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ECONOMIC DEVELOPMENTS IN 1980

Unlike in most other industrial countries, the economic upswing continued in Finland during 1980. Owing to brisk investment and an increase in exports, total output still grew rapidly and employment improved significantly. However, a rise in foreign trade prices and a vigorous growth in demand caused an acceleration of domestic inflation. Finland's relatively strong economic growth vis-à-vis that of her major trading areas and a weakening in the terms of trade were reflected in an increase in the current account deficit.

AGGREGATE SUPPLY AND DEMAND

International demand slackened substantially during 1980. The weakening in the terms of trade caused by a rise in oil prices and the pursuit of more effective counter-inflation policies slowed the growth rate in almost all industrial countries. The average annual increase in the total output of the OECD countries was only one per cent.

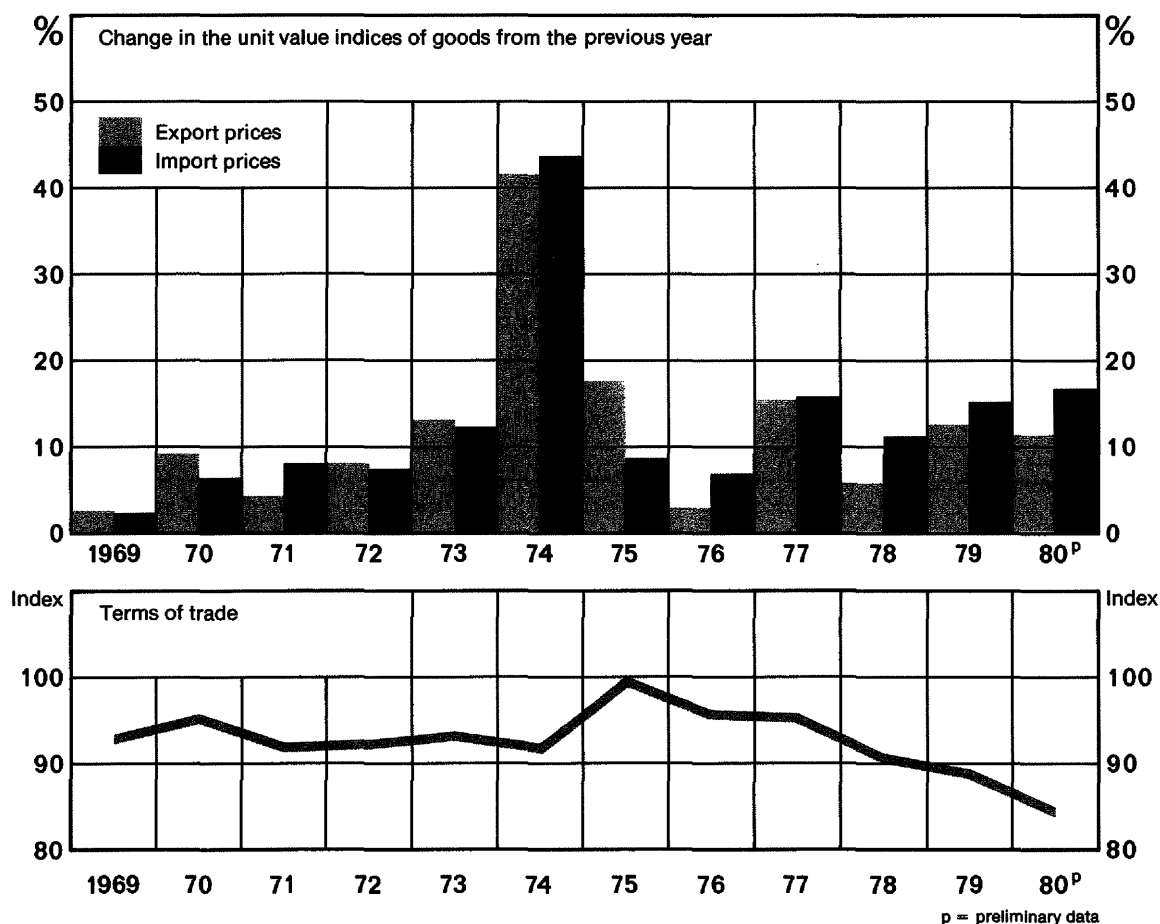
Although aggregate demand increased even more slowly in the countries most important for Finnish exports than in the OECD region as a whole, Finland's trade with Western markets continued to grow until the last months of 1980. The total volume of exports to Western countries increased by 5 per cent and exceeded the growth in total imports of the customer countries. This was attributable to an international raw-material inventory boom, which continued until the first half of the year, and the fairly high level of competitiveness of Finnish exports. The volume of exports to the Soviet Union grew by a quarter, the rapid growth being mainly attributable to additional deliveries agreed on as a result of the rise in oil prices.

An increase in the export of forest industry products meant a substantial expansion in Finland's market shares. The metal industry received a number of new orders from both the Soviet Union and Western markets, although there was still little increase in deliveries. Of other visible exports, the fastest growth was recorded for the export of chemical products and wearing apparel. As regards invisible exports, receipts from foreign construction projects and tourism showed the largest increase. The total volume of visible and invisible exports grew by 9 per cent.

Finnish foreign trade prices continued to rise rapidly during 1980 (Chart 1). Owing to the sharp rise in oil prices, the terms of trade deteriorated by 4.5 per cent, which curbed the growth of domestic real income by about 1.5 per cent. The additional export deliveries agreed on with the Soviet Union alleviated the impact of the deterioration in the terms of trade on production and employment.

Favourable corporate income developments and a rise in capacity utilization combined to improve further the profitability and the financial structure of firms. In fact, profitability

Chart 1.
FOREIGN TRADE PRICES



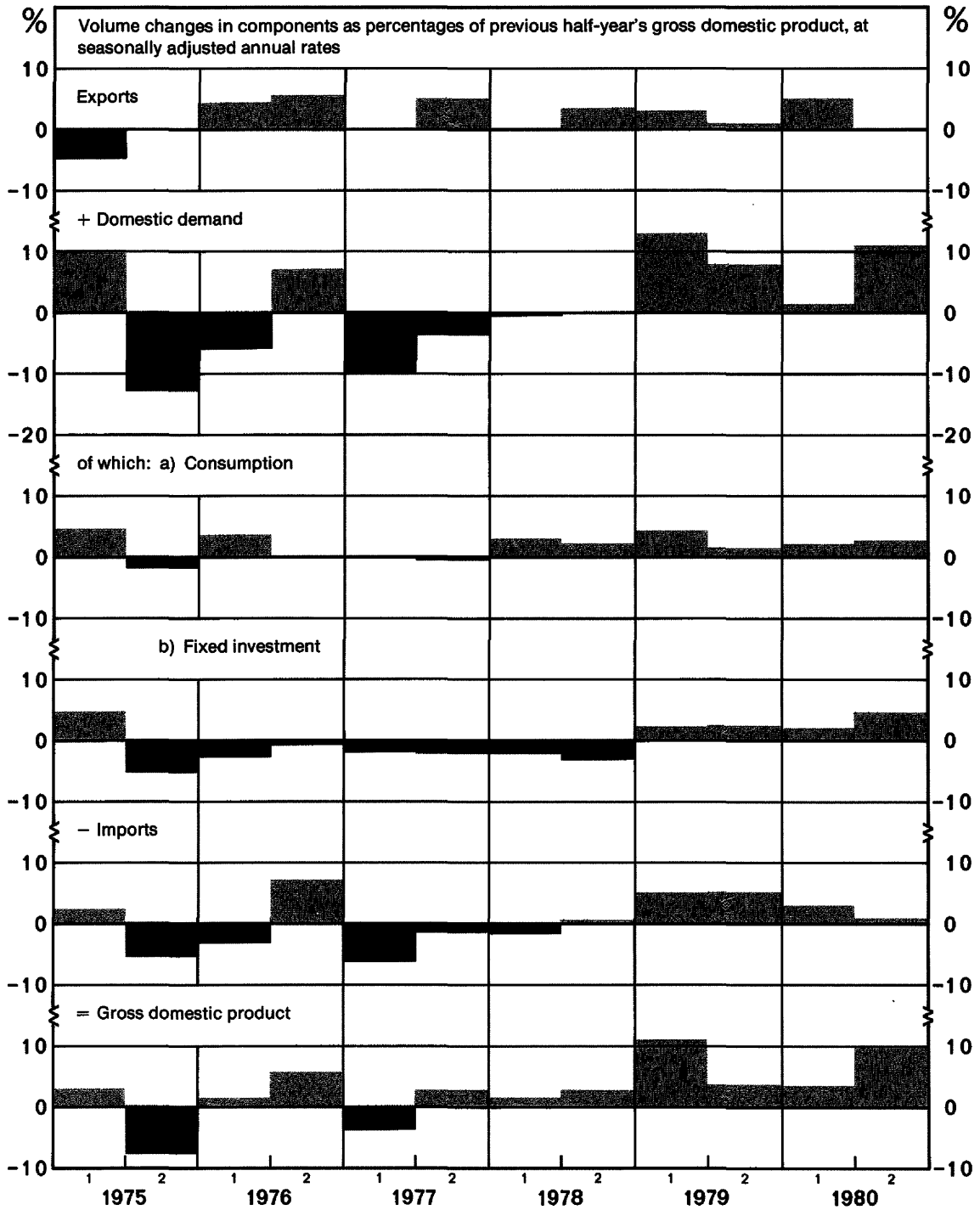
clearly exceeded the average for the 1960s and 1970s. As, moreover, most of the major industrial sectors operated at full capacity, investment increased rapidly, with manufacturing investment growing by 40 per cent. Investment activity in the service industries also picked up markedly. In order to dampen down overheating in some sectors of the economy, attempts were made to postpone the building investments of the service industries by means of an investment tax, the collection of which was started as from the beginning of November.

As in previous years, the emphasis in corporate fixed investment was on investment in machinery and equipment, although building in-

vestment also increased rapidly. Since an unusually large share of machinery and equipment purchases was focussed on the domestic market, the adequacy of the metal industry's production capacity was placed under special strain.

Although the improvement in employment and a rapid rise in the level of earnings accelerated the nominal growth of households' disposable income, the real growth was clearly down on the previous year owing to the deterioration in the terms of trade. Households' propensity to consume rose and the volume of private consumption increased by more than 3 per cent. With inflation expectations strengthening, the increase in the household sector's income

Chart 2.
SUPPLY AND DEMAND



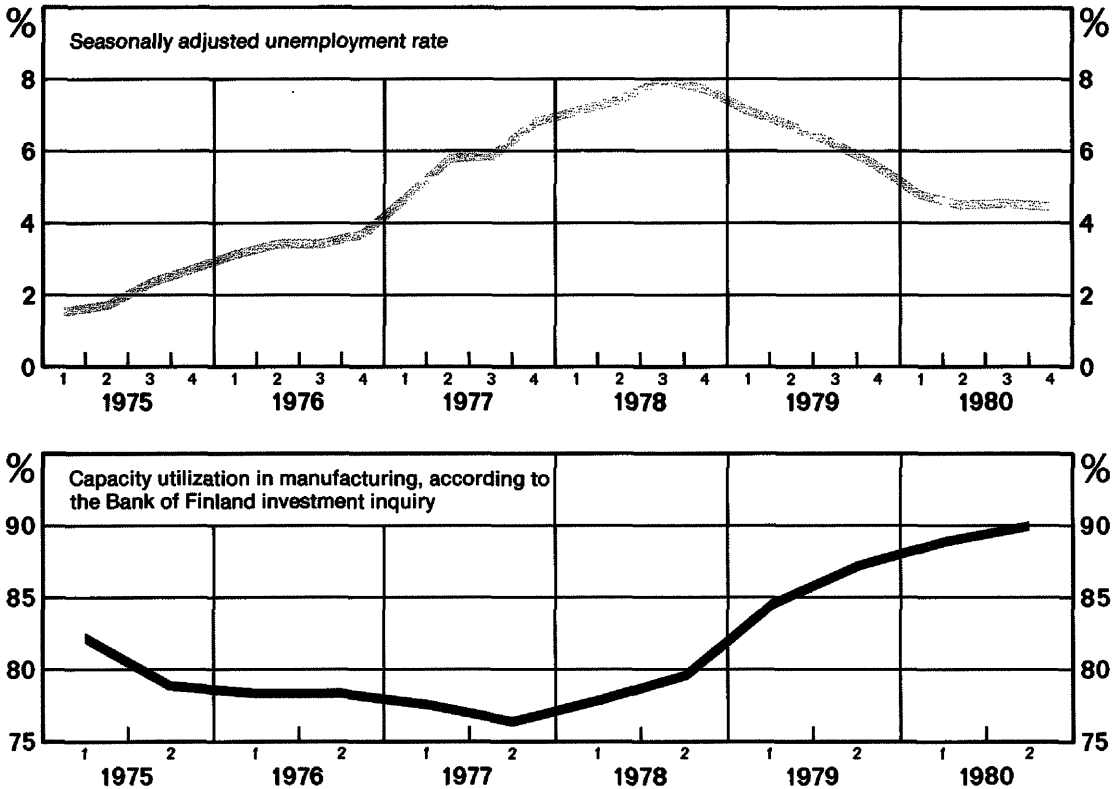
was reflected in a revival of the housing market. Because of the differential between the prices of new and old dwellings, demand centred especially on old dwellings. Completions of new dwellings totalled more than 51 000, or 2 per cent more than in 1979.

Throughout the year, the emphasis in fiscal policy was on levelling off the growth of demand, so as to reduce inflationary pressures and curb the growth of indebtedness. Public consumption expenditure grew by 3 per cent and the public sector's administrative investment by 4 per cent. The increase in public demand thus remained within the limits set in the agreement on public spending concluded between the central organizations of central and local government. The growth in the volume of total state expenditure was quite

small, and, for instance, both real and financial investment declined. However, the increase in domestic demand was sustained by a slight decline in the tax ratio. The average level of local government tax rates remained unchanged. A rapid nominal growth in income liable to tax and increases in local government charges and tariffs helped to keep the financial position of municipalities fairly easy.

Although labour disputes slowed the growth of production during the first half of the year, the resultant losses in output were largely offset in the course of the year. Gross domestic product increased by 5.3 per cent and industrial production by 7.5 per cent. The increase in total output was distributed fairly evenly between all categories of economic activity (Chart 2).

Chart 3.
UNEMPLOYMENT AND CAPACITY UTILIZATION



ECONOMIC EQUILIBRIUM

The acceleration of economic growth raised industrial capacity utilization to the level attained in the boom years of the mid-1970s (Chart 3). The fact that certain industrial sectors operated at full capacity restricted the growth of demand and strengthened inflationary pressures. Some sectors experienced a shortage of skilled labour. Nevertheless, the bottlenecks in production were not so serious as during previous cyclical peaks.

The average number of employed persons was 70 000 more than in 1979. The unemployment rate fell from over 6 per cent in 1970 to 4.9 per cent (Chart 3). However, the decline in open unemployment came to a halt during the first half of the year owing to an increase in the supply of labour. The labour participation rate (the ratio of labour force to the population of

15—74 years) rose to almost the level attained during the previous upswing. Emigration to the other Nordic countries declined further, totalling 12 000 persons, and net emigration amounted to only 1 200 persons.

The rapid rise in foreign trade prices which started in 1979 was not reflected to any great extent in domestic prices and production costs until 1980. At the same time, domestic cost pressures also began to grow. Aggregate unit labour costs increased by 11 per cent. The growth rate accelerated mainly as a result of a slow-down in the growth of productivity and a rise in social security contribution rates. Although wage drift increased, it was clearly smaller than during the boom years of the 1970s. Industry's international price competitiveness, measured in terms of unit labour costs, weakened slightly (Chart 4).

Chart 4.
COSTS AND PRICES

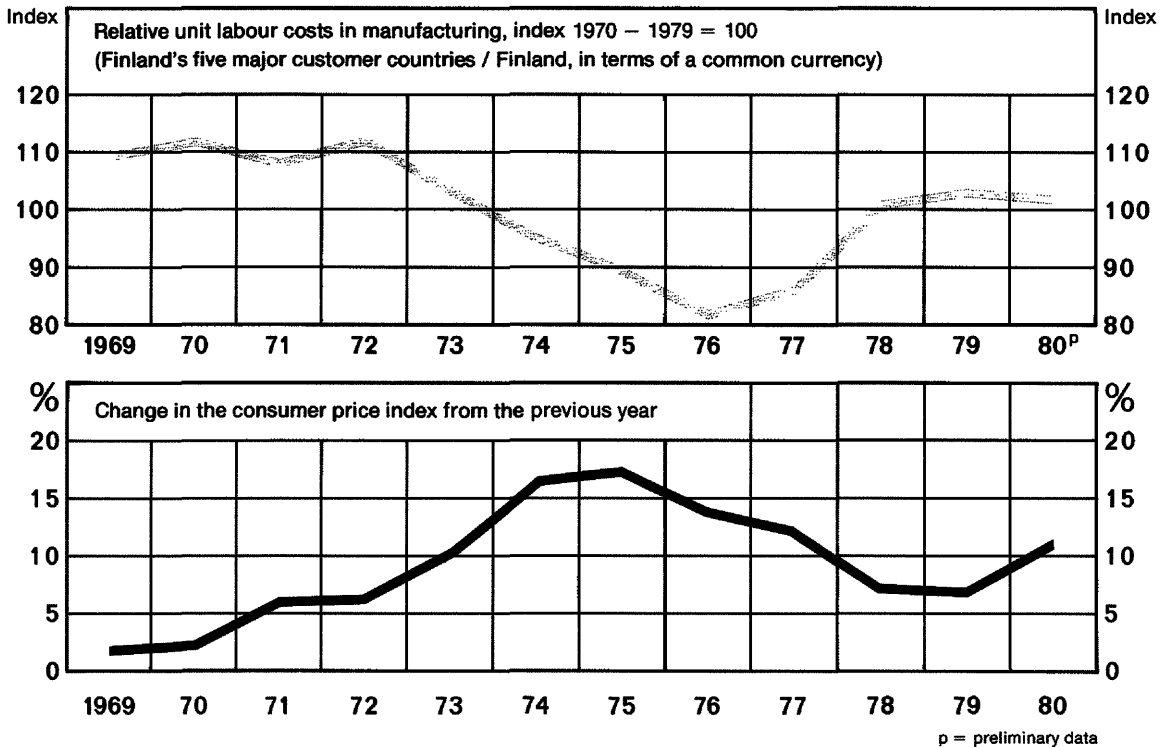
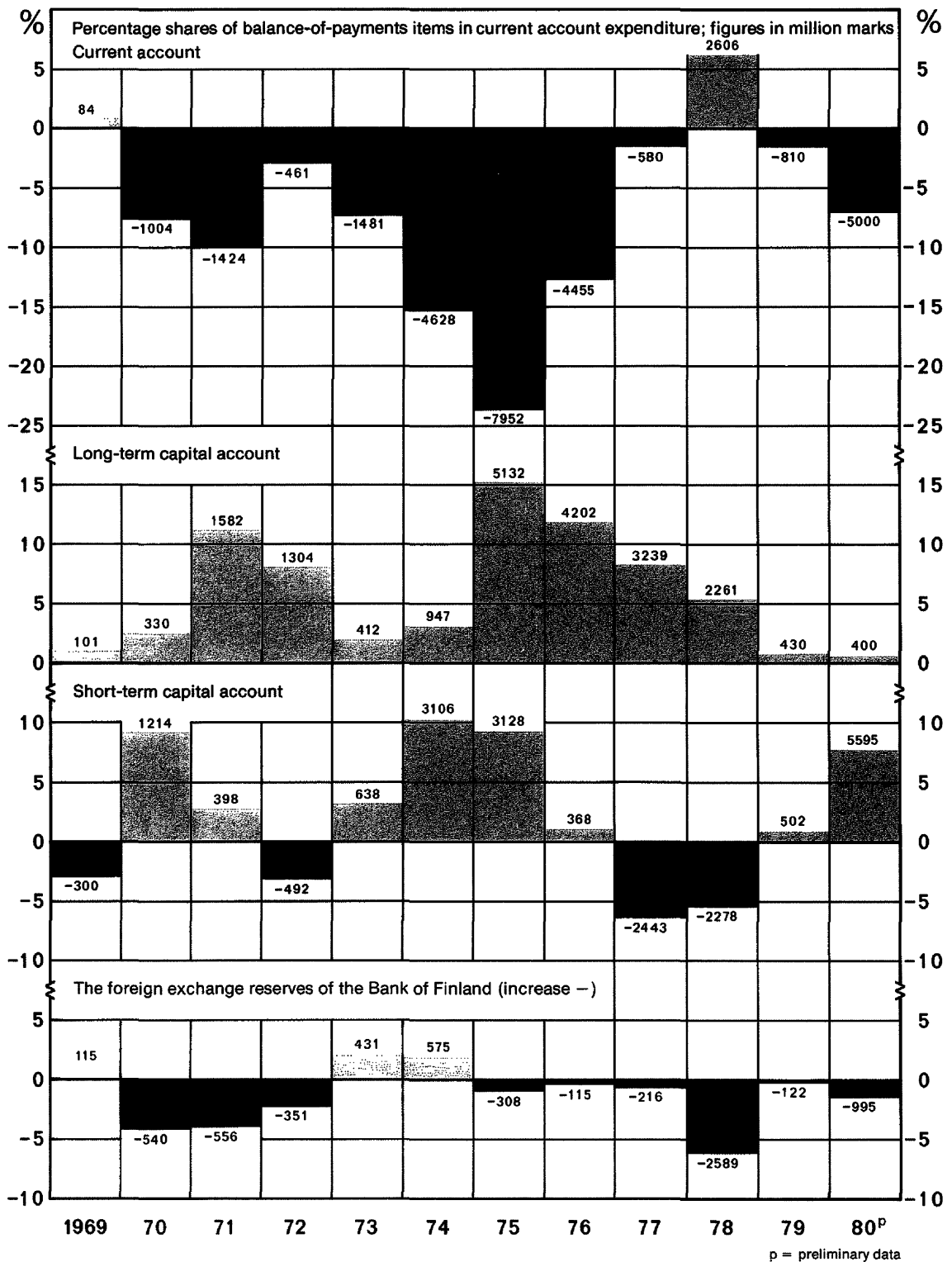


Chart 5.
BALANCE OF PAYMENTS



Owing to the briskness of domestic demand, cost rises were passed through unusually rapidly to prices. The consumer price index rose by 13.7 per cent during 1980, being on average 11.6 per cent up on 1979 (Chart 4). The index of wage and salary earnings rose on average by 12 per cent.

The share of imports in aggregate supply showed a distinct increase. The vigorous growth in demand and a shift in demand towards fixed and inventory investment greatly accelerated the growth of imports. The import of investment goods was 31 per cent up on the previous year, and the total volume of visible imports increased by 13 per cent. Import prices of crude oil and fuels rose on average by 46 per cent. Although the volume of energy imports remained unchanged, its share in total visible imports increased to reach 28 per cent.

