full density is not less than 1 cubic metre of stem wood including bark per hectare, is the most important section of forestry land (Table 1).

**TABLE 1. CLASSIFICATION OF LAND IN FINLAND**

Land class	South Finland	North Finland	Total
	Per cent of land area		
Forest land	70.1	58.3	64.6
Poorly productive land	5.7	18.5	11.7
Waste land	3.6	19.3	11.1
Roads, depots, etc.	0.4	0.2	0.3
<b>Total forestry land</b>	<b>79.8</b>	<b>96.3</b>	<b>87.7</b>
Agricultural land	17.0	2.6	10.1
Built-up areas	1.9	0.4	1.2
Communication routes, etc.	1.3	0.7	1.0
<b>Total other land</b>	<b>20.2</b>	<b>3.7</b>	<b>12.3</b>
<b>Total percentage</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Total land area, 1 000 hectares	16 088	14 459	30 547

Forestry land comprises forest land, poorly productive land yielding only small trees, treeless waste land, and the roads and depots used in forestry. According to the results of the sixth inventory, forestry land totals 26.8 million hectares, or 88 per cent of total land area. Its area is increasing by about 10 000 hectares per annum, due to the release of land following the discontinuation of agriculture on small and poorly productive farms. According to the results of the sixth inventory, the area of afforested fields amounted to about 200 000 hectares.

The area of forest land, 19.7 million hectares, is increasing by about 40 000 hectares per annum. This increase is attributable, not only to the afforestation of agricultural land, but also to the conversion of swamps in poorly productive land into forest land by means of drainage and fertilization. Peat land covers 9.3 million hectares, of which 4.5 million hectares has been drained. More than 2 million hectares of forests have been fertilized, with 55 to 60 per cent of fertilization projects being carried out in association with improvements in site drainage and the remainder in order to accelerate the growth of tree stands.

The increase in the land area used for timber production is predicted to continue in the next 10 to 20 years. Although the establishment of new national parks and nature conservation areas will reduce the area used for timber production, on balance, timber production prospects will increase.

The growth in the proportion of pine-dominated tree stands, particularly in North Finland, is the most conspicuous feature in the development of the tree species composition of growing

stock: these cover 58 per cent of the forest land. The former increase in the proportion of spruce-dominated tree stands has come to an end, and the marked decline in the proportion of deciduous-dominated tree stands has slowed down. At present, spruce-dominated tree stands account for 30 per cent of the forest land and those dominated by deciduous species for 12 per cent. The changing species composition of tree stands reflects the priority given to pine in the regeneration of tree stands, and the afforestation of drained swamps mainly into pine stands but also into birch stands. Afforestation of agricultural land has been mainly into birch and alder stands.

During the last 25 years, heavy fellings, combined with the regeneration of old tree stands and afforestation, have produced 6 million hectares of new young tree stands. As a number of previously abundant middle-aged tree stands have reached the regeneration stage, there are plenty of tree stands, particularly in South Finland, at the stage of final felling.

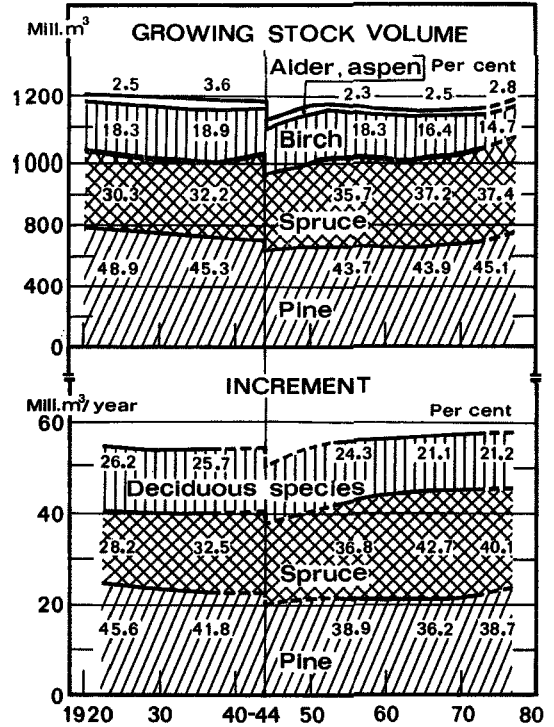
Owing to the abundance of old tree stands and improved felling methods, the proportion of saw-wood timber resources in the growing stock has increased, and it will continue to increase at least into the 1980s. The results of the fifth and the sixth inventory indicated the following numbers of saw-wood trees with a stem diameter of not less than 19.5 cm at breast height:

	Pine	Spruce	De- ciduous trees	Total
	Million trees			
Fifth inventory	810	586	86	1 482
Sixth inventory	935	731	131	1 797
Increase in six years	125	145	45	315

Hence, the felling prospects have improved, particularly for the saw-wood industry.

