



# BANK OF FINLAND

*Monthly Bulletin*

**Economic situation**

**Finnish regional development policies**

Inflow of long-term loan capital in  
January-June 1975

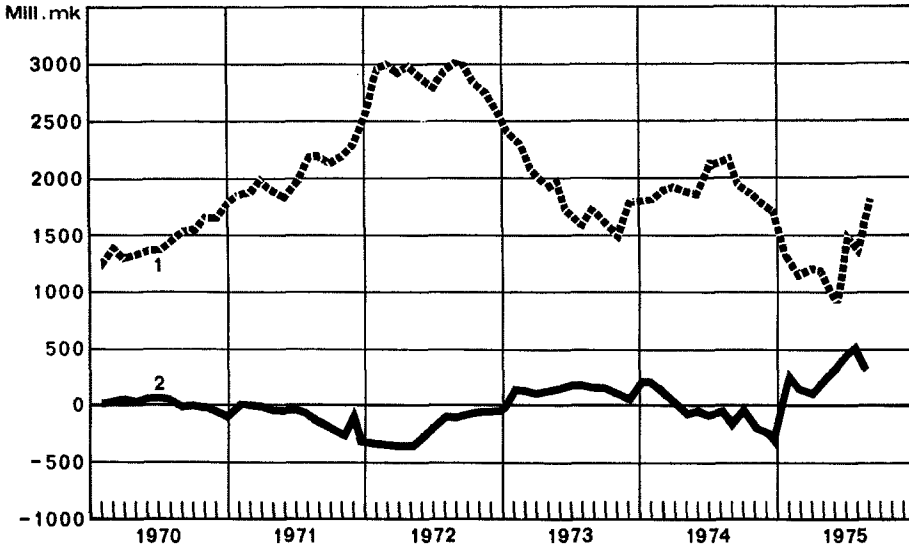
The Bank of Finland's investment  
inquiry of June 1975

The inquiry concerning direct investment  
Conference on the Monetary Mechanism

**OCTOBER 1975**

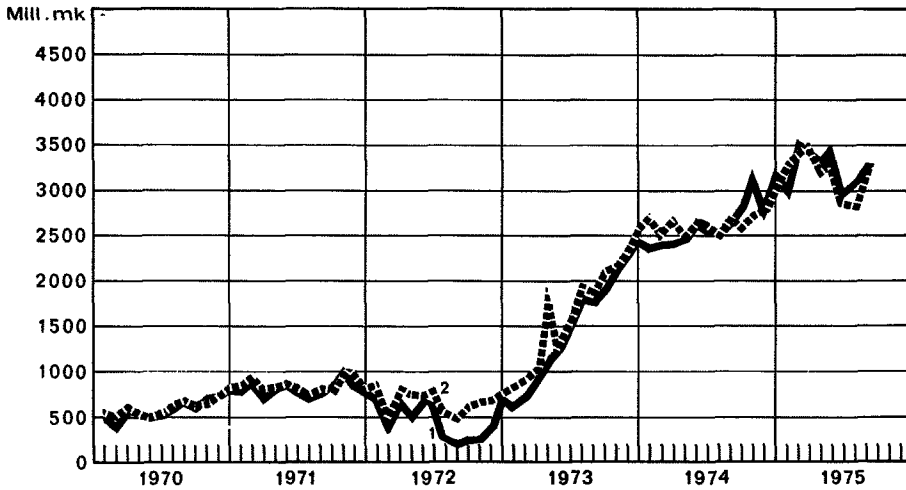
**Vol. 49 No. 10**

**BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1970-1975**



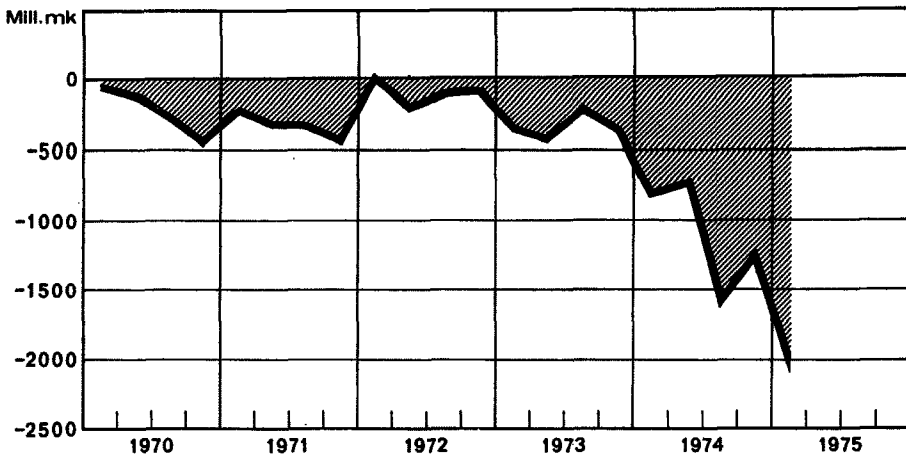
- 1. Gold and convertible currencies
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**BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1970-1975**



- 1. Net receivables from the domestic financial sector
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- Seasonally adjusted end-of-month figures

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1970-1975**



Seasonally adjusted quarterly figures

# ECONOMIC SITUATION

The world economy is experiencing its worst recession since the 1930s and its full effect has now begun to be felt in Finland. Reduced activity in other countries has curbed the demand for Finnish exports, particularly of wood-based products where the volume of exports has fallen by one-third in the first half of this year, and consequently the current account deficit has widened very fast. Furthermore, with wood-processing industries being forced to cut down on production, real GDP has stopped growing. Despite this relaxation in demand pressures, and the slackening in import price increases, the rate of inflation has remained high, since it is now being fuelled by higher domestic costs. The employment situation, however, has remained good so far, but the number of unemployed is growing, and further increases are anticipated.

The decline in construction activity in Western Europe had already caused a marked decline in the exports of timber and related products in 1974, and during this year the situation has further deteriorated. The volume of paper and pulp exports has also fallen this year. The export earnings of wood-processing industries, which in 1974 still accounted for well over half of total exports, have declined markedly despite increases in prices. Production in these industries, however, has not fallen as fast as exports. Continued buoyant domestic demand and a large backlog of orders in the metal industry have contributed to keeping real GDP at the level achieved last year.

At a relatively early stage of the previous boom the productive capacity of many industries proved to be insufficient, and consequently private investment soared. Private investment has continued to grow despite the weak export performance this year, since projects in progress are being completed and as medium- and long-term export prospects are still generally considered to be good. In addition, investments in the energy sector and purchases of ships and

aircraft have been exceptionally high. Only housing investment has been lower than that in 1974 which was, in any case, a record year.

Private consumption demand has also been growing since rapid wage developments, together with cuts in income tax rates and sizeable growth in forest income, have increased the disposable income of households. The propensity to consume seems to be on the increase, as a result of changing distribution of income in favour of earned income. In particular purchases of passenger cars and other consumer durables have increased quite substantially.

The volume of imports is gradually falling as a result of the standstill in total production. Imports of raw materials and fuels have been declining, but the still brisk investment activity keeps the volume of investment goods growing. This is partly due to the split nature of the present situation, where a great share of the productive capacity is being run at well below full capacity, but at the same time there still exist production bottlenecks — mainly in the metal industry.

The employment situation has so far remained better than in most other market economies. This follows partly from the fact that, up to now, the main casualty of the slump has been the wood-processing industry, which is relatively capital-intensive. Another reason is that the shortage of labour experienced during the last boom proved to be very severe in many industries, and employers are therefore trying to maintain the size of their workforces in spite of the fact that short-term production prospects are not good. As the slump spreads both of these arguments will weaken and the unemployment rate is expected to rise considerably.

In 1974 drastically increased import and export prices, together with excess demand in many sectors of the economy, gave a big boost to the rate of inflation. This year the main factors

in keeping the inflation galloping are to be found in domestic cost developments, as the disequilibrium in price and wage structures caused by the rapid rise in foreign sector prices last year maintains inflationary pressures. Despite attempts to dampen price rises, e.g., by reducing or temporarily removing some indirect taxes, consumer prices are this year expected to rise as fast as they did last year.

This year the current account deficit has been accumulating twice as fast as last year. Long-term capital imports have played a major role in the financing of this deficit. The inflow of funds has been greatly facilitated by easier conditions in the international financial markets. Imports of short-term capital have grown also rapidly, which has been partly due to extensions of payment schedules, and partly to advance payments that Soviet Union has been making on its import orders. Despite a sizable inflow of foreign capital the deepening of current account deficit has also been reflected in the country's total foreign exchange reserves. The deterioration of foreign liquidity position has taken place in deposit banks, while convertible official reserves have grown somewhat, partly due to drawings on the IMF Oil Facility.

As a result of the continuous high level of productive investment and the accumulation of inventories, the demand for credit has been brisk. Despite the fact that the growth of overall credit-granting to the public has accelerated even from last year's high figure, a shortage of finance has occurred in various fields, in particular in housing. Although the growth of bank lending has remained below the rate of total credit expansion, it has still clearly exceeded the increase in deposits. During the first half of the

year the excess growth of bank lending over deposits was to a large extent financed by the banks' foreign borrowing. There was only a slight increase in the central bank debt of the commercial banks, since the tightening effect of collecting import deposits was offset by the release of the central government Counter-cyclical Fund, and by the cash deficit of the central government.

Tight monetary policy, together with a slackening in the demand for credit, will bring the rate of credit expansion down during the latter part of the year. The growth of bank lending is particularly likely to be reduced. However, the pressure on the liquidity position of the banks will remain strong. This stringency will be intensified by the collection of import deposits, and by developments in the balance of payments. On the other hand, the expansionary influence of the central government cash deficit is likely to continue.

