OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

FINLAND

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

MAY 1970

BASIC STATISTICS OF FINLAND

THE LAND

Area (1 000 sq.km)	337
of which: Cultivated land	31
Forests	240
Lakes	32

Population in major cities (end of 1969):	
Helsinki	535 200
Tampere	155 600
Turku	154 700
Urban population (per cent of total)	51

THE PEOPLE

Total population (end of 1969)	4 707 000
Per sq.km. of land area	15.4
Average (1963-67 per thous.)	
Live births	17.9
Deaths	9.4
Net natural increase	7.8
Net increase of population	6.8

Man-power by industry in 1968 (per cent of total)	
Agriculture and forestry	26
Industry and construction	34
Commerce	15
Transport and communications	7
Services	19

PARLIAMENT AND GOVERNMENT

Composition of Parliament	
No. of seats, elections 1970:	
Social-Democratic Party	52
National Coalition Party	37
Centre Party	36
Democratic League	36
Small Holders' Party	18
Swedish People's Party	12
Liberal Party	8
Christian League	1
Total	200

Government: no. of ministers from: (not available at the time of editing)

Previous general election	March 1970
Next general election	March 1974

PRODUCTION

Gross Domestic Product 1969 (Mk. million)	37 848
GDP per head, US dollars	1 917
Gross fixed asset formation 1969 (Mk. million)	9 197

Gross Domestic Product by Industries in 1969 (per cent):	
Agriculture and forestry	15
Industry and construction	40
Commerce	10
Transport and communications	7
Services	28

THE PUBLIC SECTOR

Public consumption 1969, per cent of GDP	16.4
Grass fixed capital formation 1969, per cent of GDP:	
General government	4.9
Public enterprise	1.8
Public corporations	2.2

General government revenue and expenditure, 1969 (Mk. million):	
Current revenue	13 247
Current expenditure	10 216
of which: consumption	6 189
transfers	2 909
subsidies	1 118

LIVING STANDARDS

Calories per head, per day 1964-65	2 950
Proteins, per head, per day, gr.	91
Number of dwellings completed, Av. 1964-65, per thousand.	7.8

Consumer goods, per 100 households, 1969	
Cars	41
Telephones	71
Television sets	67
Radios	119

FOREIGN TRADE

Exports of goods and services, per cent of GDP 1969	26.7
Main exports in 1969 (per cent of total merchandise exports).	
Agricultural products	4.3
Round and hewn timber	0.9
Wood products	16.8
Pulp and paper	40.5
Metal products, etc.	24.0
Other goods	13.5

Imports of goods and services, per cent of GDP 1969	26.7
Main imports in 1969 (per cent of total merchandise imports):	
Raw materials, etc.	43.4
Fuels and lubricants	11.2
Investment goods	26.2
Consumer goods	19.2

THE CURRENCY

Monetary Unit: Markka

Currency units per US $ (from 12th October 1967):	4.20

OECD ECONOMIC SURVEYS

FINLAND

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the OECD shall promote policies designed:

- *to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;*
- *to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;*
- *to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

The legal personality possessed by the Organisation for European Economic Co-operation continues in the OECD, which came into being on 30th September 1961.

The members of OECD are: Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

The Socialist Federal Republic of Yugoslavia is associated in certain work of the OECD, particularly that of the Economic and Development Review Committee.

The annual review of Finland by the OECD
Economic and Development Review Committee took place
on 14th April 1970. The present Survey
has been updated subsequently.

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INTRODUCTION

In 1969, after prolonged recession in 1966-1968 caused by weaker external demand and tighter demand management, the Finnish economy experienced a vigorous expansion. The devaluation of the Markka in October 1967 gave a strong stimulus to exports and advantage was taken of the strengthening of foreign demand in the course of 1968 by both traditional export industries and new ones. The expansion of economic activity and the reduction of unemployment were facilitated by the labour market agreements concluded in March 1968, which helped to moderate the rise in costs and prices, and to maintain the competitive edge conferred by the devaluation. Real domestic demand in 1969 rose faster than gross domestic product and the current balance of payments deteriorated, but showed a surplus in 1969 as a whole.

The expansion should remain strong in the months ahead, and there may be some risk of overheating towards the end of the year or in 1971. The current account of the balance of payments is likely to turn into a small deficit. Prices and costs would seem likely to remain very stable throughout the remainder of this year, given the existing income agreements, but developments next year will heavily depend on the new income agreements for 1971.

The present Survey contains the usual review of trends and policies, and in an Annex deals with the use of fiscal policy in Finland, with particular reference to the recommendations in the report *Fiscal Policy for a Balanced Economy* published by the OECD in 1968.

I ECONOMIC POLICY

A key element of economic policy in 1968 and 1969 was the stabilisation programme agreed between the Government and representatives of labour, employers, farmers and other important interest groups. The agreements, and the legislation associated with them, embraced almost all sectors of the economy, but also set important constraints on the use of taxation in demand management.

In 1968 a main objective of economic policy was to ensure maximum advantage from the devaluation of the Markka on 12th October 1967[1]. Given the wide use of price escalator clauses in wage agreements, financial contracts, leases etc., there was a clear danger that the competitive edge gained by the devaluation would be whittled away by excessive income increases. Consequently, priority was given to the abolition of index linkages and the co-ordination of income settlements. The rise in public expenditure on goods and services was kept low and the overall demand impact of the public sector may have been rather contractive.

In 1969, while maintaining price and cost stability, the emphasis of economic policy was on economic growth, a reduction of unemployment and a further strengthening of the foreign balance. As the expansionary forces gathered momentum, influenced by the more rapid growth of world trade, economic policy was gradually oriented towards restraining the expansion. The incomes policy agreements were prolonged to the end of 1970.

Incomes Policy

Up to the end of 1969 wages and salaries in the private sector were governed by the Stabilisation Agreement of March 1968. According to the agreement, wage and salary increases should be limited to the overall rise in productivity, estimated at 3 to 4 per cent per year. Index clauses in labour market contracts were abolished[2]. A rise in wages and salaries of 16 pennies per hour (or a corresponding increase per week or month) was granted as from 1st January 1969, resulting in an average increase in earnings of some 3.5 per cent. In September 1969, the wage agreement was prolonged for another year. It provided for a general increase in wages and salaries from 1st January 1970 of 18 pennies per hour or at least 1 per cent. In addition, wages and salaries could be raised according to principles to be agreed upon separately for each sector within an amount corresponding to 1 per cent of the wage bill of the sector. Including some other minor adjustments negotiated wage and salary rates were raised by a total of 5 per cent.

A main condition on the part of the unions for the Stabilisation Agreement was the abolition of index linkages elsewhere in the economy and the control with wages, prices and rents. The Economic Special

1 The parity was changed by 23.8 per cent, implying a rise of 31 per cent in the US dollar rate expressed in Markkas.

2 An adjustment of 3.5 per cent was made in June 1968, on the basis of old wage agreements.

Powers Act, passed in April 1968, stipulated as a general rule (with some exceptions) the cancellation in all contracts of index clauses, and authorised the Government to control wages, prices and rents through a Price and Incomes Board with representatives, i.a., for the trade unions and the employers' organisations. The Board has been concerned mainly with price policy; it has followed the principle not to approve price increases motivated by wage settlements in line with the Stabilisation Agreement; these were to be absorbed by improvements in productivity. Some exceptions from this rule have been approved, largely for labour intensive products. At the end of May 1969 a few commodity groups, having a weight of 10 to 15 per cent in the consumer price index, were exempted from control.

According to previous agreements on agricultural incomes, target prices for main agricultural products were raised by 6.8 per cent in March 1968. The Stabilisation Agreement provided for a rise of only 2 per cent in June 1968, and similarly by 2 per cent in January 1969. According to the new law passed in June 1969, the development of agricultural incomes continues to be determined through fixing of target prices for main products, taking into account prices of inputs, the development of productivity in agriculture and the rise in incomes of other similar groups. Steps were also taken to limit overproduction through a special marketing fee on milk and cereals to the extent that production exceeds certain specified levels, through a system of support to farmers reducing the area under cultivation and through a premium of Mk. 500 per cow slaughtered during spring 1970. In March 1970, agricultural prices were, in accordance with the new law, raised on average by 3.2 per cent.

Fiscal Policy

The Government, in the context of the Stabilisation Agreement, undertook not to raise tax rates as long as the agreement was in force. But in 1969 public sector finance was strengthened through income-induced rises in tax revenue and the slower rise in expenditure on social transfers. Moreover, average tax rates rose due to the effect of progressive scales and a rise in the average local income tax rate. Table 1 shows that total revenue of the consolidated public sector rose by 9.3 per cent from 1968 to 1969 after a rise of 15.8 per cent the year before. But the slowdown was exclusively due to the removal of the export levy introduced after the devaluation in October 1967 to limit the rise in incomes of export industries. The levy was reduced gradually in the course of 1968 and finally abolished in April 1969. The revenue was deposited on a special account with the Central Bank and subsequently utilised for investment in public

Table 1 **Public Sector[1] Revenue and Expenditure**

	Value Mk. million 1968	Percentage change over previous year				
		1966	1967	1968	1969	1970[4]
Value, current prices						
REVENUE	11 439	12.3	12.2	15.8	9.3	8.7
Direct taxes	4 694	14.5	10.4	15.2	12.7	10.9
Indirect taxes etc., total	5 061	10.7	10.5	17.3	5.7	4.9
Export levy[2]	523	..	..	..	..	..
Other indirect taxes etc.	4 538	10.7	10.1	5.5	15.1	7.3
Contributions to social security	1 455	9.3	27.1	12.9	11.3	14.2
Transfers from private sector	229	18.9	1.5	15.4	7.0	6.1
Memo items : Total revenue, excl. export levy	10 916	12.3	12.0	10.7	13.4	9.8
Net domestic product, market prices	30 780	7.9	8.5	12.5	10.3	8.5
EXPENDITURE	11 109	9.9	12.3	14.2	9.2	10.2
Goods and services	7 434	9.8	12.6	14.9	6.8	8.1
Consumption	5 612	12.7	14.6	15.7	8.7	10.7
of which : Central Government	2 431	8.8	12.2	18.1	6.4	12.0
Gross fixed asset formation	1 822	2.5	7.2	12.7	1.0	−0.3
Transfers	3 675	10.1	11.6	12.6	14.1	14.1
Subsidies	980	3.6	1.3	10.6	14.3	17.9
Social transfers	1 764	17.4	19.5	11.2	6.6	16.8
Other transfers	931	6.0	9.6	17.7	28.5	6.3
FINANCIAL SAVINGS	330	1.5[3]	1.5[3]	2.9[3]	3.0[3]	1.6[3]
Volume, 1965 prices						
Expenditure on goods and services		3.2	4.4	4.5	2.7	3.6
Consumption		5.1	5.5	5.2	4.4	6.0
Gross fixed asset formation		−1.7	1.3	2.7	−2.5	−4.0

1 Consolidated public sector consisting of central and local government and Social Security.
2 The revenue from the export levy amounted to Mk. 14 million in 1967 and Mk. 128 million in 1969.
3 Per cent of current revenue.
4 Forecast of the Ministry of Finance.

Source : Ministry of Finance Economic Surveys.

corporations and enterprises, development of power production and export credits, and investment credit for small and medium-sized enterprises. The main part of its total yield of Mk. 665 million thus fell in 1968; excluding this, the growth of public revenue was more in line with the trends in activity and tax rates: 10.7 per cent in 1968 and 13.4 per cent in 1969.

The effect of the upturn in domestic demand was most strongly felt in indirect taxes, which, excluding the export levy, rose by 15.1 per cent between 1968 and 1969 against 5.5 per cent the year before. Apart from the revisions introduced in the taxation of alcoholic beverages, rates of indirect taxation remained unchanged in 1969, but the growth rate was nevertheless higher than that of private consumption due to the higher incidence on goods with a high income elasticity, notably automobiles and alcoholic beverages. Revenue from direct taxes, after a rise of 15.2 per cent from 1967 to 1968, was up by 12.7 per cent in 1969, in line with—although on average faster than—the development of net domestic product in current market prices as estimated by the Ministry of Finance.

There was a marked slowdown in the rise of public sector expenditure from 14.2 per cent in 1968 to 9.2 per cent in 1969. This was partly due to the modest price increases resulting from the Stabilisation Agreement, but also reflected a slower rise of purchases of goods and services in real terms (2.7 per cent in 1969 against 4.5 per cent in 1968). The item "other transfers" rose quite strongly in both years, reflecting the refunds of the supplementary tax levied in 1964. The rise in subsidies was mainly related to the agricultural programme.

Revenue forecasts for 1970 have been based on the assumption of a rise of 8.5 per cent in the value of net domestic product at market prices. Given the stabilisation agreements now in force, rates of direct and indirect taxation should remain unchanged apart from adjustments of prices for alcoholic beverages and certain tariffs. Total revenue of the public sector is forecast to rise by 8.7 per cent after 9.3 per cent in 1969. The rise is approximately the same as the forecast for net domestic product used for forecasting revenue, while direct taxes and contribution to social security will increase somewhat faster.

Expenditure of the public sector[1] is expected to rise faster in 1970 than in 1969, due wholly to higher government consumption and social

1 The expenditure forecasts are made on the basis of central government budgets and estimates of local authority expenditure. Current expenditure of local authorities are forecast on the basis of the envisaged transfers from the Central Government and certain other factors.

transfers. Gross fixed asset formation in current prices is expected to fall slightly, so that total expenditure on goods and services may rise by 8.1 per cent between 1969 and 1970 or slightly faster than last year. Financial savings (balance on current and fixed investment account) are expected to amount to 0.5 per cent of gross domestic product in 1970 against 1.0 per cent in 1969.

Trends in central government finance are summarised in Table 2. The forecasts for revenue and expenditure imply a fall in central government financial savings from Mk. 526 million in 1969 to Mk. 330 million in 1970. Nevertheless, long-term borrowing in the market (net

Table 2 **Central Government Finance**

Excluding extra-budgetary funds

Cash estimates. Mk. million

	1968	1969	1970
REVENUE[1]	8 376	9 080	9 700
Taxes	7 683	8 299	8 870
Other current revenue	693	781	820
EXPENDITURE	8 066	8 554	9 370
Consumption	2 431	2 589	2 900
Gross fixed asset formation	1 303	1 225	1 160
Transfers	4 061	4 443	4 985
Interest, etc.	271	296	325
FINANCIAL SAVINGS	310	526	330
Net long-term lending	−538	−609	−645
Net long-term borrowing	272	198	165
Net change in export levy account[2]	−346	164	95
Short-term borrowing and miscellaneous	302	280	55

1 Excluding redemption of loans.
2 The yield of the export levy was deposited on a special account with the Central Bank (negative sign = increase in export levy deposits).

Source : Ministry of Finance Economic Survey.

NOTE The Central Government budget appropriations consist of three different categories of spending:

1 Definitive appropriation for the budget year which shall not be exceeded.
2 Appropriation estimates which may be exceeded if necessary.
3 Transferable appropriations (normally for investment projects) which may be transferred to following budget years.

The above cash estimates prepared by the Ministry of Finance aim at assessing the actual revenue and expenditure on the basis of budgets and outstanding appropriations etc.

of redemption) may fall from Mk. 198 million in 1969 to Mk. 165 million in 1970. Mk. 95 million is expected to be drawn from the export levy account with the Central Bank, adding to overall liquidity. Part of central government borrowing may take the form of external loans, depending on the conditions in foreign capital markets.

Countercyclical Measures

In November 1969, the Government submitted proposals for a strengthening of countercyclical policy, and in December Parliament approved new arrangements.

(*i*) Il was decided to establish a governmental countercyclical fund the counterpart of which should be deposited on a blocked account with the Central Bank. As the Government normally does not borrow in the Central Bank (see Annex I) drawings on the account during recessions would enable the Government to pursue a more flexible fiscal policy.

(*ii*) Certain modifications were made in the law on investment reserve fund to make it more attractive to industry. Transfers to the fund up to 30 per cent of profits can be made at the enterprise's discretion, and up to 80 per cent on special permission from the Government; previously governmental approval was needed for all transfers. Only amounts which otherwise would have been paid in taxes are blocked in the Central Bank where these deposits carry a tax-free interest of 3 per cent. The release of the funds—its timing, the industries to benefit from it, and for what purposes and in which regions the money shall be spent—will be decided by the Government. In any case, the firm is free to use the investment fund after 5 years at its discretion.

(*iii*) Moreover, a special system of countercyclical deposits for industry and commerce was established. Under this arrangement enterprises can make deposits from profits earned in 1969 and 1970 to a blocked account with the Central Bank. These deposits (which earn a 3½ per cent tax-free interest) are deducted from taxable income in the year they are earned while taxes are collected at the time of their release. The date of release is decided by the Government, but at the latest this will take place in three instalments at the end of years 1972, 1973 and 1974. This arrangement will dampen the present investment boom and help to keep up activity in later years of slower growth.