The rise in oil prices caused an increase mainly in the deficit in trade with the Soviet Union, which accounted for a half of the deficit of about 5 800 million marks on the visible trade account. The invisible trade account showed a surplus of about 4 300 million marks. As the investment income and unrequited transfers account showed a deficit of about 3 500 million marks, the current account deficit amounted to about 5 000 million marks, which was 2.7 per cent of gross domestic product (Chart 5).

FINANCIAL DEVELOPMENTS

The growth in the difference between investment and domestic saving, or the current account deficit, mainly reflected a rapid rise in the rate of investment and the resultant increase in the financial deficit of the corporate sector. The household sector's financial deficit still remained negligible, but the public sector's financial surplus increased slightly (Chart 6).

Although corporate income continued to develop favourably, the acceleration in the

growth of investment led to a substantial increase in firms' external financing and a deceleration in the growth of their financial assets. The increase in the corporate sector's long-term borrowing was met by domestic financial sources. The volatility and the high level of interest rates prevailing on international capital markets curbed the desire of firms to use long-term foreign finance. However, the rise in the value of imports and the prepayments for exports to the Soviet Union caused a sharp increase in the short-term foreign debt.

The household sector's financial position remained almost unchanged. Advances to households continued to grow rapidly, with households' assets increasing at the same rate. Time deposits grew by 16.5 per cent. On the other hand, the growth of placements in shares and bonds slowed down, reflecting a tightening in the financial position.

The public sector's financial surplus increased mainly owing to a decline in the central government financial deficit. Municipalities' financial position remained fairly easy until the end of the year, when their financial assets declined as a result of the repayment of tax refunds. The central government's lending and other financial investments amounted to almost 3 800 million marks. The central government's gross borrowing requirement amounted to about 5 200 million marks, excluding the transfer of 500 million marks to the central government's counter-cyclical reserves. The central government raised foreign loans up to a total of 1 800 million marks, or about 800 million marks less than in 1979. On the other hand, the central government's domestic borrowing clearly increased, totalling about 3 100 million marks. The central government's short-term financial assets almost maintained their former level (Chart 7).

The net inflow of long-term capital was only about 400 million marks; however, as the import of short-term capital totalled about

Chart 6.
SAVING AND INVESTMENT

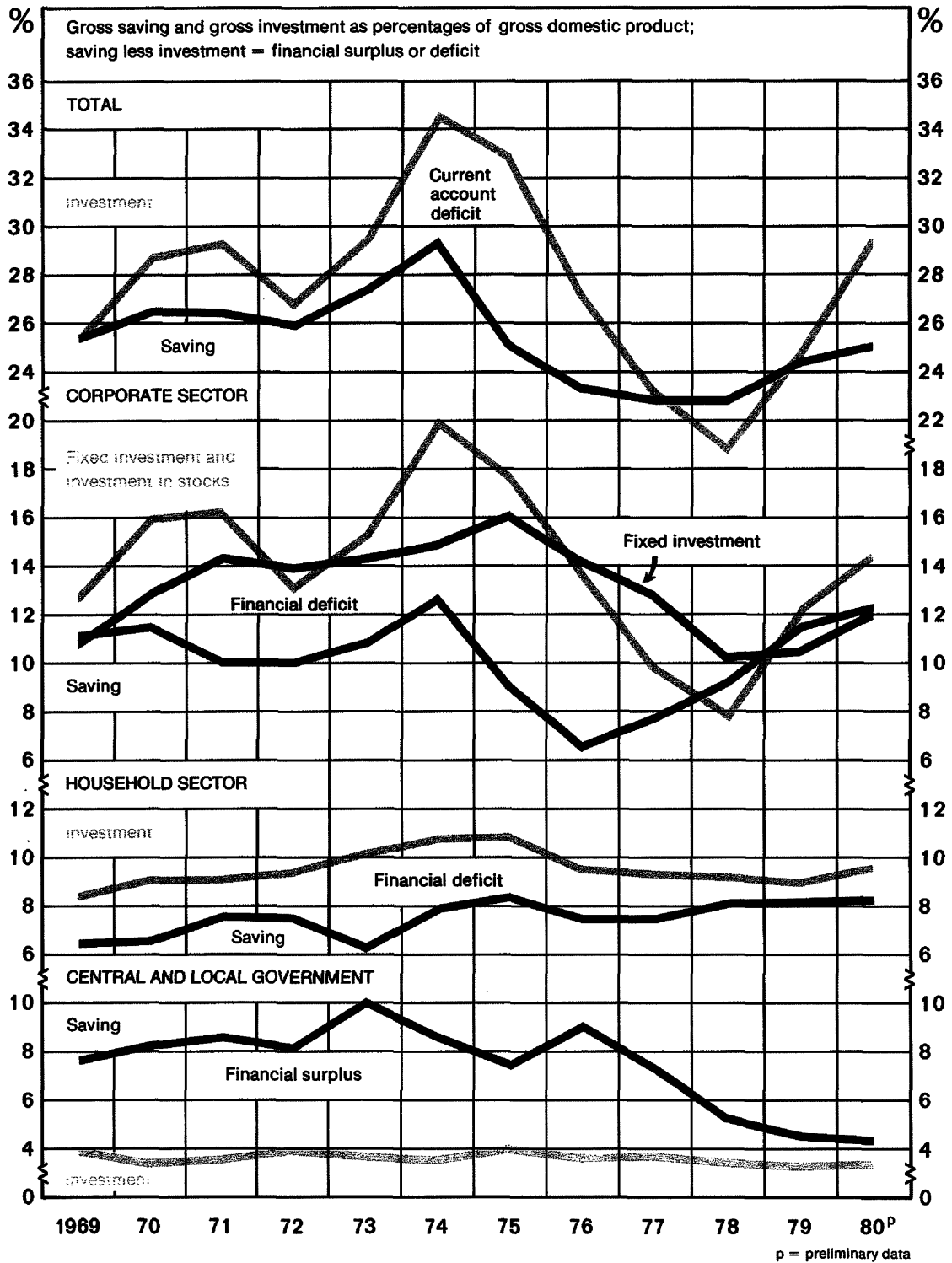
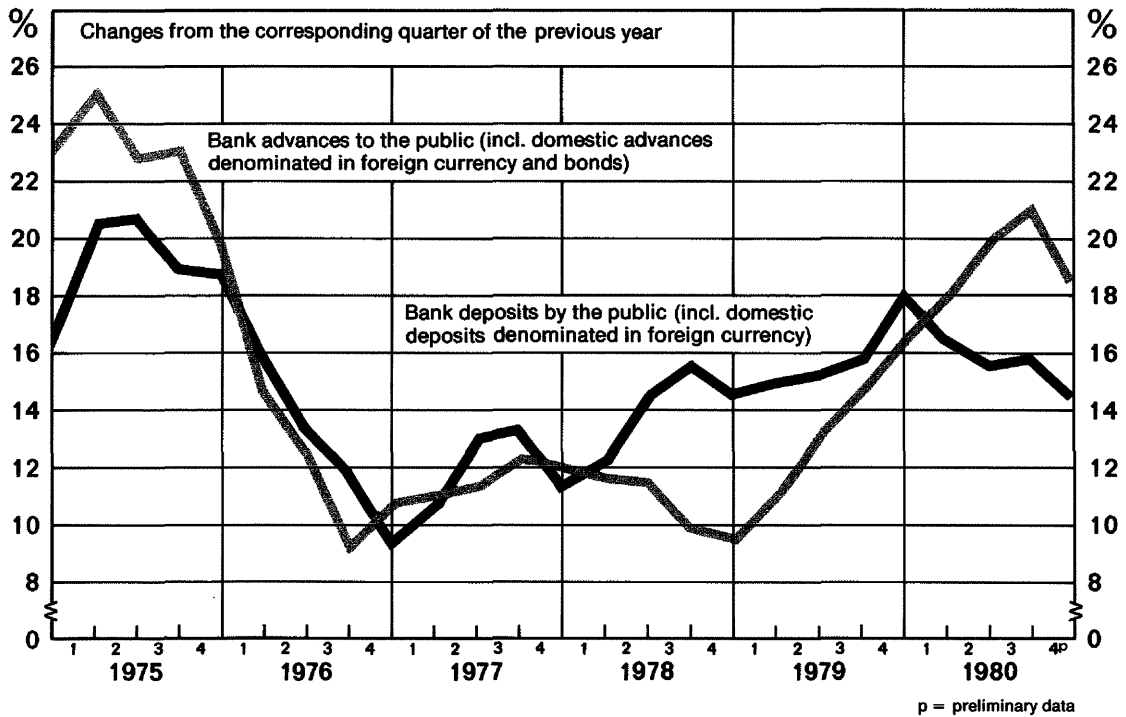


Chart 7.
BANK ADVANCES AND DEPOSITS

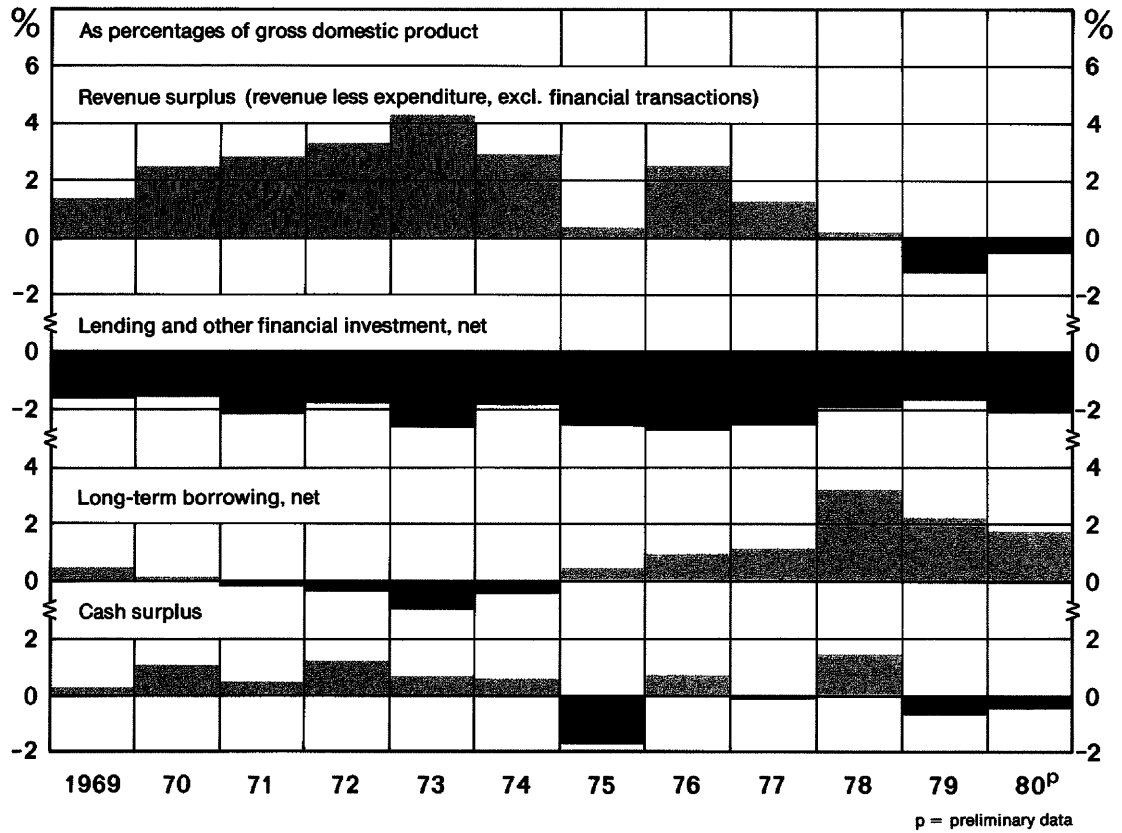


5 600 million marks, the foreign exchange reserves of the Bank of Finland grew by about 1 000 million marks. In contrast to the two previous years, foreign capital movements did not cause any serious disturbances on the domestic financial market. Central government finance eased the money market until the autumn, but its impact was reversed towards the end of the year when the central government's cash reserves reached the level prevailing at the beginning of the year. The growth in bank lending accelerated until the middle of the year. For the year as a whole, bank advances to the public increased by 19 per cent, which was 4 percentage points more than the growth in deposits (Chart 8). The banks covered the excess of advances over

deposits mainly by means of short-term foreign finance. Advances granted by other financial institutions also increased to a fairly large extent. Although the growth in the central government's lending and the corporate sector's direct foreign borrowing was clearly down on the previous year, the increase in the total stock of credits outstanding¹ accelerated from 11 per cent in 1979 to 17 per cent.

¹ Of the total stock of credits outstanding of the corporate sector, the household sector and local government, credits granted by the deposit banks account for almost a half, those granted by other financial institutions for about a quarter, foreign credits (excl. credits intermediated through financial institutions) for less than a fifth and those granted by the central government for about a tenth.

Chart 8.
STATE FINANCES



CENTRAL BANK POLICY

In 1980, central bank policy was clearly more stringent than in the previous year. In order to curb inflation and keep the current account deficit at a moderate level, the central bank endeavoured in the course of the year to restrain the growth of domestic demand by tightening the regulations governing the banks' central bank financing. To reduce the inflationary pressures caused by the rise in foreign trade prices, the external value of the Finnish mark was raised in March following two rises in 1979. The aim of these measures was to create the prerequisites for the pursuit of an economic policy supporting production and employment, so as to alleviate the recession expected to occur in 1981 —1982.

MONETARY POLICY

Main features of monetary policy

Owing to rapidly changing exchange rate expectations and interest rate differentials, the disturbances transmitted to Finland from international foreign exchange and capital markets through short-term capital flows have strengthened in recent years. This, together with fluctuations mainly in the central government cash position, has made the regulation of the money market more difficult. Although the disturbances in the financial market during 1980 were not so severe as in the previous two years, the maintenance of the monetary policy line called for fairly frequent and, to some extent, even differently-oriented adjustments in the framing of monetary policy.

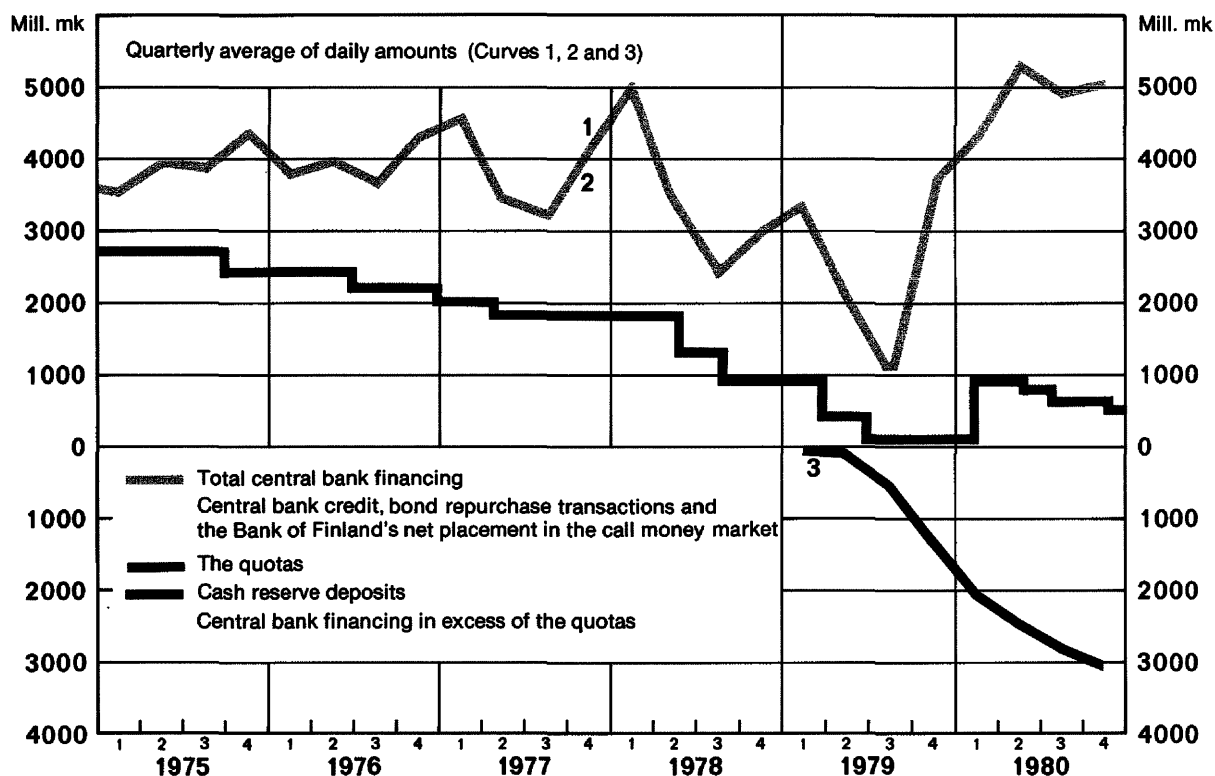
As the use of central bank financing had increased rapidly during the last months of 1979, it was deemed appropriate to revise the system of monetary policy control. The terms of central bank financing were revised as from the beginning of February so that a schedule of supplementary charges applied to call money market advances became an essential

part of the system. The aim of this reform was to reduce somewhat the average cost of the banks' central bank financing, while at the same time clearly raising the marginal cost of financing for those banks which tend to use central bank financing to a fairly great extent. The reform was aimed at maintaining the steering power of monetary policy under tightening inter-bank competition. However, short-term foreign exchange flows caused temporary fluctuations in the money market, which could not be completely neutralized by means of monetary policy.

The general level of interest rates was raised at the beginning of February. One of the aims of this measure was to reduce the differential between domestic and foreign interest rates, so as to curb the foreign exchange flows caused by this differential. The raising of interest rates was associated with other monetary and foreign exchange policy measures, which were designed to improve the prerequisites for curbing inflation.

In March, the Bank of Finland submitted revised credit policy guidelines to the banking institutions. In the new guidelines, it was

Chart 9.
COMMERCIAL BANKS' CENTRAL BANK FINANCING AND THE CASH RESERVE DEPOSITS OF BANKS



deemed necessary that the banking institutions slow the growth of their lending by tightening their credit policies immediately. Prior to this, the banking institutions had already been urged to adopt a reserved attitude towards the granting of credit for the establishment of new sawmills and for expansion investments in the sawmill industry. The cash reserve requirement of the banking institutions was also raised during the spring.

In order to hold back credit expansion and to curb inflation, the terms of central bank financing were tightened as from the beginning of June by reducing the base-rate central bank credit quotas and tightening the schedule of supplementary charges applied to call money market advances. At the same time, the Bank of Finland announced that the terms applied

to the financing of domestic deliveries were to be selectively tightened.

As a result of an increase in the foreign exchange reserves and the deficit in central government finance, the banks' position was substantially eased during the summer; hence the terms of central bank financing were tightened as from the beginning of August. At the same time, the cash reserve requirement was raised by the maximum amount allowed under the agreement. It was hoped that these measures would bring about the tightness in the money market set as a target in the decision reached at the beginning of June.

The terms of central bank financing were revised again as from the beginning of October when the money market tightened partly

because of seasonal flows. The Bank of Finland aimed at adjusting the schedule of supplementary charges applied to call money market advances to the seasonal movements of the money market, without changing the overall line of monetary policy.

In November, the banking institutions received new credit policy guidelines, in which they were advised to apply strict selectivity to all credit applications. Total credit quotas were reduced as from the beginning of December, and in December it was also decided that the quotas would be temporarily reduced during January 1981. These decisions were designed to ensure that bank lending would remain under tight control, irrespective of a seasonal decline in the use of central bank financing.

The quota policy

The commercial banks' aggregate base-rate central bank credit quotas were raised from 200 million marks to 1 000 million marks as from the beginning of February (Chart 9). This measure was part of the reform of the system of regulating central bank financing implemented at the same time. The quotas were still determined as monthly averages and the cheque account overdraft of a commercial bank could amount up to 1.3 times the bank's quota on any given day. Previously, the corresponding coefficient was 2.5.

In order to curb the growth of bank lending,

the aggregate quotas were reduced by 100 million marks to 900 million marks as from the beginning of June. Attempts were made to prevent the easing of the commercial banks' position vis-à-vis the central bank, induced by short-term capital movements, by reducing the aggregate quotas by another 200 million marks to 700 million marks as from the beginning of August.

In order to forestall a seasonal easing in the money market, the quotas were revised twice more during the last months of the year; the aggregate quotas were lowered to 600 million marks as from the beginning of December, and at the end of December, the Bank decided that the quotas would be reduced by 10 per cent during January 1981. The money market was also eased by the granting to banks of interest-free till-money credits, which the Bank of Finland started as from November 17, so as to dispense with the unnecessary handling and transport of till money. A bank's till-money credit was not to exceed its holdings of till money.

The terms applied to the 50 million mark cheque account overdraft extended to Posti-pankki in 1979 at the base rate, in order to even out its day-to-day fluctuations in liquidity, were kept unchanged throughout the year. Similarly, the bank-by-bank breakdown of the central bank credit facility was kept unchanged during 1980.

COMMERCIAL BANKS' CENTRAL BANK CREDIT QUOTAS IN 1980, MILL. MARKS

	July 1, 1979 — Jan. 31, 1980	Feb. 1, 1980 — May 31, 1980	June 1, 1980 — July 31, 1980	Aug. 1, 1980 — Nov. 30, 1980	Dec. 1, 1980 — Dec. 31, 1980
BH	11.0	55.0	49.5	38.5	33.0
KOP	49.4	247.0	222.3	172.9	148.2
Okobank	41.8	209.0	188.1	146.3	125.4
Skopbank	51.0	255.0	229.5	178.5	153.0
UBF	45.4	227.0	204.3	158.9	136.2
ÅAB	1.4	7.0	6.3	4.9	4.2
Total	200.0	1 000.0	900.0	700.0	600.0

The call money market

As before, besides the Bank of Finland itself, all the commercial banks entitled to receive central bank credit and Postipankki participated in the call money market. The Bank of Finland's participation in the call money market was determined by a placement rule decided by the Board of Management. In November, the Bank Supervisors delegated by Parliament decided that the Bank of Finland's authority to confirm the call money rate, which formed the basis for operations in the call money market and was effective until the end of 1980, would be extended. Unlike the former practice, this decision was to be effective for an unspecified period rather than for a fixed period.

When the system of regulating the commercial banks' central bank financing was modified at the beginning of February, the absolute limits on the commercial banks' call money overdrafts and the right to obtain credit through bond repurchase transactions were rescinded. These were replaced by an arrangement according to which the Bank of Finland would collect progressively increasing supplementary charges on call money overdrafts in excess of certain limits. The ceiling on the call

money overdraft facility without supplementary charges was set at five times the base-rate quota. A supplementary interest charge of 4 per cent was to be levied on call money borrowing in excess of this amount. However, if call money borrowing was more than eight times the quota, a supplementary interest charge of 8 per cent was to be levied on the exceeding amount. Like the quotas, the limits on call money borrowing were also determined in terms of monthly averages. If a bank's average monthly call money overdraft was more than eight times its quota, the bank concerned was placed under the Bank of Finland's liquidity scrutiny. The right to use call money overdrafts granted to Postipankki in 1979 was not amended, and its upper limit stayed at 600 million marks throughout the year.