The increase in the volume of growing stock started towards the end of the 1960s, accelerating in the 1970s due to a reduction in fellings and production in 1975. Developments in the

**CHART 1. DEVELOPMENT OF THE GROWING STOCK VOLUME AND ITS INCREMENT, STEM WOOD, OVER BARK, BY TREE SPECIES, 1921—1977. DROP OF THE ESTIMATES IN 1944 WAS CAUSED BY REDUCTION OF FINLAND'S LAND AREA**



volume of growing stock can be estimated on the basis of the results of the inventories and the differences between the increase and total drain (Chart 1):

	1967	1973	1976	1977
	Million cubic metres of stem wood incl. bark			
Volume of growing stock	1 492	1 520	1 560	1 573

The volume of growing stock is now larger than ever before during the period when estimates have been made of forest resources.

Different tree species account for the following percentage shares in the total volume of growing stock (Chart 1):

Pine	Spruce	Birch	Aspen	Alder	Total
45.1	37.4	14.7	1.1	1.7	100.0

As observed earlier, the changing relative shares of different species in the growing stock show an increase in pine, a levelling off in the share of spruce, and a slowing in the decline of deciduous trees. From the point of view of the value of forest resources, this development is favourable, although it might be further enhanced by a more rapid decline in the share of the less valuable deciduous trees.

The volume of growing stock which has reached the regeneration maturity has clearly increased. According to the results of the sixth inventory, the volume of seed tree and shelter wood stands in forests mature for regeneration was 447 million cubic metres and the volume of low-yielding tree stands 205 million cubic metres. Hence the volume of growing stock to be directly harvested through final fellings was 652 million cubic metres in 1973, accounting for 44 per cent of the total volume of growing stock. Subsequently the volume has increased to about 700 million cubic metres.

With regard to the development of forest resources, the felling prospects are now better than ever before this century and are improving continuously. The volume of stem wood including bark increases by approximately 57.4 million cubic metres per annum. It is estimated that this increase would have been 5 million cubic metres less, in the absence of swamp

drainage and other forest improvement projects, which should, through the springing up of young tree stands, encourage larger increases in the future. Unless the regeneration of the oldest tree stands accelerates, this growth may, however, be slowed down by overmaturation of the growing stock.

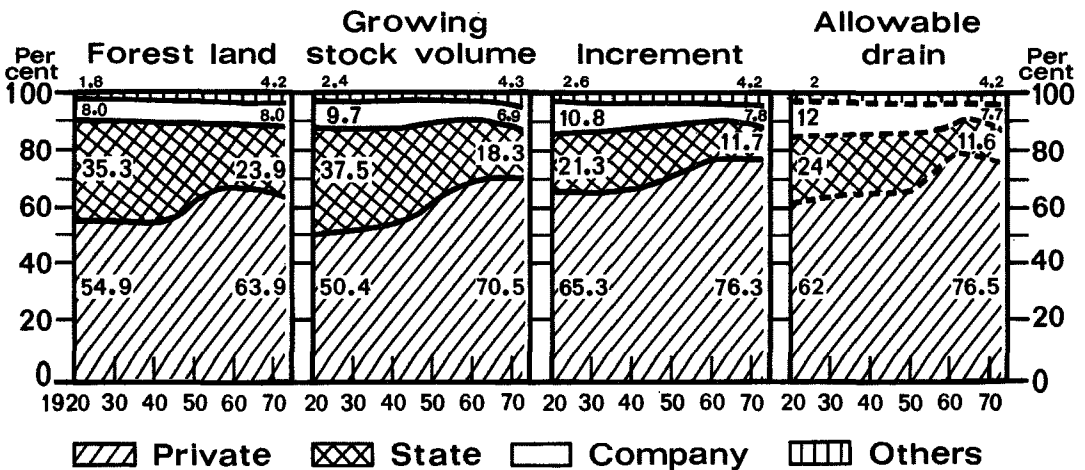
The share of pine in the increment of growing stock volume (39 per cent) has started to increase markedly, whereas the previously expanding share of spruce has declined from the fifth inventory, accounting for 40 per cent of the total increment in the results of the sixth inventory. The share of deciduous trees in total increment has remained unchanged at 21 per cent; due to an increase in young deciduous tree stands, the previous decline in their share has stopped (Chart 1).