The deepening current account deficit and continuing inflation have, therefore, remained the major concern of economic policy. In March 1975 the Government presented an economic programme aimed at easing the pressures on the current account. This package consisted of, among other things, a temporary import deposit scheme and a restriction of public consumption and investment demand (see front article in Bulletin 5/1975). In June the IMF granted a stand-by arrangement and an Oil Facility credit to a total of 736 million marks (see item in Bulletin 7/1975). Monetary policy has continuously been kept restrictive. The central bank credit quotas of the commercial banks have not been raised since the summer of 1974.

September 23, 1975

	1973	1974	1975			
	Dec. 31	Dec. 31	Sept. 8	Sept. 15	Sept. 23	Sept. 30
<b>Assets</b>						
Gold and foreign exchange receivables	2 210	1 791	2 363	2 328	2 288	2 147
Gold	121	121	121	121	121	121
Special drawing rights	285	286	284	284	284	284
IMF gold tranche	268	268	—	—	—	—
Convertible currencies	1 228	1 109	1 542	1 542	1 508	1 405
Tied currencies	308	7	416	381	375	337
Other foreign receivables	952	1 123	1 277	1 267	1 267	1 274
Foreign bills	103	252	287	276	279	287
Foreign bonds	319	341	192	193	190	189
Currency subscription to Finland's quota in the IMF	530	530	798	798	798	798
Receivables from financial institutions	2 745	3 414	3 992	3 955	3 917	4 185
Cheque accounts of the commercial banks	19	114	184	134	187	196
Discounted bills	2 556	3 034	3 437	3 402	3 368	3 565
Bonds	121	220	274	329	284	332
Other financial institution receivables	49	46	97	90	78	92
Receivables from the public sector	268	301	325	322	321	322
Bonds	53	71	73	69	70	71
Total coinage	200	224	250	251	251	251
Other public sector receivables	15	6	2	2	0	0
Receivables from corporations	613	631	820	813	820	827
New export bills	47	90	124	128	130	125
Financing of suppliers' credits	271	276	337	334	335	342
Bonds	255	231	240	238	238	233
Other corporate receivables	40	34	119	113	117	127
Other assets	34	37	36	36	36	37
<b>Total</b>	<b>6 822</b>	<b>7 297</b>	<b>8 813</b>	<b>8 721</b>	<b>8 649</b>	<b>8 792</b>
<b>Liabilities</b>						
Foreign exchange liabilities	147	457	215	206	200	204
Convertible accounts	73	62	71	63	56	53
Tied accounts	74	395	144	143	144	151
Other foreign liabilities	788	788	1 385	1 385	1 385	1 385
IMF mark accounts	530	530	1 127	1 127	1 127	1 127
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 082	2 461	2 573	2 590	2 530	2 620
Notes	1 907	2 259	2 348	2 365	2 306	2 396
Coins	175	202	225	225	224	224
Deposit certificates in circulation	1 450	1 040	1 020	860	700	820
Claims of financial institutions	13	9	293	287	359	277
Cheque account of Postipankki	2	4	5	1	93	1
Cheque accounts of the commercial banks	7	4	5	2	1	2
Other financial institution claims	4	1	283	284	265	274
Claims of the public sector	535	560	935	987	1 019	1 019
Cheque accounts	2	7	3	1	48	1
Counter-cyclical reserves	509	543	236	187	178	175
Import deposits	—	—	694	798	792	842
Other public sector claims	24	10	2	1	1	1
Claims of corporations	239	195	414	410	408	401
Investment deposits	5	34	67	67	67	69
Counter-cyclical withholdings	—	49	0	0	0	—
Capital import deposits	214	98	333	331	329	320
Import levy deposits	6	6	7	5	5	5
Other corporate claims	14	8	7	7	7	7
Other liabilities	16	17	13	13	12	12
Equalization accounts	740	858	1 027	1 042	1 090	1 105
Capital accounts	812	912	938	941	946	949
Primary capital	600	600	600	600	600	600
Reserve fund	114	163	237	237	237	237
Undisposed profits	—	—	—	—	—	—
Net earnings	98	149	101	104	109	112
<b>Total</b>	<b>6 822</b>	<b>7 297</b>	<b>8 813</b>	<b>8 721</b>	<b>8 649</b>	<b>8 792</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
1968	1 309	6	1 303	— 12	125	34	1 382	105	364	259	—
1969	1 266	11	1 255	— 80	517	360	1 332	102	200	98	—
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
1974											
Aug.	2 274	74	2 200	—220	889	788	2 081	213	530	317	1 360
Sept.	1 989	71	1 918	— 86	899	788	1 943	217	564	347	1 390
Oct.	1 947	70	1 877	—235	922	788	1 776	220	521	301	1 510
Nov.	1 862	64	1 798	—280	936	788	1 666	222	520	298	1 400
Dec.	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975											
Jan.	1 388	56	1 332	306	1 105	788	1 955	302	555	253	990
Feb.	1 249	53	1 196	161	1 106	788	1 675	307	551	244	1 050
March	1 300	66	1 234	132	1 089	788	1 667	307	553	246	1 080
April	1 284	66	1 218	255	999	788	1 684	310	550	240	1 170
May	1 065	67	998	352	1 010	788	1 572	314	556	242	870
June	1 618	67	1 551	483	1 283	1 385	1 932	311	512	201	900
July	1 484	60	1 424	545	1 288	1 385	1 872	315	718	403	800
Aug.	1 879	60	1 819	327	1 266	1 385	2 027	322	871	549	700
Sept.	1 810	53	1 757	186	1 274	1 385	1 832	322	1 019	697	820

<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, 1974			Net holdings, July 31, 1975			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	July	Jan.-July
Gold	121	—	121	121	—	121	—	—
Special drawing rights	286	—	286	286	—	286	—	—
IMF gold tranche	268	—	268	—	—	—	—	—268
Convertible currencies	1 047	—564	483	1 017	—1 237	—220	+208	—703
Total	1 722	—564	1 158	1 424	—1 237	187	+208	—971
Non-convertible currencies	—388	— 5	—393	545	11	556	+ 90	+949

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
1968	618	107	—	163	16	—	546	381	43	338	1 246
1969	550	87	—	93	12	—	532	461	25	436	1 394
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 622
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
1974											
Aug.	2 538	122	—	—	3	—	2 657	400	203	197	2 227
Sept.	2 703	249	—	—	9	—	2 943	415	181	234	2 246
Oct.	2 985	142	—	—	2	—	3 125	425	219	206	2 206
Nov.	3 108	167	—	—	1	—	3 274	422	224	198	2 360
Dec.	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1975											
Jan.	2 572	112	269	2	2	23	2 926	631	231	400	2 274
Feb.	2 970	171	313	2	2	23	3 427	654	336	318	2 318
March	3 275	142	284	2	1	41	3 657	667	388	279	2 433
April	3 441	99	307	1	1	84	3 761	680	417	263	2 396
May	3 417	136	304	2	1	134	3 720	690	446	244	2 479
June	3 083	139	347	2	—	128	3 439	722	374	348	2 692
July	3 082	136	377	3	0	120	3 472	821	423	398	2 544
Aug.	3 068	135	369	4	2	282	3 284	816	305	511	2 635
Sept.	3 565	196	424	2	1	274	3 908	827	401	426	2 620

<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

Sept. 23, 1975

New York <sup>1</sup>	1 \$	3.915	Frankfurt o. M.	100 DM	146.70	Vienna	100 S	20.80
Montreal	1 \$	3.830	Amsterdam	100 Fl	143.00	Lisbon	100 Esc	14.30
London	1 £	8.055	Brussels <sup>2</sup>	100 Fr		Madrid	100 Pta	6.53
Stockholm	100 Kr	86.30	Zurich	100 Fr	143.30	Tokyo	100 Y	1.292
Oslo	100 Kr	68.40	Paris	100 FF	85.40	Reykjavik	100 Kr	2.38
Copenhagen	100 Kr	63.20	Rome	100 Lit	0.5690	Moscow <sup>3</sup>	1 Rbl	5.290

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

<sup>2</sup> 9.710 commercial rate; 9.280 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	
1968	856	1 088	428	4 598	3 966	2 683	1 027	465	12 740	14 256
1969	1 057	1 374	521	5 236	4 333	3 022	1 116	522	14 229	16 124
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	6 961	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

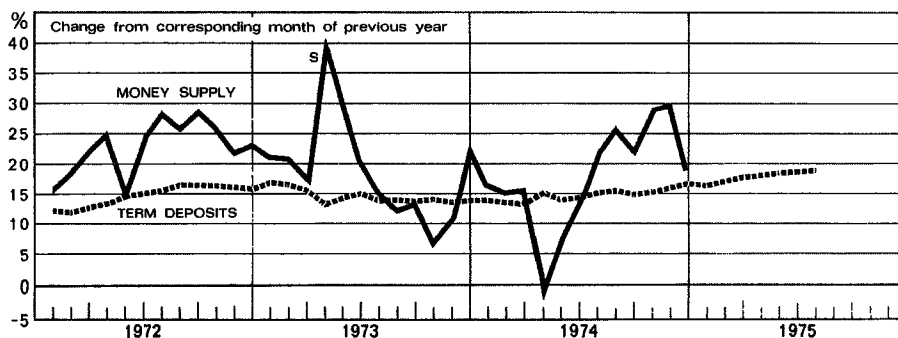
## 1974<sup>1</sup>

May	2 007	2 641	1 179	9 158	7 379	5 599	2 287	839	25 261	29 081
June	1 992	2 628	1 232	9 205	7 484	5 632	2 335	847	25 503	29 363
July	2 155	2 818	1 267	9 244	7 566	5 726	2 366	854	25 756	29 841
Aug.	2 158	2 855	1 201	9 366	7 705	5 839	2 396	860	26 165	30 221
Sept.	2 161	2 872	1 288	9 370	7 740	5 885	2 422	875	26 292	30 452
Oct.	2 224	2 958	1 184	9 501	7 815	5 982	2 457	892	26 648	30 790
Nov.	2 198	2 924	1 346	9 653	7 944	6 101	2 504	896	27 097	31 367
Dec.	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487