As a result of the structural changes in the system of central bank financing which became effective as from the beginning of July 1979 and February 1980, call money overdrafts have become an increasingly important form of central bank financing. In addition, the call money market still plays a central role in the financing of the fluctuations in liquidity caused by central government finance. Owing to these revisions, the system of regulating central bank

COMMERCIAL BANKS' CALL MONEY OVERDRAFT LIMITS IN 1980, MILL. MARKS

	Jan. 1, 1980— Jan. 31, 1980	Feb. 1, 1980— May 31, 1980	June 1, 1980— July 31, 1980	Aug. 1, 1980— Sept. 30, 1980	Oct. 1, 1980— Nov. 30, 1980	Dec. 1, 1980— Dec. 31, 1980
BH	330.0	275.0	247.5	154.0	192.5	165.0
KOP	1 482.0	1 235.0	1 111.5	691.6	864.5	741.0
Okobank	1 254.0	1 045.0	940.5	585.2	731.5	627.0
Skopbank	1 530.0	1 275.0	1 147.5	714.0	892.5	765.0
UBF	1 362.0	1 135.0	1 021.5	635.6	794.5	681.0
ÅAB	42.0	35.0	31.5	19.6	24.5	21.0
Limit on facility without supplementary charge, total	6 000.0¹	5 000.0	4 500.0	2 800.0	3 500.0	3 000.0
Limit on facility at 4 per cent supplementary charge, total	—	3 000.0	2 700.0	2 100.0	2 100.0	1 800.0
Starting point for facility at 8 or 10 per cent supplementary charge²	—	8 000.0	7 200.0	4 900.0	5 600.0	4 800.0

¹ The upper limit on call money overdrafts. Financing in excess of this called for bond repurchase transactions.

² The supplementary charge was 8 per cent between February 1 and May 31, 1980, and 10 per cent from June 1, 1980.

financing has also become technically simplified, with the banks' central bank finance being granted entirely in the form of account overdrafts.

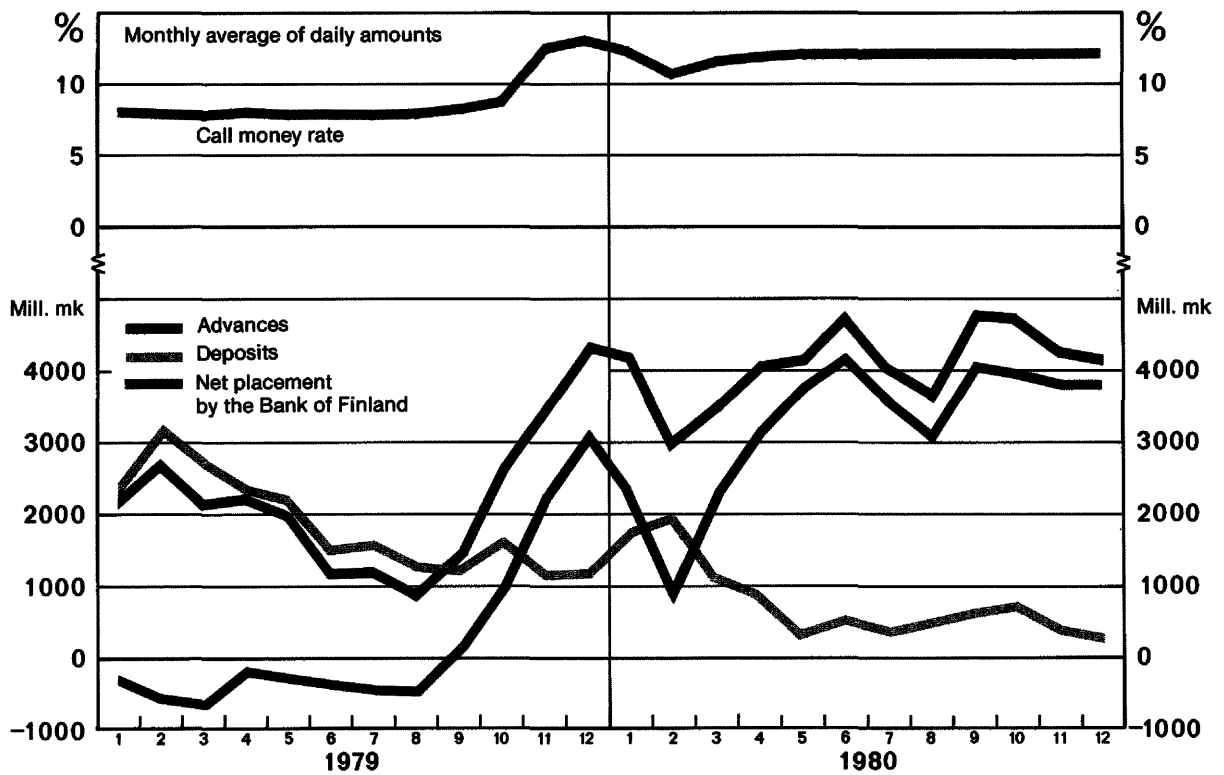
When the quotas were reduced in June, the call money overdraft facilities not subject to supplementary charges — which amounted to five times the quota — were reduced by a total of 500 million marks. At the same time, the schedule of supplementary interest charges was tightened so that the supplementary charge applied to call money overdrafts in excess of eight times the quota was raised from 8 per cent to 10 per cent.

When the quotas were lowered at the beginning of August, the schedule of supplementary interest charges applied to call money over-

drafts was tightened further. The 4 per cent supplementary charge was to be levied on call money borrowing in excess of four times the quota and the 10 per cent supplementary charge on call money borrowing in excess of seven times the quota. However, owing to seasonal flows, the former coefficients for call money tranches, i.e. the limits on borrowing five and eight times the quota, were re-introduced as from the beginning of October. The revisions in the quotas decided at the end of the year lowered the limits on call money overdraft facility correspondingly.

Like the breakdown of the quotas, the bank-by-bank breakdown of the call money tranches tied to the quotas remained unchanged in the course of the year. Neither was there any change in the bank-by-bank breakdown of the

Chart 10.
BANK OF FINLAND CALL MONEY MARKET



funds to be distributed under the interest-rate equalization scheme. The aim of this scheme was to reduce the interest expenses on the commercial banks' call money market transactions arising from fluctuations in central government liquidity.

In connection with the raising of the base rate, the upper limit on the call money rate was raised from 24 per cent to 24 $\frac{3}{4}$ per cent as from the beginning of February. When modifying the system of regulating central bank financing, the Bank of Finland defined the right to collect supplementary interest charges so that the supplementary charge plus the call money rate could at most amount to the upper limit on the call money rate.

When extending the Bank of Finland's authority to confirm the call money rate, which formed the basis for operations in the call money market, the Bank Supervisors delegated by Parliament decided that as from January 1, 1981, the call money rate could not be more than 15 percentage points higher than the prevailing base rate. The base rate was set as the lower limit on the call money rate.

For January, the call money rate averaged nearly 13 per cent (Chart 10 and Table 8). As a result of the reform of the regulations governing central bank financing, the nature of the call money rate changed at the beginning of February, since the rate no longer reflected the marginal cost of financing owing to the levying of supplementary interest charges on call money overdrafts. For February, the average call money rate fell to 11 per cent. In the course of the spring, it rose to 12.5 per cent, at which level it was maintained for the rest of the year. The Bank of Finland had placements in the call money market throughout 1980. The weakening in the demand for call money market advances in February and during the summer reflected an increase in the inflow of short-term capital. The supply of call money declined in the course of the year, as the short-term fluctuations in central government liquidity

were evened out to an increasing extent through transactions in deposit certificates.

The demand for call money market advances averaged 4 181 million marks in 1980 and the supply of call money market deposits 868 million marks. The average call money rate was 12.4 per cent, while the rate of interest paid by the borrowers after interest rate equalization averaged 12.1 per cent.

The average rate of interest paid on total central bank financing in 1980 was 12.4 per cent (Table 7). When calculating this rate of interest, account is taken not only of the rate of interest paid on central bank credit but also of net expenses incurred by the commercial banks in the use of the call money market and the difference between the purchase and resale rates for bonds with repurchase obligation. The corresponding rate of interest in 1979 was 9.0 per cent. The differential between the average rate of interest and the base rate on central bank financing increased from 1.4 percentage points in 1979 to 3.2 percentage points in 1980.

Cash reserve deposits

In February, the banks' reserve requirement under the cash reserve agreement concluded between the Bank of Finland and the banking institutions in March 1979 was raised from 3.2 per cent to 3.4 per cent of the stock of deposits outstanding at the end of February. In March, the Bank of Finland raised the reserve requirement to 3.6 per cent and in April to 3.8 per cent. When the aggregate quotas were reduced at the beginning of August and December, the reserve requirement was raised by the maximum amounts allowed under the agreement, so that at the end of the year, the requirement amounted to 4.6 per cent of the stock of deposits outstanding. The upper limit on the reserve requirement allowed under the agreement is 5 per cent.

At the end of December, the cash reserve

deposits determined on the basis of the stock of deposits outstanding at the end of November amounted to 3 317 million marks, which meant an increase of 1 553 million marks during 1980.

Interest rate policy

The general level of interest rates was raised as from the beginning of February. The base rate applied by the Bank of Finland rose from 8 ½ per cent to 9 ¼ per cent, the upper limit on the rate of interest charged by the Bank on other credits from 9 ¾ per cent to 10 ½ per cent and the lower limit from 6 ¾ per cent to 7 ½ per cent (Chart 11 A and Table 5).

The banking institutions were required to raise their lending rates similarly, and the upper limit on these was raised from 11 ¾ per cent to 12 ½ per cent. The banking institutions also raised their deposit rates by ¾ percentage points for accounts other than cheque and postal giro accounts.

The deposit rates were as follows during 1980:

	Nov. 1, 1979— Jan. 31, 1980 Per cent	As from Feb. 1, 1980— Per cent
36-month savings premium or tax concession deposits ¹	9.00	9.75
24-month term deposits	8.25	9.00
12-month term deposits	7.00	7.75
6-month term deposits	5.50	6.25
Deposits with 6 months' notice	5.50	6.25
Deposits with 4—5 months' notice	3.75	4.50

WEIGHTED AVERAGE LENDING AND DEPOSIT RATES OF INTEREST APPLIED BY BANKING INSTITUTIONS AND THE DIFFERENCES BETWEEN THESE RATES AT THE END OF 1979 AND 1980, PER CENT

	Dec. 31, 1979			Dec. 31, 1980		
	Lending rate	Deposit rate	Difference	Lending rate	Deposit rate	Difference
Postipankki	9.19	3.30	5.89	9.83	4.73	5.10
Commercial banks	9.06	4.55	4.51	9.83	5.63	4.20
Savings banks	9.80	5.05	4.75	10.57	6.03	4.54
Co-operative banks	9.79	4.97	4.82	10.56	5.92	4.64
Banking institutions, overall	9.42	4.63	4.79	10.18	5.70	4.48

	Nov. 1, 1979— Jan. 31, 1980 Per cent	As from Feb. 1, 1980— Per cent
Deposits with 2—3 months' notice	2.75	3.50
Deposits with one month's notice	1.75	2.50
Savings accounts and ordinary deposit accounts ²	4.25	5.00
Deposit accounts with cheque facility ^{2,3}	4.25	5.00
Cheque accounts and postal giro accounts ³	0	2.00

¹ In addition, the central government pays an interest premium of 1.25 per cent per annum; moreover, the depositor has a chance of winning a savings premium. The law is applied to deposits whose first instalment has been made not later than March 31, 1980. It was no longer possible to make tax concession deposits during 1980.

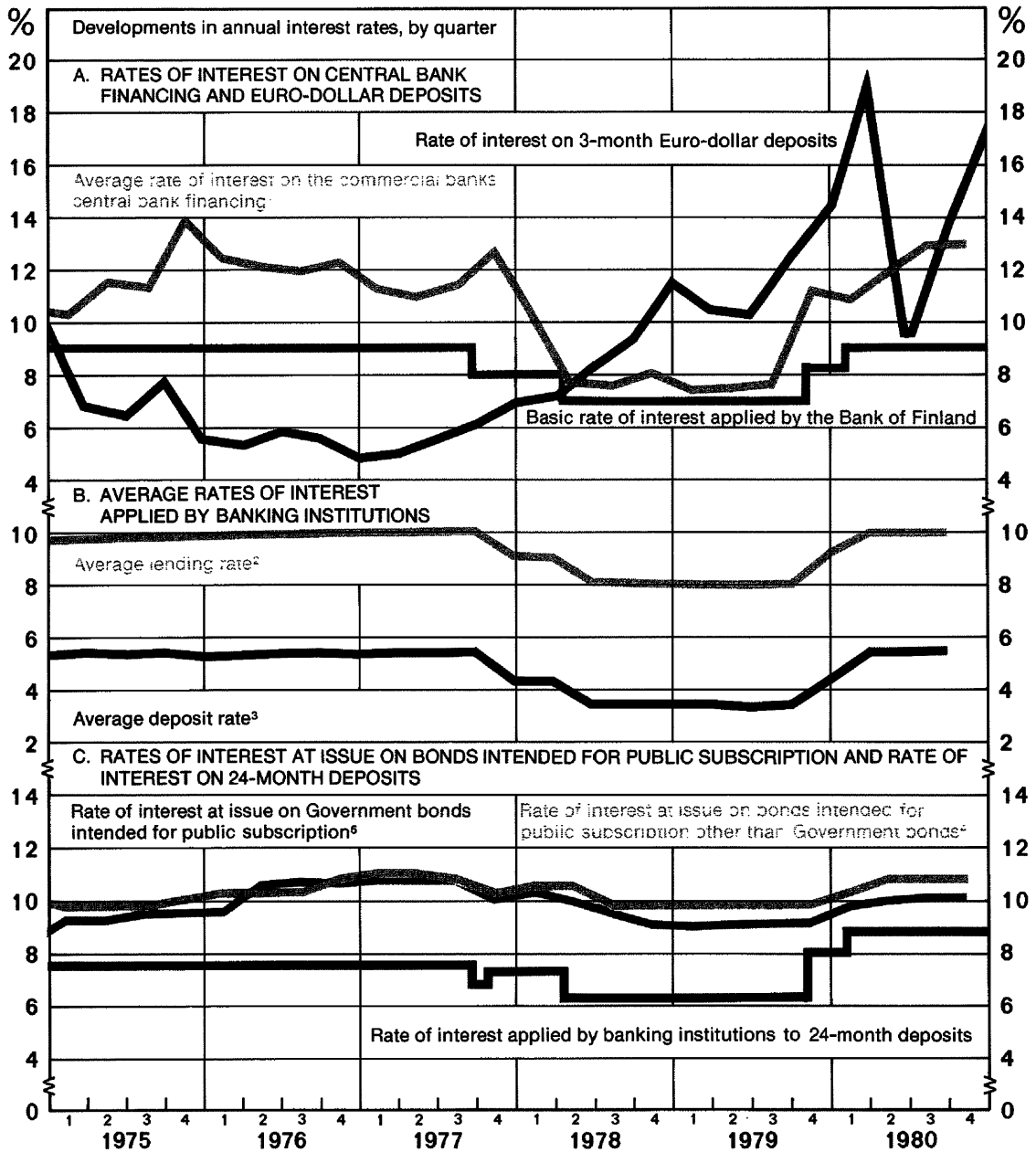
² Interest is paid as from November 1, 1979, for the period between the value dates, but excluding both these days.

³ Interest paid is calculated on the basis of the lowest balance during the month.

In the international financial markets, the vigorous rise in interest rates which had started towards the end of the previous year continued during the first months of the year. In the spring, interest rates fell sharply, only to rise again during the last months of the year. Chart 11 A shows developments in the rates of interest on credits denominated in dollars.

At the end of the year, the average lending rate applied by the banking institutions (Chart 11 B) was 10.18 per cent, as against 9.42 per cent in the previous year. The developments in the average lending rate were still affected by the guidelines issued by the Bank of Finland in 1978 calling for a systematic lowering of the average lending rate.

Chart 11.
RATES OF INTEREST



1 Average calculated from daily amounts.
 2 Weighted by shares in loans outstanding.
 3 Weighted by shares of various types of deposit accounts.
 4 Weighted by issues of bonds.
 5 Weighted by sales of bonds.

The average deposit rate applied by the banking institutions (Chart 11 B) was 5.70 per cent at the end of the year, or 1.07 percentage points higher than one year earlier. At the end of the year, the difference between the lending and deposit rates was 4.48 percentage points, as against 4.79 percentage points one year earlier.

The rates at issue on bonds intended for public subscription rose slightly in the course of the year, but, since they bear fixed rates of interest, they did not fully reflect the rises in the general level of interest rates which became effective at the end of 1979 and as from the beginning of February 1980.

Credit policy guidelines

In March, the Bank of Finland revised the credit policy guidelines it had issued in November 1979. In these, the Bank stated that the cyclical upswing had proved more vigorous and longer-lasting than forecast. In addition, it was estimated that there was a greater risk of a demand-induced upward drift in costs and prices weakening competitiveness and that the rapid growth in bank lending would further aggravate the situation.

According to the guidelines, the banking institutions were to clearly slow the growth of their stock of credits outstanding, so as to curb inflation and the current account deficit. In particular, the expansion in personal credits was to be held back. Attempts were to be made to defer the implementation of investment projects until 1981, while lending to meet firms' working capital needs was to be strictly limited to a level sufficient to safeguard their normal operations.

In the credit policy guidelines issued in November, the Bank of Finland stated that, despite a clear deterioration in the international economic outlook, Finland's capacity utilization was still high and its investment activity brisk. The curbing of inflation and the

reducing of the current account deficit were set as the major targets of central bank policy in the near term.

In its guidelines, the Bank emphasized that the banking institutions should curb the growth of their stock of credits outstanding and aim at preventing any increase in their use of central bank finance during 1981. In addition, the Bank issued guidelines on the restraining of the growth of lending based on short-term foreign finance.

In order to reach the targets set, the banking institutions were advised to be strictly selective in the treatment of all applications for credit. New credits could be granted mainly for the financing of profitable industrial investments. Moreover, the guidelines stated that it would be necessary to tighten the monetary policy line further, if sufficient support in the forestalling of economic imbalances were not forthcoming in other areas of economic policy.

Statements concerning bonds

In 1980, the Bank of Finland gave the Council of State 35 statements concerning private bond issues. All issue applications received favourable statements, and each was granted a permit. The total nominal value of the loans was 1 451 million marks, which was 213 million marks less than in the previous year. This decline in long-term borrowing from the previous year was mainly attributable to a decrease in the demand for financing power plant investments by means of bond issues.

Of the loans, 21 were issued by private mortgage institutions, 11 by industrial or energy companies and three by development credit institutions. The total nominal value of the loans issued by private mortgage institutions was 1 062 million marks, which was 22 million marks less than in the previous year. The total value of the loans issued by industrial or energy companies amounted to 324 million marks. The total value of the issues made by

development credit institutions was 65 million marks. The loans issued by mortgage institutions and development credit institutions were still mainly used to finance residential construction, and corporate and municipal industrial investments.

The total nominal value of the nine private bonds intended for public subscription was 483 million marks, or slightly less than in the previous year. These loans bore a fixed rate of interest of 10.5 or 11 per cent. The total nominal value of the other loans issued amounted to 968 million marks, and the rate of interest on these, variable in some cases, was between 7.75 and 11.25 per cent, mainly depending on the length of the loan period.

Deposit certificates and term deposits

Transactions in deposit certificates with the central government were used actively as a tool of monetary policy during 1980. The total value of deposit certificates in circulation amounted to 1 700 million marks at the beginning of the year and reached a peak of 3 340 million marks in March. During the second half of the year, their value declined, totalling 1 900 million marks at the end of the year. The rates of interest applied to deposit certificates were raised as from the beginning of February by an amount corresponding to the rise in the base rate.

The public sector's term deposits at the Bank of Finland increased by a total of 204 million marks. Owing to a transfer to the counter-cyclical reserves made at the end of the year and the addition of interest accrued, central government counter-cyclical reserves grew by 503 million marks to reach 545 million marks. Pursuant to a decision of the Council of State, the central government started to collect counter-cyclical deposits from enterprises as from the beginning of October. These deposits, which were held at the Bank of Finland, totalled 37 million marks at the end of the year. The public sector's capital import de-

posits, which amounted to 339 million marks at the beginning of the year, were all drawn in the course of the year.

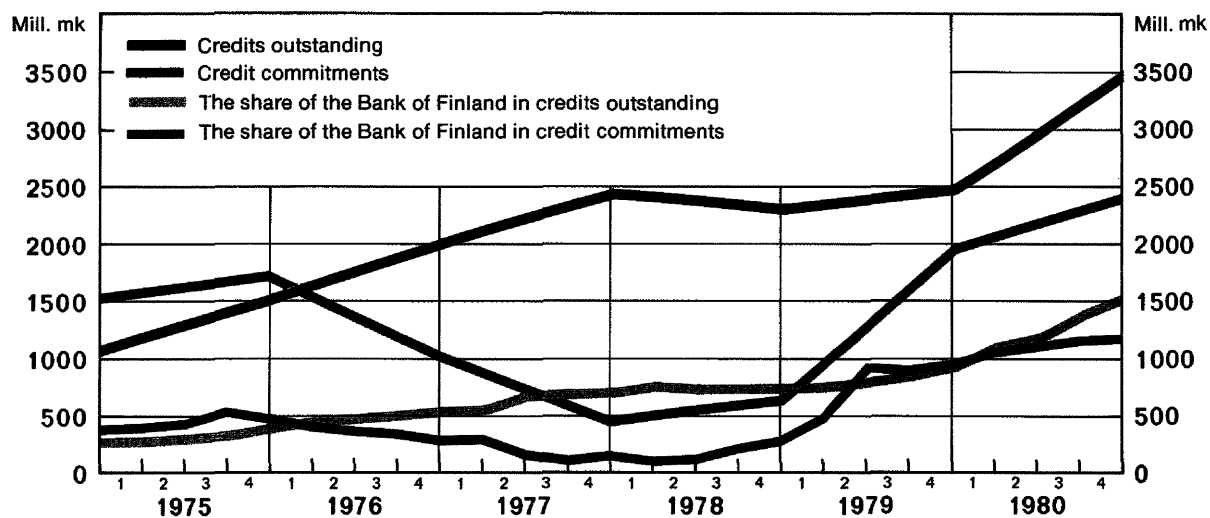
The corporate sector's term deposits increased by 575 million marks during 1980 to reach 978 million marks. Capital import deposits totalled 83 million marks at the end of the year, which was 171 million marks less than at the beginning of the year. Export deposits collected in the Bank of Finland on the basis of a decision of the Council of State which became effective as from the beginning of June amounted to 110 million marks by the end of the year. According to a decision of the Bank of Finland, the annual rate of interest paid on these deposits is 3 percentage points lower than the prevailing base rate, although not less than the rate of interest of 5 per cent required by the Export Deposit Act.