### FOREST OWNERSHIP

Forest ownership according to the results of the sixth inventory (Chart 2):

	Private	Companies	State	Others	Total
Forest land	63.9	8.0	23.9	4.2	100.0
Volume of growing stock	70.5	6.9	18.3	4.3	100.0
Increment of growing stock	76.3	7.8	11.7	4.2	100.0

CHART 2. FOREST OWNERSHIP 1920—1973



The increase in the share of private owners which has continued throughout the current century has ceased and the share has started to decline. This decline is likely to continue in the future, with agriculture being discontinued on several small farms which are hardly viable and situated in poorly productive regions. The shares of joint stock companies and others (municipalities, parishes and corporations) have grown.

The composition of forest ownership is also changing due to the transfer of private forests to the ownership of private persons mainly engaged in trades other than agriculture; at present these own almost 40 per cent of private forests.

### DRAIN OF TIMBER, THE ALLOWABLE CUT AND FOREST BALANCE

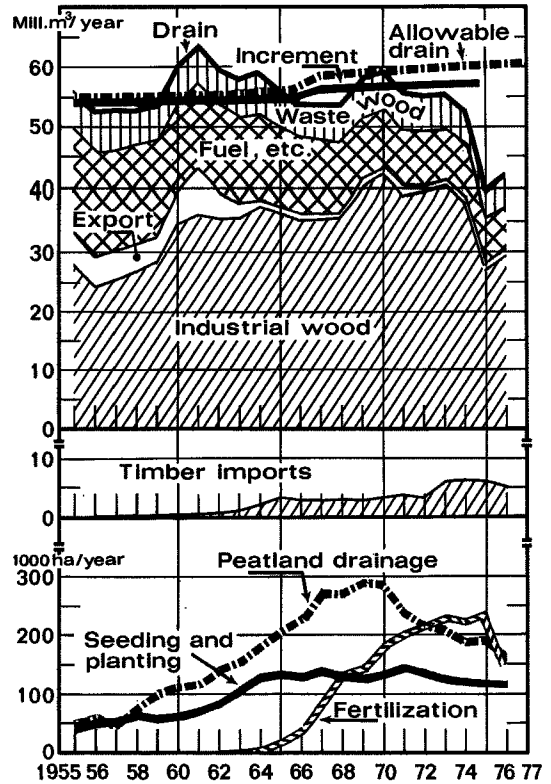
The drain of timber consists of felled timber assortments, logging residues, the timber felled due to silvicultural measures and the drain due to mortality. The estimates of drain declined from 1961 until the beginning of the 1970s when they reached a fairly stable level of about 55 million cubic metres per annum (Chart 3). The downswing in the forest industries which started in 1975 reduced the drain to about 40 million cubic metres per annum, whence it has begun to rise slowly. Recent drain estimates are as follows:

1971	1972	1973	1974	1975	1976	1977
Million cubic metres per annum						
55	55	55	52	41	42	44

Owing to forest improvement projects and developments in the felling methods and the age structure of tree stands, the maximum allowable cut based on sustained yield has increased. The allowable cut estimated for 1977 was as follows:

Saw-wood	Pulp wood	Forest waste	Nature conservation reduction	Mortality	Total drain
Million cubic metres per annum					
23.6	29.3	4.9	1.1	1.2	60.1

**CHART 3. ANNUAL INCREMENT, ALLOWABLE DRAIN, DRAIN AND ITS PARTS, TIMBER IMPORTS AND MOST IMPORTANT SILVICULTURAL AND FOREST IMPROVEMENT INPUTS IN 1955—1976**



Nature conservation reduction refers to the part of the allowable cut which is situated in national and natural parks and in such regions where forestry cannot be carried out because of the planning of new parks.

The forest balance indicates the accrual of mature timber crop in the forests. At present, the annual saving is about 15 million cubic metres.