## 1975\*

Jan.	2 680	3 472	1 590	10 331	8 442	6 438	2 697	937	28 845	33 907
Feb.	2 551	3 371	1 861	10 458	8 553	6 590	2 740	953	29 294	34 526
March	2 530	3 381	1 854	10 520	8 575	6 613	2 753	960	29 421	34 656
April	2 573	3 414	1 762	10 596	8 591	6 668	2 753	964	29 572	34 748
May	2 609	3 509	1 644	10 744	8 713	6 773	2 778	975	29 983	35 136
June	2 822	3 809	1 640	10 851	8 826	6 796	2 833	985	30 291	35 740
July	2 721	3 662	1 462	10 921	8 974	6 946	2 863	1 005	30 709	35 833

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





# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1968	5 866	3 448	2 600	928	1 053	13 392	503	13 895	2 642
1969	6 892	3 803	2 922	1 040	1 290	15 354	593	15 947	3 126
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

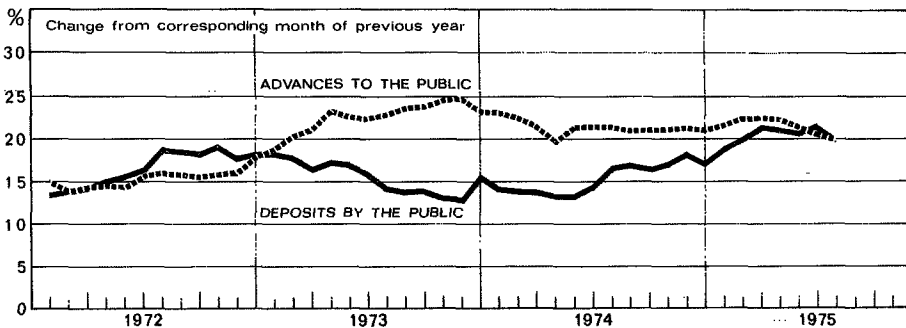
## 1974<sup>1</sup>

May	14 111	6 935	5 671	4 016	2 920	32 537	1 116	33 653	5 646
June	14 293	7 015	5 749	4 164	2 981	33 083	1 119	34 202	5 903
July	14 349	7 092	5 840	4 334	3 021	33 534	1 102	34 636	5 967
Aug.	14 500	7 191	5 953	4 359	3 039	33 963	1 079	35 042	6 039
Sept.	14 826	7 341	6 102	4 424	3 087	34 609	1 171	35 780	6 145
Oct.	15 225	7 479	6 225	4 532	3 130	35 398	1 193	36 591	6 089
Nov.	15 542	7 616	6 338	4 615	3 206	36 139	1 178	37 317	6 378
Dec.	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283

## 1975

Jan.	16 010	7 892	6 554	4 768	3 350	37 430	1 144	38 574	7 123
Feb.	16 398	7 990	6 668	4 818	3 381	38 016	1 239	39 255	7 274
March	16 773	8 060	6 743	4 847	3 394	38 548	1 269	39 817	7 403
April	16 919	8 162	6 868	4 913	3 556	39 139	1 279	40 418	..
May	17 148	8 219	6 944	4 968	3 637	39 640	1 276	40 916	..
June	17 303	8 312	7 019	4 983	3 660	39 951	1 326	41 277	..
July	17 291	8 419	7 125	5 054	3 704	..	..	41 638	..

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



## STATE FINANCES

Mill. mk

Revenue	Jan.—July		Expenditure	Jan.—July	
	1974	1975		1974	1975
Income and property tax (net)	4 644	5 493	Wages, salaries, pensions etc.	1 881	2 474
Gross receipts	8 948	11 390	Repair and maintenance	282	353
Refunds & local authorities	(—4 304)	(—5 897)	Other consumption expenditure	851	1 097
Other taxes on income and property	81	103	<b>Total consumption expenditure</b>	<b>3 014</b>	<b>3 924</b>
Employers' child allowance payments	358	441	State aid to local authorities	1 728	2 566
Sales tax	2 980	3 292	State aid to industries	1 449	2 503
Revenue from Alcohol Monopoly	634	757	of which: agric. price subsidies	1 015	1 198
Customs duties & import charge	286	339	Child allowances	220	312
Counter-cyclical tax	—	—	Share in national pensions and health insurance	131	129
Excise duty on tobacco	323	330	Other transfer expenditure	1 285	1 517
» » on liquid fuel	445	637	<b>Total transfer expenditure</b>	<b>4 813</b>	<b>7 027</b>
Other excise duties	247	298	Machinery and equipment	399	526
Tax on autom. and motor cycles	253	475	House construction	218	297
Stamp duties	238	282	Land and waterway construction	611	773
Special diesel etc. vehicles tax	43	42	<b>Total real investment</b>	<b>1 228</b>	<b>1 596</b>
Other taxes and similar revenue <sup>1</sup>	227	305	Interest on State debt	149	130
<b>Total taxes</b>	<b>10 759</b>	<b>12 794</b>	Index compensations	25	30
Miscellaneous revenue	570	1 342	Net deficit of State enterprises	143	295
Interest, dividends etc.	278	279	Other expenditure	14	19
Sales and depreciation of property	2	8	<b>Total other expenditure</b>	<b>331</b>	<b>474</b>
Redemptions of loans granted	136	122	Increase in inventories	+5	108
<b>Total revenue</b>	<b>11 745</b>	<b>14 545</b>	Lending	784	1 349
Foreign borrowing	8	143	Other financial investment	275	336
Domestic borrowing	174	299	<b>Total expenditure</b>	<b>10 450</b>	<b>14 814</b>
<b>Total borrowing</b>	<b>182</b>	<b>442</b>	Redemption of foreign loans	134	70
<b>Deficit (+) or surplus (—)</b>	<b>(—994)</b>	<b>179</b>	Redemption of domestic loans	349	282
			<b>Total redemptions</b>	<b>483</b>	<b>352</b>
<b>Total</b>	<b>10 933</b>	<b>15 166</b>	<b>Total</b>	<b>10 933</b>	<b>15 166</b>

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

State debt	1972	1973	1974	1975		
	Dec.	Dec.	Dec.	June	July	Aug.
<b>Foreign debt</b>	1 517	1 395	1 152	1 132	1 254	1 249
Loans	2 268	1 758	1 528	1 540	1 544	1 543
Compensatory obligations	2	1	1	1	1	1
Short-term credit	56	39	37	76	75	..
Cash debt (net)	—488	—468	—571	—616	—497	..
<b>Domestic debt</b>	<b>1 838</b>	<b>1 330</b>	<b>995</b>	<b>1 001</b>	<b>1 123</b>	<b>..</b>
<b>Total State debt</b>	<b>3 355</b>	<b>2 725</b>	<b>2 147</b>	<b>2 133</b>	<b>2 377</b>	<b>..</b>
<b>Total debt, mill \$</b>	<b>804</b>	<b>710</b>	<b>590</b>	<b>603</b>	<b>648</b>	<b>..</b>

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974*	20 687	25 666	-4 979

1974*			
July	1 799	2 164	- 365
Aug.	1 550	2 265	- 715
Sept.	1 780	2 425	- 645
Oct.	2 239	2 399	- 160
Nov.	1 812	2 300	- 488
Dec.	1 715	2 198	- 483

1975*			
Jan.	2 014	2 751	- 737
Feb.	1 549	2 537	- 988
March	1 576	2 096	- 520
April	1 739	2 299	- 560
May	1 594	2 357	- 763
June	1 380	2 048	- 668
July	1 652	2 271	- 619

Jan.-July			
1974 *	11 591	14 080	-2 489
1975 *	11 504	16 359	-4 855

Indices of exports and imports 1969 = 100

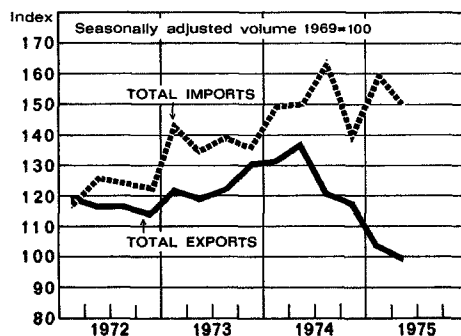
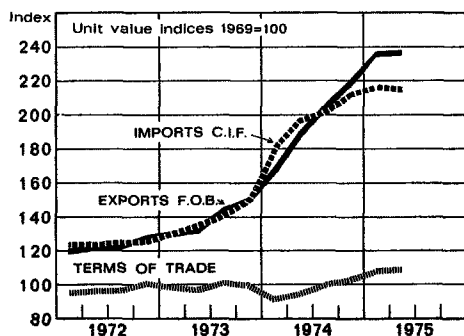
Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1970	107	121	108	
1971	103	119	115	116	99
1972	118	124	123	125	98
1973	127	141	138	139	99
1974*	126	151	196	200	98

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

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

1974					
Jan.-Mar.	131	147	169	182	93
Apr.-June	131	147	190	198	96
July-Sept.	119	158	206	203	101
Oct.-Dec.	125	152	221	213	104