In April, the Council of State decided that the Bank of Finland's special authority to limit the investment reserve of an enterprise to not more than 70 per cent of its net profit for the accounting period would be extended until the end of the year. In October, it was decided that this authority would remain in force until the end of March 1981. Similarly, the Bank Supervisors decided to extend the period on the investment deposits for which the Bank of Finland paid a rate of interest higher than the minimum stipulated by law. In 1980, the rate of interest paid by the Bank of Finland on the investment deposits for which the corresponding investment reserve had been made on November 15, 1979, or thereafter, was 1 ½ percentage points lower than the base rate applied by the Bank of Finland. Other investment deposits bore the minimum rate of interest laid down in law, which was half of the base rate. Investment deposits increased by 537 million marks during 1980 and amounted to 669 million marks at the end of the year.

Special financing arrangements

The terms of the arrangements made for the

Chart 12.
FINANCING OF DOMESTIC DELIVERIES



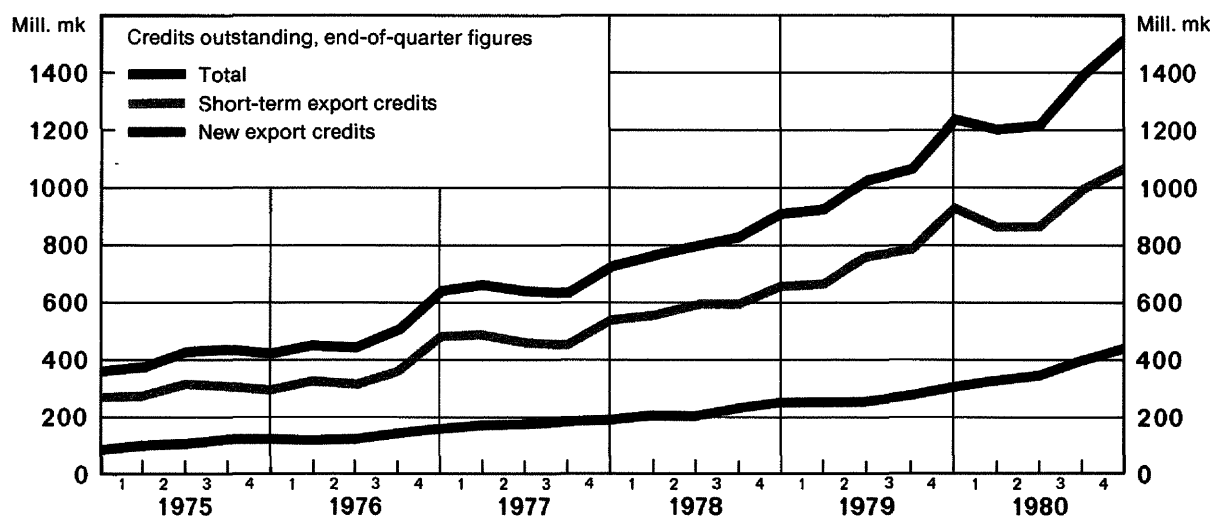
financing of domestic suppliers' credits, new-export credits and short-term export credits were made more precise in some respects during 1980. In addition, the rates of interest applied to these special financing arrangements were raised as from the beginning of February by the same amount as the increase in the base rate. At the end of the year, the stock of credits outstanding under these arrangements amounted to 3 087 million marks, or 40 per cent more than one year earlier.

Domestic suppliers' credits are used to finance domestic suppliers' deliveries of capital goods to domestic customers. The aim of this financing arrangement is to ensure that Finnish firms are financially competitive with foreign suppliers on the domestic market. The system is operated by the Bank of Finland, the commercial banks and Postipankki. Like the base rate, the rate of interest applied to domestic suppliers' credits was raised as from the beginning of February to 9 ¼ per cent. The Bank of Finland's share in the financing of that part of the contract price covered with bank credit was kept unchanged at 50 per cent.

Owing to continued brisk investment, new credit commitments made in 1980 under the system of financing domestic suppliers' credits amounted to 2 321 million marks, or about the same amount as in the previous year. Forest industry machinery with a share of 56 per cent and ships with a share of 19 per cent continued to account for the majority of the new commitments. At the end of the year, credit commitments outstanding totalled 2 421 million marks (Chart 12). Total drawings of domestic suppliers' credits amounted to 1 869 million marks, or double the amount in the previous year. At the end of the year, the stock of credits outstanding, 3 501 million marks, was 1 010 million marks more than one year earlier. The Bank of Finland's share in the financing amounted to 1 561 million marks.

New-export credits are granted to provide pre-shipment finance to meet the demand for working capital needed by small and medium-sized industrial firms as a result of an expansion in their exports. The rate of interest applied by credit institutions to new-export credits was raised to 8 ½ per cent as from

Chart 13.
FINANCING OF NEW EXPORT CREDITS AND SHORT-TERM EXPORT CREDITS



the beginning of February. The stock of new-export credits outstanding grew by 44 per cent during 1980 and amounted to 449 million marks (Chart 13). The textile, wearing apparel and leather industries accounted for 32 per cent of the stock of credits outstanding, the manufacture of fabricated metal products, machinery and equipment for 27 per cent, and fur farming for 11 per cent. At the close of the year, a total of 1 883 firms were in receipt of this type of credit; of this total, 1 210 were fur farmers.

The purpose of the arrangements for the financing of short-term export credits is to refinance export credits granted to foreign buyers for up to 24 months, in connection with exports payable in convertible currencies. When the general level of interest rates was raised as from the beginning of February, the rate of interest on the refinancing of export deliveries payable within 12 months was raised to 8 ½ per cent and that on the refinancing of export deliveries payable in more than 12 months to 9 per cent.

The stock of short-term export credits out-

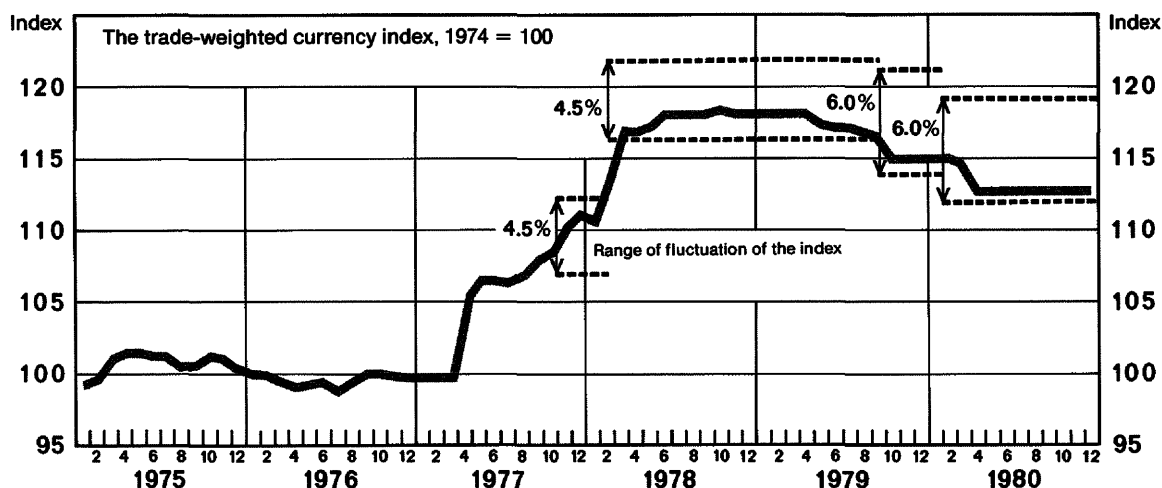
standing, including credits granted to factoring companies under these financing arrangements, grew by 15 per cent during 1980 and reached 1 078 million marks at the end of the year (Chart 13). The increase in the stock of credits outstanding occurred during the latter half of the year, when the differential between the rates of interest on domestic and foreign credits again increased substantially. At the end of the year, the manufacture of fabricated metal products, machinery and equipment accounted for 44 per cent of the stock of credits outstanding, the textile, wearing apparel and leather industries for 14 per cent, and the basic metal industries for 12 per cent. At the end of the year, a total of 697 firms were in receipt of credit of this type.

FOREIGN EXCHANGE POLICY

Developments in international foreign exchange and financial markets

As in previous years, the international foreign exchange and financial markets remained volatile in 1980, with the exchange rates for

Chart 14.
BANK OF FINLAND CURRENCY INDEX



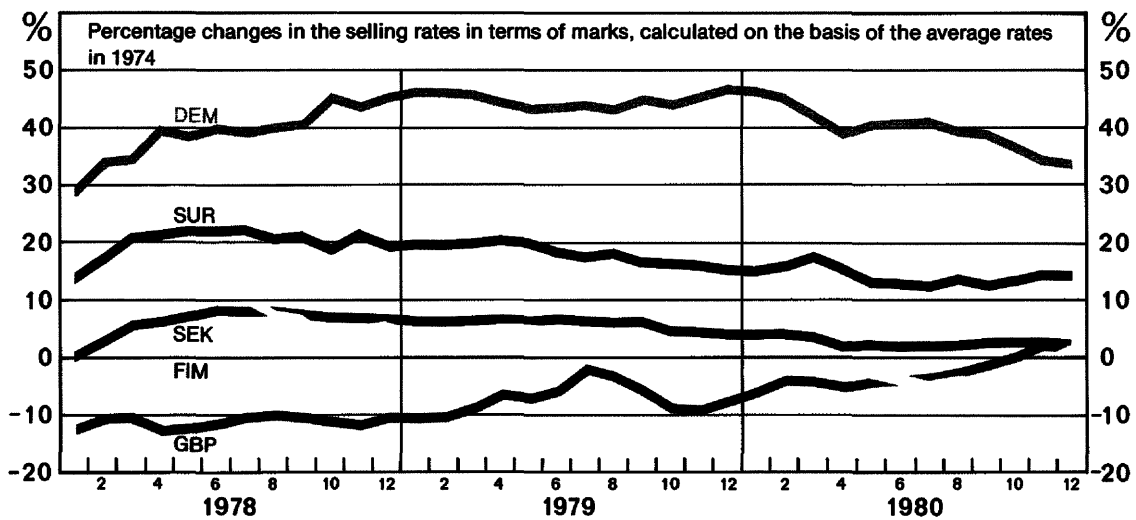
several major currencies changing substantially. The turmoil prevailing in the markets was mainly attributable to rapid and large fluctuations in dollar interest rates, which were largely due to the new monetary policy strategy adopted in the United States at the end of 1979.

At the beginning of 1980, the short-term lending rate charged by U.S. banks to their best customers, the so-called prime rate, stood at 15 per cent. By April, this rate had risen to 20 per cent. Subsequently, interest rates fell rapidly and in the summer the prime rate was at its lowest, 10 ¾ per cent. During the second half of the year, interest rates started to rise again and the prime rate reached a new peak, 21 ½ per cent, in December. In the Euro-market, the dollar deposit rate followed these developments fairly closely. Changes in rates of interest on other major Euro-currencies were less significant. The differential between the interest rates on loans and deposits denominated in dollars and other currencies fluctuated substantially. At the end of the year, the Euro-deutschemerk rate amounted to 8

per cent and the Euro-Swiss franc rate to 6 per cent (Chart 16).

Throughout 1980, the movements in exchange rates were predominantly affected by changes in the interest rate differential. Other factors, such as inflation and balance-of-trade developments, clearly had a lesser impact than in previous years, which was reflected, among other things, in a rise in the external value of the pound sterling and a fall in the value of the deutschemerk. Although the rate of inflation was rapid in the United Kingdom, the pound sterling strengthened by 7 per cent against the U.S. dollar during 1980. Apart from a high average level of interest rates, the pound sterling was supported by the United Kingdom's increasing oil receipts. The deutschemerk weakened by 13 per cent against the U.S. dollar despite the country's fairly slow rate of inflation. This was mainly attributable to an appreciable differential between the interest rates on loans and deposits denominated in deutschemarks and dollars but also to a sharp increase in the current account deficit of the Federal Republic of Germany. In the European

Chart 15.
CHANGES IN EXCHANGE RATES OF MAJOR CURRENCIES



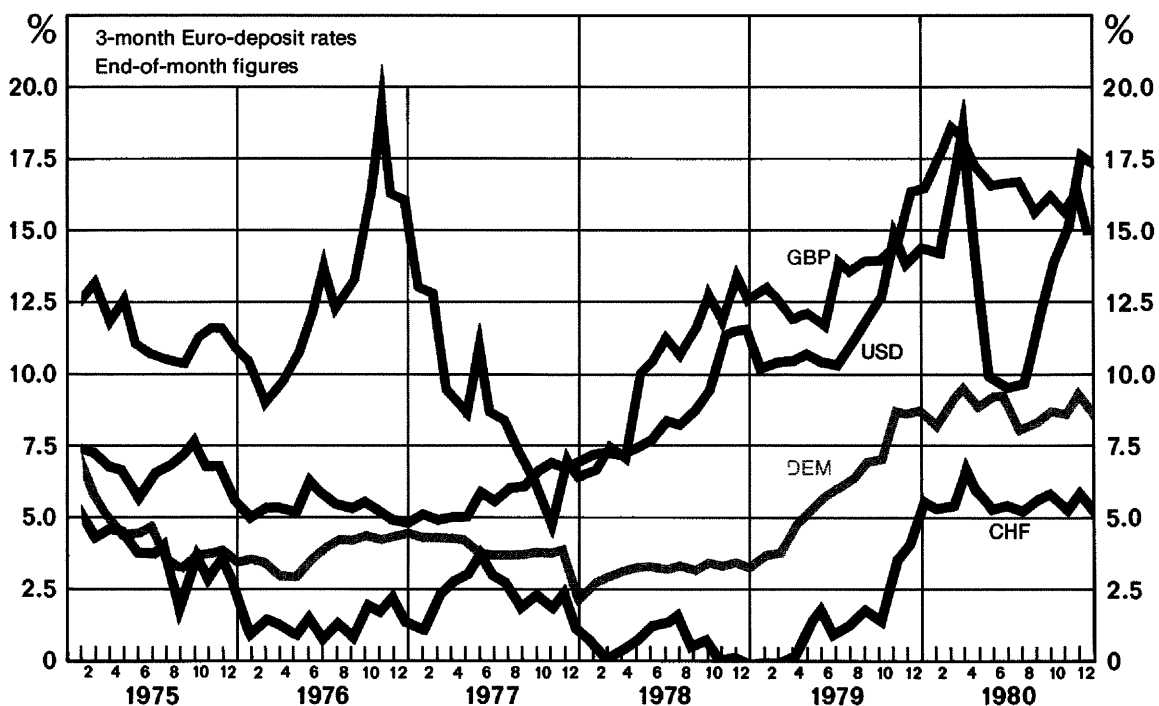
Monetary System, the new system of joint floating of currencies introduced by the EEC countries in 1979, the deutschmark was at times close to its lower limit and the central bank had to intervene by making substantial support purchases. The Swiss franc, which followed developments in the deutschmark, weakened by 11 per cent against the U.S. dollar. The Japanese yen strengthened the most, or by 15 per cent, against the U.S. dollar, whereas it had weakened by as much as 20 per cent in the previous year. The value of the yen was raised by a marked deceleration in the rate of inflation in Japan and a strengthening in its trade account. The exchange rate for the yen was also supported by the large investments made by OPEC countries in the Japanese market.

The sharp speculative rise in the price of gold which had started in 1979 came to an end at the beginning of 1980. While the price of gold was still 840 dollars per ounce in January, it fell to 588 dollars per ounce before the end of the year.

In spite of the great fluctuations in dollar interest rates, the total amount of new publicly announced loans in international financial markets was almost the same as in the previous year, i.e. about 120 000 million dollars. The actual amount of loans was even greater, because bilateral financing arrangements increased during the year under review. The borrowing requirements of several industrial and developing countries grew substantially. In 1980, the total current account deficit of the OECD countries amounted to about 70 000 million dollars and that of the developing countries to about 50 000 million dollars. The deficits were about 7 and 3 per cent, respectively, of the total gross domestic products of these groups of countries. In 1974, the year following the previous oil crisis, the corresponding figures were 6 and 5 per cent. The total current account surplus of the OPEC countries almost doubled from the previous year, amounting to about 120 000 million dollars.

Borrowing in the Euro-currency market was

Chart 16.
EURO-DEPOSIT RATES



curbed by high rates of interest and fluctuations in these. New publicly announced Euro-currency loans totalled about 78 000 million dollars, which was 6 per cent down on the previous year. The high level of indebtedness of oil-importing developing countries began to restrain their borrowing in the Euro-market, which was also reflected in a tightening of the loan terms applied to developing countries. However, in order to meet their financial requirements, the developing countries were able to resort to their previously negotiated but still undrawn credit facilities, or to bilateral financing arrangements. In contrast, borrowing by industrial countries increased and their loan terms even improved.

Notwithstanding fluctuations in market conditions, foreign bond issues were slightly up on the previous year, totalling about 42 000 million dollars. Of this amount, Euro-bonds

accounted for about 24 000 million dollars. Of these, issues of floating-rate bonds denominated in dollars increased most of all. The capital markets of Switzerland, the Federal Republic of Germany and Japan remained the principal sources of capital, although the total volume of foreign bond issues in these markets declined.

Foreign exchange policy and the domestic foreign exchange market

In 1980, the domestic foreign exchange market remained very peaceful and the convertible foreign exchange reserves of the Bank of Finland underwent only minor changes despite international disturbances. The end-of-month figures for the convertible reserves reached their low point, 7 153 million marks, in

Chart 17.
CONVERTIBLE FOREIGN EXCHANGE RESERVES



January and their peak, 8 065 million marks, in July (Chart 17).

The disturbances caused by expectations in the domestic foreign exchange and money markets were mitigated by establishing an equal range of fluctuation for the currency index in each direction. On the proposal of the Bank of Finland, the Council of State decided on January 30 to lower the fluctuation limits for the currency index number by about 2 per cent. The new lower limit was set at 112.0 and the upper limit at 119.0, as against 114.0 and 121.0, respectively, earlier. However, on this occasion the currency index number was left unchanged at 115.4.

In order to curb domestic inflationary pressures induced by a continued rapid rise in import and export prices, the Board of Management of the Bank of Finland decided on March 25

to lower the currency index number from 115.4 to 113.1, at which the monthly average for the index remained until the end of 1980.

In the course of the year, the mark rates for different currencies fluctuated significantly in line with changes in the international exchange rate structure. In terms of the currency index, the external value of the Finnish mark increased by 2 per cent (Chart 14). The mark rate for the U.S. dollar rose by 3.5 per cent and that of the pound sterling by 11.1 per cent. On the other hand, the Swedish krona weakened by 1.9 per cent against the mark, the deutschemark by 8.7 per cent and the rouble by 1.3 per cent during 1980 (Chart 15). The selling rates for the currencies quoted by the Bank of Finland in 1980 are shown in Table 14.

During the first months of the year, the forward exchange markets were calm. The forward

rates for the dollar quoted by the Bank of Finland were determined on the basis of the differential between domestic and foreign interest rates, that is, on the basis of interest rate parity.

On April 1, the Bank of Finland terminated its operations in the forward exchange markets for convertible currencies under normal conditions and ceased quoting dollar forward rates for the authorized banks. The Bank of Finland's new regulations concerning the forward markets became effective on the same date. The purpose of these was to shift the conduct of the forward markets for convertible currencies entirely into the hands of the authorized banks in accordance with the practice generally applied by industrial countries. At the same time, the Bank of Finland issued guidelines to the banks concerning the upper limits for open foreign exchange positions as well as reporting on the forward markets and open positions to the Bank of Finland. In order to safeguard the operations of the forward exchange markets, the banks were entitled to raise foreign loans to cover the exchange rate risks associated with their forward exchange purchases.

In spite of the sharp fluctuations in dollar interest rates, the forward exchange markets operated satisfactorily during 1980. The forward rates quoted by the banks are chiefly based on the above-mentioned interest rate parity, so that the forward rates for the dollar fluctuated greatly.

The Bank of Finland still covers the forward exchange agreements denominated in roubles or clearing dollars concluded between the banks and their customers; the banks have no other means of covering the exchange rate risks arising from these agreements. At the end of the year, the Bank of Finland's rouble-denominated forward exchange receivables totalled 102 million roubles, which was 96 million roubles more than one year earlier. The Bank's rouble-denominated forward ex-

change liabilities amounted to 15 million roubles.

The convertible foreign exchange reserves of the Bank of Finland increased by 1 357 million marks in 1980 and amounted to 7 798 million marks at the end of the year. The convertible foreign exchange receivables grew by 863 million marks to 3 841 million marks. Foreign bonds, which have been included in the reserves since January 1, 1980, increased by 376 million marks to reach 2 125 million marks at the end of the year. The tied foreign exchange reserves of the Bank of Finland declined by 79 million marks during the year examined.

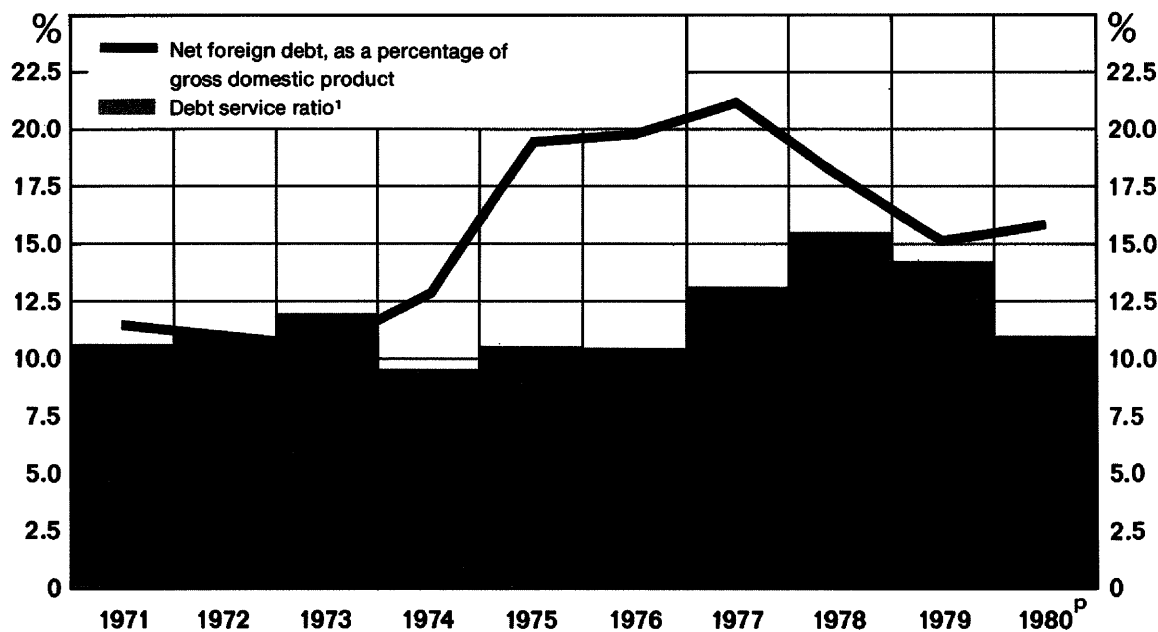
In 1980, no repurchases were made of the 1975 and 1976 drawings under the Oil Facility of the International Monetary Fund. At the end of the year, the credits outstanding under this facility amounted to 325 million marks.