In connection with the approval of the above mentioned arrangements the Government reached an understanding with industrial and business central organisations as to the extent to which enterprises will make transfers and deposits during the present boom period. By April 1971 enterprises are to make transfers and deposits totalling Mk. 400 million, of which at least half should be in the form of countercyclical deposits and the rest investment fund transfers. As the whole of countercyclical deposits and the part of investment fund deposits corresponding to the tax liability are made with the Central Bank, close to Mk. 300 million will be paid into the blocked accounts with the Bank. In April, this year Mk. 50 million were transferred into governmental countercyclical fund.

The above arrangements should enable the Government to pursue a more flexible demand management policy under present institutional conditions. An extension of the government countercyclical fund to cover local authorities is under consideration by a government working group on fiscal policy. As transfers of up to 30 per cent of profits now can be made without the approval of the Government, the investment fund is expected to play a more important role than in the past. The Mk. 400 million expected to be transferred to the fund and to countercyclical deposits in 1970-1971—of which Mk. 300 million is estimated to be blocked with the Central Bank—correspond to nearly a fifth of the value of investment in manufacturing in 1969, and could have a strong dampening effect on investment in the coming year.

Monetary Policy and Developments

Finland has only a small capital market and the list of monetary instruments available for demand management policy is therefore shorter than in most other industrialised Member countries. Commercial banks have only very limited portfolio investments, and they are normally in debt to the Central Bank through rediscounting of bills. Central Government budget deficits must normally be covered by borrowing in the market either at home or abroad. The change in domestic liquidity is therefore determined by two factors: the balance on non-monetary transactions with the rest of the world and the net change in the amount of bills rediscounted. On some occasions, however, special factors may become important, e.g. central bank lending directly to the enterprise sector, cash reserve schemes for commercial banks or special deposit schemes, such as the export levy deposits by the Central Government[1].

1 Some further information on the institutional framework of monetary policy may be found in last year's OECD *Economic Survey of Finland,* Paris, June 1969.

Monetary conditions in 1969 were influenced by the abolition —following the Stabilisation Agreement of March 1968—of the widely applied linking of bank deposits and bond values to the consumer price index. There was a marked improvement in the balance of payments in 1968—with net foreign assets of the Central Bank rising by Mk. 1 011 million—whereas 1969 saw a fall of Mk. 49 million. The impact on liquidity from the balance of payments was, however, moderated by the export levy which reduced the revenue of export industries in 1968. Part of the export levy funds were utilised already in 1968 but the Treasury, nevertheless, improved its position with the Central Bank by Mk. 346 million through the net rise in these deposits whereas 1969 saw a net drawing of Mk. 164 million. Commercial banks improved their position with the Central Bank both in 1968 and in 1969 through a reduction in outstanding rediscounts. Monetary developments in 1968 were on the whole a reflection of the stronger balance of payments position after the devaluation whereas developments in 1969 were more and more influenced by the strengthening of demand.

Table 3 **Money and Credit**
Change during the year, Mk. million

	1966	1967	1968	1969
Central Bank :				
Net foreign assets	−368	−105	1 011	−49
Claims on the banks	265	−207	−242	8
Rediscounted bills	275	48	−250	−67
Other	−10	−159	8	59
Net claims on Treasury	−27	18	−346	158
Net claims on the rest of the economy	76	332	−77	76
Commercial and savings banks[1] :				
Advance to the public	1 257	1 016	781	2 053
Deposits by the public	1 253	1 108	1 543	1 876
of which : time deposits	1 239	1 100	1 202	1 497
Money supply	137	−39	486	472

1 Including Post Office Bank, cooperative banks and mortgage banks.
Source : Bank of Finland Monthly Bulletin.

In April 1969 hire-purchase terms were relaxed through (*i*) reduction of minimum down-payment on passenger cars from 40 per cent to 30 per cent (from 60 to 50 on some contracts), (*ii*) extension of the maximum repayment period from 18 to 20 months (9 to 12 months on some contracts), (*iii*) extension of the repayment period to 30 months for heavy lorries and tractors and 24 months for other lorries and vans, and (*iv*) abolition of restrictions on hire-purchase contracts for television sets, refrigerators and washing machines.

During the spring of 1969 the expansion gained momentum as the rise in investment accelerated strongly. Given the risk that the rather comfortable liquidity position of banks could allow a too strong credit expansion, the Bank of Finland in April stressed the need to curb the growth of lending. In September an agreement between the Bank of Finland and the banks was reached fixing the increase in lendings to a maximum of 90 per cent of the increase in deposits. The rediscounting quotas valid at the end of September were reduced to 85 per cent by 1st October and 75 per cent by 1st January 1970. The quotas were further reduced to 65 per cent by 1st April 1970 and at the same time the limit on lendings was again abolished.

Man-Power Policy

A significant strengthening of man-power policy will take place in the coming years. A new Ministry of Labour was set up in March 1970, taking over most of the activities of the Employment Division of the Ministry of Communications and Public Works and—subsequently—possibly also certain fields of social policy relevant to the labour market. During the post-devaluation upswing the emphasis of man-power policy was gradually shifted from employment creation through relief works etc. to stimulation of mobility in order to satisfy the rising demand for man-power in the industrial areas in the southern and western parts of the country. An important task for the new Ministry of Labour will be to intensify these activities, notably in the field of vocational training. In 1969 nearly 7 000 persons, or 0.3 per cent of the labour force, attended courses with an average duration of about 6 months at the existing training centres. It is hoped to expand the retraining facilities in the coming 2-3 years, to cover some 22 000 persons or 1 per cent of the labour force per year.

To increase labour mobility man-power policy includes allowances to cover transportation cost, subsistence allowances, starting allowances and family allowances etc. The system is designed to encourage retraining, as total amounts granted to persons following a training course are higher than the unemployment benefits. It is thought, however, that lack of appropriate housing facilities in the industrial areas has been the main constraint on labour mobility. The success of the expanded system of vocational training may therefore depend on the coordination of residential construction and man-power policy.

II RECENT TRENDS

Demand and Output

After slow growth in 1966-1967 and during most of 1968, the expansion accelerated strongly towards the end of 1968 and into 1969. The real gross domestic product is estimated to have increased by some 8 per cent between 1968 and 1969, against 2.4 per cent between 1967 and 1968. The advance was led by exports of goods and services which, in volume, increased by 11.9 per cent in 1968 and 16 per cent in 1969. Real domestic demand, which fell in 1968, recovered strongly in 1969, entailing a steep rise in imports of goods and services (21.3 per cent in volume from 1968 to 1969). The current external balance, seasonally adjusted, turned into deficit towards the end of 1969.

Table 4 **Supply and Use of Resources**
Percentage change over previous year. 1964 prices

	1966	1967	1968	1969[1]
Gross domestic product	2.4	2.7	2.4	8.0
Imports of goods and services	4.8	−1.4	−2.4	21.3
Exports of goods and services	7.0	5.9	11.9	16.0
National expenditure	2.0	1.0	−0.8	9.0
Consumption	3.1	2.8	1.3	6.7
Public	5.1	5.5	5.2	4.4
Private	2.6	2.1	0.2	7.4
Gross fixed capital formation	2.8	−3.3	−3.4	13.0
Public[2]	−1.7	1.3	2.7	−2.5
Private	4.1	−4.6	−5.1	17.7
Change in stocks[3]	3.6	3.3	2.3	3.0

1 Preliminary.
2 General government.
3 Including statistical discrepancies. Per cent of GDP.

Sources: Finnish national accounts statistics, Economic Surveys and Memorandum by the Ministry of Finance.

After a decline in 1967 and 1968 the volume of gross fixed asset formation rose by some 13 per cent between 1968 and 1969 (Table 5). Investment in dwellings rose by 12 per cent, influenced by increased central government lending to dwelling construction and higher real incomes. Investment in other buildings, and machinery and equipment also rose strongly, with a particularly rapid advance in business investment. Road and waterway construction, on the other hand, fell. Total public expenditure on goods and services in volume terms is estimated to have increased by only 2.7 per cent between 1968 and 1969, thereby leaving more scope for higher exports and business investment.

Table 5 **Gross Fixed Asset Formation**

	Weights 1968	Percentage change in volume over previous year			
		1966	1967	1968	1969[1]
Dwellings	22.5	5.1	0.9	−2.8	12
Other buildings	19.5	−3.5	6.7	−13.0	11
Road and waterway construction	24.3	2.5	−0.9	3.0	−3
Machinery and equipment	33.7	5.5	−12.8	−1.8	26
Total	100.0	2.8	−3.3	−3.4	13

1 Preliminary.
Sources: Economic Survey 1969 and the Ministry of Finance.

With rising employment and real earnings, the growth of real private consumption accelerated strongly, from 0.2 per cent in 1968 to 7.4 per cent in 1969. Consequently national expenditure showed an advance of 9.0 per cent after a fall of 0.8 per cent the year before.

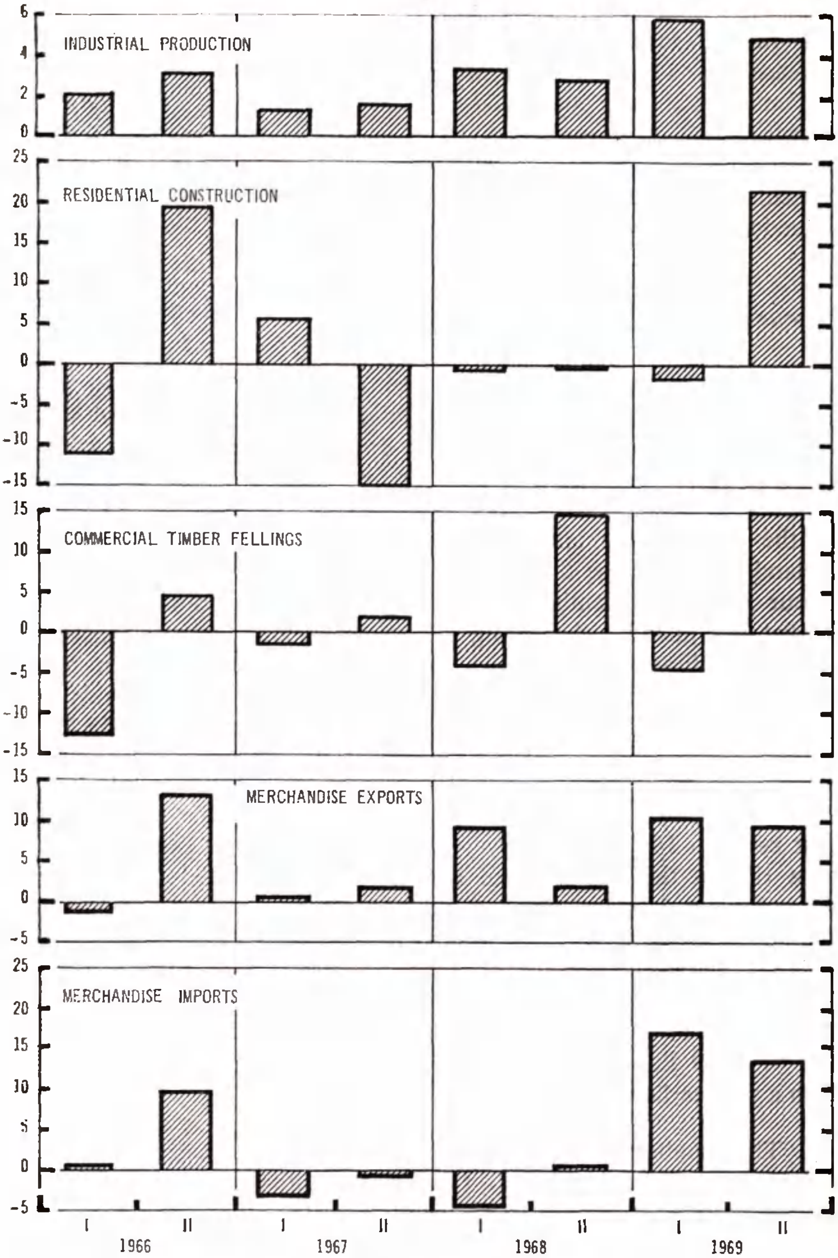
Table 6 **Production by Sector**

	Weights 1968	Percentage change in volume over previous year			
		1966	1967	1968	1969[1]
Agriculture, fishing, etc.	9.2	2	−1	1	−1
Forestry	6.1	−14	1	4	10
Industry	30.0	5	3	5	11
Building	5.7	1	3	−7	12
Construction	3.5	3	−1	2	−3
Transport and communications	7.5	4	0	4	8
Commerce, banking and insurance	12.5	3	3	−2	11
Other	25.5	4	4	5	5
GDP at factor cost	100.0	2.2	2.7	2.7	8.0

1 Preliminary.
Sources: Memorandum by the Ministry of Finance.

Diagram 1 **Short-Term Economic Indicators**

Seasonally adjusted. Percentage change in volume over previous half-year



Source : Bank of Finland, Economic Indicators for Finland.

Although a relatively large part of the rise of domestic consumption and investment was met by increased imports, the pressure on domestic resources increased. The slack which existed at the beginning of 1969 was rapidly taken up. Industrial production is estimated to have increased by 11 per cent between 1968 and 1969. The upturn was particularly strong in the engineering industries, but also pulp and paper industries and other export industries expanded rapidly. Production in forestry rose in line with the trend in the wood-working industries. Agricultural production saw a fall of 1 per cent, to some extent due to the reduction of the area under cultivation.

Labour Force and Employment

The population of working age rose by some 35 000 persons or 1 per cent in 1969, less than earlier and less than the natural increase in these age groups. Emigration to Sweden was particularly strong in 1969, presumably totalling 30 000 persons, of which nearly 20 000 belong to the labour force. Emigration to Sweden is known to depend more on the state of the labour market in Sweden than on conditions in Finland because wage differentials under any circumstances give Finnish labour sufficient incentives for moving, even with a rather tight labour market in Finland. According to Swedish labour market statistics, the number of Finns registered as gainfully employed in Sweden rose by 22 000 between 1st January 1969 and 1st January 1970; this figure corresponds to 0.6 per cent of the Swedish and 1 per cent of the Finnish labour force.

The number of employed rose by some 42 000 persons or 2 per cent between 1968 and 1969. Of this 16 000 persons may be ascribed to a rise in the labour force and 26 000 to reduced unemployment. According to labour force sample surveys, employment in agriculture and forestry fell by some 20 000 persons and urban industries thus saw a rise of 62 000 or about 4 per cent. The strengthening of the demand for labour was reflected in the statistics on vacancies, with a rise in both the number of jobs reported vacant and in unfilled vacancies. At the end of 1969 the number of unfilled vacancies was 50 per cent higher than a year earlier.

The number of unemployed applicants for work fell from 71 100 persons at the end of 1968 to 45 800 at the end of 1969. Total unemployment, as estimated on the basis of the labour force surveys, at the end of December 1969 had fallen to 2.2 per cent of the labour force, seasonally adjusted, against 3.5 per cent at the end of 1968 and an average of 4 per cent for 1968. In the boom period of 1965 unemployment was down to 1.4 per cent of the labour force and in 1961/62 to 1.2 per cent.

Wages, Prices and Incomes

The increase in private incomes from 1968 to 1969 is estimated at 11.3 per cent, the same as the year before. But in 1969 prices rose much less than earlier and real earnings consequently showed a more rapid advance than in 1968. Table 7 summarises the development of different income categories. Wages and salaries and employers' contributions to social security are estimated to have increased roughly in line with total factor income; income from unincorporated enterprises saw a slowdown, due to a slight decrease in agricultural production which limited the growth of incomes in this sector (including private forest owners) to some 9 per cent. Given the fall in the number of independent farmers, per capita income in agriculture (and forestry) rose faster than wages and salaries. Incomes of independent entrepreneurs outside agriculture rose in line with the average.

Corporate profits, which did not grow in 1967 but rose in line with other incomes in 1968, saw a fast increase in 1969. The recovery was one of the effects of the devaluation, a primary aim of which was to improve the competitive position of the industry. Profits are calculated after payment of the export levy which reduced the rise especially in 1968. The acceleration in 1969 apart from the abolition of the levy was a reflection both of the rapid expansion of the volume of exports, with somewhat higher prices, and the moderate rise in costs. However the improvement of profits did no more than restore the 1965/66 share in national income. The rather slow rise in incomes from interest and rent was a result of the abolition of index clauses following the Stabilisation Agreement and the limited growth of rents.

Although the increase in the wage bill (including employers' contributions to social security) was about the same in 1968 and 1969, its composition changed significantly. In 1968 employment hardly rose but hourly earning had increased by as much as 11 per cent. After the Stabilisation Agreement in March 1968 the growth of nominal incomes slowed down so that average hourly earnings only rose by 7 per cent between 1968 and 1969, whereas employment rose significantly.