1975*					
Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110



# 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	
1970	286	1 536	3 883	1 828	2 154	6 891	422	1 949	1 750	59
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	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

1974\*

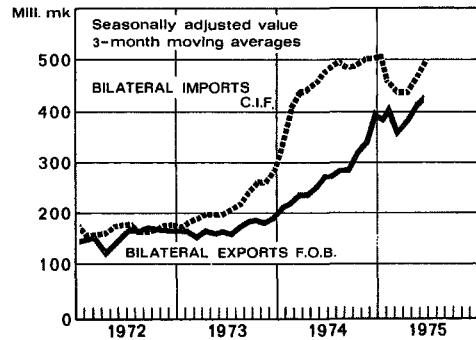
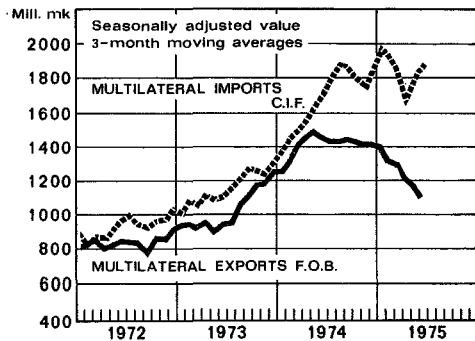
July	18	302	656	456	367	1 350	148	421	244	1
Aug.	25	339	673	168	345	1 537	169	291	266	2
Sept.	32	248	756	275	469	1 516	186	388	335	0
Oct.	27	251	852	618	491	1 550	190	339	319	1
Nov.	16	228	736	361	471	1 381	186	428	304	1
Dec.	63	191	718	310	433	1 457	154	317	269	1

1975\*

Jan.	71	229	780	480	454	1 682	146	542	380	1
Feb.	13	145	617	389	385	1 573	134	464	365	1
March	69	141	666	292	408	1 270	107	353	366	0
April	12	168	678	428	453	1 387	111	430	370	1
May	59	159	615	348	413	1 365	128	484	376	4
June	11	154	491	399	325	1 301	148	329	265	5
July	28	194	534	560	336	1 388	126	421	310	26

Jan.-July

1974*	301	1 896	4 137	2 513	2 744	9 084	1 093	2 095	1 789	19
1975*	263	1 190	4 381	2 896	2 774	9 966	900	3 023	2 432	38



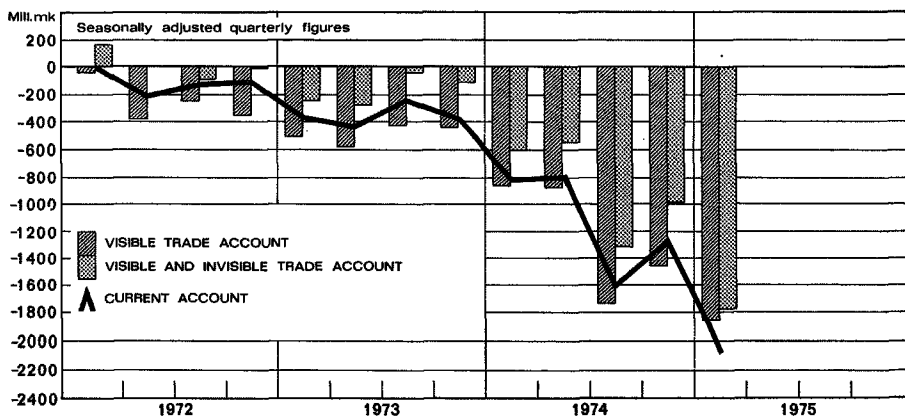
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—July				January—July			
	1974*		1975*		1974*		1975*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	69.9	8 107	62.3	7 168	65.2	9 179	67.1	10 981
Austria	0.9	106	0.7	86	1.4	191	1.3	217
Belgium-Luxembourg	2.2	250	1.4	162	2.0	277	1.9	311
Denmark	3.8	444	3.4	391	3.3	458	3.4	557
France	4.5	522	3.6	414	3.0	419	3.2	517
Federal Republic of Germany	8.4	969	8.9	1 029	15.0	2 117	16.6	2 716
Italy	1.9	218	1.4	156	1.4	203	2.1	339
Netherlands	3.5	404	2.7	306	3.9	545	2.9	477
Norway	2.6	306	4.6	525	3.0	429	3.0	483
Portugal	0.4	46	0.3	34	0.7	102	0.5	85
Spain	1.2	143	1.1	132	0.4	59	0.9	148
Sweden	16.8	1 946	16.9	1 944	18.5	2 595	18.9	3 092
Switzerland	1.7	202	1.5	176	3.1	438	3.2	529
United Kingdom	20.1	2 328	14.2	1 634	9.3	1 314	9.0	1 479
Other	1.9	223	1.6	179	0.2	32	0.2	31
<b>OECD countries outside Europe</b>	6.6	765	4.7	544	7.9	1 117	9.6	1 576
Canada	0.8	91	0.5	55	0.3	50	0.3	48
Japan	1.0	117	0.5	54	1.3	182	1.7	273
United States	4.0	460	3.2	375	6.3	881	7.6	1 249
Other	0.8	97	0.5	60	0.0	4	0.0	6
<b>CMEA countries</b>	14.8	1 710	24.5	2 820	22.6	3 184	19.7	3 217
Czechoslovakia	0.4	45	0.5	59	0.3	48	0.4	63
Democratic Republic of Germany	0.5	61	0.7	87	0.5	68	0.8	129
Poland	0.9	98	1.2	134	1.8	259	2.2	355
Soviet Union	12.5	1 445	21.3	2 449	18.9	2 659	15.4	2 515
Other	0.5	61	0.8	91	1.1	150	0.9	155
<b>Latin America</b>	2.4	277	2.4	272	1.9	258	1.4	224
Argentina	0.6	69	1.1	120	0.1	10	0.1	12
Brazil	1.0	119	0.6	72	0.4	51	0.3	44
Colombia	0.1	15	0.1	7	0.6	82	0.5	76
Other	0.7	74	0.6	73	0.8	115	0.5	92
<b>Other</b>	6.3	732	6.1	700	2.4	342	2.2	361
<b>GRAND TOTAL</b>	100.0	11 591	100.0	11 504	100.0	14 080	100.0	16 359
of which								
<b>EFTA countries</b>	22.7	2 634	24.2	2 785	26.8	3 769	27.0	4 418
<b>EEC countries</b>	45.4	5 260	36.3	4 171	37.9	5 341	39.2	6 406
<b>OECD countries</b>	76.5	8 872	67.0	7 712	73.1	10 296	76.7	12 557

# 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
1972	12 012	13 087	-1 075	+ 731	+336	+ 72	+ 64	- 586	+42	- 480
1973 <sup>f</sup>	14 525	16 560	-2 035	+ 996	+340	+ 29	- 670	- 753	-57	-1 480
1974*	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
Jan.-March										
1972	2 870	2 956	- 86	+ 207	+ 3	+ 1	+ 125	- 142	-22	- 39
1973 <sup>f</sup>	3 282	3 868	- 586	+ 260	- 5	+ 28	- 303	- 139	-14	- 456
1974*	4 589	5 663	-1 074	+ 281	+ 10	+ 28	- 755	- 233	-25	-1 013
1975*	5 119	7 359	-2 240	+ 382	- 43	- 34	-1 935	- 316	-49	-2 300
Apr.-June										
1972	2 855	3 296	- 441	+ 170	+ 56	+ 47	- 168	- 156	- 8	- 332
1973 <sup>f</sup>	3 182	3 843	- 661	+ 218	+ 48	+ 16	- 379	- 190	-22	- 591
1974*	5 160	6 224	-1 064	+ 199	+ 74	+ 72	- 719	- 239	-12	- 970
July-Sept.										
1972	2 979	3 198	- 219	+ 179	+192	+ 18	+ 170	- 139	+20	+ 51
1973 <sup>f</sup>	3 656	4 084	- 428	+ 271	+240	+ 10	+ 93	- 173	- 9	- 89
1974*	5 103	6 809	-1 706	+ 356	+243	- 44	-1 151	- 244	- 8	-1 403
Oct.-Dec.										
1972	3 308	3 637	- 329	+ 175	+ 85	+ 6	- 63	- 149	+52	- 160
1973 <sup>f</sup>	4 405	4 765	- 360	+ 247	+ 57	- 25	- 81	- 251	-12	- 344
1974*	5 753	6 902	-1 149	+ 239	- 1	+ 49	- 862	- 290	-24	-1 176