At the end of 1980, the Bank of Finland had credit facility arrangements negotiated with foreign banks to the total value of 1 350 million U.S. dollars; these can be used, whenever needed, to support the foreign exchange reserves. At the end of the year under review, the Bank had no credits outstanding under these arrangements.

Long-term capital flows and foreign debt

The inflow of long-term capital in 1980 was substantially smaller than anticipated. In spite of a great increase in corporate investment, the corporate sector imported long-term capital on a fairly minor scale. The financing of investment by means of foreign credit was curbed by the high rates of interest prevailing in international financial markets during the first half of the year and in the autumn and by rapidly changing exchange rate expectations. In addition, the need to import capital was reduced because the internal financing prospects of firms had improved during the boom and the domestic financial market provided some room

Chart 18.
DEVELOPMENT OF INDEBTEDNESS



¹ Debt service charges (redemptions and interest expenses) on gross long-term foreign debt, as a percentage of current account earnings. Debt service charges do not include redemptions of the Bank of Finland Oil Facility purchases and reserve credits in 1978 and 1979.

p = preliminary data

for manoeuvre until the autumn. Except during the summer months, domestic finance was also cheaper than that obtainable from many major sources abroad.

Imports of long-term capital were used primarily to finance replacement and expansion investments of the forest industries and the metal industry. The central government's capital imports took place almost entirely during the first quarter of the year. The central government imported a slightly smaller amount of foreign capital than in the previous year.

According to preliminary figures, Finland's net foreign debt grew by about 5 200 million marks during 1980 and amounted to about 29 800 million marks at the end of the year. The net long-term foreign debt increased by about 100 million marks and the net short-term debt by about 5 100 million marks. Financial loans related to foreign trade which had been

raised by firms directly or through authorized banks accounted for the majority of the growth in the net short-term debt. In addition, vigorous growth in imports induced an increase in the stock of delivery credits outstanding received by import companies. The ratio of net foreign debt to gross domestic product at market prices increased by 0.6 percentage points, amounting to 15.9 per cent at the end of the year. Finland's credit-worthiness in international financial markets remained good.

Finland's gross long-term foreign debt grew by about 1 200 million marks, or 3.3 per cent, to about 36 500 million marks (Table 15). Enterprises' repayments of outstanding loans exceeded their raising of new loans by about 600 million marks. The public sector's net inflow of capital declined by about 700 million marks and came to about 1 500 million marks. At the end of the year, 44 per cent of Finland's gross long-term debt was denominated in U.S.

dollars, 12 per cent in Swiss francs and 11 per cent in deutschemarks. The remainder of the debt was distributed between some 20 other currencies. The average life of credits remained unchanged at 5.2 years.

Drawings of long-term foreign credits were down about a fifth on the previous year and amounted to about 5 500 million marks. Of this amount, Finnish bond issues accounted for about 1 500 million marks. The following 7 Finnish bond issues were floated abroad in 1980:

Republic of Finland	DEM	150 million ¹
Republic of Finland	NLG	75 million
Republic of Finland	JPY	20 000 million
Republic of Finland	JPY	15 000 million
Finnish Export Credit Ltd	USD	50 million
Republic of Finland	CHF	80 million
Industrial Bank of Finland Ltd	DEM	50 million

¹ Floated in December 1979.

Drawings of long-term import credits amounted to about 500 million marks, or about the same amount as in the previous year.

Redemptions of long-term foreign liabilities totalled about 4 300 million marks. Owing to the high level of foreign interest rates, interest expenses on the foreign debt increased by 6 per cent and reached about 3 200 million marks. The weighted average rate of interest on financial loans outstanding rose during 1980 from 9.2 per cent to 9.6 per cent.

Net direct investment by foreign firms in Finland amounted to 104 million marks, or the same amount as in the previous year. At the end of 1980, the total value of net direct investment in Finland amounted to about 2 100 million marks, and there were 926 firms operating in Finland which were more than 20 per cent foreign-owned.

Finland's gross long-term foreign assets increased by 15 per cent and totalled about 7 700 million marks at the end of the year examined. Export credits, the major item in the stock of assets, increased, in net terms, by

about 400 million marks, and amounted to about 3 900 million marks. The stock of financial credits outstanding remained almost unchanged and totalled about 300 million marks, while the stock of development credits outstanding declined further. Part of these credits, 49 million marks, was converted into donations in kind during the year under review, so that the stock of development credits outstanding at the end of the year amounted to 55 million marks.

Direct investment by Finnish firms abroad amounted, in net terms, to 481 million marks in 1980, which was almost the same amount as in the previous year. At the end of 1980, the total value of Finnish direct investment abroad amounted to about 2 800 million marks, and there were 1 052 firms abroad which were more than 20 per cent Finnish-owned.

Short-term capital flows

During the first months of the year, the inflow of short-term capital was fairly insignificant. Only after May did the inflow of short-term capital start to grow rapidly as a consequence of a substantial fall in international interest rates. The new rise in international interest rates had little impact on the import of short-term capital once started; it was maintained by an increase in the trade account deficit in the autumn and by the prepayments made in bilateral trade at the end of the year.

The net inflow of short-term capital in the form of suppliers' credits amounted to about 2 300 million marks. The import of short-term capital by banks intended mainly for the financing of foreign trade amounted to about 3 700 million marks. Of this amount, about 1 300 million marks was used to refinance export receivables, about 1 100 million marks for the financing of imports and about 700 million marks to cover banks' forward exchange purchases.

Measures related to foreign exchange control

In order to improve the monitoring of foreign trade payment flows, the Bank of Finland introduced a uniform foreign trade data system on April 1, 1980. The amendments in the Foreign Exchange Regulations called for by the introduction of this system became effective on the same day.

In October, the Bank of Finland decided to extend the authorized banks' right to sell foreign exchange, mainly for the effecting of certain current payments. In December, the Bank of Finland set the banks quotas for the raising of credits from foreign banks in order to grant credits to importers for the cash payment of imports. This measure was designed to support domestic monetary policy and, at the same time, to enable a more efficient control of the import of short-term capital intermediated by the banks. Both these decisions became effective as from the beginning of 1981.

The validity of the Law on Foreign Exchange was extended until the end of 1985 by an act issued on December 30.

Bilateral payments arrangements

At the end of 1980, Finland had bilateral payments agreements with eight Socialist countries. In accordance with these agreements, accounts were kept with the Soviet Union in clearing roubles, with Bulgaria, the German Democratic Republic, Hungary and Romania in clearing dollars, and with the People's Republic of China in clearing marks. With Czechoslovakia and Poland, the arrangements to keep accounts in freely convertible U.S. dollars were continued.

In accordance with the trade agreement between Finland and the Mongolian People's Republic, payments between these countries were settled in convertible U.S. dollars through accounts kept at the Bank of Finland and the central bank of the Mongolian People's Republic.

In June, the Bank of Finland and the Bank of Foreign Trade of the USSR signed an agreement concerning the recording of payments and accounting, which is connected with the Agreement on the Exchange of Goods and Payments in 1981—1985 between Finland and the USSR.

THE BALANCE SHEET AND THE INCOME STATEMENT OF THE BANK OF FINLAND

The Bank of Finland's end-of-year Balance Sheets for the year under review and the preceding two years are presented in Table 1 of the statistical section of the Year Book. In keeping with the Regulations for the Bank, balance sheets are prepared and published four times a month. The balance sheets for the end of the month are presented in Table 2. The Bank's Income Statements for 1980 and the preceding two years are presented in Table 4. Chart 19 shows the movements of the major items in the Balance Sheet during 1980.

FOREIGN SECTOR

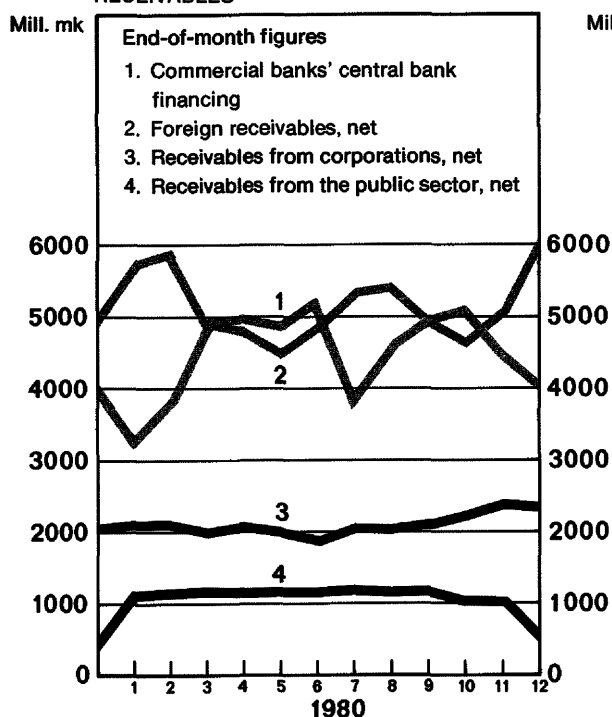
"Net foreign receivables" of the Bank of Finland increased by 1 152 million marks in 1980 and amounted to 6 151 million marks. During the first half of the year, net foreign

receivables reached a peak of 5 957 million marks at the end of February, after which they declined and totalled 4 532 million marks at their lowest at the end of May. Net foreign receivables amounted to 5 470 million marks at the end of August, declining thereafter.

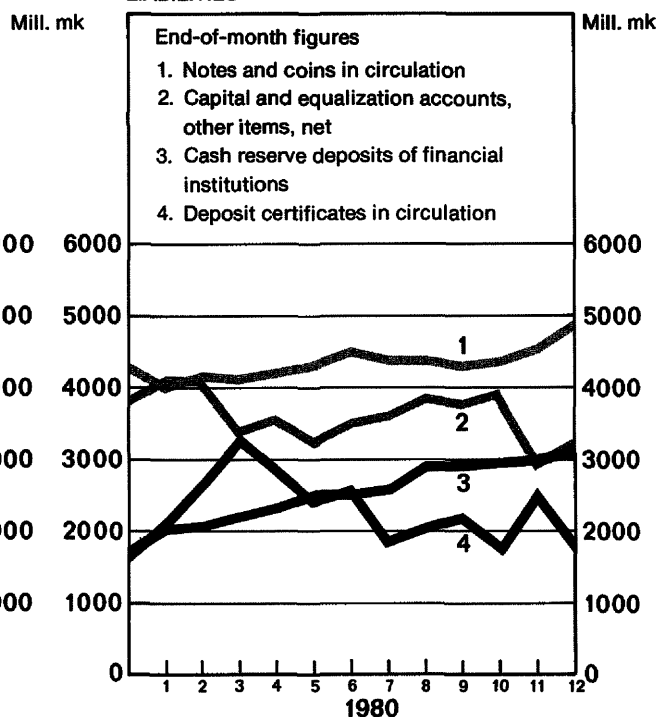
FOREIGN ACCOUNTS, MILL. MARKS

	December 31, 1979	December 31, 1980	Change
Gold	1 073	1 073	—
Special drawing rights	430	397	- 33
IMF reserve tranche	225	380	+ 155
Foreign bonds	1 749	2 125	+ 376
Convertible currencies	2 978	3 841	+ 863
Tied currencies	154	208	+ 54
Gold and foreign exchange receivables	6 609	8 024	+1 415
Mark subscription to Finland's quota in the IMF	1 054	1 540	+ 486
Other foreign receivables	1 054	1 540	+ 486
Total foreign receivables	7 663	9 564	+1 901
Convertible accounts	14	18	+ 4
Tied accounts	832	965	+ 133
Foreign exchange liabilities	846	983	+ 137
IMF mark accounts	1 385	1 864	+ 479
Allocations of special drawing rights	433	566	+ 133
Term liabilities	—	—	—
Other foreign liabilities	1 818	2 430	+ 612
Total foreign liabilities	2 664	3 413	+ 749
Net foreign receivables	4 999	6 151	+1 152

Chart 19.
THE BALANCE SHEET OF THE BANK OF FINLAND
RECEIVABLES



LIABILITIES



Towards the end of the year, net foreign receivables increased sharply owing to a decline in tied foreign exchange liabilities.

The convertible foreign exchange reserves grew by 1 357 million marks during 1980 and amounted to 7 798 million marks at the end of the year. Foreign bonds totalling 1 749 million marks were included in the reserves as from the beginning of the year. Also included in the reserves are gold, special drawing rights, the reserve tranche in the International Monetary Fund and net convertible foreign exchange receivables.

At the end of the year, the tied currency accounts showed a net debt of 757 million marks, which meant an increase of 79 million marks on the end of the previous year.

"Other foreign receivables" of the Bank of

Finland, which comprise only the mark subscription to Finland's quota in the IMF, increased by 486 million marks and amounted to 1 540 million marks. This increase was attributable to the raising of Finland's quota in the IMF. "Other foreign liabilities" of the Bank of Finland grew by 612 million marks to reach 2 430 million marks. Of these, the mark accounts in the IMF increased by 479 million marks as a result of the above-mentioned raising of the quota, and special drawing rights grew by 133 million marks owing to additional allocations.

FINANCIAL INSTITUTIONS

The Bank of Finland's net receivables from financial institutions grew by 116 million marks and amounted to 1 611 million marks at the end of the year. The central bank financing of the commercial banks increased

ACCOUNTS OF FINANCIAL INSTITUTIONS, MILL. MARKS

	December 31, 1979	December 31, 1980	Change
Cheque accounts of the banks	233	481	+ 248
Call money market advances	3 870	3 674	- 196
Till-money credits	—	643	+ 643
Bonds	408	527	+ 119
Other accounts	27	25	- 2
Receivables from financial institutions	4 538	5 350	+ 812
Cheque accounts of the banks	4	1	- 3
Call money market deposits	1 131	290	- 841
Cash reserve deposits	1 764	3 317	+1 553
Capital import deposits	140	108	- 32
Other accounts	4	23	+ 19
Claims of financial institutions	3 043	3 739	+ 696
Net receivables from financial institutions	1 495	1 611	+ 116

by 29 million marks to reach 4 132 million marks. Call money market advances accounted for most of this amount, 3 674 million marks, and base-rate cheque account overdrafts for the remainder, or 458 million marks. Central bank financing rose sharply during the first half of the year, reaching a peak of 5 300 million marks at the end of June. In the early autumn and towards the end of the year, central bank financing fell considerably mainly because of currency flows. On average, central bank financing in 1980 was 2 334 million marks up on the average for the previous year, being almost twice as great.

The quota-related central bank credit of the commercial banks, which is granted exclusively in the form of cheque account overdrafts, increased by 225 million marks and amounted to 458 million marks at the end of the year. On average, central bank credit amounted to 286 million marks more than in 1979.

On the Bank of Finland's call money market, advances to the commercial banks amounted to 3 674 million marks at the end of the year; this was 196 million marks less than at the end of the previous year. Call money market advances to the commercial banks were at their lowest, 2 989 million marks, at the end of January and at their highest, 4 433 million

marks, at the end of June. The commercial banks had no call money market deposits at the end of the year. On average, the commercial banks' call money market advances amounted to 1 907 million marks more and their call money market deposits to 142 million marks less than in the previous year.

In order to cover the difference between call money market advances and deposits, the Bank of Finland placed 3 384 million marks in the call money market at the end of the year; this was 645 million marks more than at the end of 1979. The Bank of Finland's average placement in the call money market was 2 992 million marks up on the average for the previous year.

Total claims of financial institutions on the Bank of Finland grew by 696 million marks and amounted to 3 739 million marks. Of these, call money market deposits declined by 841 million marks and capital import deposits by 32 million marks. Cash reserve deposits, which are based on an agreement concluded between the Bank of Finland and financial institutions in 1979, increased by 1 553 million marks and totalled 3 317 million marks at the end of the year. Of this amount, the commercial banks (excl. Okobank and Skopbank) accounted for 1 162 million marks, the savings banks (incl.

Skopbank) for 981 million marks, the co-operative banks (incl. Okobank) for 767 million marks and Postipankki for 407 million marks. Till-money credits, which the Bank of Finland started to grant to banks in November 1980, totalled 643 million marks at the end of the year. The Bank of Finland's holdings of financial institution bonds increased by 119 million marks and reached 527 million marks at the end of the year.

In addition to receivables and liabilities, financial institutions have contingent liabilities to the Bank of Finland; these have arisen in connection with various financing arrangements. The bills bought by the Bank of Finland, for the repayment of which the banks are liable, include export bills and new-export bills. In the Bank of Finland's Balance Sheet, these are included in receivables from corporations under the heading "Financing of exports". Banks' contingent liabilities also include the guarantees given by them for the repayment of domestic suppliers' credits.

THE PUBLIC SECTOR

The receivables of the Bank of Finland from the public sector increased by 341 million marks and amounted to 1 225 million marks.

In January, the central government drew the remaining 354 million marks of a 700 million mark promissory note loan granted by the Bank of Finland to the central government in 1978. During the latter half of the year, the central government paid redemptions totalling 188 million marks, so that at the end of the year the loan outstanding amounted to 512 million marks. The Bank of Finland's holdings of central government bonds grew by 143 million marks and total coinage by 31 million marks.

Claims of the public sector increased by 204 million marks and totalled 591 million marks. The central government's counter-cyclical reserves grew by 503 million marks owing to a transfer of 500 million marks to the reserves at the end of the year and to the addition of interest accrued on earlier deposits. By contrast, the capital import deposits of the public sector, which totalled 339 million marks at the beginning of the year, were all drawn during the first half of the year. Claims of the public sector include a new item "Counter-cyclical deposits", which the central government started to collect from enterprises as from the beginning of October. At the end of the year, these deposits totalled 37 million marks.

ACCOUNTS OF THE PUBLIC SECTOR, MILL. MARKS

	December 31, 1979	December 31, 1980	Change
Government promissory notes	346	512	+166
Bonds	145	288	+143
Total coinage	372	403	+ 31
Other accounts	21	22	+ 1
Receivables from the public sector	884	1 225	+341
Cheque accounts	2	2	0
Counter-cyclical reserves	42	545	+503
Counter-cyclical deposits	—	37	+ 37
Capital import deposits	339	—	-339
Other accounts	4	7	+ 3
Claims of the public sector	387	591	+204
Net receivables from the public sector	497	634	+137

CORPORATIONS

The receivables of the Bank of Finland from corporations increased by 879 million marks and amounted to 3 399 million marks. Financing of exports, which includes export bills and new-export bills, grew by 272 million marks. Of this amount, short-term export credits accounted for 134 million marks and new-export credits for 138 million marks. Financing of domestic deliveries increased by 609 million marks. The total stock of credits outstanding under these three special financing arrangements grew by 881 million marks to reach 3 063 million marks. Of other receivables, the Bank of Finland's holdings of bonds floated by corporations increased by 15 million

marks, whereas receivables under "Other accounts" declined by 17 million marks.

Claims of corporations on the Bank of Finland increased by 575 million marks and totalled 978 million marks. Deposits for investment and ship purchase grew, in net terms, by 584 million marks to reach 717 million marks, while capital import deposits declined by 171 million marks and amounted to 83 million marks. Claims of corporations include a new item "Export deposits", which have been collected from enterprises from the beginning of June 1980 on the basis of a decision of the Council of State. At the end of the year, these deposits totalled 110 million marks.

ACCOUNTS OF CORPORATIONS, MILL. MARKS

	December 31, 1979	December 31, 1980	Change
Financing of exports	1 230	1 502	+272
Financing of domestic deliveries	952	1 561	+609
Bonds	205	220	+ 15
Other accounts	133	116	- 17
Receivables from corporations	2 520	3 399	+879
Deposits for investment and ship purchase	133	717	+584
Capital import deposits	254	83	-171
Export deposits	—	110	+110
Other accounts	16	68	+ 52
Claims of corporations	403	978	+575
Net receivables from corporations	2 117	2 421	+304

NOTES, COINS AND DEPOSIT CERTIFICATES IN CIRCULATION

Notes and coins in circulation increased by 579 million marks in 1980 and totalled 4 954 million marks at the end of the year. Of this sum, notes accounted for 4 572 million marks and coins for 382 million marks. Notes in the old denomination, amounting to 9 million marks, are included in "Other liabilities" in the Balance Sheet. The increase in the amount of notes and coins in circulation was attributable to the introduction of till-money credits in November and to the repayment of all tax refunds in December.

Deposit certificates in circulation amounted to 1 900 million marks at the end of the year, being 200 million marks up on the end of 1979. Deposit certificates reached a peak of 3 340 million marks at the end of March and a low point of 1 850 million marks at the end of October.

OTHER BALANCE SHEET ITEMS

The Bank's capital accounts, before the addition of the net earnings for the accounting year, amounted to 1 841 million marks, which was 195 million marks less than at the end of the previous year. This decline in the capital ac-

counts was attributable to the net loss recorded for 1979, which was covered out of the Bank's reserve fund.

In keeping with the Regulations for the Bank of Finland, the value of the Bank's holdings of real estate, equipment and shares is not entered into the Bank's Balance Sheet. The Bank of Finland owns the bank premises in Helsinki and in the cities where the Bank has branch offices. In the City of Vantaa, the Bank owns industrial real estate, in which the Bank of Finland Security Printing House operates. The Bank of Finland also holds the majority of the shares of the Mortgage Bank of Finland Oy and Tervakoski Oy (a paper mill manufacturing paper for bank notes and similar purposes). In addition, the Bank of Finland is a shareholder in the Industrialization Fund of Finland Ltd, Sponsor Oy and certain industrial companies. The Bank of Finland also owns the Finnish National Fund for Research and Development (SITRA), founded in 1967.

THE NET BALANCE SHEET OF THE BANK OF FINLAND

The balance-sheet developments examined above are summarized in the net balance sheet of the Bank of Finland presented below by major item.

The financial market eased during 1980 by a total of 1 593 million marks as a result of the increases in net foreign receivables, net receivables from corporations and from the public sector. In contrast, the financial market tightened owing to a total growth of 1 709 million marks in notes, coins and deposit certificates in circulation and in capital accounts and other balance-sheet items. The financial institutions' position vis-à-vis the Bank of Finland tightened as a result of an increase of 116 million marks in the Bank's net receivables from financial institutions.

ITEMS IN THE NET BALANCE SHEET, MILL. MARKS

	December 31, 1979	December 31, 1980	Change
+ Net foreign receivables	4 999	6 151	+1 152
+ Net receivables from financial institutions	1 495	1 611	+ 116
+ Net receivables from corporations	2 117	2 421	+ 304
+ Net receivables from the public sector	497	634	+ 137
= Net receivables together	9 108	10 817	+1 709
+ Deposit certificates in circulation	1 700	1 900	+ 200
+ Notes and coins in circulation	4 375	4 954	+ 579
+ Capital accounts, equalization accounts and other balance sheet items, net	3 033	3 963	+ 930
= Net claims plus capital accounts	9 108	10 817	+1 709

NOTE ISSUE

Ordinary note cover, which includes gold reserves and the Bank's indisputable foreign receivables, increased by 1 252 million marks during 1980 and amounted to 7 681 million marks. Supplementary note cover, which includes coverable domestic bills, grew by 1 136 million marks, reaching at the end of the year the upper limit of 1 500 million marks laid down

in the Regulations for the Bank. Accordingly, the total right of note issue rose by 2 388 million marks. As the used right of note issue, which includes notes in circulation, liabilities payable on demand and unused overdraft facilities, increased by a total of 756 million marks, the note reserve grew by 1 632 million marks and amounted to 3 520 million marks at the end of the year.