The wage bill in manufacturing is estimated to have increased by about 13 per cent between 1968 and 1969. With production rising by 11 per cent unit labour cost seems to have risen by only 2 per cent,

Table 7 **Incomes in Private Sector**
Current prices

	Mk. mill. 1968	Percentage change over previous year			
		1966	1967	1968	1969
Wages and salaries	14 756	9.7	8.6	11.3	10.7
Employers' contributions to social security	2 323	10.7	17.5	12.8	12.9
Incomes from unincorporated enterprises :	4 039	−2.4	2.0	12.2	9.2
Farmers and private forest owners	2 613	−6.6	0.7	13.5	8.6
Other	1 426	6.4	4.5	10.0	10.5
Corporate profits	1 639	4.1	−0.1	10.9	25.1
Interest and rent	3 326	9.5	9.8	10.2	7.0
Total private incomes	26 083	7.1	7.6	11.4	11.3

Sources : Finnish national accounts statistics and the Ministry of Finance.

Table 8 **Development of Wage Bill**
Percentage change over previous year

	1966	1967	1968	1969
Wage bill for all sectors :	9.7	8.6	11.3	10.7
of which :				
Negotiated wage rates	3.7	6.3	10.2	5.0
Wage drift	3.6	2.5	0.8	2.1
Other factors[1]	2.4	−0.2	0.2	3.6

1 Change in employment, fringe benefits etc. Excluding employers' contributions to social security.

Sources : Economic Survey 1969 and Central Bureau of Statistics, Bulletin of Statistics.

after much faster increases in previous years. Over the five-year period 1965-1969 unit labour cost rose on average by 4.5 per cent a year. For purposes of comparison with developments in other countries account should be taken of the effect of changes in exchange parities. Table 9 shows that the situation in 1969 was rather favourable compared with that of other industrialised OECD countries in Europe when these are weighted together according to their estimated importance for Finnish foreign trade.

The rapid increase in capacity utilisation experienced in 1969, both in manufacturing and other sectors, was the main factor behind the

Table 9 **Costs and Productivity in Manufacturing**

	Finland Percentage change over previous year			Unit labour costs Index 1958 = 100 In dollars	
	Production	Wage cost			
		Wage bill[1]	Unit labour costs	Finland	Industrialised OECD Europe[2]
1962	5.3	10.9	5.4	109.0	111.9
1963	3.3	9.5	6.3	115.9	115.1
1964	7.4	15.5	8.0	125.2	116.2
1965	6.2	12.1	5.3	131.8	121.6
1966	5.1	9.4	4.0	137.1	126.5
1967	3.3	9.9	6.4	137.2	127.8
1968	5.6	11.8	5.8	117.7	123.4
1969[3]	11.0	13.1	2.0	120.0	126.8
1965-69 Av.	6.3	11.3	4.7	..	..

1 Including estimated effects of employers' contributions to social security.
2 Weighted together according to their estimated importance for Finnish foreign trade.
3 Preliminary.

Sources : Finnish national accounts statistics and the OECD Secretariat.

favourable development of labour productivity, which—together with the moderate advance in hourly earnings—served to reduce the rise in the cost push to only 2.3 per cent in 1969 (Table 10). Most of this impact on cost was absorbed in prices, and in spite of the price control of the

Table 10 **The Cost Push and Prices**

	1966	1967	1968	1969
TOTAL COST IMPACT, per cent	4.3	5.7	12.2	2.3
of which due to :				
Compensation of employees	3.0	2.8	3.6	1.2
Income of farmers and private forest owners	−0.2	0.0	0.9	0.4
Indirect taxes (including export levies)	0.9	0.9	1.5	−0.4
Import prices	0.1	1.2	3.7	0.5
Other factors	0.5	0.8	2.5	0.6
CHANGE IN PRICES				
Consumer prices	3.9	5.6	8.4	2.3
GDP deflator	5.1	5.6	10.0	2.5

Source : Economic Survey 1969.

NOTE The change in costs per unit of output emanating from each component, e.g. compensation of employees, has been weighted on the basis of the balance of supply and use of ressources in the preceding year. The total cost impact will, however, in general be different from the GDP deflator due to changes in capacity utilisation, shifts in the use of ressources and, thus, the weights of the expenditure components of the GDP.

Price and Incomes Board, the pressure on prices due to cost increases which has not been absorbed in a normal way would not seem to be very strong.

Balance of Payments

The devaluation in 1967 had a very restrictive impact on imports in 1968, and the current external account saw a strong improvement, from a deficit of $144 million in 1967 to a surplus of $64 million in 1968. For 1969 as a whole a surplus was maintained on current account, and the capital account showed a net inflow in spite of the unrest in foreign capital markets. Consequently, total foreign exchange reserves after a rise of $142 million in 1968 rose by another $37 million in 1969. Official foreign exchange reserves (including IMF position) fell by $27 million in 1969 and amounted to $280 million at the end of December. To this should be added the Finnish share—$21 million in the IMF Special Drawing Rights (SDR) activated on 1st January 1970.

Table 11 **Balance of Payments**
$ million

	1966	1967	1968	1969
Exports of goods	1 495	1 523	1 626	1 977
Imports of goods	1 732	1 706	1 602	2 030
TRADE BALANCE	−237	−183	24	−53
Services, net	89	101	107	121
Transfers, net	−50	−62	−67	−57[3]
CURRENT BALANCE	−198	−144	64	11
Long-term capital transactions, net	48	142	31	25[3]
Short-term capital transactions, net[1]	39	−30	47	1
CAPITAL BALANCE	87	112	78	26
NON-MONETARY TRANSACTIONS	−111	−32	142	37
Change in foreign exchange reserves of				
Bank of Finland[2]	−100	−25	158	−27
Other	−11	−7	−16	64

1 Including errors and omissions.
2 Including IMF credit tranche.
3 Including the writing off by the Government of Sweden of a debt of about $ 19 million.

Source : Finnish Memorandum to the OECD.

NOTE At current exchange rates. For 1967 the average rate, $1 = 3.41 Mk. has been used.

The value of exports rose by 21 per cent between 1968 and 1969 but the rise in imports was even stronger (27 per cent) and the trade balance therefore deteriorated somewhat. The advance of exports was spectacular for such categories as machinery (43 per cent), other engineering products (37 per cent), textile and clothing (64 per cent), and other non-traditional manufactured products (49 per cent), whereas pulp and paper etc., saw more normal increases. Exports to EFTA countries increased by 25 per cent (with shipments to Sweden up by as much as 53 per cent); exports to EEC countries rose by 18 per cent, and those to Eastern European countries combined by 12 per cent. The relatively slow rise of exports to the Eastern countries was partly due to timing of deliveries with the expiring five-year trade agreement with the Soviet Union and partly to the more moderate growth of Finnish imports which is normally the limiting factor in these bilateral trade relations.

Table 12 **Trends in Merchandise Exports**

	Value 1968 Mk. mill. Current prices	1966	1967	1968	1969[1]
		Percentage change in volume over previous year, 1962 prices			
Agricultural products	327	1.3	5.1	3.0	13.7
Crude forestry products	56	0.0	−10.7	−8.0	25.0
Manufactured products	6 486	6.8	5.6	12.0	15.6
Of which : Wood products	1 158	−5.2	−2.2	15.6	13.5
Pulp and paper	2 994	7.8	−2.2	6.7	9.7
Engineering products	1 566	9.9	26.1	20.0	20.5
TOTAL MERCHANDISE EXPORTS	6 874	7.0	5.7	10.9	16.0
		Percentage change over previous year, dollar values			
Total merchandise exports	..	5.5	1.9	6.7	21.3
Export prices	..	−1.4	−3.6	−3.8	4.7
Memo item : Terms of trade	..	−1.6	−2.0	−2.2	2.2

1 Preliminary.
Source : Monthly Bulletin of Foreign Trade.

The development of imports was strongly affected by the upturn in investment and consumption. In value terms imports of passenger cars rose by about 75 per cent, other consumer goods by 27 per cent, and investment goods by 42 per cent, whereas imports of raw materials and semi-manufactured products etc. rose by some 22 per cent. Measured in volume terms the increase was somewhat smaller: import prices between 1968 and 1969 may have increased by 2.5 per cent. Export prices seem to have increased faster, by some 4½-5 per cent, and overall terms of trade would thus seem to have moved favourably.

The devaluation in 1967 resulted in a significant shift in relative prices between Finland and the rest of the world, and one would therefore expect some replacement of imports by domestic production. Diagram 2 shows that such a shift actually took place. Measured in fixed prices (of 1962) 1968 saw a decline of imports of raw materials etc. in relation to GDP, of imports of investment goods in relation to investment in machinery and equipment, and of imports of consumer goods in relation to private consumption. However, in 1969, there was again a rise of the import ratio in the case of investment goods and consumer goods, whereas the ratio of imports of raw materials etc. to GDP remained rather constant.

Table 13 **Trends in Merchandise Imports**

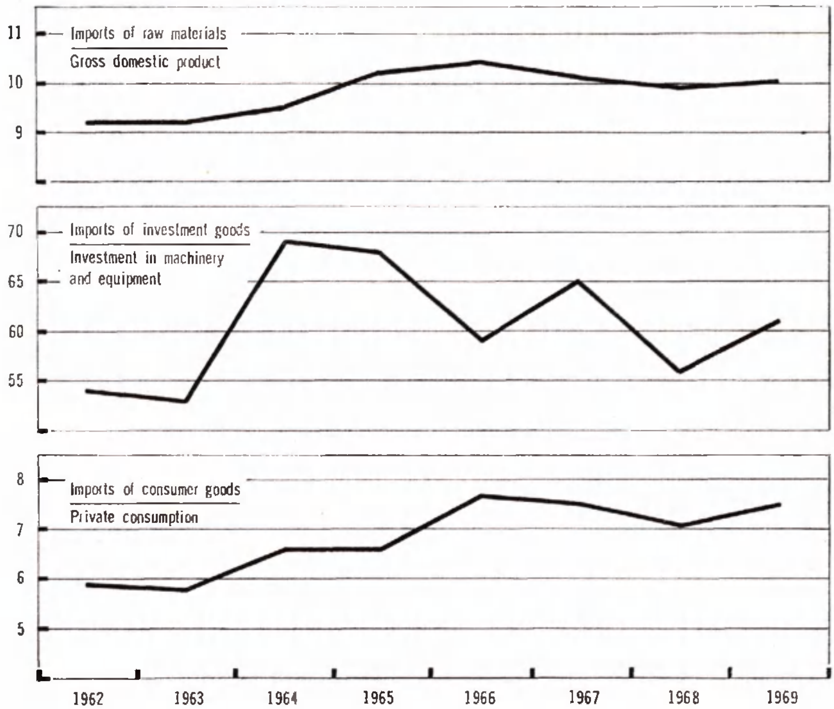
	Value 1968 Mk. mill. Current prices	1966	1967	1968	1969[1]
		Percentage change in volume over previous year, 1962 prices			
Raw materials and inputs	3 023	4.7	−0.7	0.8	17.5
Of which : For agriculture	166	−22.6	−13.1	12.4	9.3
For industry	2 858	7.1	0.0	−0.7	17.9
Fuels and oils	874	18.4	7.5	4.3	10.8
Manufactured goods	2 813	0.8	−1.6	−10.3	35.2
Of which : Investment goods	1 327	−8.7	−3.5	−15.3	39.4
Consumer goods	1 486	15.5	2.0	−4.6	32.7
TOTAL MERCHANDISE IMPORTS	6 710	4.7	0.0	−4.4	23.9
		Percentage change over previous year, dollar values			
Total Merchandise imports	..	4.9	−1.6	−5.9	27.1
Import prices	..	0.2	−1.6	−1.6	2.5

1 Preliminary.

Source : Monthly Bulletin of Foreign Trade.

Net earnings on services are estimated to have increased somewhat between 1968 and 1969, mainly due to the rise in transport earnings

Diagram 2 **Imports in Relation to Demand**
Volume, 1962 prices



Source : Bank of Finland, Economic Indicators for Finland.

related to the rise in merchandise trade, but also due to a small gain on the balance on tourism. Net transfer payments (interest payments etc.) to abroad fell from $67 million in 1968 to $57 million in 1969, but this was due to the cancellation by the Swedish Government of a Finnish debt of about $19 million; excluding this item, transfers to abroad thus also rose strongly.

The capital account changed markedly in 1969. Net long-term capital imports totalled only $25 million ($31 million in 1968) but there was a net short-term capital inflow of $1 million (inflow of $47 million in 1968). Excluding the cancellation by the Swedish Government of the debt mentioned above—entered as a reduction of long-term capital imports—net long-term capital imports in 1969 amounted to $44 million. The rise in long-term capital imports was mainly due to increased long-term trade credits; net foreign borrowing was smaller than in 1968. Gross external borrowing amounted to $246 million, of which $70 million in the form of bond issues in the German capital market. Direct investment in Finland—notably from Sweden—also rose strongly.

III PROSPECTS AND POLICY ISSUES

Short-Term Prospects

With activity rising sharply, the rate of resource utilisation increased considerably in the course of 1969. By the end of the year, unemployment had fallen to 2.2 per cent on a seasonally adjusted basis. Although this was higher than the rates experienced in earlier boom periods, the remaining unemployment would seem to be mainly of a structural and frictional nature. In the months ahead, the increase in the labour force could be around 0.7 per cent and the outflow of labour from agriculture and forestry to urban activities is likely to continue at a rate of some 1.0 per cent of the labour force. But shortage of skilled labour is likely to become more predominant, and emigration may strengthen this tendency. Although fixed investment rose strongly in 1969, the growth of capacity may not have accelerated much since gross fixed investment was relatively low in the two preceding years, increasing replacement needs. Assuming that capacity is still growing at around 5 per cent a year, output could grow by some 6.5 per cent between the years 1969 and 1970 without increasing the overall pressure on resources. This is the rate of expansion expected by the authorities.

The rise in exports of goods and services, although likely to slow down from the high rate experienced last year because of capacity constraints and less buoyant demand should remain relatively strong; the authorities expect a volume increase of some 11.5 per cent between 1969 and 1970, against the 16.0 per cent realised last year.

Fixed investment demand is also likely to rise fast. It is true that slower export growth and tighter monetary conditions may have some dampening influence on fixed asset formation, but incentives to invest should still remain strong, given the growing pressure on capacity, the shortage of skilled labour and the sharp rise in profits. A further sharp increase in business fixed investment would therefore seem likely. Residential construction may also increase rapidly, both because of demographic factors as well as the effort of the authorities to increase dwelling construction in order to ensure a higher labour mobility. In the third and fourth quarters of 1969 the volume (m^3) of building permits was up by 17 per cent over the same period of 1968, and the volume of building under construction at the end of December 1969 was up by some 7 per cent over a year earlier. The authorities expect total private gross fixed asset formation to increase by 15 per cent between 1969 and 1970.

At the beginning of the year wage rates were raised by some 5 per cent on average according to the new Stabilisation Agreement. With quasi-full capacity utilisation in many industries the temptation to attract labour by offering higher wages may be strong. Pressures on resources are particularly pronounced in the engineering and textile industries and in some parts of building and construction where the shortage of skilled labour is significant. Last year, the rise in earnings because of wagedrift was relatively low, some 2 per cent on average for all sectors. The authorities expect price controls to exert a constraint on wagedrift due to limited possibilities of passing on higher labour costs to prices. On this assumption they forecast an average wagedrift of 2 per cent, implying a 7 per cent increase in hourly earnings between 1969 and 1970. On a year to year basis paid labour input is expected to increase by 2.5 per cent, so that the wage bill may rise by over 10 per cent, with a higher increase for low than for high-income groups. The forecast fot taxes and transfers point to a slight rise in the ratio of taxes to households' incomes; disposable household incomes may rise by some 10 per cent in nominal terms, corresponding to some 7.5 per cent in real terms. Against this background the 6.5 per cent rise in private consumption forecast by the authorities (see Table 14) may seem low, implying strong advance in household savings. Moreover, disposable income could rise faster than assumed because of stronger wagedrift.

The authorities expect an increase in imports of goods and services of 15.5 per cent in volume. Given the export forecast, the current external balance may show a deficit of \$70 million in 1970. It is assumed that the deficit will be financed mainly by short and medium-term capital imports; net long-term borrowing is expected to be small in 1970. A larger current deficit than forecast would probably be covered by the use of exchange reserves.

