1. This decision is taken by the Executive Directors in concluding the 1969 consultation with Finland, pursuant to Article XIV, Section 4 of the Articles of Agreement.

2. For some time following the devaluation of the markka in October 1967, the level of economic activity in Finland remained depressed. For the second consecutive year there was a decline in real investment. Real gross domestic product rose by only 2.8 per cent from 1967 to 1968, about the same as in the previous year. On a seasonally adjusted basis unemployment reached a peak in the summer of 1968. During the course of 1968 and 1969, however, foreign demand strengthened and its effect on the economy was reinforced by the strong growth which took place in fixed investment. Real gross domestic product is estimated to have risen by 8 per cent from 1968 to 1969.

3. After some decline in 1968 the volume of imports of goods and services increased strongly in 1969 and the surplus on the current account of the balance of payments, which amounted to $64 million in 1968, deteriorated in 1969. In both years gross long-term foreign borrowing was comparatively large. Foreign exchange reserves increased by $170 million in 1968 but in 1969, owing largely to unrest in foreign currency markets in Europe, there was an adverse shift in terms of payments and only a slight reserve gain. At the end of 1969 gross official reserves amounted to $359 million, the equivalent of 2.2 months' imports.

4. Since the devaluation the main emphasis of policy has been to restrain the increase in costs and prices. Wage rates rose more moderately in 1969 than in 1968 and a new agreement suggests that the rise will again be comparatively modest in 1970. However, some increase in unit labor costs has occurred. Partly as a result of the introduction of price control, however, the rise in the cost of living index since the middle of 1968 has been moderate. The Government, in formulating the budget for 1969 and 1970, limited the increase in expenditure to the smallest possible extent. The financial surplus of the Central Government (prior to loan transactions) in 1969 is estimated at Fmk 464 million, compared with Fmk 356 million in 1968 and a further slight increase is foreseen according to the approved budget in 1970. An agreement has been reached under which enterprises will place funds in a counter-cyclical investment fund, part of which will be deposited in the central bank to be drawn upon in a cyclical downswing. This should appreciably strengthen the hands of the monetary authorities which, already toward the end of 1969, took steps to limit the increase in bank lending. The Fund believes that it is of the utmost importance that all possible steps be taken to ensure that strains on productive resources do not...
become excessive in 1970 and hopes that price controls will soon be eased so as to avoid the emergence of distortions in the economy.

5. Further steps have been taken to liberalize trade and payments by more liberal licensing of imports and the abolition of restrictions on payments for tourist travel. The Fund welcomes the steps taken to reduce reliance on rigid bilateralism in payments relations with some state trading countries and hopes that further progress in this direction will continue.