RIGHT OF NOTE ISSUE AND ITS USE, MILL. MARKS

	December 31, 1979	December 31, 1980	Change
Ordinary cover	6 429	7 681	+1 252
Supplementary cover	364	1 500	+1 136
Right of note issue	6 793	9 181	+2 388
Notes in circulation	4 020	4 572	+ 552
Liabilities payable on demand	884	1 089	+ 205
Unused overdraft facilities	1	0	- 1
Used right of note issue	4 905	5 661	+ 756
Note reserve	1 888	3 520	+1 632

INCOME STATEMENT

The Income Statement of the Bank of Finland for 1980 is presented in Table 4; all figures are rounded to the nearest million marks. According to the Income Statement, the Bank's interest earnings increased by 705 million marks and totalled 1 494 million marks. Contributory factors to this growth in interest earnings were a rise in the level of domestic and foreign interest rates, a tightening in monetary policy and increases in central bank financing and the stock of outstanding loans granted under special financing arrangements. Of interest earnings, interest on domestic receivables increased by 568 million marks, interest on foreign receivables by 73 million marks and interest on bonds by 64 million marks.

Interest expenses of the Bank of Finland grew by 260 million marks and totalled 615 million marks. This increase in interest expenses was attributable to a growth in domestic claims, mainly cash reserve deposits and deposit certificates, the interest on which increased by 268 million marks. On the other hand, interest and commission on drawn and undrawn foreign claims fell by 8 million marks.

Net interest earnings grew by 445 million

marks, totalling 879 million marks for the year as a whole.

The item "Other earnings" increased by 301 million marks and amounted to 316 million marks. Earnings from agios amounting, in net terms, to 296 million marks accounted for the major part of this increase. In 1979, agios caused losses totalling 443 million marks. The item "Other expenses", excluding agios, declined by 28 million marks, which was attributable to a decline in depreciation from 86 million marks to 43 million marks. 600 million marks was transferred from the Bank's earnings to the equalization accounts.

The Bank of Finland's net earnings for the accounting year amounted to 422 million marks. In keeping with the Regulations for the Bank, the 195 million mark decline in the reserve fund incurred by the net loss for 1979 was first to be covered out of the net earnings. Not less than one-half of the remaining net earnings, or 114 million marks, was to be transferred to the reserve fund. Accordingly, 308 million marks of the net earnings was transferred to the reserve fund in the opening Balance Sheet for 1981. The remaining net earnings, 114 million marks, were transferred to the account of undistributed profits, and their disposal will be decided by Parliament.

THE BANK OF FINLAND AND INTERNATIONAL ORGANIZATIONS

The Bank of Finland acts as an agent for the Government in its relations with the International Monetary Fund (IMF). In addition, the Bank assists the ministries concerned in their relations with the following financial institutions of which Finland is a member: the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association (World Bank Group: IBRD, IFC and IDA). Finland is also a member of the Asian Development Bank (ADB), the African Development Fund (AfDF) and the Inter-American Development Bank (IDB). In accordance with the respective agreements, the Bank of Finland is the Finnish deposit bank for these organizations. The Bank of Finland is a shareholder in the Bank for International Settlements (BIS).

INTERNATIONAL MONETARY FUND (IMF)

Zimbabwe having joined the International Monetary Fund as a new member, the Fund had a total of 141 member countries at the end of 1980. In April 1980, the Executive Board of the Fund decided that China would be represented in the Fund by the People's Republic of China instead of Taiwan. In September, China's membership quota was raised from 550 million SDRs to 1 200 million SDRs.

The total amount of currency purchased from the Fund during 1980 more than doubled from the previous year, amounting to about 3 800 million SDRs. This was attributable to a sharp weakening in the current account positions of developing countries and to the fairly high level of interest rates prevailing in international capital markets. In 1980, the Fund's net lending amounted to about 400 million SDRs, whereas in 1979, the repayments of outstanding credits had exceeded the drawings of new credits by about 2 400 million SDRs. In addition, the developing countries received loans totalling the equivalent of about 1 300 million

SDRs from the Trust Fund administered by the International Monetary Fund.

The seventh increase in the membership quotas of the International Monetary Fund became effective on November 29, 1980, when the required number of member countries had approved the increase proposed in 1978. This increase raised the total of all membership quotas by about 50 per cent to about 60 000 million SDRs. Member countries paid one quarter of their increase in SDRs and the remainder in their own currencies. The Finnish membership quota rose from 262 million SDRs to 393 SDRs, or from the equivalent of nearly 1 300 million marks to about 1 900 million marks.¹ The relative share of the Finnish quota was 0.66 per cent of all quotas.

At the beginning of 1980, the International Monetary Fund allocated 4 000 million new SDRs to the SDR accounts of its member countries. Since 1970, the Fund has allocated

¹ At the end of 1980, the value of one SDR unit in the Balance Sheet of the Bank of Finland was 4.88098 marks.

a total of about 17 400 million SDRs to its member countries. The last additional allocation under the present programme will be effected at the beginning of 1981. The allocations are made in proportion to the membership quotas; in 1981, Finland was allocated 27.2 million SDRs. By the end of 1980, Finland had been allocated a total of 116.0 million SDRs. Special drawing rights are included in the convertible foreign exchange reserves of the Bank of Finland. Part of them were used in the course of the year for the payment of interest expenses and the seventh increase in the membership quota. At the end of the year, Finland's holdings of SDRs totalled 81.3 million units, or the equivalent of 397 million marks.

In auctions held regularly under the Fund's four-year programme of gold sales which was completed in May 1980, the Fund sold one-sixth of its holdings of gold, or a total of 25 million troy ounces. Receipts from the difference between the selling and the acquisition price are to be used for the benefit of the developing countries. These sales brought about 4 600 million U.S. dollars into the Trust Fund. By the end of the year, the developing countries had received from the Trust Fund loans for the equivalent of about 2 600 million SDRs. In connection with this programme of gold sales, the Fund had also reimbursed, up to the end of 1979, one-sixth of its holdings of gold to member countries at the price of 35 SDRs per troy ounce.

The balance-of-payments difficulties encountered by most member countries as a result of the rise in the prices of energy and the developing countries' efforts to reorient the Fund's activities according to their wishes were the major issues at the annual meeting of the International Monetary Fund held in Washington, D.C., between September 30 and October 3, 1980. In particular, it was stated that the financing of the current account deficits of the oil-importing developing countries would make it necessary for the Fund to

take an increasingly active part in the recycling of oil funds.

In 1980, the Fund decided to enlarge member countries' access to balance-of-payments finance from the Fund so that a member country could receive credit up to six times its membership quota. This maximum amount includes the credits granted previously to the same country from the Fund. According to the revised credit policy guidelines, a member country is entitled to draw annually an amount of credits representing 150 per cent of its membership quota. This can take place in three years. Under exceptional circumstances, the annual maximum of drawings may reach 200 per cent of the membership quota. In 1980, the Fund concluded several fairly large long-term credit agreements with its member countries. Most of these credits are likely to be drawn in 1981 and 1982. Although the rise in the membership quotas will increase the Fund's liquid assets, it seems likely that, in 1981, the Fund will have to resort to borrowing, so as to expand its financing facilities.

The Fund has decided to take steps to set up a Subsidy Account, which is designed to facilitate the poorest member countries' payment of interest expenses on credits drawn under the Supplementary Financing Facility. The Fund has also examined prospects for setting up a special food financing facility, a system of additional allocations of SDRs and a link between development finance and SDRs — the SDR Link.

In order to strengthen the position of SDRs in the international foreign exchange and monetary system, the Fund decided to simplify the determination of the value of SDR units and their rate of interest during 1980. As from the beginning of 1981, the value of one SDR unit will be determined on the basis of a basket consisting of the five currencies most important for world trade rather than the basket comprising 16 currencies employed previously. In the new basket, the U.S. dollar accounts for

42 per cent, the deutschemark for 19 per cent, and the Japanese yen, the French franc and the pound sterling for 13 per cent each. The rate of interest on SDRs will be determined on the basis of the current interest rates applied to the same currencies.

Of the total amount of credits granted by the Fund, about 3 800 million SDRs, drawings under the Fund's normal stand-by credit arrangements accounted for about 2 200 million SDRs, those under the Compensatory Financing Facility, intended for smoothing out fluctuations in the export earnings of developing countries, for about 1 000 million SDRs and those under the Extended Fund Facility, set up primarily to meet the needs of the developing countries, for about 600 million SDRs. In addition to its own resources, the Fund used for its lending a total of about 1 200 million SDRs borrowed from funds held under the Supplementary Financing Facility; this amount is included in the drawings mentioned above. By the end of 1980, member countries' total receipts of IMF finance, including all credits under the Fund's credit arrangements and the loans granted by the Trust Fund, amounted to about 11 000 million SDRs. Finland still had unpaid Oil Facility purchases totalling 66.4 million SDRs of its 1975 and 1976 drawings. No repayments were made prematurely in 1979 owing to a favourable balance-of-payments position.

At the end of the year, the total amount of credit agreements approved by the Fund came to about 8 500 million SDRs, while it had averaged about 3 400 million SDRs during the preceding five-year period and come to no more than 1 400 million SDRs at the end of 1979. Undrawn credit agreements amounted to about 6 300 million SDRs at the end of 1980. The clearly expanding role of the International Monetary Fund in financing will not be reflected in an increase in credits until 1981.

Jacques de Larosière of France continued to act as the Fund's Managing Director during

1980. The Nordic Countries were represented on the Fund's Executive Board by Matti Vanhala of Finland until the end of October, when Jón Sigurdsson of Iceland took charge of the Nordic representation. Gísli Blöndal of Iceland continued to act as the alternate of the Nordic representative on the Executive Board.

Prime Minister Mauno Koivisto of Finland was appointed the Nordic Countries' representative on the Fund's Interim Committee for the following two-year period. The Committee acts as an advisory body for the Fund's Board of Governors, in which capacity it follows developments in international foreign exchange markets, deals with the major decisions to be reached by the Fund and submits recommendations on them to the Fund's Executive Board. Finland is represented on the Fund's Board of Governors by Pentti Uusivirta, Member of the Board of Management of the Bank of Finland, with Kari Nars, Director of the Bank of Finland, as his alternate.

THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The Bank for International Settlements, which celebrated its 50th Anniversary in the year under review, acts as the international monetary and foreign exchange policy forum of mainly European central banks for examining and discussing questions of mutual interest. The Bank of Finland has been a shareholder in the Bank for International Settlements since its establishment, accounting for about 2 per cent of the Bank's capital.

In recent years, the Bank for International Settlements has studied the means of avoiding risks arising from the expansion of the Eurocurrency markets. It has helped to intensify regulation by co-ordinating the collection of data on international lending and borrowing and by publishing statistics.

By using a revised method of evaluation for the gold franc, the total of the BIS Balance

Sheet amounted to about 24 400 million gold francs, or about 182 000 million marks, on March 31, 1980. The total of the Balance Sheet for the accounting year was 27.8 per cent up on the previous year.

THE WORLD BANK GROUP (IBRD, IDA, IFC)

During the fiscal year closing on June 30, 1980, the International Bank for Reconstruction and Development (IBRD) granted credit to 48 member countries for 144 projects, up to a total value of about 7 600 million U.S. dollars. The highly subsidized loans granted by the International Development Association to the least-developed countries amounted to about 3 800 million dollars, or about 800 million dollars more than one year earlier. Forty member countries received these loans for the financing of 103 projects. The total value of investment by the International Finance Company in developing countries amounted to about 700 million dollars. Thus, the credits granted by the World Bank Group during the fiscal year totalled less than 12 200 million dollars, or 16.5 per cent of the total amount in 1979. On average, World Bank finance accounted for 30 per cent of the total costs of the projects concerned.

Finland did not acquire any new shares in the IBRD during 1980. At the end of the year, Finland held 1 967 paid-up shares, with a total nominal value of 196.7 million SDRs, being entitled to purchase another 173 shares. On January 14, 1980, the member countries also approved the IBRD's latest proposal to raise its capital by 40 000 million U.S. dollars to 81 000 million U.S. dollars during 1981—1986.

In 1980, Finland made its third and last payment (52 million marks) of the Fifth Replenishment of the IDA's funds. On January 17, 1980, the 33 donor countries of this development organization reached an agreement ac-

ording to which they will increase the organization's financial assets by 12 000 million U.S. dollars in connection with the Sixth Replenishment of the IDA's funds during 1981—1983. Finland's contribution will be 268 million marks.

In the year examined, Finland also paid to the IFC 1.4 million U.S. dollars in contribution to the increase in the Company's capital, which entitled Finland to 1 449 new shares. At the end of 1980, Finland held a total of 2 595 shares and the right to purchase 1 448 additional shares.

Co-financing has expanded vigorously. During the last fiscal year, national development credit institutions, other development finance organizations and commercial banks financed the projects of the World Bank for the equivalent of about 6 500 million U.S. dollars.

In recent years, the activities of the World Bank Group have been characterized by endeavours to create new forms of financing. The IBRD and the IDA have started to grant structural adjustment loans to the developing countries. These loans provide medium-term balance-of-payments finance, which is designed to alleviate the constraints on the implementation of the member countries' investment projects caused by their current account deficits. Co-operation between the International Monetary Fund and the World Bank has recently expanded to a great extent.

The World Bank has also discussed the establishment of a new sub-organization to finance energy investments. The IBRD has also examined the prospects for increasing the Bank's borrowing authorities.

During 1949—1975, the IBRD extended to Finland a total of 18 loans for the equivalent of 316.8 million U.S. dollars. At the end of 1980, Finland's outstanding debt related to 8 of these loans amounted to 189 million marks.

OTHER INTERNATIONAL CO-OPERATION

The Bank of Finland, together with other authorities concerned, continued to take part in the activities of the Organization for Economic Co-operation and Development (OECD), the European Free Trade Association (EFTA), and the Economic Commission for Europe (ECE). The Bank of Finland provided its expertise to the North-South discussions and to several issues of co-operation within GATT, UNCTAD and other organizations which were concerned with the international payments system and capital markets.

After negotiations lasting for a number of years, the member countries of UNCTAD reached an agreement in Geneva on June 28, 1980, on the establishment of a Common Fund for primary commodities. The Common Fund will finance the maintenance of buffer stocks for primary commodities in order to stabilize prices and foster trade in primary commodities. Finland signed the agreement on the establishment of this fund on October 27, 1980, together with Denmark, Norway and Sweden. The agreement will become effective as soon as not less than 90 countries accounting for two thirds of the membership quotas have approved it.

Nordic co-operation continued in the Nordic Central Bank Meetings, the Nordic Government Officials Committee on Finance and

Foreign Exchange Questions appointed by the Nordic Council of Ministers, and in the Nordic Financial Commission (NFU). These meetings dealt with the Nordic Countries' common opinions about issues concerning the International Monetary Fund. The Government Officials Committee prepared a report on Nordic monetary and foreign exchange policies to the Council of Ministers.

The Bank of Finland has taken part in the activities of the Finnish-Soviet Commission for Economic Co-operation between Finland and the CMEA. The representatives of the Bank of Finland participated as observers in the 25th session of the Council of the International Investment Bank (MIB) and the 51st session of the Council of the International Bank for Economic Co-operation (MBES) held in Moscow in April. A meeting of experts dealing with payments and finance problems related to joint ventures by Finland and the Soviet Union in third countries was arranged at the Bank of Finland in September. The Bank of Finland was represented in the negotiations concerning the exchange of goods between Finland and the Soviet Union in 1981 held in Helsinki and Moscow. The Bank of Finland has participated as an expert in the meetings of other Socialist countries' Joint Commissions for the Reciprocal Removal of Obstacles to Trade and for Economic, Scientific and Technical Co-operation.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES IN 1980

- January
- The external value of the mark
- On January 30, the Council of State approved the Bank of Finland's proposal to lower the fluctuation limits for the currency index number. The new upper limit was set at 119.0 and the lower limit at 112.0, as against 121.0 and 114.0, respectively, earlier. The currency index number was left unchanged.
- February
- Interest rate policy
- The general level of interest rates was raised by 0.75 percentage points as from February 1. The base rate applied by the Bank of Finland rose from 8 ½ per cent to 9 ¼ per cent.
- The terms of central bank financing
- On February 1, the Bank of Finland revised the terms of central bank financing. The commercial banks' aggregate base-rate central bank credit quotas were raised from 200 million marks to 1 000 million marks. At the same time, the absolute limits on the commercial banks' call money overdrafts and the right to obtain credit through bond repurchase transactions were rescinded. These were replaced by an arrangement according to which the Bank of Finland would collect progressively increasing supplementary charges on call money overdrafts in excess of certain limits. Like the quotas, the limits on call money borrowing were also determined in terms of monthly averages.
- Cash reserve deposits
- The Bank of Finland raised the reserve requirement based on the cash reserve agreement from 3.2 per cent to 3.4 per cent of the stock of deposits outstanding at the end of February.
- Financing of investments expanding sawmills' use of timber
- On February 27, the Bank of Finland urged the banking institutions to adopt a very reserved attitude towards the granting of credit for the establishment of new sawmills and for expansion investments in the sawmill industry.
- March
- The external value of the mark
- On March 25, the external value of the mark was raised by 2 per cent by lowering the currency index number within its range of fluctuation.
- Cash reserve deposits
- The Bank of Finland raised the reserve requirement based on the cash reserve agreement to 3.6 per cent of the stock of deposits outstanding at the end of March.
- Credit policy
- On March 28, the Bank of Finland revised the credit policy guidelines it had issued to the banking institutions in November 1979.
- April
- Forward exchange markets
- The Bank of Finland decided to cease quoting dollar forward rates and

concluding dollar-denominated forward exchange agreements with the authorized banks as from April 1.

Investment reserves

The Council of State extended, until the end of the year, the Bank of Finland's special authority to limit the investment reserve of an enterprise to not more than 70 per cent of its net profit for the accounting period. Similarly, the Bank Supervisors extended the period on the investment deposits for which the Bank of Finland paid a rate of interest higher than the minimum stipulated by law.

Cash reserve deposits

The Bank of Finland raised the reserve requirement based on the cash reserve agreement to 3.8 per cent of the stock of deposits outstanding at the end of April.

June

The terms of central bank financing

The Bank of Finland tightened the terms governing the commercial banks' central bank financing as from the beginning of June. The aggregate base-rate central bank credit quotas were lowered by 100 million marks to 900 million marks. The call money tranches subject to supplementary interest charges were lowered similarly and the maximum supplementary charge was raised.

Export deposits

On the basis of a decision of the Council of State which became effective on June 1, the collection of export deposits for sawn goods and pulp was started. On June 17, the Bank of Finland decided that the annual rate of interest paid on these deposits would be 3 percentage points lower than the prevailing base rate, although not less than the rate of interest of 5 per cent required by the Export Deposit Act.

Counter-cyclical deposits

On June 11, the Council of State decided that the collection of counter-cyclical deposits would be started as from the beginning of October. These deposits, which were to be made by enterprises at the Bank of Finland, would bear an annual rate of interest of 3 per cent stipulated by law.

July

Cash reserve deposits

The Bank of Finland raised the reserve requirement based on the cash reserve agreement to 4.2 per cent of the stock of deposits outstanding at the end of July.

August

The terms of central bank financing

The Bank of Finland lowered the commercial banks' aggregate central bank credit quotas from 900 million marks to 700 million marks as from the beginning of August. In addition, the coefficients for call money tranches subject to supplementary interest charges were lowered.

October

The terms of central bank financing

The Bank of Finland raised the coefficients for call money tranches as from the beginning of October.

Investment tax

On September 26, the Council of State decided to start the collection of an investment tax as from November 3. On October 7, the Bank of Finland notified the banking institutions of its desire that they would not contribute to the financing of building projects yet to be started which would be subject to investment tax.

Investment reserves

On October 15, the Council of State decided to extend the right to make an investment reserve up to 70 per cent of net profit until the end of March 1981. Similarly, the Bank Supervisors extended the period on the investment deposits for which the Bank of Finland paid a rate of interest higher than the minimum stipulated by law.

November

Credit policy guidelines

On November 7, the Bank of Finland issued new credit policy guidelines to the banking institutions.

Till-money credits

The Bank of Finland decided to start granting interest-free till-money credits to banks as from November 17.

Cash reserve deposits

The Bank of Finland raised the reserve requirement based on the cash reserve agreement to 4.6 per cent of the stock of deposits outstanding at the end of November.

December

The terms of central bank financing

The Bank of Finland lowered the commercial banks' aggregate central bank credit quotas from 700 million marks to 600 million marks as from the beginning of December.

— — — — —

Call money market

In November, the Bank Supervisors decided to extend the Bank of Finland's authority to confirm the call money rate, which formed the basis for call money market operations, as from the beginning of 1981 until further notice.

The terms of central bank financing

At the end of December, the Bank of Finland decided that the central bank credit quotas would be reduced by 10 per cent during January 1981.

TABLES

Table 1.

**THE END-OF-YEAR BALANCE SHEET OF THE BANK OF FINLAND FOR THE YEARS
1978—1980, MILLION MARKS**

ASSETS	1978	1979	1980
Gold	169	1 073	1 073
Special drawing rights	316	430	397
IMF reserve tranche	243	225	380
Foreign bonds	872	1 749	2 125
Convertible currencies	3 126	2 978	3 841
Tied currencies	485	154	208
Gold and foreign exchange receivables	5 211	6 609	8 024
Mark subscription to Finland's quota in the IMF	1 096	1 054	1 540
Other foreign receivables	1 096	1 054	1 540
Banks' cheque accounts	137	233	481
Discounted bills	970	—	—
Call money market advances	2 213	3 870	3 674
Till-money credits	—	—	643
Bonds	361	408	527
Other financial institution receivables	14	27	25
Receivables from financial institutions	3 695	4 538	5 350
Government promissory notes	188	346	512
Bonds	93	145	288
Total coinage	336	372	403
Other public sector receivables	16	21	22
Receivables from the public sector	633	884	1 225
Financing of exports	904	1 230	1 502
Financing of domestic deliveries	752	952	1 561
Bonds	207	205	220
Other corporate receivables	85	133	116
Receivables from corporations	1 948	2 520	3 399
Other assets	64	73	80
TOTAL	12 647	15 678	19 618

LIABILITIES	1978	1979	1980
Convertible accounts	46	14	18
Tied accounts	14	832	965
Foreign exchange liabilities	60	846	983
IMF mark accounts	1 881	1 385	1 864
Allocations of special drawing rights	314	433	566
Term liabilities	—	—	—
Other foreign liabilities	2 195	1 818	2 430
Notes	3 509	4 020	4 572
Coins	313	355	382
Notes and coins in circulation	3 822	4 375	4 954
Deposit certificates in circulation	1 090	1 700	1 900
Banks' cheque accounts	2	4	1
Call money market deposits	2 075	1 131	290
Cash reserve deposits	—	1 764	3 317
Capital import deposits	405	140	108
Other financial institution claims	38	4	23
Claims of financial institutions	2 520	3 043	3 739
Cheque accounts	2	2	2
Counter-cyclical reserves	40	42	545
Counter-cyclical deposits	—	—	37
Capital import deposits	70	339	—
Other public sector claims	2	4	7
Claims of the public sector	114	387	591
Deposits for investment and ship purchase	32	133	717
Capital import deposits	303	254	83
Export deposits	—	—	110
Other corporate claims	21	16	68
Claims of corporations	356	403	978
Other liabilities	12	13	13
Equalization accounts	350	1 252	1 767
Primary capital	1 400	1 400	1 400
Reserve fund	545	636	441
Net earnings for the accounting year	183	—195	422
Capital accounts	2 128	1 841	2 263
TOTAL	12 647	15 678	19 618

Table 2.