As important decisions concerning the continuation of an incomes policy and demand management in 1971 have to be prepared during the next few months, the situation would also seem to require an assessment of developments beyond the end of 1970. Prospects would seem to be for a continued strong rise in overall demand. Present

Table 14 **Prospects for 1970**

	1969 Preliminary	1970 Forecasts
	Percentage change over previous year	
SUPPLY AND DEMAND, VOLUME		
Gross domestic product	8.0	6.5
Imports of goods and services	21.3	15.5
Exports of goods and services	16.0	11.5
NATIONAL EXPENDITURE	9.0	7.6
Private consumption	7.4	6.5
Private gross fixed asset formation	17.7	15.0
Public expenditure on goods and services	2.7	3.6
INDUSTRIAL PRODUCTION	11.0	9.0
	Per cent of labour force	
UNEMPLOYMENT, AVERAGE	2.8	2.0
	$ million	
BALANCE OF PAYMENTS		
Trade balance, incl. adjustment items	−53	−120
Current balance	11	−70
	Percentage change over previous year	
WAGES AND PRICES		
Wage bill (total economy)	10.7	10.5
Unit labour cost, manufacturing	2.0	3.2
Consumer prices	2.3	2.5
GDP deflator	2.5	3.5
Terms of trade	2.2	1.5

Sources: Finnish memorandum to the OECD and estimates of the OECD Secretariat.

outlook for export markets indicate some strengthening in North America but rather slow expansion in the European Member countries which are important for Finnish exports: the United Kingdom, Germany and Sweden. Export markets may therefore rise somewhat less than in 1970. The rise in domestic demand, on the other hand, may remain rather strong. Public expenditure on goods and services will probably resume a normal growth rate. A continuation of the exceptionally strong rise in private gross fixed asset formation experienced in 1969 and 1970 would seem unlikely, partly because of the likelihood of a relatively tight monetary policy. On the other hand, present trends in wages, prices and employment, point to a continued strong rise in private consumption. The growth of national expenditure may therefore continue to outpace that of productive capacity, entailing stronger pressures on resources and a further deterioration of the current external account. Amortisations due in the coming year will add to the external financial requirements; if drawings on the relatively low foreign exchange reserves were to be avoided, a large volume of capital imports might be needed in 1971, probably of the order of $400 million. An inflow of long-term capital of this size was obtained in 1968 under favourable conditions in foreign capital markets. Whether this could be repeated in 1971 will depend on the developments in capital markets abroad.

Longer-Term Outlook

In the context of the stabilisation programme in 1968 it was agreed by the parties concerned that a study should be made showing the possible courses of economic policy and development in the next few years. The Economic Planning Centre in 1969 presented its Outlook[1] for alternative growth possibilities for the period 1969-73.

The Outlook is not a programme or a forecast based on agreed policies. The projections are based on a number of alternative assumptions, the realism of which the policy-makers will have to consider in the light of their implications for growth and social developments. In choosing the assumptions adopted, the Planning Centre has been guided by three important constraints on economic development—the deficit on the current account of the balance of payments, the level of unemployment, and the net current deficit (or surplus) on the government budget. Too high values for these items could be considered as unacceptable. In forecasting these values, as well as GDP and its main components, the Planning Centre used an econometric model with alternative assumptions regarding incomes policy, growth of government revenue and expenditure, fixed investment and foreign demand. In all, 18 alternatives were computed for 1969-73, of which, however, only a few lay within the range thought to be acceptable. In Table 15 the alternative[2] considered by the Planning Centre to represent both a desirable and feasible performance has been compared with a forecast (alternative A) largely based on extrapolation of trends in the 1960's.

1 *Outlook for Growth in the Finnish Economy 1969-1973* Helsinki 1969. The Economic Planning Centre which alone assumes responsibility for the Outlook, serves as secretariat to the Economic Council. A revision of the Outlook will be made in the spring.
2 Alternative No. XVI in the Outlook.

Table 15 illustrates that a growth pattern largely along past trends would entail balance of payments difficulties and problems of financing government budget deficits, requiring corrective measures similar to those adopted on several occasions in the 1960's, with unstable growth of activity and recurrent cyclical unemployment.

Table 15 **Alternative Forecasts of Growth, 1969-1973**

	Alt. A (past trends)[1]	Alt. B[2]
Factors of constraint :		
Current external account, $ million in 1973	−82	19
Unemployment, 1 000 in 1973	40.5	29.9
Government budget, current balance in 1973, Mk. million	−908	−10
Economic growth, annual rates (volume) :		
GDP	4.7	5.0
Private consumption	5.5	5.4
Public consumption	5.1	5.1
Fixed investment	5.7	6.8
Imports	7.5	7.5
Exports	5.9	6.8
Price index of GDP	4.0	2.5
Assumptions, annual percentage increase :		
Earnings[3]	8	6
Government expenditure	5.6	5.6
Government revenue	unchanged tax rates	high tax rates
Fixed investment	normal level	high level
Foreign demand[4]	4	4

1 Alternative A is largely based on trend developments in the 1960's.
2 Alternative B is considered to lie within the "target area" of economic policy (Alternative XVI in the Outlook).
3 Including wagedrift of about 2 per cent, but excluding social benefits and changes in employment.
4 Growth of GDP of OECD countries important for Finnish exports.

Source : Outlook for Growth in the Finnish Economy 1969-73.

Alternative B assumes a continuation in some form or another of recent incomes policy, with moderate increase in prices and costs. The projections have been based on a rise in earnings per person of 6 per cent annually, corresponding roughly to an increase in wage rates of about 4 per cent and wagedrift entailing a 2 per cent rise in earnings. With an estimated increase in employment of 1.2 per cent, the wage bill would advance faster than production causing a push on prices, which, however, are estimated to increase considerably less than under Alternative A (2.5 per cent against 4 per cent). The maintenance of a good competitive position would stimulate growth of exports while imports are expected to increase at past rates. Growth of production would be a little faster than under Alternative A, assuming a higher level of fixed investment and somewhat higher taxation. Under these assumptions the foreign current balance and government budget would be in virtual equilibrium. The number of persons out of work could come down to frictional unemployment, which could be reduced further only through long-term labour market policy, and private consumption per head would increase even faster than before.

A comparison of the alternative growth paths outlined in the Outlook with actual developments in 1969 and forecasts for 1970 and 1971 shows that the current balance of payments deficit of $82 million (see Table 15) considered in the Outlook as unsustainable, would be nearly reached already in 1970. Incomes policy has been successful in maintaining relatively stable costs and prices, but the expansionary forces may have been stronger than assumed in the Outlook so that national expenditure in real terms may have risen faster than expected. Moreover, import requirements may have been underestimated in the Outlook. As shown in Diagram 2, the ratio of imports to domestic demand components fell after the devaluation but rose again in 1969. Since the long-term relationship between imports and domestic demand components is determined by technical and structural factors as much as by relative prices, it may prove difficult to keep the growth rate of imports as low as the 7.5 per cent a year envisaged for the 1969-1973 period.

Conclusions

Economic development after the devaluation in 1967 has been favourable. Output has expanded rapidly and unemployment has been much reduced. Exports have risen fast and the current foreign balance has improved. Prices and costs have been virtually stable during most of the period, and real income per employed has risen at least as fast as earlier. Incomes policy has been a key element in the simultaneous achievement of rapid growth and the high degree of internal and external financial stability.

Prospects for 1970 also seem favourable. A further strong increase in activity is likely to go hand-in-hand with the maintenance of relatively stable costs and prices. Although the current external account may turn into deficit, the official forecast suggests that this will be moderate and its financing is unlikely to cause problems. But as a high level of resource utilisation has now been reached, it is clear that the management of the economy has to take account of bottlenecks already apparent.

A first problem concerns the need to maintain the expansion of aggregate demand roughly in line with the growth of capacity, avoiding excessive pressure on resources. The official forecast suggests that this may be achieved this year without further changes in demand management policies. But there are, of course, uncertainties in the outlook. There would seem to be some risk that home demand, particularly private consumption, may rise faster than expected, partly because the personal savings ratio may increase less than envisaged, and partly because wage earnings may rise faster than assumed. Preliminary indicators suggest that the tendency for home demand to grow more rapidly than capacity may persist into 1971. Given the shortage of skilled labour that has already appeared, a stronger expansion of demand than now envisaged by the authorities might be unfortunate, for two reasons.

First, the maintenance of reasonable cost and price stability would obviously become more difficult, thereby endangering the continuation of the successful incomes policy of the last few years. It could be argued that with incomes policy now serving to restrict the growth of costs and prices, it should be possible to operate the economy at higher levels of resource utilisation than in the past without endangering price stability. However, the overall unemployment ratio may not be a very good indicator of demand pressures. In the southern part of the country, which accounts for about two-thirds of output and tends to be the pace-setter in wage developments, unemployment is much lower than the national average; the shortage of labour is acute in certain important sectors, notably textiles and clothings, metal and engineering and services.

Second, stronger pressure on resources would be likely to entail a larger current external deficit. It may be reasonable for Finland to rely on some capital import to enlarge the scope for investment and accelerate the expansion of the economy, given the need to create employment openings for the growing labour force and the labour released from agriculture and forestry. But the size of the deficit must be kept in reasonable relation to existing possibilities for financing it.

Considering the existing strains in the economy, there seems to be need for measures to restrict the growth of domestic demand. The countercyclical measures already taken may not be enough and further budgetary measures may be needed. Increases in tax rates have not been possible given the provisions of the stabilisation agreements now in force. As the planned rise in public expenditure on goods and services is relatively modest, there may not be much scope for reduction here. Further measures to restrict the growth of demand would therefore fall mainly in the field of monetary policy. This would be unfortunate in view of the desirability of maintaining a high level of investment; but selectivity in the application of monetary measures might reduce the adverse effects on growth potential. It would seem important that in the future the authorities should be freer to use fiscal policy instruments to maintain a rate of growth of consumer demand compatible with stable economic conditions.

A continuation of incomes policy after the expiry of existing agreements at the end of this year is considered by Finnish authorities to be an essential part of the policy to maintain stable economic conditions. The recent study of the Economic Planning Centre, i.e. the Outlook referred to i.a. on page 29, illustrates the long-term benefits in terms of real income per capita and internal and external stability which could be gained from such a policy. It may be necessary to introduce somewhat more flexibility into price controls and wage settlements, so as to allow prices and wages to play a larger role as instruments of resource allocation. This, in the present circumstances, could entail some risk of a more rapid increase in prices and costs. This risk should, however, be manageable if every effort is made to strengthen the competitive forces in the economy and if the rise in wages and salaries is kept reasonably in line with the overall rise in productivity. Government price supervision as well as liberal import policies are considered essential in this context in order to avoid undue advantage being taken of market power in certain sectors. Moreover, the fact that trade union policies and the process of collective bargaining are centralised, would seem to be an important factor. It is desirable that negotiated wage rates should rise slightly less than productivity so as to reserve part of the scope for higher wages for low income groups or for wagedrift, the latter helping to ensure an appropriate allocation of available labour resources.

Experience in other countries suggests that an uneven development of the various types of incomes may endanger the maintenance of an efficient incomes policy. Since the devaluation, profits have increased faster than other types of incomes. But this was one of the major purposes of the devaluation, as the profitability of industry had fallen to an unsustainable level. In 1969, the share of profits in national income was at about the same level as in 1965/66. If prices in world trade should rise faster than domestic prices, profits in some branches, notably export industries, would tend to increase unduly. Although the problem of income disparities should not be a major problem at present, except perhaps regionally, it is a point to be watched. So far as possible, adjustments in income distribution should be made gradually. This would be difficult to ensure unless general wage settlements continued to be made by centralised decisions. A further prerequisite for successful stabilisation is that, amongst employees and employers and all the individual interest groups, confidence should prevail in respect to the economic policy being applied.

Manpower policy has an important role to play in maintaining strong growth and stable economic conditions. In view of the shortages of labour that have already appeared, it is doubtful whether unemployment can be substantially reduced by stronger demand without endangering price stability. Much of the remaining unemployment is of a structural nature. A high level of investment in competitive sectors, combined with an active manpower policy to ensure retraining and mobility, is therefore required. With the realisation of the programmes now envisaged, and with the maintenance of incomes policy, it should be possible, gradually, to move to higher levels of resource utilisation.

Annex 1

THE USE OF FISCAL POLICY IN DEMAND MANAGEMENT

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Annex I

THE USE OF FISCAL POLICY IN DEMAND MANAGEMENT[1]

Experience

Although economic growth in Finland in the last decades has been in line with the average for OECD-Europe, the rate of inflation and fluctuations in economic activity have been more marked than in developed Member countries in general. Internal instability and recurrent balance of payments difficulties can to a large extent be ascribed to fluctuations in foreign demand for Finnish exports. These are heavily concentrated on products from the pulp and paper industry, which traditionally has played a leading role in determining business fixed investment, incomes in related industries, and the general business climate. With a better diversification in recent years of manufacturing industry, entailing a strong expansion of the exports of engineering products and more processed industrial articles, the vulnerability of th economy to fluctuations in external demand should be less pronounced than in the past, although income creation and internal demand in small economies with a relatively large foreign trade will necessarily remain heavily dependent on developments abroad.

However, the efforts made by the authorities to achieve a counter-cyclical movement of domestic demand do not appear to have been very strong. The increase in real central government expenditure on goods and services has often tended to be strong when the expansion of activity and pressures of demand have been strong, and vice versa. Exceptions seem to be found in 1959, 1963 and in 1968/69, when government spending exerted a stabilising influence on demand. Financial savings, measuring the income effect of the budget, also show no clear anti-cyclical movement. Restrictive fiscal measures have tended to be too long delayed and the political situation prevailing during the post-war period, with generally weak governments, has rendered the operation of an appropriate fiscal policy extremely difficult.

1 *Fiscal Policy for a Balanced Economy*, Paris, December 1968. The recommendations of the Group of Fiscal Experts are reproduced in Annex II.

But the scope for a more vigorous demand management policy has been very limited, because of the constraints set by the foreign balance on the one hand, and the social implications of high unemployment on the other. In a small and open economy the stimulation of domestic demand in times of weak export earnings could have a strong impact on imports and lead to balance of payments difficulties. Foreign reserves and short-term credit facilities have been small and loans which could be raised in foreign capital markets have been linked mainly to long-term investment projects. Nor have there been great opportunities for a large-scale accumulation of reserves through keeping domestic demand in check in times of prosperous export conditions, given the need for investment in new urban occupations.

Features of the Fiscal System

Public expenditure on goods and services amounts to a little less than one-quarter of GNP, and is almost equally divided between local and central authorities. The central government budget has usually shown a net financial saving, and the government debt is modest. Local authorities determine their own tax rates; tax revenues cover about two-thirds of their expenditure, the remainder being financed mainly by transfers from the government budget. Local authorities may not raise loans of more than 5 years' maturity without the approval of the Ministry of Interior. The social security system involves transfers amounting to one-tenth of national income.

Income taxes are paid under a pay-as-you-earn system comprising a preliminary tax and a final tax settlement on the basis of income declarations. The payment of tax arrears and refunds takes place about 12 months after the end of the year during which the income has been earned. Central government revenue of direct taxes in any single period is thus net of gross preliminary receipts, tax refunds, and tax arrears. Also the local authority income taxes are collected through the same centralized system, and local authorities receive their shares of direct tax revenues in regular (monthly) allotments.

As shown in Table 16, the central government revenue is heavily dependent upon indirect taxes; income and wealth taxes inculding employers' child allowance payments, account for only about one-third of the total. A sales tax is levied at a rate of 11 per cent. On the expenditure side transfers take a large part of the total.

The budget, follows the calendar year. Changes in tax rates require prior approval of Parliament; however, the Government may change a few charges and prices for public services at its own discretion.

Table 16 **The Structure of Central Government Revenue and Expenditure**
(Jan.-Nov. 1969, per cent)

Total Current Revenue	*100*
Income and wealth taxes (incl. employers' child allowance payments)	35
Indirect taxes :	58
Sales tax	(26)
Duties on alcohol, tobacco, fuel and motoring	(23)
Import charges, stamp duties, etc.	(9)
Miscellaneous revenue	7
Total Expenditure	*100*
Consumption expenditure	31
Real investment	16
Transfers :	53
Local authorities	(16)
Agricultural subsidies	(10)
Other	(27)

Source : Bank of Finland Monthly Bulletin, February 1970.

Appropriations for fixed investment are transferable over four years and certain other appropriations may be exceeded (see also note to Table 2). Supplementary budgets may be submitted to Parliament, in recent years their number has usually been limited to two main ones during the fiscal year (spring and autumn).

Economic Information and Public Understanding

Generally, Finnish practices conform well with the fiscal policy recommendations in this field. In connection with the presentation in the autumn of the budget proposal the Ministry of Finance prepares an Economic Survey, giving an appraisal of the economic situation and the outlook for the coming year and to some extent also including a quantitative forecast of the main national accounts items. A revised version of the Survey is published early in the year. The economic impact of the budget is estimated on the basis of some broad measures showing its effects on demand, incomes and domestic liquidity. At present, no attempt is made to use a more sophisticated formula. A study along the lines of the Fiscal Report has been undertaken by an inter-governmental committee with a view to finding practical methods of measuring the budget impact.

The Central Bank prepares short-term economic forecasts of its own as a guide for monetary policy; these are, however, not published. As a source of general economic information the Bank's Monthly

Bulletin—in addition to analysis of monetary developments—contains articles on domestic as well as international economic questions, mostly prepared by members of the Bank's Research Institute.

An Economic Council comprises representatives of the Government, research institutes and main economic and social interest groups.

Although the Council's main task, with the aid of the Economic Planning Centre, will be to discuss medium and long-term economic programmes, it is also a forum for the exchange of information and viewpoints on current economic problems.

Co-ordination of Policies

Traditionally, the Central Bank has a strong position in Finland. It assumes power to change bank rate and to take other monetary measures with regard to bank lending, credit institutions' access to central bank finance, and capital transactions with foreigners. The Bank supervisors likewise have the power to decide whether the Government shall have access to central bank lending.