If the volume of imports of raw timber continues to amount to about 5 million cubic metres per annum, the allowable cut of Finnish forests will exceed the demand for timber even when the forest industries are working at full capacity. If no raw timber were imported, the existing industries would be able, while working at full capacity, to consume the total domestic allowable cut. On the other hand, if the annual demand for timber is estimated on the long-term

average level of capacity, there would be scope for expanding industries relative to the estimate of annual cut allowed by the growth of forest resources.

## DEVELOPMENT OF FOREST RESOURCES IN THE NEAR FUTURE

Trends in the major indicators of forest resources, namely the age structure of forests and the volume of growing stock, are mainly dependent on social and economic policy factors. The heavy consumption of timber, the regeneration of old tree stands and the expansion in silvicultural inputs in the 1950s and 1960s, for example, were made possible by the large proportion of the population still engaged in agriculture and forestry, which in turn reflected the limited extent of industrialisation. These people needed earnings from the sale of timber and forest work in order to secure themselves at least approximately the same standard of living as could be reached by those engaged in industry and services. The supply of timber was adequate to satisfy the needs of the industries and, moreover, to allow large exports of raw timber until the middle of the 1960s. The forest labour force was sufficient for both harvesting and the expanding silvicultural and forest improvement works.

By the mid 1960s, industrialisation and the improvements in the standard of living had effectively reduced the dependence of forest

owners and the declining rural population on the utilization of forest resources. The sale of timber became a source of marginal income and as such was often regarded as less important than the accumulation of wealth in forests. The willingness to do heavy forest work outside population centres weakened, so that shortage of forest labour posed problems in wide areas.

After 1964 and 1973 it was necessary to meet industry's growing need for timber by expanding exports of raw timber. In addition, the impact of silvicultural and forest improvement projects began to weaken during the first half of the 1970s (Chart 3). Forestry production also declined in the 1960s due to growing concern that efficient timber production diminished the quality of forests as a living and leisure environment, and that hence wide areas should be protected from timber production.

As a result of a deceleration in the growth of the consumption of forest industry products following rising fuel costs, the volume of fellings fell enormously in 1975. The rise in fuel prices, together with other cost increases, weakened the competitiveness of the Finnish forest industries and led to the loss of export market shares. Owing to all these factors, the less than full use of the allowable cut is likely to continue at least for some years ahead, resulting in an accumulation of timber in forests, and an increase in the volume and maturity of growing stock.

## ITEMS

**Trade agreement between Finland and the U.S.S.R.** On November 21, 1978 a protocol governing the exchange of goods between Finland and the U.S.S.R. in 1979 was signed in Helsinki. The agreement ensures that the existing level of trade between the two countries is maintained in 1979. As the value of both exports and imports is in the region of 6 000 million marks, it is estimated that the total value of goods exchanged — including the border trade and construction projects — will exceed 12 000 million marks. The structure of trade will be essentially the same as in the current agreement.

Of Finnish exports to the U.S.S.R., metal industry products will form the major part, although the value of these deliveries will be somewhat smaller than in 1978. This is mainly because some large equipment deliveries, such as those for the Norilsk project, should be virtually completed this year. The total value of Finnish metal industry exports will exceed 2 700 million marks, of which machinery and equipment will account for more than 1 100 million marks. The largest individual quotas of machinery and equipment have been allocated to the pulp and paper industry.

Exports of various vessels to the U.S.S.R. next year will comprise 26 different units, whose total value should exceed 1 500 million marks.

The main forest industry exports are of paper and cardboard, as already laid down in the five-year agreement. The composition of goods also otherwise remains essentially the same. The total value of the forest industry's exports will amount to about 1 600 million marks.

Of consumer goods exports, whose total value exceeds 400 million marks, clothing, leather footwear and other leather products are the main items.

Agricultural produce will also be exported to the U.S.S.R. in 1979. As often in earlier years, the Finnish export list includes milk powder, butter, cheese, eggs and meat products.

Solid and liquid fuels together form the largest single component of Finland's imports from the U.S.S.R. According to the agreement, 7 million tons of crude oil, 1.5 to 2 million tons of diesel oil, 1.5 million tons of mazout, 600 000 to 800 000 tons of coal and anthracite, 900 000 tons of coke and 1 020 million cubic metres of natural gas will be imported by Finland this year.