**THE MONTHLY BALANCE SHEET OF THE BANK OF FINLAND IN 1980,
MILLION MARKS**

ASSETS	I	II	III
Gold	1 073	1 073	1 073
Special drawing rights	563	566	576
IMF reserve tranche	225	225	225
Foreign bonds	1 829	2 020	1 972
Convertible currencies	3 481	3 690	3 353
Tied currencies	149	140	147
Gold and foreign exchange receivables	7 320	7 714	7 346
Mark subscription to Finland's quota in the IMF	1 054	1 054	1 054
Other foreign receivables	1 054	1 054	1 054
Banks' cheque accounts	376	911	838
Call money market advances	2 989	3 005	4 155
Till-money credits	—	—	—
Bonds	402	405	403
Other financial institution receivables	39	39	63
Receivables from financial institutions	3 806	4 360	5 459
Government promissory notes	700	700	700
Bonds	153	164	180
Total coinage	375	377	379
Other public sector receivables	26	24	21
Receivables from the public sector	1 254	1 265	1 280
Financing of exports	1 189	1 216	1 186
Financing of domestic deliveries	1 035	1 101	1 119
Bonds	201	200	193
Other corporate receivables	135	128	119
Receivables from corporations	2 560	2 645	2 617
Other assets	73	74	74
TOTAL	16 067	17 112	17 830

IV	V	VI	VII	VIII	IX	X	XI	XII
1 073	1 073	1 073	1 073	1 073	1 073	1 073	1 073	1 073
576	570	570	570	564	563	563	557	397
225	225	225	225	225	215	215	215	380
1 976	1 976	2 017	2 049	2 071	2 088	2 077	2 082	2 125
3 352	3 528	3 948	4 191	4 103	3 830	3 834	3 964	3 841
158	69	84	82	86	113	156	159	208
7 360	7 441	7 917	8 190	8 122	7 882	7 918	8 050	8 024
1 054	1 054	1 054	1 054	1 054	1 045	1 045	1 045	1 540
1 054	1 054	1 054	1 054	1 054	1 045	1 045	1 045	1 540
1 081	980	877	919	751	726	764	706	481
3 950	3 981	4 433	3 047	3 968	4 307	4 410	3 861	3 674
—	—	—	—	—	—	—	478	643
399	411	400	408	424	447	492	507	527
54	45	42	49	53	35	34	33	25
5 484	5 417	5 752	4 423	5 196	5 515	5 700	5 585	5 350
700	700	700	700	650	650	512	512	512
168	173	170	196	220	241	255	272	288
381	384	386	386	389	392	396	400	403
18	7	1	3	2	1	2	1	22
1 267	1 264	1 257	1 285	1 261	1 284	1 165	1 185	1 225
1 200	1 126	1 202	1 299	1 268	1 375	1 468	1 528	1 502
1 188	1 207	1 207	1 362	1 372	1 400	1 458	1 518	1 561
190	194	187	186	223	230	226	225	220
125	130	136	138	115	113	113	111	116
2 703	2 657	2 732	2 985	2 978	3 118	3 265	3 382	3 399
75	75	76	76	77	77	78	78	80
17 943	17 908	18 788	18 013	18 688	18 921	19 171	19 325	19 618

Table 2. (Cont.)

LIABILITIES	I	II	III
Convertible accounts	18	20	23
Tied accounts	611	840	1 463
Foreign exchange liabilities	629	860	1 486
IMF mark accounts	1 385	1 385	1 385
Allocations of special drawing rights	566	566	566
Term liabilities	—	—	—
Other foreign liabilities	1 951	1 951	1 951
Notes	3 703	3 888	3 816
Coins	344	345	347
Notes and coins in circulation	4 047	4 233	4 163
Deposit certificates in circulation	2 200	2 740	3 340
Banks' cheque accounts	1	1	2
Call money market deposits	1 376	1 370	592
Cash reserve deposits	2 095	2 123	2 267
Capital import deposits	139	125	148
Other financial institution claims	7	4	11
Claims of financial institutions	3 618	3 623	3 020
Cheque accounts	1	0	1
Counter-cyclical reserves	42	42	42
Counter-cyclical deposits	—	—	—
Capital import deposits	18	18	17
Other public sector claims	7	0	3
Claims of the public sector	68	60	63
Deposits for investment and ship purchase	137	144	207
Capital import deposits	254	329	337
Export deposits	—	—	—
Other corporate claims	7	4	2
Claims of corporations	398	477	546
Other liabilities	14	13	13
Equalization accounts	1 296	1 306	1 388
Primary capital	1 400	1 400	1 400
Reserve fund	441	441	441
Net earnings	5	8	19
Capital accounts	1 846	1 849	1 860
TOTAL	16 067	17 112	17 830

IV	V	VI	VII	VIII	IX	X	XI	XII
27	18	36	43	33	34	23	15	18
1 590	2 015	2 080	1 869	1 742	1 960	2 302	2 006	965
1 617	2 033	2 116	1 912	1 775	1 994	2 325	2 021	983
1 385	1 365	1 365	1 365	1 365	1 365	1 365	1 365	1 864
566	566	566	566	566	566	566	566	566
1 951	1 931	1 931	1 931	1 931	1 931	1 931	1 931	2 430
3 931	4 039	4 215	4 104	4 086	4 004	4 083	4 247	4 572
350	350	357	362	363	362	364	367	382
4 281	4 389	4 572	4 466	4 449	4 366	4 447	4 614	4 954
2 940	2 490	2 640	1 940	2 100	2 250	1 850	2 600	1 900
49	2	1	4	1	4	2	1	1
519	245	502	475	780	525	595	30	290
2 396	2 562	2 591	2 649	2 989	2 982	3 006	3 022	3 317
223	176	136	292	205	182	168	203	108
6	8	21	20	25	30	36	48	23
3 193	2 993	3 251	3 440	4 000	3 723	3 807	3 304	3 739
9	1	0	1	0	0	1	1	2
42	42	42	42	42	42	42	42	545
—	—	—	—	—	—	—	19	37
—	—	—	—	—	—	—	—	—
2	2	1	0	1	1	0	12	7
53	45	43	43	43	43	43	74	591
230	267	470	530	572	635	684	693	717
329	325	321	323	260	261	181	116	83
—	—	—	2	17	48	70	88	110
3	5	3	7	5	6	25	13	68
562	597	794	862	854	950	960	910	978
13	14	21	15	14	14	13	14	13
1 462	1 511	1 488	1 432	1 516	1 618	1 704	1 718	1 767
1 400	1 400	1 400	1 400	1 400	1 400	1 400	1 400	1 400
441	441	441	441	441	441	441	441	441
30	64	91	131	165	191	250	298	422
1 871	1 905	1 932	1 972	2 006	2 032	2 091	2 139	2 263
17 943	17 908	18 788	18 013	18 688	18 921	19 171	19 325	19 618

Table 3.

CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES AT THE END OF THE YEAR, 1978—1980, MILLION MARKS

	1978	1979	1980
Gold	169	1 073	1 073
Special drawing rights	316	430	397
IMF reserve tranche	243	225	380
Foreign bonds	872	1 749	2 125
Convertible currencies			
Receivables	3 126	2 978	3 841
Liabilities	- 46	- 14	- 18
Convertible foreign exchange reserves	4 680	6 441	7 798
Tied currencies			
Receivables	485	154	208
Liabilities	- 14	- 832	- 965
Tied foreign exchange reserves	471	- 678	- 757

Table 4.

THE INCOME STATEMENT OF THE BANK OF FINLAND, 1978—1980, MILLION MARKS

	1978	1979	1980
Interest on domestic receivables	309	248	816
Interest on foreign receivables	190	360	433
Interest on domestic bonds	73	63	87
Interest on foreign bonds	54	118	158
Interest earnings	626	789	1 494
Interest on domestic claims	78	294	562
Interest and commission on drawn and undrawn foreign claims	159	61	53
Interest expenses	237	355	615
Interest earnings, net	389	434	879
Commissions	2	2	2
Agio	—	—	296
Other earnings	16	13	18
Other earnings	18	15	316
Salaries	42	49	57
Social security contributions	4	3	4
Pensions	13	15	17
Printing of bank notes	32	31	34
Depreciation	143	86	43
Agio	56	443	—
Other expenses	14	17	18
Other expenses	304	644	173
Transfer from equalization accounts	80	—	- 600
NET EARNINGS FOR THE ACCOUNTING YEAR	183	- 195	422

Table 5.

INTEREST RATES APPLIED BY THE BANK OF FINLAND IN 1969—1980, PER CENT

From	Base rate of the Bank of Finland	Range of discount rates		Upper limit on call money rate
		Minimum	Maximum	
Dec. 12, 1969	7	6	9	.
June 1, 1971	8 ½	6	9	.
Jan. 1, 1972	7 ¾	6	9	.
July 1, 1973	9 ¼	7 ½	10 ½	.
Sept. 1, 1975	9 ¼	7 ½	10 ½	30
June 1, 1976	9 ¼	7 ½	10 ½	25
Oct. 1, 1977	8 ¼	6 ½	9 ½	25
Jan. 1, 1978	8 ¼	6 ½	9 ½	24
May 1, 1978	7 ¼	5 ½	8 ½	23
Nov. 1, 1979	8 ½	6 ¾	9 ¾	24
Feb. 1, 1980	9 ¼	7 ½	10 ½	24 ¾

Table 6.

INTERNAL CLEARING OPERATIONS: NUMBER AND VALUE OF BANK BILLS, CHEQUES AND TRANSFERS BETWEEN ACCOUNTS IN 1978—1980

Year and month	Head office		Branch offices		Total	
	Number, in thousands	Value, in million marks	Number, in thousands	Value, in million marks	Number, in thousands	Value, in million marks
1978	29 615	185 405	13 413	39 706	43 028	225 111
1979	37 791	222 362	10 933	35 019	48 724	257 381
1980	50 734	267 351	5 166	23 996	55 900	291 347
1980						
January	3 755	17 722	616	2 601	4 371	20 323
February	3 334	16 480	439	1 991	3 773	18 471
March	3 450	20 670	434	1 893	3 884	22 563
April	3 767	21 251	462	1 912	4 229	23 163
May	4 048	21 538	430	1 920	4 478	23 458
June	4 581	23 264	401	1 954	4 982	25 218
July	6 071	25 043	426	2 165	6 497	27 208
August	3 886	21 667	370	1 808	4 256	23 475
September	4 005	23 537	393	1 949	4 398	25 486
October	4 342	26 149	388	2 022	4 730	28 171
November	4 204	22 781	358	1 786	4 562	24 567
December	5 291	27 249	449	1 995	5 740	29 244

Table 7.

COMMERCIAL BANKS' CENTRAL BANK FINANCING, ITS BREAKDOWN AND COST IN 1975—1980¹

Year and month	Total central bank financing Mill. mk	Central bank credit Mill. mk	Call money market advances to the commercial banks Mill. mk	Call money market deposits by the commercial banks Mill. mk	Transactions in bonds with repurchase obligation ³ Mill. mk	Total cost of central bank financing Per cent
1975	4 000.2	3 527.8	593.7 ²	125.1	3.8	12.10
1976	4 001.3	3 255.0	859.2	123.9	11.0	12.38
1977	3 913.6	2 874.7	1 241.4	273.2	70.7	11.82
1978	3 573.2	1 931.4	1 772.2	178.7	48.3	8.88
1979	2 628.9	496.4	2 271.9	141.9	2.5	8.99
1980	4 963.3	782.2	4 179.0	0.3	2.4	12.37
1980						
January	4 471.2	199.2	4 246.9	3.8	28.9	11.79
February	4 093.8	997.8	3 096.3	0.3	—	10.18
March	4 580.1	999.3	3 580.8	—	—	11.19
April	5 156.3	999.5	4 156.8	—	—	11.62
May	5 215.5	999.2	4 216.3	—	—	12.01
June	5 733.6	899.0	4 834.6	—	—	12.50
July	4 984.1	899.4	4 084.7	—	—	12.18
August	4 456.0	698.9	3 757.1	—	—	13.06
September	5 529.6	699.2	4 830.4	—	—	13.93
October	5 499.7	699.3	4 800.4	—	—	13.31
November	5 023.9	698.2	4 325.7	—	—	12.60
December	4 815.7	597.3	4 218.4	—	—	13.43

¹ Annual and monthly averages calculated on the basis of daily figures.

² Including commercial banks' deposits with Postipankki.

³ The sale of bonds with repurchase obligation was discontinued as from February 1, 1980.

Table 8.

BANK OF FINLAND CALL MONEY MARKET IN 1975—1980¹

Year and month	Demand for advances	Supply of deposits		Bank of Finland's net placement in the market Mill. mk	Call money rate ³ Per cent	Call money rate after equalization of rates Per cent
	Commercial banks Mill. mk	Commercial banks Mill. mk	Posti-pankki Mill. mk			
1975 ²	615.7	376.6	—	239.1	26.80	—
1976	859.2	123.9	656.4	78.9	18.39	—
1977	1 241.4	273.2	819.2	149.0	17.24	15.72
1978	1 772.2	178.7	1 503.3	90.2	11.99	10.78
1979	2 271.9	141.9	1 808.9	321.1	9.74	9.31
1980	4 179.0	0.3	865.9	3 312.8	12.38	12.06
1980						
January	4 246.9	3.8	1 844.4	2 398.7	12.70	11.80
February	3 096.3	0.3	2 028.2	1 067.8	11.14	10.52
March	3 580.8	—	1 200.1	2 380.7	11.97	11.52
April	4 156.8	—	952.5	3 204.3	12.36	12.00
May	4 216.3	—	413.8	3 802.5	12.49	12.33
June	4 834.6	—	603.6	4 231.0	12.50	12.30
July	4 084.7	—	436.6	3 648.1	12.50	12.32
August	3 757.1	—	575.7	3 181.4	12.50	12.25
September	4 830.4	—	724.4	4 106.0	12.50	12.26
October	4 800.4	—	790.8	4 009.6	12.50	12.23
November	4 325.7	—	462.2	3 863.5	12.50	12.32
December	4 218.4	—	358.5	3 859.9	12.50	12.36

¹ Annual and monthly averages calculated on the basis of daily figures.

² Average calculated on the basis of daily figures for the four-month period Sept. 1, 1975 to Dec. 31, 1975.

³ Supplementary charges, which as from February 1980 were levied in addition to the call money rate, have not been included in this series.

Table 9.

NOTE ISSUE IN 1975—1980, MILLION MARKS

Date	Right of note issue			Used right of note issue			Note reserve	
	Ordinary cover	Supplementary cover	Total	Notes in circulation	Liabilities payable on demand	Undrawn cheque credits		Total
Dec. 31, 1975	2 282	1 500	3 782	2 617	229	2	2 848	934
1976	2 307	1 500	3 807	2 635	131	1	2 767	1 040
1977	2 691	1 500	4 191	2 892	232	2	3 126	1 065
1978	4 749	967	5 716	3 509	134	2	3 645	2 071
1979	6 429	364	6 793	4 020	884	1	4 905	1 888
1980	7 681	1 500	9 181	4 572	1 089	0	5 661	3 520
1980								
Jan. 31	6 808	1 500	8 308	3 704	658	1	4 363	3 945
Feb. 29	7 180	1 500	8 680	3 888	882	1	4 771	3 909
March 31	6 848	1 500	8 348	3 816	1 514	0	5 330	3 018
April 30	6 842	1 500	8 342	3 931	1 698	1	5 630	2 712
May 30	6 909	1 500	8 409	4 039	2 062	2	6 103	2 306
June 30	7 395	1 500	8 895	4 215	2 162	—	6 377	2 518
July 31	7 713	1 500	9 213	4 104	1 959	0	6 063	3 150
Aug. 29	7 660	1 500	9 160	4 087	1 820	0	5 907	3 253
Sept. 30	7 470	1 500	8 970	4 004	2 048	2	6 054	2 916
Oct. 31	7 566	1 500	9 066	4 083	2 402	1	6 486	2 580
Nov. 28	7 718	1 500	9 218	4 247	2 096	1	6 344	2 874
Dec. 31	7 681	1 500	9 181	4 572	1 089	0	5 661	3 520

Table 10.

**NOTES AND COINS IN CIRCULATION AT THE END OF THE YEAR, 1975—1980,
MILLION MARKS**

Denomination	1975	1976	1977	1978	1979	1980
NOTES						
NEW						
500 mk	163.1	408.5	574.1	853.3	1 109.3	1 364.6
100 »	1 788.4	1 573.0	1 647.2	1 924.6	2 136.6	2 377.3
50 »	362.6	354.8	361.6	388.4	406.9	435.5
10 »	239.8	235.5	243.0	268.6	287.6	307.3
5 »	56.6	57.9	60.5	68.5	72.0	80.8
1 »	6.3	5.7	5.6	5.7	7.5	6.3
Total	2 616.8	2 635.4	2 892.0	3 509.1	4 019.9	4 571.8
OLD						
10 000—100 omk	8.2	8.2	8.2	8.2	8.2	8.2
50—5 »	1.2	1.2	1.2	1.2	1.2	1.2
Total	9.4	9.4	9.4	9.4	9.4	9.4
Grand total	2 626.2	2 644.8	2 901.4	3 518.5	4 029.3	4 581.2
COINS						
NEW						
25 mk	—	—	—	12.5	19.8	19.9
10 »	34.9	35.0	39.1	39.1	39.2	39.2
5 »	14.4	15.7	17.5	18.6	24.5	26.9
1 »	107.2	112.5	123.3	139.2	157.8	174.6
50 p	27.4	28.4	31.3	33.6	38.2	41.0
20 »	20.7	22.3	24.7	27.2	30.3	34.4
10 »	12.2	13.0	14.1	15.5	17.4	18.8
5 »	11.1	11.7	12.9	14.5	15.7	16.8
1 »	10.4	10.9	11.7	12.4	12.5	10.1
Total	238.3	249.5	274.6	312.6	355.4	381.7
OLD						
1 000—1 omk	15.2	15.2	15.2	15.2	15.2	15.2
50—1 op	0.5	0.5	0.5	0.5	0.5	0.5
Total	15.7	15.7	15.7	15.7	15.7	15.7
Grand total	254.0	265.2	290.3	328.3	371.1	397.4

Table 11.

PRINTING AND DESTRUCTION OF NOTES IN 1975—1980, MILLION MARKS

Notes printed	1975	1976	1977	1978	1979	1980
NOTES						
NEW						
500 mk	171.0	969.0	—	3 000.0	—	2 917.0
100 »	1 192.0	1 192.0	916.0	1 884.0	1 408.0	3 144.0
50 »	345.0	523.5	910.5	766.0	2 188.0	—
10 »	606.4	483.2	542.4	749.2	285.2	939.2
5 »	156.0	194.6	211.0	266.5	229.0	305.8
1 »	—	—	1.0	—	5.2	—
Total	2 470.4	3 362.3	2 580.9	6 665.7	4 115.4	7 306.0
In millions	110.9	111.5	124.8	168.4	137.4	192.3
Notes cancelled						
NOTES						
NEW						
500 mk	—	40.5	94.5	122.0	777.0	172.4
100 »	465.0	1 165.0	1 225.0	1 375.0	1 430.0	1 045.0
50 »	332.5	569.9	465.1	562.4	570.1	467.5
10 »	458.0	545.0	530.0	582.0	572.0	489.4
5 »	163.0	205.0	216.8	227.2	222.7	238.6
1 »	6.3	2.0	0.8	0.6	0.3	0.8
Total	1 424.8	2 527.4	2 532.2	2 869.2	3 572.1	2 413.7
In millions	96.0	120.6	118.8	129.5	129.3	117.6
OLD						
Total	0.1	0.0	0.0	0.0	—	0.0
In millions	0.0	0.0	0.0	0.0	—	0.0
Grand total	1 424.9	2 527.4	2 532.2	2 869.2	3 572.1	2 413.7
In millions	96.0	120.6	118.8	129.5	129.3	117.6

Table 12.

NOTES AND COINS IN 1980, MILLION MARKS

	Total issue Dec. 31, 1979	Issued in 1980	Destroyed in 1980	Total issue Dec. 31, 1980	Held by the Bank of Finland Dec. 31, 1980	In circulation Dec. 31, 1980
NOTES						
NEW						
500 mk	3 106.0	2 917.0	172.4	5 850.6	4 486.0	1 364.6
100 »	3 443.2	3 144.0	1 045.0	5 542.2	3 164.9	2 377.3
50 »	2 907.5	—	467.5	2 440.0	2 004.5	435.5
10 »	476.9	939.2	489.4	926.7	619.4	307.3
5 »	160.4	305.8	238.6	227.6	146.8	80.8
1 »	11.4	—	0.8	10.6	4.3	6.3
Total	10 105.4	7 306.0	2 413.7	14 997.7	10 425.9	4 571.8
In millions	190.0	192.3	117.6	264.7	176.3	88.4
OLD						
Total	9.4	—	0.0	9.4	—	9.4
In millions	11.5	—	0.0	11.5	—	11.5
Grand total	10 114.8	7 306.0	2 413.7	15 007.1	10 425.9	4 581.2
In millions	201.5	192.3	117.6	276.2	176.3	99.9
COINS						
NEW						
25 mk	20.0	—	—	20.0	0.1	19.9
10 »	39.3	—	—	39.3	0.1	39.2
5 »	28.7	2.5	0.5	30.7	3.8	26.9
1 »	160.4	19.3	0.1	179.6	5.0	174.6
50 p	45.6	2.7	0.0	48.3	7.3	41.0
20 »	30.7	4.0	0.0	34.7	0.3	34.4
10 »	17.7	2.4	0.0	20.1	1.3	18.8
5 »	17.1	3.0	0.0	20.1	3.3	16.8
1 »	12.9	—	2.3	10.6	0.5	10.1
Total	372.4	33.9	2.9	403.4	21.7	381.7
OLD						
1 000—100 omk	15.2	—	0.0	15.2	0.0	15.2
50 omk—1 op	0.5	—	0.0	0.5	0.0	0.5
Total	15.7	—	0.0	15.7	0.0	15.7
Grand total	388.1	33.9	2.9	419.1	21.7	397.4

Table 13.