Improvements have been made, notably in recent years, in the co-ordination of monetary and fiscal policies. The constraint on government borrowing from the Central Bank could be an obstacle to a flexible demand management policy. On some occasions in the past extraordinary financial arrangements had to be made to meet a temporary liquidity shortage on government account. However, the Government is able to arrange short-term finance from different sources.

Local authorities' activities are not incorporated in the Government's fiscal programming. The economic importance of the individual municipalities—about 500 in all—varies much. Only a very few have made attemps to prepare longer-term expenditure programmes; generally, their level of activity follows tax revenue and the developments of incomes. Local taxes are collected by central government tax authorities. Discussions have been held on the possibilities of retaining a part of tax revenue in a cyclical reserve fund; however, this has not yet been agreed. A government committee is studying ways of establishing a reporting system on local authority expenditure, which could facilitate a better co-ordination and planning of the whole public sector.

Flexibility in Fiscal Policy

Apart from the above-mentioned constraint on government borrowing in the Central Bank, the legal and institutional system does not seem to place any important obstacles to a high degree of flexibility in fiscal policy. The Ministry of Finance has established a good reporting system on current and expected expenditure and revenue. Most income recipients are taxed on a pay-as-you-earn basis, and other types of income are taxed according to a system close to this. Supplementary budgets may be submitted to Parliament during the year, and proposed tax measures could be dealt with within a few days. Tax changes which are to last more than a year require the approval of two-thirds of votes given in Parliament.

However, in practice the political situation has set narrow limits to the Government's use of fiscal measures, as it has not always obtained, or did not expect to obtain, the required majority in Parliament. In recent years, the stabilisation programmes adopted after the devaluation in 1967 assumed that the Government should not change existing tax rates. The general sales tax only accounts for about half of the revenue from indirect taxes, the remaining half being derived from a few products. On the other hand, the automatic stabilising effects of taxes are strong, notably for income taxation; the elasticity of total tax revenue with respect to changes in the income level is estimated at about 1.3.

To enable the Government to pursue a more effective countercyclical policy, Parliament in December 1969 passed a law establishing a countercyclical fund. Appropriations to the fund are to be deposited on a blocked account with the Central Bank and may be drawn in times of recession. The usefulness of the fund depends on the amounts accumulated in coming years. Ordinarily the Government agencies have prepared a number of projects which could be put into operation at short notice.

At the same time Parliament approved a system of special countercyclical deposits, applicable to incomes in 1969 and 1970. Its purpose is to encourage business to postpone fixed investment, which was increasing rapidly in 1970, to the years 1972-74. The arrangement comes in addition to the existing permanent investment reserve fund which was somewhat modified to allow enterprises, within certain limits, to make automatic transfers of profits to the tax-free fund. The Government decides when funds will be released; for what purposes and in which regions the money is to be spent (see Chapter I above).

With regard to the scope for influencing consumer demand, Table 16 shows that the sales tax and duties on a narrow range of goods account for about 60 per cent of total tax revenue. As mentioned, changes in tax rates require the prior approval of Parliament.

The Government in recent years has made great efforts to work out longer-term expenditure programmes on a systematic and continuing basis. The work is co-ordinated in the Ministry of Finance, which in 1963 started to collect information from branches of government administration about their spending plans for four years ahead. The first programme covered the years 1968-72; the next one is envisaged for 1970-74. It is the intention, in preparing the budget for 1971 and subsequent years, to give guidelines on fiscal policy on the basis of these projections.

The rapid structural change which is foreseen in the Finnish economy, and the large number of persons leaving agriculture and forestry, create a need for an extensive manpower policy. The newly established Ministry of Labour will carry further an ambitious programme in this field, with emphasis on retraining and labour mobility (see Chapter I above).

Annexe II

THE RECOMMENDATIONS BY THE EXPERT GROUP ON THE USE OF FISCAL POLICY

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Annexe II

FISCAL POLICY FOR A BALANCED ECONOMY

« Fiscal policy for a balanced economy » OECD, Paris, 1968 is a report prepared by a group of experts[1] appointed by the Secretary-General of the OECD to study the use of fiscal policy as an instrument for maintaining economic balance, to identify the obstacles to an appropriate use of fiscal policy, and to propose ways in which these obstacles might be overcome. The report is based on a review of the experience of policies since the mid-1950's in seven countries—Belgium, France, Germany, Italy, Sweden, the United Kingdom and the United States—as well as of their institutions and practices in this field. The report concludes with a series of recommendations which are listed below:

A The need for fuller economic information and public understanding

We believe that in most countries governments should review, and supplement where necessary, the resources they devote to the analyses of economic trends, the forecasting of developments and to the estimation of the effects of policies. We also suggest, as a general aim, that the essential data on which governments themselves base their decisions should be made fully available to the public. Only thus can be fostered a body of opinion, both within legislatures and in the society at large, capable of following the processes of reasoning by which governments have to move from fact and probability to assessment and decision.

We therefore suggest that:

Recommendation No. 1. A basic requirement for the formulation of fiscal policy is the correct appraisal of current economic trends. In a number of countries, official economic forecasting is little developed and has not been integrated into the budget process. Most countries could profitably improve upon, and add to, the use of resources devoted to tasks of economic forecasting and analysis, including improvement in the scope, accuracy and timeliness of basic economic statistics.

1 Walter W. Heller, Chairman, Cornelis Goedhart, Guillaume Guindey, Heinz Haller, Jean van Houtte, Assar Lindbeck, Richard Sayers, Sergio Steve and J.C.R. Dow.

Recommendation No. 2. Governments should publish economic forecasts in greater detail and with fuller documentation than is often now the practice. Such forecasts should clarify expected trends and relate to the same period as the proposed fiscal programmes. The current practice in some countries of presenting forecasts in terms of changes between the current and last calendar years is not only inadequate, but may actually be misleading. Clarification ot the timepath of expected economic changes and budgetary effects would benefit further from periodic economic reviews and policy assessments.

Recommandation No. 3. In addition to budget presentations for administrative purposes, clear summary statements of budget accounts should be provided for purposes of economic analysis. These should cover both the year past and the expected outturn of the year to come. They should include all Central government transactions, classified according to the standard national accounts sub-divisions. The presentation and justification of budget proposals should be in these simple, standard and relatively intelligible terms. We further suggest that such presentations be disseminated widely and discussed publicly.

A clear justification of budget proposals implies adequate statistical documentation of budget activities. We suggest that governments should review the resources they devote to this purpose and be ready to supplement them where necessary.

Recommandation No. 4. Estimates of the impact of budget and related policies upon the economy are necessarily implicit in the budgetary process. We suggest that such estimates be made explicit and included in budget presentations.

This will involve exploratory work in the area of measurement of budget impacts and further consideration of the problem of presenting budget accounts. We sugest it might be useful if there were discussions at the expert level in OECD aimed at agreement on common definitions and statistical procedures, which, ultimately, would lead to publishable estimates of the impact that particular budgets are intented to exert upon the economy.

Recommendation No. 5. Legislatures should take a comprehensive view of budget proposals in the context of overall economic policy. This requires more occasions during the parliamentary year when the broad impact of budget effects is debated, apart from discussions of expenditure and revenue proposals in detail.

In addition to formal parliamentary discussion, we think the development of informed views can be fostered by the setting-up of specialised committees to discuss general questions of economic policy.

Recommendation No. 6. Legislators should be provided with more adequate research staff for appraising the mass of economic material with which they need to be familiar to fulfill their responsibilities.

Recommendation No. 7. Governments should encourage the formation of unofficial independent institutions, equipped with sufficient professional staff, to publish regular detailed assessments of economic trends and their implications for government economic policies.

B THE NEED FOR COORDINATION OF POLICIES

Appraisal of the requirements of the economic situation and an efficient decision-making process within the government call for a certain centralised coordination. Furthermore, our review of countries' experience indicates that modern fiscal policy requires not only coordination within the Central government, but also between the government and other bodies with responsibility in the area of economic policy. And, finally, individual countries have a great and increasing stake in the adoption of appropriate and flexible fiscal policies by their trading partners because fluctuations in economic activity in one country increasingly affect activity in other countries.

Recommendation No. 8. Within the Central government itself, a number of countries have developed institutional arrangements whereby a particular agency, or a group of agencies, exercices a coordinating role over the related functions of other departments. But in some countries the division of functions within the Executive branch has complicated the formulation of a clear policy. There can clearly be no universally ideal answer to administrative problems of this sort and solutions will differ from country to country. But we suggest that there is a need to review present arrangements so as to facilitate more effective coordination and better organisation of the general decision-making process.

Recommendation No. 9. Efficient decision-making presupposes adequate assessment of the policy implications of economic forecasts. This requires that the central department or departments should be served by an adequately staffed economic advisory unit. Members of such a unit should be at a sufficiently senior level to advise on policy issues and should be closely associated with the forecasting team.

Recommendation No. 10. Since fiscal and monetary policies need to be closely coordinated, there should, whatever the legal status of the Central bank, be close cooperation between it and the government. Each should view specific policy problems in a wide context, keeping in mind the overall goals of economic policy.

Recommendation No. 11. We suggest that in most countries governments need to improve their ability to include actions of Local authorities in their policy formulation. Since, in all countries, the Local government sector is an important component of total demand, the Central government should, as a minimum, have prompt and accurate information about State and Local fiscal operations.

C The need for flexibility in fiscal policy

The efficiency with which policy decisions can be implemented and the speed with which their effects are transmitted to, and work themselves through, the economy can spell the difference between an appropriate and successful policy and one that, though initially appropriate, turns out to be unsuccessful and, perhaps, even perverse. We suggest improvements in efficiency under the following main headings:

(*a*) flexibility in the control of public expenditures;

(*b*) measures affecting private investment; and

(*c*) measures affecting private consumption.

We also have suggestions to make on (*d*) flexibility in debt management and (*e*) short-term fiscal action in the context of overall economic policies.

(a) *Flexibility in the control of public expenditure*

Though many items of public expenditure are difficult to change substantially at relatively short notice, variation should not be rejected as impossible; otherwise, an undue share of any adjustment will fall on the private sector.

Recommendation No. 12. Efforts should be made to increase the flexibility of public expenditure, both current and capital. Apart from timing the introduction of new programmes according to the needs of the general economic situation, we suggest that planned expenditures should be classified according to the ease with which they can be varied at short notice. In the case of public investment, the speeding up or slowing down of certain smaller projects, specially selected in advance, may provide sufficient flexibility, with sizeable and possibly costly swings in larger programmes being avoided. An extension of this idea is the Swedish emergency investment budget which, voted each year on a contingency basis, applies to such a "shelf" of projects and, in addition, leaves the government free to overspend appropriations up to an agreed amount.

Recommendation No. 13. In some countries, control by the central economic departments over the timing of expenditures by the other departments is weak and needs to be tightened. In the United States, efforts in this direction resulted in a system of limiting individual departments' spending to quarterly appropriation allotments.

(b) *Measures affecting private investment*

Fiscal instruments can effectively influence private investment decisions because they can directly affect both the liquidity position and the profitability of business. In order to improve the leverage of fiscal instruments upon private investment decisions, we have two proposals to make:

Recommendation No. 14. Private investment activity is subject to strong fluctuations and, therefore, strong offsetting measures are needed. We believe that fiscal incentives which directly affect the profitability of investments are probably most effective. We would rate temporary changes in outright cash grants, subsidies and taxation of investment expenditure most likely to be sussessful, followed by changes in rates of profit tax and depreciation allowances. Responsiveness to the latter is conditional upon accounting practices and might be strengthened in this respect. In addition to the use of these instruments new tools might be developed. The Swedish Investment Reserve Fund provides an example of an effective technique combining both investment subsidies and liquidity effects in order to influence the timing of private investment expenditures.

Recommendation No. 15. The taxation of business profits should, as far as possible, be put on a "pay-as-you-go" basis. This necessitates a system of self assessment, together with a requirement of incentive for firms to make tax payments in advance of, and large in relation to, final assessments. Arrangements in Belgium, Sweden and the United States already approximate this system. Failure to eliminate long lags in payment of business taxes leads to unnecessarily long lags between changes in tax rates and liabilities and the economic effects they produce; in particular, it can encourage excessive private investment during an upswing.

(c) *Measures affecting private consumption*

There are limits to the extent to which government expenditure can be varied, or private investment influenced, in the interests of demand management. Accordingly, governments need to rely heavily on fiscal instruments affecting private consumption (which, in most cases, constitutes around two-thirds of national expenditure). We have a number of proposals for improving the adequacy and efficiency of fiscal instruments affecting household expenditure:

Recommendation No. 16. Effective demand management policies presuppose a tax system sufficiently broad-based to allow a choice among particular tax instruments, or combination of several of them. While we would not, of course, advocate changes in tax structure on the basis of demand management criteria alone, a move towards a broader-based system would improve the efficiency of discretionary action as well as the automatic response of the fiscal system. In this respect, the Bristish indirect tax system, for example, heavily concentrated on drink, tobacco, and certain other relatively narrow expenditure categories, may not be very efficient.

Generally, to provide a sufficient basis for flexible fiscal policy, it needs to be accepted that all major broad-based taxes and levies affecting consumers should be variable for purpose of demand management. We could specify, in particular, personal income taxes, general sales and value-added taxes. Furthermore, variation of Social Security contributions and payroll taxes generally should be considered part of the fiscal instruments available for use in stabilisation policies.

Recommendation No. 17. Changes in the prices charged for the services provided by public enterprises have effects comparable to changes in indirect taxes. These should be taken into account in the formulation of fiscal policy. The timing of such changes may, on occasion, appropriately be used as an instrument of demand management.

Recommendation No. 18. To increase the effectiveness and timeliness of discretionary action, as well as to strengthen automatic responses, collection of incomes taxes on wages and salaries should, as far as possible, be placed on a "pay-as-you-earn" basis. Collection systems should be readily adaptable to quick changes in tax rates at any time during the year. A number of countries already have such systems, but they could be more extensive, particularly in France and Sweden.

Recommendation No. 19. Social Security systems contribute substantially to the automatic stabilising effects of the fiscal structure: moreover, as we have already suggested, temporary changes in contributions, or in benefits, should be used as a discretionary instrument. It would strengthen the useful economic effects of Social Security systems if, as in Belgium, Germany and the United States, unemployment benefits were put on a wage-related rather than a flat-rate base. Where justifiable for other reasons, the magnitudes of unemployment (and perhaps other) benefits might be increased.

Recommendation No. 20. In some countries, the procedure for tax changes at budget time is rendered cumbersome by the rule that long notice has to be given before proposals can be enacted. This causes anticipatory effects—a disadvantage which we suggest outweighs any more general advantages. In the United States, tax changes have at times been backdated to the time when proposals were first made, and this might constitute at least a partial remedy worth considering. The ideal system appears to be that of the United Kingdom under which tax proposals take immediate effect in advance of full debate.

Recommendation No. 21. In Belgium, Italy and the United Kingdom (and to a smaller extent in France), the government has considerable power to vary tax rates, including in some cases Social Security contributions, by decree at any time within the budget year, without prior approval by Parliament; subsequent approval is usually required. In Germany, the government can put certain temporary changes through with a much abbreviated legislative procedure. Other countries would be well advised to follow these examples.

(d) *Flexibility in debt-management*

Recommendation No. 22. Improvements in the efficiency and timeliness with which the fiscal system can respond to demand management requirements may be hampered by various limitations on government financial transactions. Fiscal flexibility is inhibited to some extent in the United States by limitations on the size of the public debt. And there is a further constraint in the manner in which the debt can be financed because of the upper limit set to the rate of interest which the government may pay on long-term debt. Other countries also have certain statutory limitations relating to financial transactions. Such restrictions, we suggest, should be removed, or altered, so as to give the Treasury, or other responsible departments, sufficient room for manœuvre.

(e) *Short-term fiscal action in the context of overall economic policies*

Improvements in the efficiency with which short-term policy actions are transmitted through the economy are a necessary, but not a sufficient, condition for a successful stabilisation policy. Short-term economic policy decisions need to be taken in the context of overall and longer-term policy goals. The latter can provide a standard against which short-term decisions can be measured and justified and through which a new element of flexibility can be added to short-term fiscal action. We have two proposals to make in this connection:

Recommendation No. 23. We recommended that, as is currently already the practice in a number of countries, public spending programmes be planned ahead over a period of years on the basis of medium-term projections of economic developments and future allocation of national resources. We suggest that such projections be regularly published and publicly discussed.

Recommendation No. 24. As countries increasingly operate in the "narrow band" around full employment, overall demand management needs to be supplemented by selective policies aimed at correcting regional or sectoral imbalances. We suggest that, to deal with such problems, governments should develop, in co-operation with regional authorities and specialised agencies of the Central government, selective policies such as those dealing with manpower resources. More extensive action in this field would probably be both possible and economic, and there seems room for further study of the potential costs and benefits.