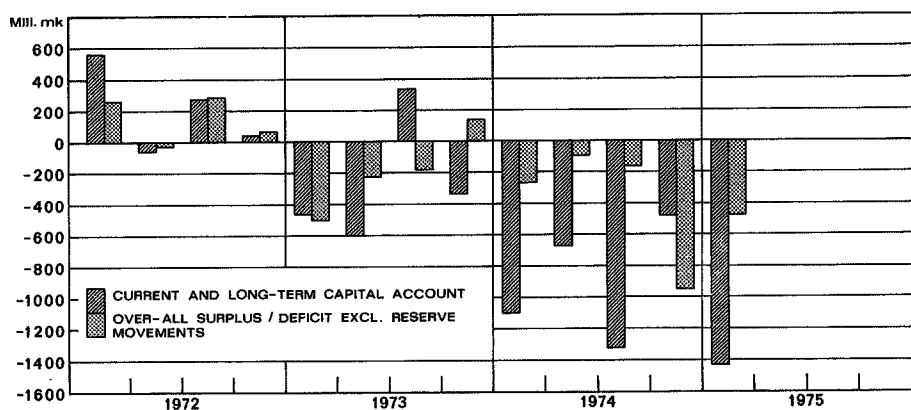


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, 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
+3 014	-1 228	-376	-106	+1 304	+ 824	+104	- 90	-247 <sup>2</sup>	+ 591	-271	-320
+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
+ 968	- 273	-115	+ 17	+ 597	+ 558	-156	- 27	-114 <sup>2</sup>	+ 261	-327	+ 66
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	- 98	+ 47	- 507	+353	+154
+ 481	- 522	- 23	- 26	- 90	-1 103	+270	+ 124	+440	- 269	+138	+131
+1 206	- 323	+ 25	- 40	+ 868	-1 432	+328	+ 110	+517	- 477	- 32	+509
+ 655	- 180	-192	- 5	+ 278	- 54	+ 90	+ 26	- 91	- 29	+ 37	- 8
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+ 191	+ 91	- 227	+301	- 74
+ 758	- 362	-115	+ 15	+ 296	- 674	+369	+ 58	+151	- 96	- 99	+195
+ 628	- 327	- 41	- 25	+ 235	+ 286	+268	-125	-141	+ 288	-314	+ 26
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	-322	+180	- 186	+ 66	+120
+ 543	- 373	- 60	- 22	+ 88	-1 315	+480	+ 252	+420	- 163	+202	- 39
+ 763	- 448	- 28	- 93	+ 194	+ 34	- 98	+ 36	+ 99	+ 71	+333	-404
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+ 221	+220	+ 136	-229	+ 93
+ 948	- 280	- 25	+ 10	+ 653	- 523	-189	- 97	-138	- 947	+498	+449

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

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

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



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1973	398	401	385	403	447	378	435	395	378	188	202	176
1974	495	498	482	523	536	448	555	495	459	233	231	230
1974												
Nov.	525	533	496	552	577	477	602	508	491	242	239	240
Dec.	525	535	489	551	578	478	602	507	491	243	239	237
1975												
Jan.	537	546	502	565	589	487	616	518	502	247	243	237
Feb.	546	556	509	571	596	501	620	529	513	246	243	239
March	554	564	514	576	608	511	627	535	521	249	243	242
April	559	571	513	577	610	521	632	538	528	260	269	246
May	561	574	512	575	630	525	630	537	535	260	269	246
June	559	572	510	570	633	526	629	532	535	261	269	246
July	564	578	510	564	634	547	643	531	538	262	270	247
Aug.	567	580	518	566	651	547	630	540	546	263	270	247

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
1973	284	223	111	112	107	111	116	110	109	109	105	111
1974	333	261	129	130	109	128	144	161	129	128	118	127
1974												
Nov.	353	277	137	139	111	138	154	172	136	132	123	136
Dec.	354	278	138	138	111	139	154	175	137	133	125	136
1975												
Jan.	364	285	141	139	124	141	155	179	140	136	135	141
Feb.	369	290	143	143	125	142	155	180	145	137	137	146
March	375	294	146	148	125	145	156	181	146	139	138	148
April	383	301	149	154	126	145	161	182	148	140	140	150
May	387	304	150	155	129	146	161	183	150	144	141	151
June	388	305	151	155	129	147	161	183	150	145	143	153
July	394	310	153	157	137	148	164	184	151	145	144	156
Aug.	399	313	155	161	137	152	164	185	153	146	144	159



# 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							
1973	317	260	261	219	213	217	247	212	258	238
1974*	404	317	326	256	251	252	298	248	313	285
1973										
Jan.-March	287	235	238	204	197	204	224	195	234	217
Apr.-June	331	261	249	221	215	218	249	214	260	240
July-Sept.	314	268	270	224	220	221	259	218	271	248
Oct.-Dec.	340	275	286	226	221	223	261	219	274	250
1974*										
Jan.-March	361	284	292	229	226	225	265	222	278	254
Apr.-June	388	316	320	260	251	256	300	251	315	287
July-Sept.	410	326	336	263	258	259	310	255	326	295
Oct.-Dec.	463	342	354	273	271	270	321	264	340	307
1975*										
Jan.-March	488	355	356	278	275	275	330	269	350	314
Apr.-June	568	389	386	310	300	308	364	298	385	347

# PRODUCTION

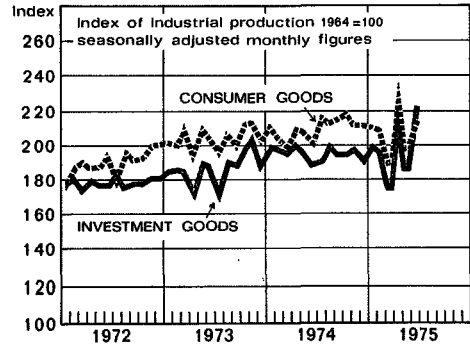
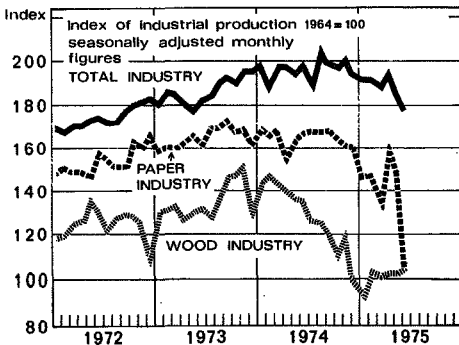
## Volume indices of production 1964 = 100

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
1973*	154	187	90	96	162	105	155	171	150	151	157
1974*	160	200	89	97	168	103	162	178	158	159	162
1974*											
Jan.-March	159	211	59	125	136	102	156	169	156	157	161
Apr.-June	158	199	70	113	162	107	163	172	157	158	162
July-Sept.	159	177	164	62	176	101	163	176	157	159	161
Oct.-Dec.	165	212	60	87	199	101	165	194	162	161	164
1975*											
Jan.-March	160	205	50	121	159	105	156	176	164	162	164
Apr.-June	157	197	63	107	160	108	160	177	164	162	166

# PRODUCTION

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1972	114	116	114	111	111	109	112	142	115	118	113
1973	122	121	123	119	111	123	120	154	127	127	121
1974*	129	143	128	126	114	121	122	160	144	147	128
<b>1974*</b>											
Feb.	130	145	130	124	102	144	123	156	143	149	128
March	140	156	142	131	103	150	139	180	157	160	128
April	129	152	126	128	116	140	97	162	155	156	128
May	139	157	138	135	123	150	126	158	154	162	127
June	118	137	116	115	110	119	99	146	133	139	130
July	89	66	94	81	117	70	123	128	100	69	128
Aug.	130	141	127	132	123	100	126	155	157	147	131
Sept.	130	147	129	129	112	115	126	152	153	151	129
Oct.	144	164	140	148	134	120	133	174	160	169	129
Nov.	137	159	132	139	118	111	127	170	145	164	129
Dec.	120	135	118	120	100	82	112	166	114	139	127
<b>1975*</b>											
Jan.	134	163	130	136	107	100	118	180	135	163	123
Feb.	125	152	123	125	96	102	108	169	125	153	123
March	124	148	122	125	92	98	105	170	135	150	122
April	137	172	131	144	115	113	106	181	143	172	127
May	126	151	123	128	112	107	104	162	133	152	121
June	109	142	103	117	109	91	64	134	126	139	116
July	77	66	79	75	114	48	79	97	75	68	112



## 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 1968 = 100	Wholesalers' volume index 1968 = 100
1972	3 409	2 173	2 118	55	2.5	34 954	128	151
1973	3 442	2 215	2 164	51	2.3	35 123	138	167
1974*	3 483	2 269	2 229	40	1.8	34 457	143	168
1974*								
May	3 480	2 236	2 200	36	1.6	3 527	143	175
June	3 483	2 432	2 397	35	1.4	2 308	140	163
July	3 485	2 447	2 409	38	1.6	1 305	146	155
Aug.	3 487	2 355	2 318	37	1.6	1 545	148	185
Sept.	3 489	2 262	2 230	32	1.4	2 021	140	178
Oct.	3 491	2 249	2 219	30	1.3	2 476	151	196
Nov.	3 439	2 239	2 207	32	1.4	2 773	149	186
Dec.	3 495	2 234	2 195	39	1.7	3 079	190	193
1975*								
Jan.	3 503	2 208	2 159	49	2.2	3 029	128	158
Feb.	3 505	2 194	2 146	48	2.2	3 899	126	157
March	3 507	2 191	2 144	47	2.1	4 535	..	..
April	3 509	2 199	2 151	48	2.2	3 799	..	..
May	3 511	2 238	2 199	40	1.8	2 646	..	..
June	3 513	2 443	2 398	45	1.8	2 381	..	..

## 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											
1972	47.73	20.56	3.08	16.50	4.28	40.00	18.15	2.84	14.19	2.99	40.57
1973*	54.96	24.68	3.82	20.66	2.81	40.20	18.81	2.91	13.63	2.82	51.42
1974*	53.23	22.34	3.26	20.84	3.52	45.85	21.29	2.70	16.74	3.11	50.87
1974*											
Jan.-March	10.33	3.65	0.68	4.79	0.75	9.00	4.14	0.47	3.39	0.70	49.20
Apr.-June	16.64	7.96	1.62	5.39	0.70	9.96	4.99	0.35	3.73	0.48	54.42
July-Sept.	14.53	6.15	0.56	5.82	1.26	10.39	4.51	0.40	3.65	0.81	57.01
Oct.-Dec.	11.73	4.58	0.40	5.21	0.80	15.19	7.06	1.00	5.60	0.99	50.87
1975*											
Jan.-March	12.59	3.31	0.75	5.95	0.75	11.21	4.51	0.45	4.89	1.07	48.79

# 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 (since Dec. 1974).

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 = Other financial institution receivables + Bonds (since Dec. 1974).