The value of Finnish imports of machinery and equipment from the U.S.S.R. will be about 20 per cent greater in 1979 than this year. Individual items of note include passenger cars, machinery and equipment for nuclear power stations and vessels. According to a practice, established in the agreement for 1978, individual export and import quotas of machinery and equipment for use in industrial co-operation were also included in the agreement for 1979.

Imports of timber from the U.S.S.R. are to continue this year. The sawn timber volume will be unchanged at 500 000 cubic metres, but the pulp wood volume has been reduced to 1 450 000 cubic metres.

For the first time in many years the agreement incorporates imports of grain, which Finland requested in view of the poor domestic harvest. These will amount to 50 000 tons, comprising 30 000 tons of wheat and 20 000 tons of rye. Earlier, in the autumn, the Finnish State Granary made an agreement with the U.S.S.R. whereby a delivery of 50 000 tons of wheat was sent to Finland before the end of last year.

The year 1979 is the penultimate in the present five-year agreement for 1976—1980. During the first three years of the agreement, the value of goods exchanged has exceeded 6 000 million

roubles, or approximately 36 000 million marks. Where many of Finland's major export products are concerned, exports during the first three years have exceeded the average annual level anticipated.

**Supplementary budget.** The fourth supplementary budget for 1978 was approved by Parliament in December. It involved a 1 141 million mark addition to the state expenditure budgeted for 1978, and an increase of 1 289 million marks on the revenue side.

The largest individual expenditure item was the 325 million mark appropriation made for price subsidies paid in accordance with excise duty acts. The Act on the Excise Duty on Certain Foodstuffs was revised on August 1, 1978, to extend the system whereby price differentials between domestic and world market prices of agricultural raw materials used for certain manufactures are reduced. An equal amount was added to the estimated accrual of excise duties.

In accordance with the agricultural incomes agreement made on August 31, 1978, an additional 40 million marks was earmarked for agricultural price subsidies; in addition, a sum of 10 million marks was set aside to cover the increase in the price of milk and to subsidize beef and lamb production. A further 12 million marks was earmarked for the promotion of sugar production.

Imatran Voima Osakeyhtiö, and Valmet Oy were allocated 20 million marks and 10 million marks respectively for the purpose of increasing share capital.

Due to the severe employment situation, a total of 16 million marks was earmarked for state aids to alleviate unemployment and a total of 71 million marks for investment expenditure promoting employment. An additional 30 million marks was set aside for state grants to unemployment funds.

On the revenue side, a total increase of 981 million marks was estimated to accrue from taxes and similar revenue, an additional 125

million marks from miscellaneous receipts and an increase of 139 million marks from interest income and shares in the net profits of central government banking institutions. With the supplementary budgets included, budgeted state expenditure for 1978 totals 40 700 million marks.

**The Bank of Finland's annual statement for 1978.** Total net foreign receivables of the Bank of Finland increased by 3 983 million marks in 1978 and amounted to 4 052 million marks at the end of the year. The Bank's convertible foreign exchange reserves increased by 2 259 million marks to 3 808 million marks, while the tied foreign exchange reserves declined by 25 million marks, totalling 471 million marks at the end of the year.

The Balance Sheet item »Other foreign receivables» increased in 1978 by 497 million marks to 1 968 million marks. This includes an increase of 329 million marks in foreign bonds, and of 168 million marks in the currency subscription to Finland's International Monetary Fund quota. The item »Other foreign liabilities» declined by 1 252 million marks to 2 195 million marks, mainly due to the repayment of foreign reserve credits worth 300 million US dollars drawn at the end of 1977.

Total central bank financing of the commercial banks declined by 1 713 million marks and amounted to 3 319 million marks at the end of the year. The commercial banks' quota debt fell by 2 091 million marks, whereas call money market advances rose by 409 million marks. At the end of the year, the commercial banks' total central bank credit amounted to 1 106 million marks and their call money market advances to 2 213 million marks. Call money market deposits amounted to 2 075 million marks, which was 1 225 million marks more than at the end of 1977.

The balance of 138 million marks at the end of the year was deposited in the call money market by the Bank of Finland. The capital import deposits of the financial institutions increased by 159 million marks and amounted to 405 million marks at the end of the year.