STATISTICAL ANNEX

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Table A Supply and Use of Resources

Mk. million, current prices

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Consumers' expenditure on goods and services	7 709	8 367	9 195	10 102	11 053	12 051	13 710	14 983	15 861	17 189	18 802
General government current expenditure on goods and services	1 659	1 856	1 997	2 201	2 523	2 925	3 349	3 759	4 235	4 852	5 647
Defence	185	208	229	275	304	398	426	426	472	500	596
Civil	1 474	1 648	1 768	1 926	2 219	2 527	2 923	3 333	3 763	4 352	5 051
Gross fixed asset formation	3 218	3 587	4 325	4 932	5 159	5 269	5 757	6 705	7 142	7 298	7 843
Change in stocks	84	163	430	581	367	294	1 203	874	1 024	1 047	1 140
NATIONAL EXPENDITURE	12 670	13 973	15 947	17 816	19 102	20 539	24 019	26 321	28 262	30 386	33 432
Exports of goods and services (non-factor)	2 925	3 154	3 712	3 995	4 258	4 464	4 984	5 496	5 824	6 358	8 355
Imports of goods and services (non-factor)	2 641	3 048	3 835	4 186	4 504	4 462	5 450	5 989	6 309	6 635	7 805
GROSS DOMESTIC PRODUCT AT MARKET PRICES	12 954	14 079	15 824	17 625	18 856	20 541	23 553	25 828	27 777	30 109	33 981
Income payments from the rest of the world	11	21	29	36	26	25	28	38	34	37	72
Income payments to the rest of the world	49	39	46	67	73	95	129	170	184	245	347
GROSS NATIONAL PRODUCT AT MARKET PRICES	12 916	14 061	15 807	17 594	18 809	20 471	23 452	25 696	27 627	29 901	33 706
Indirect taxes	1 962	1 990	2 180	2 354	2 549	2 666	3 204	3 527	3 905	4 315	5 068
Subsidies	385	415	438	437	463	657	791	845	874	886	982
GROSS NATIONAL PRODUCT AT FACTOR COST	11 339	12 486	14 065	15 677	16 723	18 462	21 039	23 014	24 596	26 472	29 620
Depreciation and other operating provisions	1 196	1 350	1 618	1 834	1 902	2 056	2 268	2 454	2 567	2 749	3 139
NET NATIONAL PRODUCT AT FACTOR COST	10 143	11 136	12 447	13 843	14 821	16 406	18 771	20 560	22 029	23 723	26 481

Source : Finnish submission to the OECD.

Table B **Supply and Use of Resources**

Mk. million, 1963 prices

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Consumers' expenditure on goods and services	8 718	9 345	10 114	11 007	11 665	12 051	12 684	13 363	13 707	13 996	14 028
General government current expenditure on goods and services	2 151	2 307	2 389	2 494	2 740	2 925	3 067	3 229	3 395	3 580	3 768
Defence	225	249	262	297	314	398	402	380	402	398	425
Civil	1 926	2 058	2 127	2 197	2 426	2 527	2 665	2 849	2 993	3 182	3 343
Gross fixed asset formation	3 827	4 172	4 865	5 371	5 402	5 269	5 444	6 028	6 200	5 992	5 786
Change in stocks	108	238	542	574	402	294	1 292	1 237	1 034	989	771
NATIONAL EXPENDITURE	14 804	16 062	17 910	19 446	20 209	20 539	22 487	23 857	24 336	24 557	24 353
Exports of goods and services (non-factor)	2 954	3 346	3 845	4 070	4 381	4 464	4 724	4 970	5 318	5 633	6 302
Imports of goods and services (non-factor)	2 667	3 227	3 967	4 297	4 547	4 462	5 320	5 811	6 089	6 004	5 862
GROSS DOMESTIC PRODUCT AT MARKET PRICES	15 087	16 181	17 788	19 219	20 043	20 541	21 891	23 016	23 565	24 186	24 793
Income payments from the rest of the world	12	23	30	37	27	25	27	24	32	34	55
Income payments to the rest of the world	49	42	48	68	75	95	122	134	169	217	261
GROSS NATIONAL PRODUCT AT MARKET PRICES	15 050	16 162	17 770	19 188	19 995	20 471	21 796	22 906	23 428	24 003	24 587
Depreciation and other operating provisions	1 387	1 543	1 772	1 973	1 978	2 056	2 161	2 233	2 267	2 324	2 370
NET NATIONAL PRODUCT AT MARKET PRICES	13 663	14 619	15 998	17 215	18 017	18 415	19 635	20 673	21 161	21 679	22 217

Source : **Finnish submission to the OECD.**

Table C Gross National Product by Industry of Origin[1]

Mk. million, current prices

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Agriculture, forestry, fishing	2 382	2 446	2 791	3 158	3 118	3 398	3 913	4 129	4 014	4 077	4 572
Mining and quarrying	74	94	97	104	101	109	145	173	177	192	238
Manufacturing	2 807	3 249	3 773	4 235	4 458	4 802	5 450	5 895	6 329	6 834	7 885
Electricity, gas and waterworks	345	372	411	458	509	561	594	639	730	784	818
Construction	1 094	1 191	1 314	1 444	1 565	1 733	1 960	2 230	2 418	2 625	2 753
Transport and communications	844	916	1 043	1 130	1 237	1 332	1 533	1 672	1 790	1 917	2 213
Wholesale and retail trade	1 136	1 248	1 405	1 569	1 753	1 965	2 235	2 459	2 650	2 761	2 916
Banking, insurance	227	251	280	315	358	428	499	577	648	729	814
Ownership of dwellings	786	880	949	1 029	1 163	1 302	1 446	1 558	1 680	1 833	1 973
Public administration and defence	443	471	505	572	629	720	843	944	1 087	1 213	1 418
Health and educational services	739	838	911	1 025	1 144	1 340	1 574	1 801	2 016	2 372	2 773
Miscellaneous services	500	548	603	669	735	842	948	1 069	1 207	1 343	1 520
GROSS DOMESTIC PRODUCT AT FACTOR COST	11 377	12 504	14 082	15 708	16 770	18 532	21 140	23 146	24 746	26 680	29 895
Net income payments abroad	−38	−18	−17	−31	−47	−70	−101	−132	−150	−209	−275
GROSS NATIONAL PRODUCT AT FACTOR COST	11 339	12 486	14 065	15 677	16 723	18 462	21 039	23 014	24 596	26 471	29 620

1 According to OECD definitions.

Source : Finnish submission to the OECD.

Table D **Gross National Product by Industry of Origin**[1]

Mk. million, 1963 prices

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Agriculture, forestry, fishing	3 020	3 097	3 399	3 574	3 433	3 398	3 685	3 614	3 401	3 415	3 511
Mining and quarrying	74	83	88	96	101	109	112	119	109	120	119
Manufacturing	3 263	3 571	4 045	4 426	4 657	4 802	5 136	5 463	5 734	5 922	6 352
Electricity, gas and waterworks	369	373	414	478	535	562	591	631	694	721	740
Construction	1 418	1 498	1 578	1 653	1 671	1 733	1 779	1 938	1 966	2 005	1 929
Transport and communications	994	1 076	1 193	1 234	1 295	1 332	1 413	1 486	1 539	1 537	1 607
Wholesale and retail trade	1 302	1 458	1 619	1 763	1 899	1 965	2 083	2 232	2 286	2 326	2 264
Banking, insurance	298	324	353	374	409	428	448	476	496	537	544
Ownership of dwellings	1 023	1 067	1 113	1 173	1 234	1 302	1 361	1 418	1 480	1 548	1 611
Public administration and defence	618	629	643	681	705	720	749	777	827	853	889
Health and educational services	1 006	1 084	1 125	1 184	1 257	1 340	1 410	1 490	1 529	1 606	1 696
Miscellaneous services	656	691	736	773	793	842	886	933	968	1 002	1 053
GROSS DOMESTIC PRODUCT AT FACTOR COST	14 041	14 951	16 306	17 409	17 989	18 533	19 653	20 577	21 029	21 592	22 216
Net income payments abroad	−37	−19	−18	−31	−48	−70	−95	−110	−137	−183	−206
GROSS NATIONAL PRODUCT AT FACTOR COST	14 004	14 932	16 258	17 378	17 941	18 463	19 558	20 467	20 892	21 409	22 010

1 According to OECD definitions.

Source : Finnish submission to the OECD.

Table E **Gross Fixed Asset Formation**[1]

Mk. million, 1963 prices

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
Gross fixed asset formation, total	3 823	4 172	4 865	5 371	5 402	5 269	5 444	6 028	6 200	5 992	5 786
PRODUCT CLASSIFICATION :											
Dwellings	762	793	941	1 112	1 250	1 285	1 167	1 271	1 336	1 350	1 311
Other buildings	796	821	974	1 036	887	911	1 071	1 278	1 233	1 317	1 144
Other construction and works	1 080	1 084	1 019	1 068	1 083	1 154	1 207	1 298	1 331	1 320	1 352
Other equipment	1 185	1 474	1 931	2 155	2 182	1 919	1 999	2 181	2 300	2 005	1 979
INDUSTRIAL CLASSIFICATION :											
Agriculture, forestry, fishing	426	478	519	566	543	539	542	557	574	501	512
Mining and quarrying	27	24	32	25	24	15	20	26	43	33	33
Manufacturing	519	641	922	1 206	1 166	979	1 100	1 189	1 228	1 031	1 041
Construction	91	102	109	131	142	131	132	159	214	173	148
Electricity, gas and waterworks	320	357	376	333	317	324	263	313	289	265	259
Transport and communications	937	977	1 077	1 055	1 083	1 116	1 190	1 324	1 282	1 302	1 319
Ownership of dwellings	713	722	843	1 032	1 168	1 203	1 079	1 168	1 211	1 212	1 172
Public administration and defence	161	149	167	168	188	231	243	269	296	300	289
Other service industries and commerce[2]	629	722	820	855	771	731	875	1 023	1 063	1 175	1 013

1 According to OECD definitions, i.e. excluding maintenance and repairs.
2 Including banking and insurance.

Source : Finnish submission to the OECD.

Table F **Central Government Revenue and Expenditure**

Fiscal years = Calendar years

Mk. million

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
CURRENT REVENUE[1]	3 705	3 936	4 408	4 522	5 728	6 408	7 150	8 052	9 299	10 200
Direct taxes on households	779	756	939	955	1 480	1 698	1 967	2 395	2 785	3 028
Direct taxes on corporations	375	424	476	482	506	570	607	612	655	726
Indirect taxes	2 169	2 342	2 537	2 656	3 193	3 516	3 891	4 304	5 057	5 577
Income from property and entrepreneurship	260	264	280	251	340	387	414	467	492	542
Other domestic current transfers	122	150	176	178	209	223	255	263	298	315
Current transfers from the rest of the world	—	—	—	—	—	14	13	11	12	12
CURRENT EXPENDITURE[1]	2 568	2 915	3 232	3 924	4 432	5 048	5 644	6 409	7 408	8 048
Purchase of goods and services	885	1 026	1 146	1 382	1 555	1 700	1 881	2 125	2 476	2 650
Defence	229	275	304	398	426	426	472	500	597	607
Civil	656	751	842	984	1 129	1 274	1 409	1 625	1 879	2 048
Subsidies	438	437	463	657	791	845	874	886	983	1 118
Interest on the public debt	73	74	77	102	151	191	201	254	286	296
Current transfers	1 172	1 378	1 546	1 783	1 935	2 312	2 688	3 144	3 663	3 984
To other public authorities	348	395	414	510	558	631	787	907	1 110	1 220
To households etc.	822	979	1 127	1 268	1 372	1 673	1 892	2 226	2 533	2 740
To the rest of the world	2	4	5	5	5	8	9	11	20	24
NET CURRENT SAVINGS[2]	1 140	1 021	1 176	598	1 296	1 360	1 506	1 643	1 891	2 152
Depreciation and other operating provisions	71	79	90	102	106	119	134	153	179	195
GROSS SAVINGS[2]	1 211	1 100	1 266	700	1 402	1 479	1 640	1 796	2 070	2 347
Gross fixed asset formation	681	764	835	926	1 033	1 223	1 274	1 296	1 464	1 427
SURPLUS ON CURRENT AND FIXED INVESTMENT ACCOUNT (FINANCIAL SAVINGS)	530	336	431	−226	369	256	366	500	606	920

1 Including Social Security Fund.
2 Including Government Enterprises.

Source : Finnish national accounts statistics.

Table G **Balance of Payments**

$ million

	1962	1963	1964	1965	1966	1967	1968	1969
Exports of goods, f.o.b.	1 095	1 143	1 284	1 419	1 495	1 523	1 626	1 977
Imports of goods, c.i.f.	1 230	1 212	1 510	1 652	1 732	1 706	1 602	2 030
TRADE BALANCE	−135	−69	−226	−233	−237	−183	24	−53
Transportation	69	76	103	107	111	122	115	125
Travel	−35	−31	−36	−34	−30	−26	−2	1
Other services	22	23	14	11	8	5	−6	−5
Investment income and transfers	−13	−20	−32	−41	−50	−62	−67	−57[4]
CURRENT BALANCE	−92	−21	−176	−190	−198	−143	64	11
Long-term borrowing	84	160	238	136	162	267	296	246
Amortisation of long-term loans	−42	−51	−71	−85	−85	−119	−207	−170
Long-term export credits (net)	..	..	−10	−21	−19	−10	−40	−49
Other long-term capital items[1] (net)	−3	−7	−3	1	−10	4	−19	−8
Short-term capital[2]	38	−46	78	71	39	−30	47	1
NON-MONETARY TRANSACTIONS	−13	35	56	−88	−111	−32	142	37
Change in reserves of								
Central Bank (incl. IMF credit tranche)	−13	35	56	−63	−100	−25	158	−27
Other	..	..	..	−25	−11	−7	−16	64

1 Including direct investment.
2 Including errors and omissions.
3 Excluding IMF credit tranche drawings (1967) and repayments (1968).
4 Including the writing off by the Government of Sweden of a debt of about $ 19 million.

Source : Bank of Finland, Monthly Bulletin.

Table H Quarterly National Accounts

	Gross domestic product Volumes indices, 1954 = 100, seasonally adjusted										National income Mk. million					
		By industry of origtn											Net national income			
														of which :		
	Total	Industry[1]	Agri-culture	For-estry	Dwel-ling con-struc-tion	Other build. and constr.	Trans-port and comm.	Com-merce, bank-ing, insur-ance	Gener-al go-vern-ment	Other ser-vices	Net dom. prod. factor cost	Net factor pay-ments to rest of world	Total	Wages and sala-ries	Em-ployer contr. to soc. sec.	Other factor in-comes
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1962	146.2	164.5	120.5	119.0	131.6	137.0	156.3	168.1	140.5	143.8	14 868	47	14 821	7 764	957	6 100
1963	150.4	172.4	118.0	121.4	136.5	144.9	161.8	173.7	146.2	153.6	16 476	70	16 406	8 600	1 174	6 632
1964	158.8	182.6	123.1	130.3	138.0	150.1	169.7	183.4	154.4	160.8	18 872	101	18 771	10 000	1 399	7 373
1965	167.4	195.8	118.0	134.2	154.6	155.2	179.8	198.1	162.1	168.2	20 691	131	20 560	11 142	1 582	7 836
1966	170,4	204.8	121.3	117.2	155.5	159.3	184.8	201.1	168.9	174.8	22 179	150	22 029	12 221	1 751	8 057
1967	175.8	212.6	118.6	117.6	165.3	159.1	185.4	209.1	177.3	181.2	23 932	209	23 723	13 270	2 057	8 396
1968	180.4	225.1	119.1	123.9	150.5	160.8	191.7	205.2	185.9	188.8	26 757	275	26 483	14 804	2 327	9 351
1969	193.2	247.7	119.2	133.0	163.6	156.6	206.4	228.1	193.9	196.4	29 863	307	29 556	16 493	2 647	10 416
Quarterly																
1966 1	156.6	199.0	122.1	105.2	145.3	159.7	181.3	202.0	166.5	171.7	5 299	38	5 261	2 815	401	2 045
2	169.3	204.0	121.2	119.6	154.8	159.8	185.4	199.1	167.8	173.8	5 378	36	5 342	3 001	429	1 912
3	170.8	204.7	120.6	117.6	154.2	157.4	184.9	201.6	169.6	175.8	5 699	40	5 660	3 140	451	2 069
4	175.7	211.3	121.2	126.4	167.6	160.1	187.7	201.6	171.6	177.9	5 803	36	5 767	3 265	470	2 032
1967 1	177.5	213.1	118.6	119.9	195.9	160.3	189.2	208.3	174.7	178.7	5 840	57	5 783	3 200	494	2 088
2	173.1	208.5	113.4	120.0	161.5	158.9	182.5	205.9	176.2	180.3	5 911	39	5 872	3 354	520	1 997
3	175.9	213.0	119.1	118.6	155.5	159.5	184.2	209.1	178.1	181.4	6 049	63	5 386	3 322	516	2 149
4	176.8	215.7	123.2	111.9	148.3	157.7	185.7	213.2	180.1	184.3	6 133	50	6 083	3 394	527	2 162
1968 1	175.2	220.0	119.0	113.7	143.1	159.5	185.1	200.7	182.6	186.0	6 343	58	6 285	3 484	549	2 252
2	181.1	223.8	120.7	122.8	158.5	161.7	192.1	204.3	184.7	187.9	6 561	67	6 494	3 705	581	2 208
3	180.2	224.0	120.4	117.3	151.1	159.9	193.5	206.7	187.1	190.1	6 874	67	6 807	3 746	588	2 473
4	185.0	232.6	116.3	141.7	149.3	161.9	196.0	209.0	189.3	191.3	6 979	84	6 895	3 869	608	2 418
1969 1	189.8	238.3	121.2	132.2	156.0	156.0	204.0	226.1	190.4	193.9	7 138	57	7 081	3 898	629	2 554
2	189.9	245.2	117.6	128.8	139.2	151.6	204.1	227.4	192.4	195.4	7 148	84	7 069	4 048	650	2 366
3	193.5	251.6	120.0	132.5	171.0	157.0	207.8	229.0	195.1	197.3	7 741	80	7 661	4 240	678	2 743
4	199.7	255.7	118.0	138.4	188.2	161.9	209.6	229.8	197.5	199.1	7 836	86	7 750	4 307	690	2 753

1 Mining and manufacturing, electricity, gas and waterworks.

Sources : Economic indicators for Finland. Submission from Central Bank, Statistical Reports, National Accouting 1964-1969/II and National Accounting in Finland 1948-1964.