*Corporate sector*: Receivables = New export bills + Financing of suppliers' credits + Other corporate receivables + Bonds (since Dec. 1974).

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 (1973): 4.7 million. Sweden 8.1, Switzerland 6.4, Denmark 5.0 and Norway 4.0 million.

DENSITY OF POPULATION (1973:) In South Finland 44.9, in East and Central Finland 14.0, in North Finland 3.9 and in the whole country an average of 15.3 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1973): 57 % of the population inhabit the rural areas, 43 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 505 700 inhabitants, Tampere (Tammerfors) 164 400, Turku (Åbo) 162 200.

EMPLOYMENT (1973): Agriculture and forestry 17 %, industry and construction 35 %, commerce 16 %, transport and communications 7 %, services 25 %.

LANGUAGE (1972): Finnish speaking 93.3 %, Swedish speaking 6.5 %, others 0.2 %.

EDUCATION (1974): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 11 colleges of university standard.

CHANGE OF POPULATION (1973): births 12.2 ‰, deaths 9.3 ‰, change + 4.1 ‰, net immigration 1.2 ‰. Deaths in France 10.7 ‰ and Great Britain 12.0 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1974, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 806 (5 %), forestry and fishing 5 154 (7 %), manufacturing 22 370 (31 %),

construction 7 525 (11 %), transport and communication 6 991 (10 %), commerce, banking and insurance 9 683 (13 %), public administration 3 357 (5 %), ownership of dwellings 3 058 (4 %), services 10 268 (14 %), total 72 212. Index of real domestic product 159 (1964 = 100).

FOREST RESOURCES (1973): The growing stock comprised of 1 501 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, 618 million m<sup>3</sup> was up to the standard required for logs, 56 % of these being pine. The annual growth was 56.9 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 55.4 million m<sup>3</sup>.

AGRICULTURE (1973): Cultivated land 2.7 million hectares. Number of holdings 266 000, of which 176 000 are of more than 5 ha. Measure of self-sufficiency in bread cereals 114 % in the crop year 1973/74.

INDUSTRY (1972): Gross value of industrial production 44 958 mill. marks, number of workers 404 033, salaried employees 114 534, motive power (1971) 5.7 mill. kW. Index of industrial production 114 for 1972 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1975): Length 5 908 km.

MERCHANT FLEET (June 30, 1975): Steamers 24 (13 200 gross reg. tons), motor vessels 364 (821 300 gross reg. tons) tankers 63 (1 139 600 gross reg. tons), Total 451 (1 974 100 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1974): Passenger cars 936 700 lorries and vans 124 900, buses 8 600, others 6 000. Total 1 076 200.

FINNISH AIRLINES (June 1, 1975): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 9 Super Caravelles, 8 DC-9s, 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, 1974). There are two big and five small commercial banks with in all 857 offices, 294 savings banks, 390 co-operative banks, six mortgage banks, and Postipankki. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-seven 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 ½ %.

# FINNISH REGIONAL DEVELOPMENT POLICIES

by Erkki Laatto, Lic. Pol. Sc.,  
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Statutory regional development policies have been pursued in Finland since the late 1960s. Legislation on development regions was needed because substantial changes in the country's industrial structure had seriously aggravated the existing regional differences. The first Acts concerning Development Regions were passed to cover the years 1966-1969; in these, all regions located outside the three provinces of southern Finland, plus the archipelago of south-western Finland were defined as Development Regions. They were divided into two zones: the municipalities of eastern and northern Finland and some municipalities in the archipelago were placed in the first zone, while the remaining municipalities in the Development Regions were in the second zone. Stronger inducements were offered in the first zone than in the second; these included interest subsidies on new investment credits granted to industrial and certain other enterprises, and tax relief on corporate taxation.

Interest expenses in excess of five per cent per annum were subsidized for loans which covered less than half of the acquisition costs of fixed assets. Tax relief included the right of flexible depreciation during a ten-year period, i.e., the right to postpone depreciation until the most favourable time, and an extra three per cent annual depreciation on the acquisition value of new fixed assets during a ten-year period, allowable in the first zone only. In addition, new fixed assets were exempt from property taxes, and they could not be subject to discretionary local government taxation.

The experience gained from the operation of the first Acts on Development Regions was not too encouraging. Surveys completed suggest that the inducements available did not have any great effect on the choice of location of enterprises, because very few investment projects

were shifted over to the Development Regions from other parts of Finland. However, the measures may have played some role in the reaching of actual investment decisions. The number of new vacancies created as a result of these measures remained very small however, particularly when compared with the simultaneous migration from the Development Regions to other parts of Finland.

When formulating new legislation for the period 1970—1975, attempts were made to eliminate the failings observed, mainly by increasing the value of subsidies granted to enterprises. Tax reliefs were kept unchanged, but the amount of interest subsidies was somewhat increased. Moreover, the range of application of the supporting measures was extended. At the same time, certain changes were made in the zonal boundaries of the Development Regions.

Subsequently completed surveys of the effects of these inducements during 1970—1971 indicated that, after the new Acts had been applied for a while, the regional policy problems reverted to the original pattern. The supply of Development Region benefits was not adequate to offset sufficiently the problems caused by structural unemployment. The population of the Development Region provinces declined by almost 40 000 persons in 1970 and by an annual average of almost 10 000 persons in the three subsequent years. Hence, in order to supplement the new legislation on Development Regions, a number of other measures were enacted during this period.

The Regional Development Fund Ltd commenced operations in 1971. Loans granted by the Fund cover up to 75 per cent of the total investment costs of an enterprise. About half of the loans have been granted without any securing guarantee. To some extent, the Fund

has also been able to grant aid to enterprises.

A few years later, the government started to grant transport support and so-called manpower policy support in the Development Regions. The latter, mainly in the form of loans but sometimes as aid, is granted to enterprises to overcome the problems caused by the inexperience of labour. The maximum support is 15 000 marks per employee in the first zone and 6 000 marks per employee in the second zone.

In addition to the measures mentioned above, attempts have been made to promote vocational training in the Development Regions, and state subsidies towards the maintenance costs of vocational schools have been paid to the municipalities there. In 1973 the central government started to finance special industrial estate projects in the Development Regions. The go-ahead has already been given for construction of eight of these estates.

This year the legislation on Development Regions was revised for the third time, now for the period 1975—1979. The new legislation is contained in two Acts: one being a general law setting out a framework for regional planning in the country as a whole, and the second being a statement of the criterion for granting Development Region benefits to firms and other undertakings.

Up to now the main types of benefit given to enterprises located in development areas have been interest subsidies and tax relief. Under the new arrangements, interest subsidies have been replaced by more direct incentives, such as investment subsidies, starting-up grants, and training subsidies. The size of an investment subsidy is determined on the basis of the total investment in fixed assets. Upper and lower limits have been set for the percentage of total investment which will be financed by the subsidy, and these limits are more generous in the most depressed zones. Starting-up grants are made to offset increases in wages and statutory social contributions caused by the establishment or expansion of production facilities. In the first zone these grants are paid

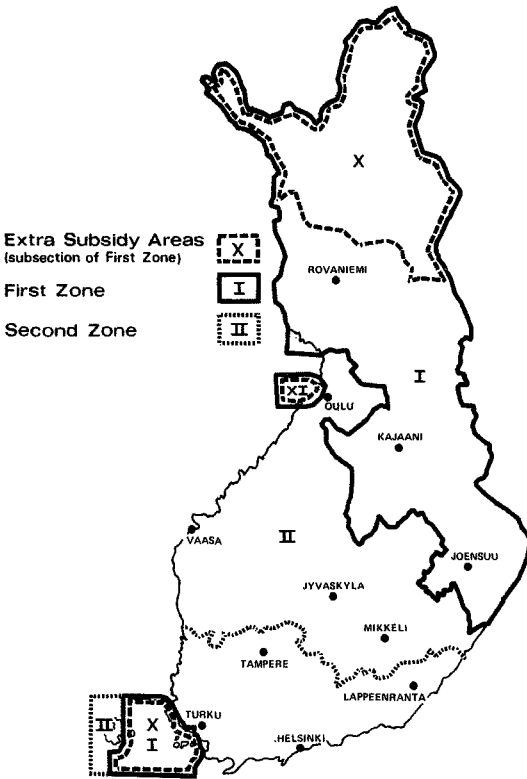
during the first three years and in the second zone during the first two years of operation. Once again, the upper and lower limits on the percentage share of the subsidy are different in the different zones. Training subsidies are granted to firms in all cases when their employees lack the skills needed, and training cannot be arranged within the framework of ordinary vocational training or employment courses.

The idea behind all these measures is to help new and expanding enterprises, particularly during their starting-up phase. Certain percentages of starting-up costs, and some share of the initial investment in fixed assets will therefore be refunded to the enterprise in the form of subsidies during the first few years of operation of the new or expanded plant. As before, these subsidies are graded according to the type of Development Area. Furthermore, although some element of discretion remains, both the upper and the lower limits to the percentage share given in subsidy are now being strictly adhered to. Previously only the upper limit had been enforced. This change was made so that enterprises, when making their investment plans, are able to estimate more precisely the potential amount of subsidies available, and to provide the central government with a means of affecting the implementation of specific regional policy targets, by varying the amount of subsidies.