FOREIGN EXCHANGE: SPOT SELLING RATES IN 1975—1980, MARKS

Currency	1975			1976			1977		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.958	3.679	3.465	3.929	3.864	3.776	4.216	4.029	3.760
1£, London	8.540	8.155	7.800	7.820	6.983	6.070	7.705	7.042	6.415
1 Ir £, Dublin									
100 Skr, Stockholm	90.90	88.80	86.30	91.90	88.86	87.10	94.25	90.21	86.10
100 Nkr, Oslo	72.70	70.59	68.40	73.50	70.95	69.20	79.50	75.83	71.90
100 Dkr, Copenhagen	65.80	64.21	62.40	66.25	64.04	62.10	70.10	67.23	64.50
100 DM, Frankf. o.M.	152.30	149.80	146.70	161.20	153.78	147.36	193.85	174.15	158.35
100 Hfl, Amsterdam	149.05	145.73	141.90	154.00	146.42	142.20	178.60	164.59	151.20
100 FB, Brussels ¹	10.300	10.033	9.710	10.530	10.030	9.740	12.330	11.277	10.340
100 Sfr, Zurich	148.00	142.64	138.00	163.90	154.86	147.30	202.80	168.70	148.50
100 FF, Paris	89.30	86.00	80.60	86.45	81.09	76.10	87.00	82.16	76.40
100 Lit, Rome	0.5770	0.5650	0.5480	0.567	0.468	0.417	0.482	0.459	0.430
100 ÖS, Vienna	21.50	21.18	20.80	22.68	21.59	20.84	27.00	24.47	22.28
100 Y, Tokyo	1.308	1.244	1.175	1.364	1.307	1.258	1.755	1.512	1.290
1 Rbl, Moscow, clearing	5.386	5.093	4.760	5.197	5.125	5.053	5.865	5.475	5.067
1 special drawing right (SDR)	4.59305	4.45230	4.32164	4.50899	4.45099	4.37684	4.99043	4.69556	4.37250

¹ Since September 12, 1972, the Bank of Finland has quoted both a commercial and a financial rate for the Belgian franc. The commercial rate has been used in the calculations.

Currency	1978			1979			1980		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.327	4.117	3.772	4.033	3.896	3.711	3.941	3.730	3.604
1£, London	8.215	7.917	7.700	8.915	8.275	7.895	9.290	8.691	8.245
1 Ir £, Dublin ¹				8.088	7.956	7.839	8.000	7.689	7.255
100 Skr, Stockholm	93.50	91.43	85.80	92.10	91.12	89.60	89.75	88.43	87.45
100 Nkr, Oslo	81.60	78.93	77.90	79.25	77.22	75.00	77.40	75.81	75.00
100 Dkr, Copenhagen	79.20	75.06	69.30	78.00	74.38	69.55	69.80	66.53	63.75
100 DM, Frankf. o.M.	219.20	205.53	188.90	216.70	212.75	209.20	216.14	205.58	194.45
100 Hfl, Amsterdam	202.80	190.77	176.10	200.00	194.43	189.40	195.95	188.02	179.20
100 FB, Brussels	14.020	13.152	12.220	13.740	13.338	13.010	13.330	12.818	12.133
100 Sfr, Zurich	274.40	231.83	199.00	242.70	234.36	227.40	235.65	222.87	210.60
100 FF, Paris	96.10	91.77	81.00	94.70	91.88	89.70	92.55	88.65	84.40
100 Lit, Rome	0.504	0.489	0.463	0.480	0.473	0.458	0.465	0.440	0.414
100 ÖS, Vienna	29.95	28.45	26.35	30.13	29.19	28.44	30.12	28.90	27.45
100 Y, Tokyo	2.253	1.983	1.658	2.035	1.797	1.503	1.898	1.662	1.515
1 Rbl, Moscow, clearing	6.185	6.037	5.601	6.081	5.941	5.711	5.992	5.741	5.603
1 special drawing right (SDR)	5.27229	5.13633	4.81488	5.12720	5.01678	4.87141	4.95537	4.84255	4.79084

¹ Quoted since July 1, 1979.

Table 14.

FOREIGN EXCHANGE: SPOT SELLING RATES IN 1980, MARKS

Currency	January			February			March		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.719	3.703	3.684	3.767	3.724	3.705	3.930	3.858	3.785
1 C \$, Montreal	3.204	3.184	3.156	3.293	3.224	3.193	3.365	3.297	3.232
1 £, London	8.495	8.396	8.245	8.600	8.546	8.475	8.631	8.533	8.450
1 Ir £, Dublin	8.000	7.955	7.935	7.938	7.909	7.880	7.874	7.762	7.593
100 Skr, Stockholm	89.70	89.55	89.40	89.70	89.58	89.50	89.75	89.13	87.50
100 Nkr, Oslo	76.30	75.69	75.35	77.00	76.56	76.30	77.40	76.75	75.75
100 Dkr, Copenhagen	69.80	69.07	68.60	68.80	68.59	68.50	68.55	67.23	64.95
100 DM, Frankf. o.M.	216.14	214.92	213.75	213.85	213.33	212.75	212.80	209.01	201.00
100 Hfl, Amsterdam	195.95	194.75	193.70	194.20	193.54	193.00	193.55	190.53	183.80
100 FB, Brussels									
commercial rate	13.330	13.265	13.200	13.210	13.176	13.150	13.150	12.950	12.570
financial rate	12.950	12.885	12.820	12.900	12.850	12.750	12.830	12.536	12.170
100 Sfr, Zurich	235.65	232.60	228.75	230.10	227.68	223.45	222.05	219.46	212.45
100 FF, Paris	92.55	92.00	91.60	91.45	91.24	90.80	90.90	89.87	87.45
100 Lit, Rome	0.465	0.464	0.464	0.464	0.464	0.464	0.464	0.454	0.439
100 ÖS, Vienna	30.12	29.93	29.78	29.83	29.78	29.72	29.77	29.22	28.09
100 Esc., Lisbon	7.63	7.58	7.56	8.02	7.83	7.53	7.97	7.91	7.74
100 lkr, Reykjavik	0.96	0.95	0.95	0.95	0.94	0.90	0.98	0.95	0.93
100 Ptas, Madrid	5.65	5.64	5.62	5.66	5.63	5.59	5.69	5.62	5.43
100 Y, Tokyo	1.590	1.567	1.550	1.560	1.536	1.515	1.588	1.562	1.530
1 Rbl, Moscow, clearing	5.813	5.788	5.759	5.857	5.818	5.792	5.975	5.896	5.804
1 special drawing right (SDR)	4.88629	4.87740	4.87147	4.89957	4.87848	4.86970	4.95537	4.91088	4.84978

Currency	April			May			June		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.941	3.823	3.724	3.735	3.699	3.649	3.675	3.653	3.637
1 C \$, Montreal	3.322	3.229	3.140	3.198	3.159	3.122	3.185	3.174	3.162
1 £, London	8.585	8.482	8.402	8.685	8.541	8.470	8.631	8.553	8.500
1 Ir £, Dublin	7.720	7.650	7.514	7.715	7.688	7.640	7.790	7.731	7.675
100 Skr, Stockholm	88.55	87.85	87.45	88.55	88.07	87.85	88.00	87.92	87.85
100 Nkr, Oslo	76.00	75.78	75.55	75.80	75.65	75.50	75.60	75.54	75.50
100 Dkr, Copenhagen	66.75	65.85	64.65	66.65	66.35	66.00	67.05	66.83	66.40
100 DM, Frankf. o.M.	208.35	204.42	199.75	207.45	206.72	206.10	207.60	206.83	206.20
100 Hfl, Amsterdam	188.55	186.33	182.80	188.70	187.78	186.65	189.70	188.63	187.70
100 FB, Brussels									
commercial rate	13.040	12.764	12.500	12.950	12.908	12.850	12.970	12.952	12.920
financial rate	12.800	12.419	12.060	12.830	12.675	12.560	12.910	12.842	12.800
100 Sfr, Zurich	224.30	218.11	210.60	224.50	222.71	221.50	225.60	223.78	221.25
100 FF, Paris	89.45	88.39	86.95	89.00	88.80	88.45	89.30	89.13	88.80
100 Lit, Rome	0.445	0.441	0.437	0.445	0.443	0.442	0.444	0.442	0.438
100 ÖS, Vienna	29.23	28.66	27.92	29.09	28.99	28.91	29.16	29.07	28.92
100 Esc., Lisbon	7.80	7.75	7.70	7.71	7.67	7.64	7.64	7.62	7.58
100 lkr, Reykjavik	0.94	0.90	0.88	0.88	0.86	0.84	0.83	0.82	0.79
100 Ptas, Madrid	5.42	5.37	5.29	5.29	5.26	5.20	5.30	5.26	5.24
100 Y, Tokyo	1.573	1.541	1.518	1.678	1.633	1.564	1.702	1.685	1.654
1 Rbl, Moscow, clearing	5.992	5.791	5.624	5.727	5.689	5.625	5.709	5.675	5.650
1 special drawing right (SDR)	4.87351	4.84445	4.80996	4.82449	4.81833	4.80532	4.81565	4.81259	4.80650

Table 14. (Cont.)

Currency	July			August			September		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.667	3.620	3.604	3.683	3.665	3.642	3.677	3.655	3.640
1 C \$, Montreal	3.181	3.147	3.111	3.180	3.165	3.152	3.170	3.143	3.118
1 £, London	8.650	8.603	8.560	8.791	8.697	8.567	8.878	8.796	8.723
1 Ir £, Dublin	7.828	7.793	7.746	7.781	7.750	7.702	7.770	7.713	7.638
100 Skr, Stockholm	88.10	87.98	87.85	88.20	88.03	87.90	88.55	88.22	87.95
100 Nkr, Oslo	75.60	75.43	75.00	76.05	75.58	75.20	76.10	75.83	75.55
100 Dkr, Copenhagen	67.50	67.20	66.70	66.80	66.52	66.35	66.75	66.32	65.75
100 DM, Frankf. o.M.	208.35	207.36	205.60	205.80	204.85	204.10	205.55	204.40	202.55
100 Hfl, Amsterdam	190.25	189.63	188.65	189.00	188.24	187.25	190.00	188.07	186.40
100 FB, Brussels commercial rate	13.030	12.993	12.900	12.920	12.853	12.770	12.860	12.781	12.660
financial rate	12.990	12.929	12.840	12.900	12.729	12.580	12.740	12.677	12.590
100 Sfr, Zurich	227.75	225.50	222.20	223.30	222.00	220.90	224.10	223.05	221.10
100 FF, Paris	89.90	89.59	89.05	89.00	88.63	88.05	88.65	88.19	87.50
100 Lit, Rome	0.441	0.439	0.436	0.440	0.437	0.433	0.436	0.433	0.430
100 ÖS, Vienna	29.35	29.24	29.03	29.05	28.94	28.85	29.06	28.89	28.67
100 Esc., Lisbon	7.61	7.56	7.50	7.56	7.54	7.52	7.53	7.49	7.46
100 lkr, Reykjavik	0.79	0.77	0.75	0.76	0.76	0.76	0.76	0.74	0.73
100 Ptas, Madrid	5.24	5.16	5.12	5.13	5.11	5.08	5.08	5.03	5.00
100 Y, Tokyo	1.671	1.648	1.598	1.688	1.645	1.620	1.747	1.712	1.682
1 Rbl, Moscow, clearing	5.755	5.654	5.603	5.761	5.713	5.651	5.722	5.669	5.611
1 special drawing right (SDR)	4.80347	4.79361	4.78256	4.81718	4.80125	4.79084	4.81545	4.80685	4.80014

Currency	October			November			December		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.764	3.695	3.658	3.815	3.791	3.757	3.925	3.872	3.829
1 C \$, Montreal	3.197	3.165	3.134	3.216	3.201	3.180	3.268	3.239	3.214
1 £, London	9.185	8.942	8.772	9.290	9.104	8.960	9.216	9.095	9.000
1 Ir £, Dublin	7.670	7.569	7.405	7.484	7.402	7.335	7.400	7.344	7.255
100 Skr, Stockholm	88.60	88.40	88.20	88.55	88.36	88.05	88.40	88.12	87.75
100 Nkr, Oslo	76.05	75.75	75.55	76.05	75.90	75.65	75.85	75.24	74.75
100 Dkr, Copenhagen	66.15	65.53	64.35	65.25	64.59	63.85	64.70	64.32	63.75
100 DM, Frankf. o.M.	203.30	200.98	197.35	199.40	197.66	195.00	197.90	196.47	194.45
100 Hfl, Amsterdam	187.10	185.30	182.60	184.15	182.50	180.20	182.45	180.96	179.20
100 FB, Brussels									
commercial rate	12.710	12.577	12.350	12.450	12.345	12.190	12.340	12.253	12.133
financial rate	12.670	12.537	12.330	12.400	12.312	12.150	12.310	12.226	12.080
100 Sfr, Zurich	224.10	222.77	219.10	221.85	219.78	217.35	219.20	217.00	214.50
100 FF, Paris	87.90	87.18	85.90	86.40	85.66	84.85	85.80	85.10	84.40
100 Lit, Rome	0.431	0.427	0.421	0.426	0.421	0.419	0.429	0.419	0.414
100 ÖS, Vienna	28.78	28.43	27.91	28.17	27.90	27.54	27.95	27.72	27.45
100 Esc., Lisbon	7.49	7.45	7.44	7.47	7.43	7.30	7.46	7.42	7.40
100 lkr, Reykjavik	0.72	0.71	0.70	0.70	0.69	0.69	0.68	0.68	0.66
100 Ptas, Madrid	5.04	5.00	4.98	5.07	5.00	4.94	4.98	4.94	4.88
100 Y, Tokyo	1.797	1.775	1.753	1.807	1.790	1.771	1.898	1.855	1.765
1 Rbl, Moscow, clearing	5.746	5.706	5.678	5.796	5.750	5.708	5.844	5.744	5.633
1 special drawing right (SDR)	4.84905	4.82169	4.81107	4.86615	4.85192	4.83998	4.92413	4.89319	4.85193

Table 15.

**FINLAND'S LONG-TERM FOREIGN LIABILITIES AND ASSETS
DEC. 31, 1979—DEC. 31, 1980, MILLION MARKS**

	Debt Dec. 31, 1979	Drawings in 1980	Redemp- tions in 1980	Net drawings in 1980	Impact of exchange rates	Debt Dec. 31, 1980
FINANCIAL LOANS	28 194	4 722	3 246	+1 476	+ 60	29 730
Individual financial loans	12 608	2 686	1 883	+ 803	+191	13 602
Bank of Finland's reserve credits and Oil Facility purchases	325	—	—	—	—	325
Bonds and debentures	15 586	2 036	1 363	+ 673	-131	16 128
Bond issues	10 054	1 492	633	+ 859	- 12	10 901
Debenture issues	331	—	—	—	- 2	329
Deposit certificate loans	—	263	—	+ 263	+ 6	269
Private placement loans	4 943	281	664	- 383	-120	4 440
Loans from the World Bank	258	—	66	- 66	- 3	189
IMPORT CREDITS	4 898	461	876	- 415	-106	4 377
Ship and aircraft credits	1 968	226	425	- 199	- 68	1 701
Other import credits	2 930	235	451	- 216	- 38	2 676
LEASING CREDITS	116	—	18	- 18	+ 4	102
DIRECT INVESTMENT	1 979	193	89	+ 104	- 8	2 075
Equity capital	1 484	165	20	+ 145	—	1 629
Loans to subsidiaries	495	28	69	- 41	- 8	446
SUBSCRIPTIONS¹	184	96	42	+ 54	—	238
GROSS LONG-TERM DEBT²	35 371	5 472	4 271	+1 201	- 50	36 522
FINANCIAL LOANS	264	39	36	+ 3	- 3	264
EXPORT CREDITS	3 389	1 325	891	+ 434	+ 49	3 872
DEVELOPMENT CREDITS	93	11	49	- 38	—	55
DIRECT INVESTMENT	2 324	502	21	+ 481	+ 1	2 806
Equity capital	1 944	427	4	+ 423	—	2 367
Loans to subsidiaries	380	75	17	+ 58	+ 1	439
SUBSCRIPTIONS¹	626	106	—	+ 106	—	732
GROSS LONG-TERM ASSETS²	6 696	1 983	997	+ 986	+ 47	7 729
NET LONG-TERM DEBT	28 675	3 489	3 274	+ 215	- 97	28 793

¹ On the liabilities side, subscriptions to international financial institutions paid up in the form of bonds; on the assets side, Finland's subscriptions to international financial institutions.

² The mark values of balances outstanding have been calculated by using the selling rates of the same date, drawings and redemptions by using the average monthly selling rates.

AUDITORS' REPORT

on the Audit of the Accounts and Operations of the Bank of Finland for 1980

We, the undersigned, the Auditors elected by Parliament in 1980, have audited the accounts and operations of the Bank of Finland for 1980 on February 16–20, 1981, as reported in detail in the minutes.

All relevant accounting books, records, minutes of meetings, documents and vouchers were placed at our disposal for the purpose of auditing. In addition, the Bank's Board of Management and the officials concerned provided us with detailed information on the Bank's operations, lending and financial position, and with reports on the internal auditing of cash funds and accounts.

On the basis of our audit, we report

that the cash funds kept in the Vaults of the Bank's Head Office and by the cashiers, and the holdings of bullion and coins, notes, bonds, open and sealed deposits, bills, promissory notes and securities corresponded with the Bank's accounts. We also concluded, from the Vault Registers and other verifications, that the cash funds kept in the Vaults and by the cashiers at the Head Office and Vantaa, and the cash funds registered in the cash inventories kept by the branch cashiers and in other safes of the Bank on December 31, 1980 accorded with the figures of the closing of the accounts;

that the inventories and audits set forth in the Regulations for the Bank of Finland have been carried out;

that the Bank's lending has been conducted with discretion;

that the closing of the accounts has been conducted on the basis of established principles.

We have also examined the accounts of the Längman Funds managed by the Bank and the closing of the accounts of the 1967 Finnish National Fund for Research and Development (SITRA) and concluded that these are correct and properly kept.

We declare that the Bank's Financial Statements have been prepared in keeping with the provisions confirmed by the Bank Supervisors.

The Financial Statements of the Bank of Finland, showing a net earnings of 422 239 189,23 marks for the past accounting year, have been correctly derived from the accounts.

During the accounting year, the Bank has been managed in accordance with the Regulations for the Bank. The Bank's position is stable.

On the basis of the above and in the absence of any further comments raised by the audit, we propose that the Financial Statements be confirmed and the Board of Management of the Bank of Finland discharged from responsibility for the year 1980.

Helsinki, this 20th of February 1981

Mikko Kaarna

Erkki Liikanen

Erkki Kivimäki

Pentti Mäki-Hakola

Håkan Malm

./ Tyko Vanhala

BANK SUPERVISORS, DELEGATED BY PARLIAMENT, AT THE END OF 1980

Matti Jaatinen (Chairman)
Jermu Laine (Vice Chairman)
Matti Maijala
Kalevi Sorsa
Ilkka-Christian Björklund

Aarne Saarinen
Mikko Jokela
Ingvar S. Melin
Mauri Miettinen

THE BOARD OF MANAGEMENT OF THE BANK OF FINLAND, AT THE END OF 1980

The division of responsibilities in the Board of Management, confirmed by the Bank Supervisors delegated by Parliament

Mauno Koivisto
Chairman, on leave of absence
as Prime Minister

Ahti Karjalainen
Vice Chairman, Acting Chairman

Overall management and supervision of the activities of the Bank
Representation of the Board of Management
Supervision of the activities of the Members of the Board and the subject matter of their decisions
Matters related to
— the Internal Audit Department
— the Data Processing Department
International organizations, excluding the International Monetary Fund

Rolf Kullberg
Acting Vice Chairman

General principles of central bank policy
Matters related to
— the Monetary Policy Department
— the Domestic Financing Department
SITRA (the Finnish National Fund for Research and Development)

Pentti Uusivirta

Matters related to
— the Exchange Policy Department
— the Foreign Exchange Department
— the Bilateral Trade Department
— the Foreign Financing Department
International financial institutions, including the International Monetary Fund
The Finnish Guarantee Pool
The legal affairs related to the Administration Department

Ele Alenius

Matters related to
— the Payments Department
— the Cash Department
Security Printing House

Harri Holkeri

Matters related to
— the Administration Department, excluding legal affairs
— the Personnel Department
— the Exchange Control Department
Building projects and real estate
Branches

Seppo Lindblom
Acting Member of the Board

Matters related to
— the Economics Department
— the Research Department
— the Information Department

HEAD OFFICE

Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Departments

Monetary Policy Dept.
Domestic Financing Dept.

Administration Dept.
Internal Audit Dept.
International Legal Affairs
Data Processing Dept.

Personnel Dept.
Payments Dept.
Cash Dept.
Research Dept.
Information Dept.

Exchange Policy Dept.
Foreign Exchange Dept.
Bilateral Trade Dept.
Economics Dept.

Foreign Financing Dept.
Exchange Control Dept.

Heads of Department

Ralf Pauli
Raimo Hyvärinen

H. T. Hämäläinen
Timo Männistö
U. Levo
Erkki Vehkamäki

Anton Mäkelä
Stig G Björklund
Reijo Mäkinen
Juhani Hirvonen (Act. Head)
Markku Pietinen

Kari Pekonen
M. Vanhala
Kari Holopainen
Sirikka Hämäläinen (Act. Head)

Pekka Tukiainen
J. Ojala

Director of ADP Planning

Pertti Kukkonen

Branch Manager, Special Projects

M. Hannula

BRANCH NETWORK

Branches

Joensuu
Jyväskylä
Kotka
Kuopio
Lahti
Mikkeli
Oulu
Pori
Rovaniemi
Tampere
Turku
Vaasa

Managers

K. Karhi
V. Kaarnakorpi
Reino Ylönen
Antti Saarlo
V. Lehto
J. Huuskonen
Heikki Hakola
Harri Salenius
(vacant)
E. Vuorela
S. Paavola
Rauno Haikarainen

SECURITY PRINTING HOUSE

Tor-Leif Huggare, Managing Director
H. Taipale, Production Director, Deputy Managing Director

BANK OF FINLAND

Snellmaninaukio, Helsinki

Established 1811

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Kotka: Keskuskatu 19, P.O. Box 211, 48101 Kotka 10, Telephone (952) 155 70
Kuopio: Kauppakatu 25—29, P.O. Box 123, 70101 Kuopio 10, Telephone (971) 125 611
Lahti: Torikatu 3, P.O. Box 170, 15111 Lahti 11, Telephone (918) 298 31
Mikkeli: Päiviönkatu 15, 50100 Mikkeli 10, Telephone (955) 148 40
Oulu: Kajaaninkatu 8, P.O. Box 103, 90101 Oulu 10, Telephone (981) 224 366
Pori: Valtakatu 11, P.O. Box 110, 28101 Pori 10, Telephone (939) 353 44
Rovaniemi: Valtakatu 23, P.O. Box 205, 96201 Rovaniemi 20, Telephone (991) 160 01
Tampere: Hämeenkatu 13, P.O. Box 325, 33101 Tampere 10, Telephone (931) 254 20
Turku: Linnankatu 20, P.O. Box 373, 20101 Turku 10, Telephone (921) 260 66
Vaasa: Kirkkopuistikko 22, 65100 Vaasa 10, Telephone (961) 245 322