Receivables from the public sector grew by 242 million marks in 1978. This sum includes the drawing of 188 million marks of a 700 million mark loan to the central government granted by the Bank of Finland. Claims of the public sector declined by 214 million marks, primarily because capital import reserves of 217 million marks were released.

Net receivables from corporations declined by 70 million marks and amounted to 1 592 million marks at the end of the year. Export financing, which includes foreign bills and new-export bills, grew by 222 million marks and financing of domestic suppliers' credits by 38 million marks. Of the claims of corporations, capital import deposits increased by 122 million marks.

Notes and coins in circulation increased by 655 million marks to 3 822 million marks and deposit certificates by 890 million marks to reach a total of 1 090 million marks at the end of the year.

The profits of the Bank of Finland for the accounting year 1978 amounted to 183 million marks, which was 10 million marks less than in 1977.

**Changes in statistical tables.** With a view to increasing information on domestic and foreign monetary indicators provided by the Bank of Finland the following changes and additions have been made to the statistical tables as from December 31, 1978.

On the inside cover a new chart of the commercial banks' central bank financing has been inserted.

Pages 4 and 5. In connection with the reorganization of the balance sheet as from December 31, 1978 Foreign bills have been included in Corporate sector receivables rather than in Receivables from the Foreign sector as was the case before. From now on Other receivables on page 4 includes Foreign bonds + Currency subscription to Finland's quota in the IMF. On page 5 in the Corporate sector the item Permanent special financing schemes includes Foreign bills + New export bills + Fi-

ancing of suppliers credits. The item Liabilities, net, includes Investment deposits + Countercyclical withholdings + Capital imports deposits + Import levy deposits + Other corporate claims — Bonds — Other corporate receivables. Also on page 5 in the Domestic financial sector four new items are inserted: Cheque accounts net, commercial banks, Demand for call money by deposit banks, Supply of call money by deposit banks and Other liabilities, net. Other liabilities, net, comprises Capital import deposits + Cheque account liabilities to Postipankki + Other financial institution claims — Bonds — Other financial institutions receivables. The Currency index has been moved from page 4 to page 7 and on page 5 a chart of Currency index has been inserted.

A new table and a chart of Monetary Policy Indicators are to be found on page 6. All the figures except the Average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The Average lending rate of the commercial banks is the mean value of end of the month lending rates weighted by credit outstanding. The item Total central bank debt of the commercial banks includes Discounted and rediscounted bills + Net cheque account receivables from the commercial banks + Call money debt + Bond transactions with repurchase obligations — Call money deposits by the commercial banks. The item Actual central bank debt of the commercial banks comprises Total central bank debt — Postipankki's call money deposits. The item Bank of Finland placements in the call money market includes Demand for call money by the deposit banks — Supply of call money by the deposit banks. The item Average cost of total central bank debt of the commercial banks includes Net costs paid to the Bank of Finland by the commercial banks, as a percentage of their total central bank debt, per annum.

On page 7 a new table of Bank of Finland average selling rates for foreign exchange and a chart of Movements of the most important currencies against the Fmk have been inserted. Exchange rates are annual and monthly averages of the Bank of Finland's daily quotations.

The currency index previously on page 4, is an annual and monthly average of daily index numbers. As for present currency weights see page 23 Currency.

A new table of Finland's Foreign Assets and Liabilities and four new charts appear on pages 16 and 17. In Long-term assets the item Other includes Financial loans + Finland's subscriptions to international financial institutions. In Long-term liabilities the item Other comprises Leasing credits + Subscriptions to international financial institutions paid in the form of bonds. In the chart »Long-term credits by sector» quarterly figures are available since 1976. The chart entitled »Debt service ratio» expresses Amortisation and Interest payments on net foreign liabilities as a percentage of current account earnings.

On page 18 two indices have been removed and the Consumer price index is given with decimals.

**Publications of the Bank of Finland.** In Series A, the following publications have appeared: A 46 Ralf Pauli, Olavi Rantala and Jorma Hietalahti, Koroista ja korkopolitiikasta Suomessa (Interest rates and Interest Rate Policies in Finland), in Finnish, 1978, 77 pp. ISBN 951-686-041-9, ISSN 0355-6034. See back article in December 1978 Bulletin.

A 47 Jarmo Pesola and Timo Tyrväinen, Palveluelinkeinojen investoinnit vuosina 1953—1975 (Service Sector Investment in 1953—1975), in Finnish, 1978, 104 pp. ISBN 951-686-047-8, ISSN 0355-6034.