Table I Labour Market

	Labour Force Surveys								Registered unemployment		Employment Exchange Service					
	Labour force		Employment		Labour input		Unemployment (per cent of labour force)		Total	of which: insured[1]	Application for employment			Jobs reported vacant		
											During period		Outst-andg[2]	During period		Outst-andg[1]
	Orig.	Adj.	Orig.	Adj.	Orig.	Adj.	Orig.	Adj.			Orig.	Adj.	Orig.	Orig.	Adj.	Orig.
	1 000 persons				1 000 man-years		Per cent		1 000 persons		1 000 persons			Thousands		
	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
1962	2 168	..	2 141	..	1 863	..	1.2	..	10.3	4.0	41.5	..	14.1	31.3	..	8.5
1963	2 161	..	2 129	..	1 853	..	1.5	..	18.6	8.6	57.3	..	24.9	30.5	..	5.7
1964	2 186	..	2 153	..	1 878	..	1.5	..	22.8	10.5	68.0	..	29.2	32.0	..	5.0
1965	2 202	..	2 171	..	1 895	..	1.4	..	25.4	11.8	75.4	..	33.2	33.6	..	5.2
1966	2 215	..	2 180	..	1 904	..	1.6	..	29.1	13.8	81.0	..	36.3	35.0	..	6.0
1967	2 205	..	2 142	..	1 842	..	2.9	..	46.2	20.9	106.3	..	55.4	32.3	..	5.1
1968	2 189	..	2 101	..	1 755	..	4.0	..	61.1	..	117.3	..	73.5	30.4	..	5.1
1969	2 206	..	2 142	..	1 761	..	2.9	..	51.6	25.2	106.8	..	62.0	45.4	..	8.4
Quaterly																
1966 1	2 151	2 206	2 102	2 173	1 880	1 904	2.3	1.7	38.1	22.1	90.8	81.5	43.1	28.5	33.7	5.1
2	2 228	2 216	2 196	2 179	1 922	1 895	1.4	1.6	25.1	11.2	84.1	81.3	23.6	42.9	35.0	6.5
3	2 288	2 216	2 264	2 180	1 873	1 915	1.0	1.5	18.9	7.1	62.0	77.4	28.8	36.3	35.0	7.7
4	2 194	2 219	2 158	2 184	1 939	1 901	1.6	1.6	34.4	15.0	87.1	83.5	48.2	31.6	35.3	4.7
1967 1	2 149	2 206	2 087	2 160	1 845	1 862	2.9	2.1	48.0	24.4	104.4	94.0	57.1	30.7	36.3	6.2
2	2 220	2 208	2 170	2 154	1 882	1 858	2.2	2.5	37.6	16.1	105.9	102.5	36.5	39.1	32.5	5.0
3	2 275	2 203	2 220	2 136	1 771	1 823	2.4	3.2	35.9	14.6	88.8	109.4	49.4	32.2	30.9	4.8
4	2 177	2 203	2 092	2 119	1 870	1 827	3.9	3.9	63.3	28.4	126.0	121.7	78.6	27.1	30.8	3.3
1968 1	2 141	2 198	2 027	2 101	1 772	1 786	5.3	4.0	76.2	..	130.4	117.5	92.9	24.0	28.4	4.5
2	2 200	2 190	2 114	2 099	1 777	1 755	3.9	4.3	55.2	..	122.0	117.4	51.1	35.9	29.8	5.1
3	2 258	2 187	2 183	2 099	1 663	1 720	3.3	4.4	48.1	..	99.6	122.5	62.4	33.0	31.7	5.8
4	2 156	2 183	2 079	2 106	1 807	1 761	3.6	3.6	65.0	..	117.1	113.1	80.3	28.6	32.6	5.2
1969 1	2 137	2 194	2 044	2 120	1 763	1 776	4.4	3.3	76.9	41.6	129.3	116.7	89.4	32.8	39.1	7.0
2	2 206	2 197	2 141	2 126	1 795	1 772	3.0	3.2	51.9	24.4	119.6	115.0	63.3	53.4	44.3	7.7
3	2 285	2 212	2 239	2 153	1 692	1 754	2.0	2.7	35.5	13.6	86.9	106.1	44.2	50.9	48.5	10.1
4	2 194	2 221	2 145	2 176	1 794	1 738	2.1	2.1	42.2	21.1	91.3	88.2	51.0	44.4	50.3	7.9
1970 1									52.7	30.5	99.9	90.3	96.3	39.0		10.9

1 Figures prior to 1968 are not fully comparable with later figures.
2 Yearly: average of end of month figures; quarterly figures: end of period.

Sources: Central Bureau of statistics, Bulletin of Statistics and Bank of Finland Economic Indicators for Finland.

Table J Production and Employment by Sector

	Industry													Forestry		
	Industrial production (seasonally adjusted)[1] 1954 = 100											Employment (thous.) Acc. to labour force survey		Timber fellings[2] (mill. piled m³)		
			Manufacturing													
		Mining	Total (unadjusted)	Food, beverages, tobacco	Textiles	Clothing, footwear	Wood products	Paper and paper prod.	Chemicals	Metals and metal prod.	Elec., gas, waterworks	Number of persons	Man-years (man-months)	Orig.	Adj.	Labour force in logging for sale
	ISIC	1	2-3	20-22	23	24	25	27	31	34-38	5					1000pers.
	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
1962	164.6	187.1	159.7	150.9	136.2	150.6	112.0	204.1	179.8	173.1	193.4	501	467	47 264	..	..
1963	172.4	199.8	165.8	163.5	126.8	148.5	118.1	223.6	211.1	167.7	222.2	497	458	47 786	..	..
1964	182.6	206.1	177.9	165.1	136.5	144.4	124.6	244.9	245.8	176.3	224.1	501	462	53 201	..	..
1965	195.7	220.5	191.2	178.3	131.3	142.9	129.4	263.1	273.4	192.4	240.0	512	471	53 134	..	..
1966	204.9	200.7	199.7	183.2	143.8	159.3	117.1	276.1	287.9	194.5	264.1	535	492	46 507	..	70
1967	212.8	222.8	206.7	200.7	148.9	168.9	121.6	270.8	313.7	201.0	274.1	535	475	44 963	..	65
1968	225.4	220.7	220.3	207.4	148.4	162.3	129.3	279.1	333.1	226.9	280.4	527	443	47 733	..	63
1969	247.7	253.0	240.8	226.3	167.0	181.5	148.7	316.2	342.2	246.5	309.9	549	449	52 725	..	63
Quarterly																
1966 1	199.0	204.4	198.7	186.2	135.6	147.9	120.6	255.6	279.1	194.5	257.5	511	493	4 386	3 612	108
2	204.0	201.8	196.7	190.2	142.4	155.7	120.8	279.6	284.8	192.6	261.8	543	500	6 054	3 992	51
3	204.7	189.5	185.4	188.6	143.5	157.9	115.8	277.0	291.5	191.1	265.3	563	462	1 778	3 752	39
4	211.3	197.4	214.8	190.6	149.3	169.5	111.5	290.0	295.5	195.4	271.6	546	513	3 284	3 932	80
1967 1	213.1	211.7	208.8	195.8	150.7	175.9	136.9	284.1	312.6	201.7	268.0	533	490	4 647	3 771	109
2	208.5	220.2	206.3	194.1	145.3	168.9	117.2	265.4	305.9	197.1	279.1	545	493	5 358	3 907	45
3	213.0	236.6	188.6	203.1	140.6	161.6	121.3	270.5	306.5	194.3	275.7	551	428	3 304	4 020	35
4	215.7	223.2	215.6	207.9	147.4	160.5	124.3	264.2	322.1	205.0	277.5	527	494	3 175	3 753	71
1968 1	212.0	216.4	226.1	200.2	145.7	163.6	123.7	272.4	322.0	211.9	277.0	511	462	4 461	3 629	95
2	223.8	217.6	216.8	207.3	147.2	158.3	128.3	278.0	328.6	226.8	275.8	531	452	5 530	3 806	40
3	224.0	215.9	199.9	209.1	146.3	160.1	127.4	278.2	339.1	230.9	280.2	546	392	1 662	3 812	32
4	232.6	230.1	234.5	210.9	147.5	164.9	137.7	289.8	337.6	234.1	291.2	528	470	4 258	4 941	83
1969 1	238.3	239.5	241.4	220.2	156.4	166.1	145.3	300.0	329.6	237.4	304.2	521	466	5 302	4 383	96
2	245.2	240.8	237.8	223.4	172.0	184.6	145.4	316.7	338.8	241.9	303.7	555	472	5 783	4 926	42
3	251.6	262.2	223.3	230.4	176.2	183.8	146.1	323.9	342.5	249.6	311.8	569	406	1 890	4 275	36
4	255.7	266.2	260.7	230.4	159.8	195.4	158.0	328.0	353.6	253.0	324.1	548	452	4 600	5 340	79

1 Yearly figures and manufacturing, total are unadjusted.
2 Quarterly figures are indicated as monthly rates.

Sources: Central Bureau of Statistics, Bulletin of statistics and Bank of Finland Economic Indicators for Finland.

Table J Production and Employment by Sector *(cont.)*

	Agriculture: Production: Quantity of milk received by dairies (mill. liter)		Agriculture: Employment[2]	Building and construction: Building permits granted		Building starts		Work in progress end of per.		Dwellings completed (thous)	Employment[2]	Commerce: Retail sales: Value 1954 = 100	Volume 1954 = 100		Passenger car registrations (thous)	Employment in commerce[1 2]
	Orig.	Adj.		Total (mill. cu. m.)	*of which :* Dwellings (mill. cu. m.)	Total (mill. cu. m.)	*of which :* Dwellings (mill. cu. m.)	Total (mill. cu. m.)	*of which :* Dwellings (mill. cu. m.)				Orig.	Adj.		
	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64
1962	2 661	..	581	29.75	15.20	25.34	13.41	25.53	12.66	37.4	199	193	148.6	..	41.0	268
1963	2 797	..	584	26.99	12.06	22.16	9.63	25.16	10.51	44.1	190	207	150.2	..	52.2	275
1964	2 886	..	548	29.23	11.73	25.60	10.84	28.55	11.84	35.4	193	221	148.6	..	82.1	290
1965	2 901	..	539	31.71	12.12	27.59	11.13	31.31	12.31	36.7	199	248	158.7	..	100.1	303
1966	2 876	..	535	36.70	15.98	31.19	14.02	36.34	14.81	36.5	200	265	163.2	..	78.9	304
1967	2 809	..	490	28.82	11.51	25.61	10.84	31.40	13.30	36.8	199	287	169.4	..	65.8	309
1968	2 909	..	459	31.58	14.00	29.02	12.42	34.09	14.00	35.7	184	318	170.8	..	48.4	310
1969	2 950	..	443	38.95	15.38	33.64	13.41	36.49	15.01	39.7	191	349	..	..	84.5	313
Quarterly																
1966 1	630	722	474	7.13	2.91	4.38	2.26	30.46	11.83	7.8	173	219	139.7	162.0	17.7	294
2	834	723	533	10.40	4.17	10.69	4.48	36.84	14.39	6.7	204	266	170.0	160.8	22.8	307
3	795	723	587	8.61	3.21	8.80	3.28	38.94	15.42	7.8	217	263	152.9	165.0	22.5	317
4	586	702	511	10.49	5.65	7.32	4.00	36.34	14.81	14.2	206	312	190.4	165.1	16.0	297
1967 1	592	682	433	4.34	1.35	3.34	1.20	33.33	13.14	8.0	183	241	144.7	167.5	13.0	296
2	821	686	500	9.03	3.72	8.48	3.96	34.14	14.68	8.0	209	291	176.8	168.0	22.7	313
3	788	712	554	7.30	3.26	6.91	2.74	33.00	14.79	8.5	213	280	156.1	168.4	18.0	324
4	608	727	475	8.15	3.18	6.88	2.94	31.40	13.30	12.4	192	338	199.9	173.1	12.2	304
1968 1	624	723	411	4.34	1.72	3.02	0.80	29.47	11.84	7.0	161	266	147.8	171.3	6.2	303
2	869	729	473	8.87	3.80	10.08	4.85	33.70	14.28	8.2	186	310	175.7	167.2	18.1	316
3	805	725	518	9.40	4.31	8.23	3.42	34.29	14.54	9.6	209	315	161.4	174.1	12.1	333
4	611	728	434	8.97	4.17	7.69	3.36	34.09	14.00	10.9	185	360	198.1	171.8	12.0	303
1969 1	625	725	395	5.43	2.12	3.13	0.97	32.29	12.98	5.8	165	292	..	..	15.0	298
2	875	734	451	11.98	4.95	10.80	5.20	37.06	15.60	9.0	188	353	..	..	30.5	311
3	827	742	503	11.78	4.94	10.20	3.98	38.95	16.37	12.7	213	343	..	..	22.6	328
4	623	741	423	9.76	3.37	9.08	2.74	36.49	15.01	12.1	196	407	..	..	16.4	314

1 Including banking and insurance.
2 According to labour force surveys, thousand persons.

Sources : Central Bureau of Statistics, Bulletin of statistics and Bank of Finland Economic Indicators for Finland.

Table K **Foreign Trade, Total and by Area**

$ million, monthly rates

	Imports, c.i.f.								Exports, f.o.b.							
	Total		By area						Total		By area					
			OECD countries				East. Europe and China	Other countries			OECD countries				East. Europe and China	Other countries
	Orig.	Adj.	Total	EEC	EFTA	Other OECD			Orig.	Adj.	Total	EEC	EFTA	Other OECD		
	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
1963	100.7	..	..	30.1	32.8	..	21.1	..	95.3	..	..	28.4	29.8	..	20.0	..
1964	125.4	..	87.0	37.2	40.1	9.7	26.7	11.4	107.6	..	79.0	32.8	36.7	9.5	18.8	9.4
1965	137.1	..	101.6	42.2	46.9	12.6	25.4	9.7	118.9	..	83.9	33.3	39.3	11.3	25.0	9.7
1966	143.9	..	104.5	40.9	51.3	12.4	28.1	10.8	125.4	..	91.4	34.4	44.2	12.7	23.6	10.1
1967	140.7	..	100.6	38.6	50.9	11.3	28.0	12.2	127.0	..	89.2	30.0	47.1	12.2	27.4	10.3
1968	133.2	..	94.6	35.1	49.5	10.1	28.0	10.8	136.3	..	99.9	33.5	53.5	12.8	26.3	10.2
1969	168.6	..	125.2	46.1	65.3	13.8	28.0	15.4	165.4	..	123.2	39.7	66.7	16.8	29.4	12.9
Quarterly																
1966 1	129.6	134.8	95.5	39.7	43.1	12.8	24.4	9.2	91.5	112.7	67.7	24.9	33.0	9.8	16.1	7.5
2	144.7	140.9	110.1	44.5	52.9	12.6	22.5	11.5	129.9	129.0	98.4	35.6	49.1	13.7	20.1	10.9
3	141.1	149.6	98.0	37.8	49.9	10.4	30.1	12.5	132.8	129.8	95.8	35.3	47.2	13.3	25.5	11.0
4	160.1	146.5	114.3	41.5	59.1	13.7	35.2	10.1	147.4	129.7	103.4	41.7	47.5	14.1	32.7	10.9
1967 1	140.1	145.2	102.7	41.6	48.8	12.2	26.2	10.8	113.3	134.9	79.0	28.2	40.1	10.7	25.0	8.8
2	144.9	139.9	104.6	38.9	53.5	12.4	25.4	14.3	131.2	128.8	89.2	30.1	45.9	13.2	30.3	11.3
3	130.4	146.1	92.4	37.4	45.2	9.3	27.3	10.3	130.2	131.2	93.2	29.8	51.2	12.4	25.8	10.6
4	147.6	131.6	102.5	36.5	54.6	11.3	32.9	13.3	133.5	118.1	95.5	31.8	51.1	12.5	28.6	10.5
1968 1	119.8	123.1	84.2	31.4	44.3	8.7	27.2	8.5	111.2	129.7	85.4	27.2	47.4	10.8	17.6	7.6
2	144.6	140.7	103.2	38.1	53.9	11.1	28.6	12.8	144.0	144.7	97.1	32.4	50.3	14.5	36.0	11.4
3	118.5	131.1	81.7	30.8	42.5	8.5	26.1	10.7	134.1	137.0	101.1	33.8	54.2	13.0	22.3	10.9
4	148.0	153.0	109.6	40.0	57.5	12.0	28.6	9.9	155.9	142.7	116.0	40.8	62.2	12.9	29.1	10.9
1969 1	153.9	157.6	110.8	37.3	57.8	15.8	26.4	16.7	135.5	155.9	100.7	32.1	54.9	13.7	22.6	12.2
2	158.9	154.6	121.6	45.6	62.6	13.4	22.5	14.8	159.8	157.1	117.6	36.3	63.2	18.0	28.9	13.3
3	160.3	179.1	115.9	43.3	61.4	10.6	29.5	14.9	173.0	178.2	128.0	44.5	66.7	16.8	32.7	12.3
4	201.2	184.4	152.5	58.1	79.4	15.0	33.5	15.0	193.3	178.5	146.8	45.7	82.1	19.0	33.5	13.7

Source : Monthly Bulletin of Foreign Trade and Economic Indicators for Finland.