Starting-up and training subsidies are alternatives to manpower policy support, which can still be obtained. Furthermore, in the first zone of the Development Regions an investment subsidy is alternative to the extra three per cent depreciation allowance, which remains available. The other tax relief schemes in operation before 1975 are also still available. It should also be mentioned that legislation concerning the Regional Development Fund Ltd and transport subsidies will still be in force, albeit slightly revised, until the end of 1979.

The Act on Promotion of Regional Development sets out the aims, means and methods of regional policy planning for the country as a

**THE DIVISION OF DEVELOPMENT  
REGIONS INTO ZONES AND EXTRA  
SUBSIDY REGIONS, AS OF JUNE 26, 1975**



whole. In addition, the Act defines the Development Region zones: the regions are still divided into two zones (see the Chart). In accordance with the decision of the Council of State, the zonal division is kept broadly unchanged, although a few municipalities have been added, and some transferred between zones. In addition, a new type of regional classification will be introduced: the Council of State has been authorized to denote certain municipalities as Special Areas, Subsidy Areas, or Extra-Subsidy Areas. This further categorisation will make it possible to focus regional policy measures on individual municipalities, both within the Development Regions, and outside them.

The Extra-Subsidy Areas are the most significant of the new categories of Development Region. In these, the poorest municipalities in the first zone, a range of higher development subsidies

are available. On the basis of the decision of the Council of State, the nine northernmost municipalities of the Province of Lappi and the island municipalities of southwestern Finland have been defined as Extra-Subsidy regions.

The general aims of Regional Policy, as defined by law, are the securing of permanent employment opportunities, an increased level of income and greater availability of essential services, and the promotion of a well-balanced industrial and social structure in each region. These targets are to be attained by the use of subsidies mentioned above, by advising on the location of new plant, and by regional allocation of public services. Furthermore, the law points out that, in their policy decisions, public authorities should in general pay attention to the need for balanced regional development.

These general aims will be clarified and quantified in detailed development plans drawn up at both regional and central levels. The Prime Minister's Office has been given responsibility for the overall direction and co-ordination of regional planning processes. At regional level, the responsible bodies are the provincial administrations, and they will be in close contact with the regional planning associations and the local offices of government departments and other public authorities. At central level, government ministries will, where possible, formulate the necessary plans for regional development in the sectors relevant to them. Regional plans for certain sectors have already been drawn up by some central authorities — for instance in health, education and housing administration — and the intention is that most other government departments will draw up their own plans during the next few years.

The development plans drawn up on a regional basis by the different ministries, and the Regional Development plans of the provincial administrations will therefore form a basis for co-ordinated regional planning for the country as a whole. The planning department of the Prime Minister's office will issue both general and specific instructions to ensure that the various plans are consistent. This co-ordination,



however, must be regarded as an iterative process, and there is unlikely ever to be a final document laying down any »definitive« regional plan for the whole country. The main purpose of this process is rather to ensure that, when decisions are made at central level, regional views and preferences can be presented in a more coherent, systematic and realistic way than is the case at present.

In order to achieve this, it will be necessary to set out more precise quantitative targets for which regional policy can aim. The targets used to start with will be those of regional population and new jobs created. These targets will be determined on the basis of the development possibilities for the national economy up to 1985, and targets for individual regions will be derived using various assumptions about migration between regions. It is believed that,

at present, there is excessive migration by the working-age population from the north to the south of Finland. Hence, in order to achieve development which is better balanced between regions population growth, particularly in the Metropolitan area, should be curtailed.

Now, the increases in Development Region subsidies and grants will, no doubt, go some way towards achieving these aims. However, experience has shown that other policy measures may be needed if regional development is to be directed in the desired way. Such new measures are, for instance, the decentralization of some government activities, and direct restrictions on industrial or commercial locations. Indeed, a special government committee has already made recommendations concerning the use of measures of this nature, and their proposals are being studied by the authorities.

## ITEMS

**Inflow of long-term loan capital in January—June 1975.** The inflow of long-term loan capital was heavy during the first half of the year. Drawings of new foreign loans totalled 3 122 million marks up to the end of June, while redemptions amounted to 743 million marks in the same period. Hence the net inflow of long-term capital during the first half of the year was more than twice as much as the net inflow in the whole of 1974. At the end of June, Finnish long-term foreign debt amounted to 13 974 million marks.

Six Finnish bond issues, together totalling 498 million marks, were floated abroad during January—June; the amount is double the total of loans issued during the previous two years. In January the City of Helsinki floated a loan of 18 million EUAs (European Units of Account). In March Pekema Oy launched a 7 million Kuwait dinar loan and Imatran Voima Oy a 20 million EUA loan. In April the Industrial Mortgage Bank of Finland Ltd issued a DM 80 million loan, and in May Enso-Gutzeit Osakeyhtiö launched a US \$ 20 million loan and the Mortgage Bank of Finland a 30 million Swiss franc loan. Drawings of other financial loans totalled 1 719 million marks during the period under review, while amortizations amounted to 413 million marks.

Drawings of long-term import credits during the first half of this year slightly exceeded those for the whole of 1974; drawings totalled 905 million marks and amortizations 258 million marks.

Total debt service costs (redemption and interest expenses) on long-term foreign loans amounted to 1 298 million marks in January—June, which was slightly more than in the corresponding period of 1974. The ratio of total debt service costs to total current account earnings was slightly more than 10 per cent.

### THE BREAKDOWN OF FINNISH LONG-TERM FOREIGN DEBT ON DEC. 31, 1974 AND JUNE 30, 1975, MILL. MK

	Debt Dec. 31, 1974	Draw- ings	Redemp- tions	Net change	Debt June 30, 1975
Financial loans	9 498	2 217	485	+1 732	11 230
Individual					
financial loans	5 067	1 009	361	+ 648	5 715
Granted by foreign governments	161	—	8	- 8	153
Bonds and debentures	4 431	1 208	124	+1 084	5 515
Bond issues	2 561	498	72	+ 426	2 987
Private place- ment loans	1 396	693	1	+ 692	2 088
Loans from the World Bank	474	17	51	- 34	440
Import credits	2 097	905	258	+ 647	2 744
Total	11 595	3 122	743	2 379	13 974

**The Bank of Finland's investment inquiry of June 1975.** This year the volume of industrial investment has been growing at a rate notably slower than that of last year. The increase in total investment, which in 1974 was about 20 per cent, seems to amount to hardly more than five per cent. However, the share of industrial investment in Finland's gross domestic product will this year be larger than ever before.

Purchases of machinery and equipment are growing faster than building investment, which shows that plenty of new productive capacity will be completed during the current year. This is likely to reduce the rate of capacity utilization, which is already low. During the current year, the rate of capacity utilization will remain high only in the metal industry.

Of various industrial branches, the forest and the metal industries will experience the fastest growth in investment during the current year. The investment projects of the forest industries are mainly coupled with projects started earlier,

**TABLE 1. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1972—1975, PER CENT**

Type of investment	1972	1973	1974	1975
Building investment	— 4	— 6	+33	+ 3
Investment in machinery and equipment	—13	+14	+14	+ 8
Total	—10	+ 9	+20	+ 6

**TABLE 2. THE VALUE OF INDUSTRIAL FIXED INVESTMENT IN 1972—1975, MILL. MK**

Type of investment	1972	1973	1974	1975
Building investment	1 480	1 780	3 050	3 480
Investment in machinery and equipment	2 690	3 460	4 830	5 980
Total	4 170	5 240	7 880	9 460

**TABLE 3. ANNUAL CHANGES IN THE VOLUME OF FIXED INVESTMENT IN MANUFACTURING, AND ELECTRICITY, GAS AND WATER, IN 1972—1975, PER CENT**

Industrial branch	1972	1973	1974	1975
Forest industries	—22	+ 1	+42	+16
Metal industry	—16	— 3	+39	+ 7
Other manufacturing	— 6	+ 8	+ 6	— 9
Total manufacturing	—14	+ 3	+24	+ 4
Electricity, gas and water	+14	+34	— 2	+ 7

**TABLE 4. THE VALUE OF FIXED INVESTMENT IN MANUFACTURING, AND ELECTRICITY, GAS, AND WATER, IN 1972—1975, MILL. MK**

Industrial branch	1972	1973	1974	1975
Forest industries	1 020	1 180	2 080	2 730
Metal industry	790	890	1 540	1 880
Other manufacturing	1 490	1 860	2 460	2 570
Total manufacturing	3 300	3 930	6 080	7 180
Electricity, gas and water	790	1 250	1 680	2 040

in more favourable economic circumstances. In the metal industries, however, export prospects have remained fairly bright, encouraging the commencement of substantial expansion projects even during the current year. Reflecting the general economic outlook, investment in other branches of manufacturing is declining. This is the case with the consumer goods, the chemical and the building material industries. Growth in investment during the current year will be largely dependent on investment of state-owned companies.

Industrial firms are expecting that the coming economic upswing will bring a rise in their rate

of capacity utilization in 1976. According to the Bank's inquiry, there is still great willingness to invest in all industrial branches, and particularly in the metal industry. It is thus likely that the growth in the volume of industrial investment will be larger than in the current year. However, the carrying-out of the investment plans would presuppose that export demand picked up substantially and that financial markets became less tight.

#### **The inquiry concerning direct investment.**

In the autumn of 1973 the Bank of Finland sent an inquiry concerning direct investment to 588 Finnish enterprises which according to information available, were wholly or partly under foreign ownership. When dealing with the answers, 134 of the enterprises were found not to be in this category. The results of the inquiry — describing the situation in 1972 — are thus based on data given by 454 enterprises.