Three articles which appeared in the Bank of Finland Monthly Bulletin in 1978 have been published under the title »Taxation in Finland». The subjects covered in the articles are: developments in Finnish taxation, direct taxation, and indirect taxes and social security contributions. ISBN 951-686-049-4.

The Bank of Finland has also published an index of all articles appearing in the Monthly Bulletin 1921—1977. ISBN 951-686-048-6.

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## BANK OF FINLAND

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*Governor*

Ahti Karjalainen                      Pentti Uusivirta

Rolf Kullberg                              Ele Alenius

Harri Holkeri

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### Directors

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Eino Helenius                              Pentti Koivikko

Kari Nars                                      Antti Lehtinen

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Antti Saarlo                                  Timo Männistö  
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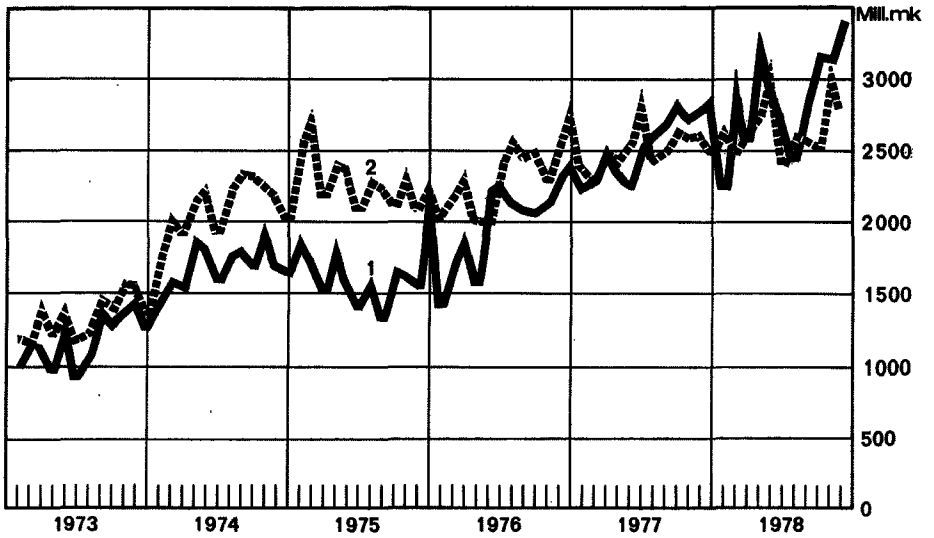
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Pauli Kanerva                              Stig G. Björklund  
*Personnel Administration and*              *Banking Services*  
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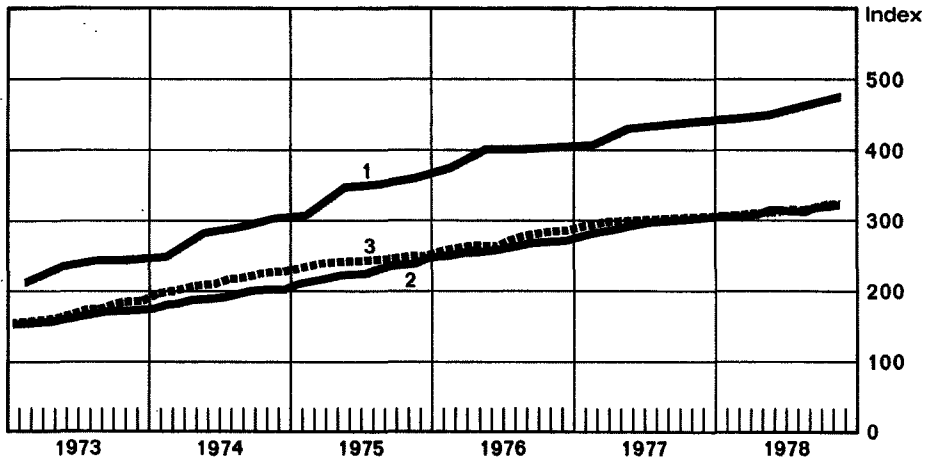
Antti Luukka  
*Cash*

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FOREIGN TRADE, 1973 - 1978



PRICES AND WAGES, 1973 - 1978



PRODUCTION, 1973 - 1978