Table L **Imports : Prices, Volume, Value and by Commodity Group**

		Imoort prices (Markka) 1949 = 100				Volume of imports 1954 = 100						Value of imports Mk. million					
		Total	Crude mate-rials	Sim-ply pro-cessed	Finish-ed goods	Total		Raw mate-rials[1]	Fuels and luvbi-cants[1]	In-vest-ment goods[1]	Con-sumer goods[1]	Total	Raw mate-rials etc.	Fuels and luvbi-cants	In-vest-ment goods	Pas-senger cars	Misc. cons. goods
						Orig.	Adj.	Adj.	Adj.	Adj.	Adj.						
		81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96
1962		176	181	160	190	187.4	..	158.6	182.0	237.0	244.9	3 929	1 762	371	984	161	650
1963		183	190	169	192	182.3	..	162.4	184.1	204.9	246.1	3 867	1 827	373	843	161	662
1964		196	201	186	202	221.8	..	178.6	258.7	261.3	298.5	4 816	2 111	508	1 097	299	801
1965		193	202	171	208	245.4	..	208.0	259.7	303.0	309.8	5 265	2 361	515	1 183	328	878
1966		191	205	164	208	254.5	..	218.4	305.4	278.8	359.3	5 524	2 450	590	1 198	251	1 036
1967		201	212	175	219	255.2	..	216.6	327.6	269.3	365.6	5 794	2 546	668	1 245	218	1 117
1968		243	256	218	260	243.3	..	215.1	342.9	223.4	338.1	6 711	3 023	874	1 327	197	1 289
1969		262	258	249	279	301.2	..	254.9	379.6	308.7	454.3	8 495	3 683	948	1 884	345	1 634
Quarterly																	
1966	1	191	231	165	207	226.9	237.5	203.3	265.3	262.4	341.5	1 244	544	117	273	61	249
	2	191	233	164	208	266.6	248.0	209.9	285.1	296.2	330.2	1 390	569	132	322	108	257
	3	190	233	162	207	242.0	264.7	224.8	345.9	268.8	394.7	1 354	635	166	274	37	242
	4	190	234	162	208	282.6	266.4	230.3	326.1	273.9	385.0	1 537	701	174	329	44	288
1967	1	190	228	165	206	258.4	269.9	220.1	323.8	308.0	398.3	1 345	557	142	310	60	276
	2	188	233	162	207	260.3	242.6	210.7	321.7	249.4	348.8	1 391	600	150	301	79	262
	3	187	233	161	206	225.6	251.3	215.1	320.0	260.7	359.2	1 252	580	153	241	48	231
	4	237	289	210	257	276.6	257.8	218.0	347.7	256.7	366.2	1 807	810	223	393	32	348
1968	1	239	288	209	258	216.7	225.3	202.8	355.9	190.4	320.8	1 510	662	212	288	34	314
	2	242	287	217	258	276.7	259.7	240.5	367.0	227.0	355.7	1 822	823	228	360	72	338
	3	244	292	223	260	209.2	236.1	201.6	326.7	220.3	330.9	1 493	683	215	276	42	277
	4	248	260	224	264	270.5	250.0	212.4	328.2	247.6	353.5	1 886	855	218	402	50	361
1969	1	252	257	232	271	278.4	290.1	233.3	454.2	313.9	409.2	1 940	759	272	463	75	371
	2	259	257	247	273	296.5	277.4	245.7	271.3	289.9	424.4	2 003	856	168	462	130	386
	3	268	260	263	277	276.5	316.4	264.7	391.4	317.9	482.6	2 020	933	239	401	72	373
	4	269	260	254	291	353.5	326.6	273.6	411.8	318.1	519.4	2 534	1 138	268	557	68	504

1 Yearly figures arc unadjusted.

Source : **Monthly Bulletin of Foreign Trade, Central Bureau of Statistics, Bulletin of Statistics and Bank of Finland, Economic Indicators for Finland.**

Table M Exports : Prices, Volume, Value and by Commodity Group

		Prices 1949 = 100		Volume of exports 1954 = 100							Value of exports Mk. million						
				Total		Wood ind. prod.[1]	Paper ind. prod.[1]	Metal and engin. prod.[1]	Forest-ry prod.[1]	Other prod.[1]				Manufactured products			
															of which :		
		Total	*of which :* Pulp	Orig.	Adj.	Adj.	Adj.	Adj.	Adj.	Adj.	Total	Agri-cult-ural prod.	Forest-ry prod.	Total	Wood ind. prod.	Paper ind. prod.	Metal and engin. prod.
		97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112
1962		212	206	171.6	..	119.6	199.6	227.0	96.3	245.2	3 533	144	190	3 197	770	1 589	663
1963		218	211	174.8	..	121.3	219.0	196.2	60.0	271.2	3 678	165	113	3 399	812	1 752	614
1964		237	229	185.6	..	124.5	242.4	181.5	41.5	336.7	4 132	230	90	3 810	896	2 020	610
1965		249	234	197.7	..	115.0	261.8	214.7	29.2	386.6	4 566	252	60	4 252	920	2 166	800
1966		244	224	208.1	..	109.8	280.9	232.3	30.8	415.8	4 817	264	59	4 492	863	2 297	877
1967		257	239	221.2	..	107.9	275.8	296.4	27.1	524.2	5 231	261	54	4 911	866	2 384	1 081
1968		303	276	246.8		123.9	293.9	349.9	25.3	616.6	6 868	327	56	6 486	1 158	2 994	1 566
1969		317	292	286.2	..	140.3	321.9	433.5	30.8	801.0	8 336	360	73	7 895	1 400	3 374	2 011
Quarterly																	
1966	1	244	225	152.6	182.3	98.8	247.1	174.2	22.3	380.8	879	84	5	790	115	476	122
	2	244	225	218.4	208.4	116.1	293.6	220.6	41.4	335.4	1 247	60	17	1 170	221	608	231
	3	244	224	220.0	218.3	115.0	291.5	258.8	28.8	459.9	1 276	52	21	1 202	289	598	193
	4	242	223	241.5	222.9	112.0	290.6	274.8	35.6	494.3	1 416	68	16	1 330	238	615	330
1967	1	244	223	192.8	226.8	119.6	299.2	284.3	37.1	431.8	1 087	57	8	1 022	135	568	212
	2	242	222	227.9	215.8	111.2	258.5	286.6	34.5	558.1	1 258	71	16	1 172	215	553	269
	3	240	216	221.6	224.6	105.6	272.9	346.7	26.4	547.8	1 250	47	18	1 185	250	561	232
	4	304	296	242.7	224.9	111.0	277.7	294.8	23.5	570.1	1 635	86	12	1 533	267	702	368
1968	1	303	270	205.6	238.2	117.5	274.4	370.4	28.8	600.6	1 401	97	8	1 296	164	659	311
	2	303	277	269.5	254.8	132.9	300.2	361.3	31.4	649.5	1 814	74	15	1 725	305	771	462
	3	302	277	234.9	241.9	120.9	299.0	329.6	22.2	594.2	1 683	66	18	1 604	344	760	311
	4	303	278	277.1	257.9	135.4	304.1	364.4	29.4	645.8	1 964	89	14	1 861	345	805	481
1969	1	314	281	241.0	276.1	141.9	319.2	405.0	26.5	791.8	1 707	117	6	1 577	213	770	367
	2	314	280	292.9	275.6	131.2	314.1	434.1	25.8	741.2	2 014	69	15	1 926	318	828	516
	3	319	303	286.1	258.8	154.1	323.6	470.8	36.1	846.6	2 180	65	30	2 083	458	845	493
	4	322	306	324.6	303.3	149.8	336.6	455.6	39.9	862.4	2 435	110	21	2 309	411	931	635

1 Yearly figures are unadjusted.

Source : Monthly Bulletin of Foreign Trade, Central Bureau of Statistics, Bulletin of Statistics and Bank of Finland, Economic Indicators for Finland.

Table N Prices and Wages

	Consumer prices, 1957 = 100						Wholesale prices 1949 = 100			Building cost 1964 = 100	Wage and salary earners' average earnings[1], 1964 = 100					
												of which:				
														Manufacturing		
	Total	Food	Rent	Heating and light	Clothing and footwear	Misc.	Total	Domestic goods	Imported goods		All wage and salary earners	Agriculture	Forestry	Total	of which: wage earners	Construction
	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128
1962	115	115	121	100	112	117	203	205	196	..	81	78	75	83	83	81
1963	121	120	128	105	115	123	210	212	201	..	88	88	85	89	89	89
1964	133	135	135	110	132	134	226	231	210	..	100	100	100	100	100	100
1965	140	144	140	111	135	141	236	242	214	105	109	115	112	109	109	109
1966	145	149	145	116	138	148	241	247	216	108	116	128	114	117	117	116
1967	153	156	151	126	143	160	248	254	225	114	127	139	124	127	128	126
1968	166	173	158	137	156	172	275	280	259	126	141	151	140	141	142	137
1969	170	178	164	139	159	174	285	288	271	131	152	171	163	151	154	151
Quarterly																
1966 1	142	145	143	113	136	145	240	246	214	105	111	121	106	111	111	108
2	145	149	144	114	137	146	239	246	216	108	117	130	121	116	117	115
3	146	150	145	115	139	149	242	249	217	109	119	128	122	119	120	120
4	148	150	149	121	140	153	242	249	216	109	119	130	118	120	120	122
1967 1	151	151	149	124	142	158	244	251	216	112	123	134	114	124	124	122
2	152	153	149	125	143	158	244	251	216	112	127	140	130	126	127	127
3	153	157	151	126	143	159	245	253	216	114	128	138	130	129	129	127
4	158	162	155	130	146	163	260	262	252	119	129	144	131	129	130	127
1968 1	163	166	157	138	151	170	270	274	257	124	136	146	125	137	137	131
2	166	173	156	137	156	172	275	279	260	125	140	150	146	139	139	136
3	168	176	159	137	157	172	277	282	258	127	144	153	155	143	144	140
4	168	177	161	138	158	172	279	284	260	127	144	157	143	144	145	142
1969 1	169	176	162	140	159	173	281	286	264	129	149	167	141	150	152	145
2	170	178	163	138	159	174	282	286	267	130	153	169	181	151	154	150
3	170	180	164	136	159	174	286	289	273	131	154	169	177	152	155	154
4	171	179	166	141	160	175	290	292	281	133	153	181	181	152	155	156
1970 1	173	178	170	148	160	178	295	298	285	137						

1 Average hourly earnings estimated as wage bill divided by employment in hours.

Source: Central Bureau of Statistics, Bulletin of Statistics and Ministry of Finance, Economic Surveys.

Table O **Money and Credit**
Mk. million, end of period

	Central Bank						Commercial and Savings Banks[1]								Money supply IMF definition[2]	
				Claims on Finnisch credit institutions			Lendings				Bank deposits					
								of which :			Sight deposits		Time deposits			
	Rediscount rate per cent	Net foreign assets	Net claims on Treasury	Total net	*of which :* rediscounted bills	Net claims on the rest of the economy	Total	Commercial banks	Savings banks	Net foreign assets (IMF def.)	Total	*of which :* Comm. banks	Total	*of which :* Comm. banks	Orig.	Adj.
	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144
1962	7.00	573.4	23.4	351.1	401.2	129.0	8 042	3 300	2 019	−145	801	649	6 707	2 270	1 722	1 671
1963	7.00	699.1	18.7	319.8	325.3	149.9	8 573	3 473	2 135	−141	876	715	7 185	2 441	1 987	1 841
1964	7.00	882.2	3.5	381.8	448.4	168.5	9 729	3 916	2 318	−164	855	683	8 158	2 817	2 043	1 975
1965	7.00	843.4	−2.2	620.2	640.6	116.3	10 853	4 280	2 609	−214	844	666	9 199	3 160	2 085	2 005
1966	7.00	475.2	−29.4	885.4	915.2	191.9	12 111	4 868	2 951	−284	849	626	10 437	3 637	2 222	2 071
1967	7.00	370.5	−10.9	678.3	867.5	523.8	13 127	5 204	3 248	−444	834	650	11 538	4 081	2 183	2 134
1968	7.00	1 381.5	−357.3	436.5	617.7	447.2	13 908	5 593	3 448	−473	1 088	833	12 740	4 581	2 671	2 441
1969	7.00	1 332.2	−199.8	444.4	550.3	523.2	15 961	6 586	3 803	−221	1 375	1 043	14 237	5 219	3 141	
Quarterly																
1966 1	7.00	791.6	14.9	530.8	554.6	121.1	11 008	4 346	2 644	−217	765	598	9 591	3 274	1 935	2 017
2	7.00	685.9	15.2	729.8	766.3	145.0	11 423	4 576	2 716	−216	801	625	9 628	3 325	2 074	2 040
3	7.00	642.0	7.4	761.9	781.5	165.0	11 732	4 684	2 831	−236	803	609	9 852	3 408	2 031	2 051
4	7.00	475.2	−29.4	885.4	915.2	191.9	12 111	4 868	2 951	−284	849	626	10 437	3 637	2 222	2 071
1967 1	7.00	525.0	4.8	598.4	728.5	196.4	12 157	4 857	2 979	−338	801	617	10 783	3 724	2 043	2 073
2	7.00	507.5	4.9	628.3	775.1	227.6	12 436	5 015	3 063	−366	721	548	10 830	3 766	2 105	2 077
3	7.00	511.4	6.2	614.3	749.4	253.1	12 924	5 084	3 163	−398	763	572	10 998	3 821	2 016	2 035
4	7.00	370.5	−10.9	678.3	876.5	523.8	13 127	5 204	3 248	−444	834	650	11 538	4 081	2 183	2 141
1968 1	7.00	779.4	−165.3	508.2	697.0	347.2	12 994	5 202	3 242	−485	838	664	11 802	4 168	2 151	2 184
2	7.00	1 081.3	−270.2	493.9	694.8	312.3	13 186	5 289	3 297	−559	857	669	11 881	4 249	2 317	2 284
3	7.00	1 224.9	−323.4	526.4	677.8	356.3	13 466	5 389	3 372	−471	1 001	786	12 094	4 319	2 380	2 405
4	7.00	1 381.5	−357.3	436.5	617.7	447.2	13 908	5 593	3 443	−473	1 087	833	12 743	4 581	2 669	2 441
1969 1	7.00	1 525.1	−366.5	302.6	439.8	473.2	14 181	5 705	3 491	−457	1 163	923	13 018	4 637	2 553	2 607
2	7.00	1 294.3	−286.8	544.6	699.6	458.5	14 733	6 007	3 561	−316	1 172	920	13 189	4 763	2 731	2 677
3	7.00	1 152.7	−264.1	594.6	684.6	4478.	15 288	6 235	3 689	−197	1 213	942	13 454	4 850	2 737	2 765
4	7.00	1 332.2	−199.8	444.4	550.3	523.2	15 961	6 586	3 803	−221	1 375	1 043	14 237	5 219	3 141	
1970 1	7.00	1 579.8	−187.3							−350					3 456	

1 Including co-operative credit societies and mortgage banks.
2 Currency outside banks and sight deposits.
Sources : Bank of Finland, Monthly Bulletin and IMF, International Financial Statistics.

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