In 433 of these 454 enterprises more than 20 per cent of the share capital was in foreign possession. These are classified as Foreign Enterprises, and the results presented here concern these enterprises in particular. The 20 per cent limit has been applied because it is in keeping with the so-called »foreigner's clause» incorporated in Finnish legislation.

In 1972 Foreign Enterprises accounted for the following shares in total Finnish industry and commerce:

Share in	Industry, per cent	Commerce, per cent
the number of wage and salary earners	4	5
total turnover	5	9
value added	5	16
gross investment	4	19
wage bill and social contributions	4	11
research and development costs	5	10

It was not possible to disaggregate the data on exports, imports and royalties into separate categories for industry and for commerce. For this reason, the relevant data for Foreign Enterprises were compared with the corresponding

figures for the economy as a whole. In 1972 Foreign Enterprises accounted for the following shares in Finland's, exports, imports, and royalties:

Share in	All industrial categories, per cent
exports	4
imports	18
royalties	32

Foreign commercial enterprises seemed to play a relatively greater role than the corresponding industrial enterprises. It should be noted that the contribution of foreign-owned industry was almost the same when using different measures, whereas there were substantial deviations in the figures for commerce. The shares of foreign commercial enterprises in gross investment and value added were particularly large, which shows that income formation had been strong in these enterprises.

Further results of the inquiry are summarized below:

In 85 per cent of the enterprises surveyed, there was foreign possession of more than 50 per cent of the share capital.

60 per cent of the enterprises surveyed were engaged in commerce and 24 per cent in industry; industrial enterprises were mainly concentrated in the manufacture of chemical, rubber and plastic products, the manufacture of machinery and metal products, and the manufacture of textiles and other wearing apparel etc.

There were a total of 18 countries from which investments in foreign enterprises in Finland had been made. Of the 433 enterprises surveyed, almost 50 per cent were Swedish-owned, about 10 per cent American, about 9 per cent Danish, 9 per cent Swiss, and about 6 per cent British.

Some of the foreign companies which have made direct investments in Finland are themselves subsidiaries of other companies. When the national origin of direct investment is traced

back to these ultimate parent companies it can be seen that the shares of the United States and the Federal Republic of Germany are larger than in the breakdown of immediate ownership, whereas the shares of Switzerland, Luxembourg and Sweden are smaller.

Foreign Enterprises employed about 36 800 persons; industry accounted for 54 per cent of this and commerce for 36 per cent. The small percentage share of commerce is mainly due to the fact that most of the commercial enterprises were engaged in wholesaling, where the role of labour is relatively small.

Their total turnover amounted to more than 6 100 million marks; the share of commerce in this was 65 per cent and that of industry 30 per cent.

Total value-added produced by Foreign Enterprises amounted to about 1 800 million marks; commerce accounted for 51 per cent and industrial enterprises for 42 per cent of this total.

Investments made by these enterprises totalled about 340 million marks; the share of commerce was 51 per cent, and that of the industry was 40 per cent.

Their Exports of goods and services totalled about 560 million marks; the share of industry in this was 90 per cent and that of commerce only 7 per cent. 78 per cent of exports went to the EFTA area, 13 per cent to the EEC countries, 3 per cent to the Socialist countries and 6 per cent to other countries.

Imports amounted to almost 2 400 million marks; commerce accounted for 71 per cent of this and industry for 27 per cent. The share of EFTA imports was 54 per cent, that of EEC imports 28 per cent, that of CMEA imports 13 per cent and of other imports 5 per cent.

An examination was made of the trade figures for Foreign Enterprises in the light of the degree of foreign ownership. This showed that enterprises with a majority foreign holding accounted for only 55 per cent of the exports of all Foreign

Enterprises, but for as much as 86 per cent of their imports.

The Exports of Foreign Enterprises accounted for 4 per cent of the country's total exports; however, their exports to the EFTA area represented 8 per cent of the country's total exports to the area.

On the other hand, imports by these enterprises played a significant role in the country's total imports, accounting for 18 per cent of total imports. Their imports from the EFTA area were as much as 25 per cent of the country's total imports from that area.

Foreign Enterprises paid about 28 million marks in royalties to firms in other countries. This was some 32 per cent of the total external royalties paid by all enterprises in Finland.

#### **Conference on the Monetary Mechanism.**

In August a conference on »The Monetary Mechanism in Open Economies» was held in Helsinki. It was organized by Franco Modigliani of Massachusetts Institute of Technology and Pentti J. K. Kouri of the International Monetary Fund, and sponsored by the Board of Governors of the Federal Reserve System, the International Monetary Fund, and the Central Banks of Australia, Austria, Canada, Denmark, England, France, Italy, Japan, The Netherlands, Norway, Spain, Sweden and Venezuela. The Bank of Finland acted as host.

Academic economists and officials from Central Banks and international organizations were brought together to analyse and compare the workings of the monetary mechanism and the channels of monetary policy under the different institutional conditions prevailing in various countries. Special attention was given to the interdependence of national monetary systems as parts of an integrated international financial system.

The conference dealt both with the general nature and with specific questions of the transmission mechanism in particular countries with widely different financial structures and with varying degrees of openness. Specific questions to be analysed included the nature of the transmission mechanism with credit rationing as a dominant feature in the financial markets. Some sessions were devoted to recent developments in monetary research on issues and problems that are common to all countries. Another session focused on the transmission of monetary policy impulses and economic disturbances through the foreign exchange market, and on the experience with floating exchange rates. Finally two sessions focused on the nature and causes of world inflation, with special emphasis on clarifying the role of monetary versus »real» causes.

The conference closed with summing-up speeches by Professors Harry G. Johnson and Assar Lindbeck, and it was generally felt that useful work had been done.

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# BANK OF FINLAND

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## Board of Management

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*Governor*

A. Simonen

*Deputy Governor*

Ahti Karjalainen

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

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Jouko J. Voutilainen

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Seppo Lindblom

K. Ignatius

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## Senior officials

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*Director, ADP-planning*

Pauli Kanerva

Eino Helenius

*Administration*

Pentti Koivikko

*Personnel*

Reino Airikkala

*Monetary Policy*

Antti Lehtinen

*Domestic Financial  
Operations*

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Raili Nuortila

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Kari Puumanen

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Heikki Koskenkylä

*Research Dept.*

Stig Törnroth

*Cash*

K. Eirola

*Automatic Data Processing*

A. Nenonen

*Foreign Correspondence*

Stig G Björklund

*Banking Services*

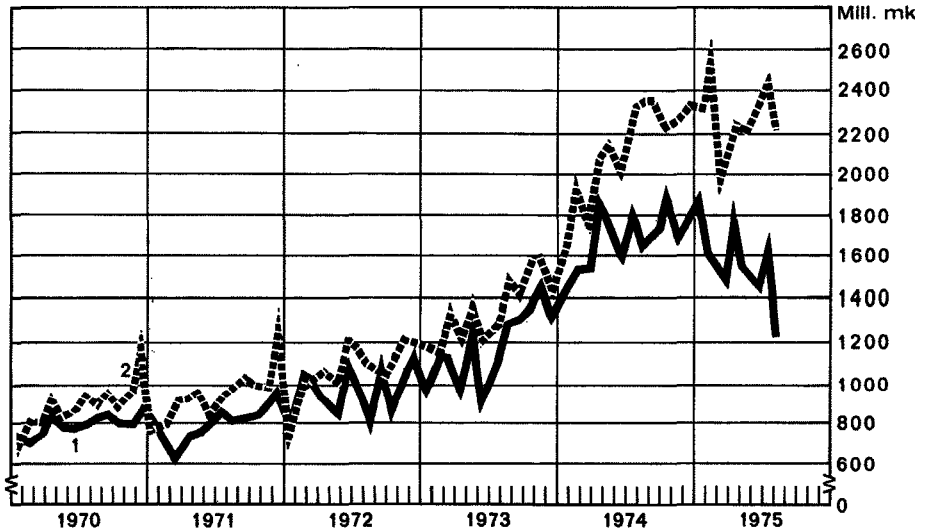
Eino Suomela

*Internal Audit*

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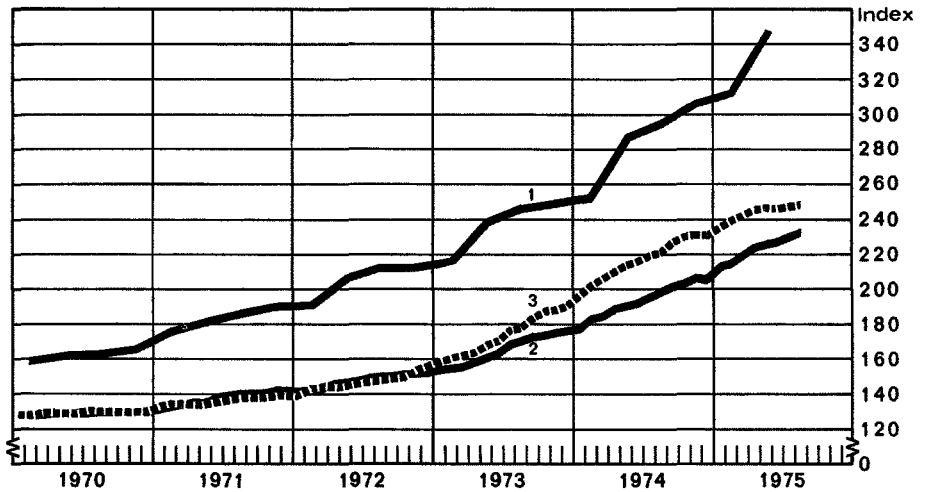
FOREIGN TRADE, 1970-1975

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



PRICES AND WAGES, 1970-1975

- 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, 1970-1975

- 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

