

**BANK OF FINLAND**

**62<sup>ND</sup> YEAR BOOK 1981**

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# ECONOMIC DEVELOPMENTS IN 1981

The economic boom came to a halt in Finland in 1981 and the international recession began to weaken economic developments to an increasing extent. Total output was only one per cent up on 1980. Although the number of employed continued to grow, the unemployment rate rose appreciably in the course of the year and averaged more than 5 per cent. The rate of inflation slowed down to 10 per cent during the year. Owing to a vigorous increase in exports to the Socialist countries and a substantial decline in raw material imports, the foreign trade balance clearly improved.

## AGGREGATE SUPPLY AND DEMAND

International economic developments continued to be characterized by weakening demand, which was mainly attributable to rises in crude oil prices and the pursuit of economic policies aimed at curbing inflation. The average annual increase in the total output of the OECD countries was only one per cent. Aggregate demand increased even more slowly in the Western countries most important for Finnish exports than in the OECD region as a whole, and the volume of Finnish exports to Western countries declined by almost 4 per cent. However, this was offset by a vigorous growth in exports to the Socialist countries, and hence the total volume of visible exports increased by 3 per cent.

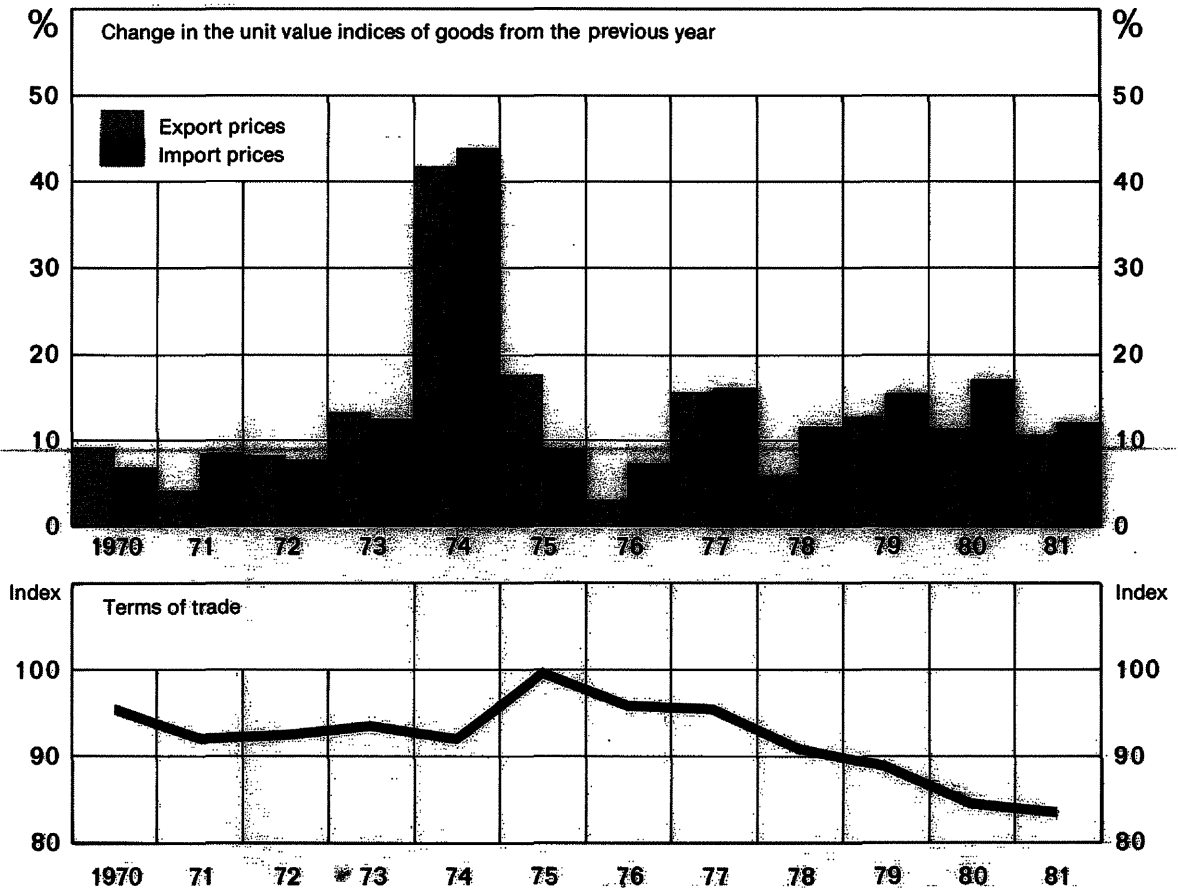
In addition to the traditional metal industry products, exports of all other categories of product to the Soviet Union also increased significantly. On the other hand, exports of forest industry products, particularly sawn wood, to Western markets declined sharply, so that market shares, which had expanded exceptionally in the preceding year, almost fell to their previous level. Invisibly exports grew at a slower rate than in 1980, which was mainly due to a slight decline in construction projects abroad. Although the rate of

increase in Finnish foreign trade prices slowed down considerably in the course of the year, the average rise in import prices was still 12 per cent and that in export prices 11 per cent. Hence, the terms of trade weakened by one per cent (Chart 1).

In contrast to normal cyclical developments, the growth of domestic demand came to a halt and imports began to decline at the beginning of 1981 while exports continued to expand owing to deliveries to the Soviet Union. Firms' capacity utilization fell only slightly and their income developments remained good in view of the prevailing cyclical phase. Investment activity started to weaken clearly during 1981. There was a marked decline in building investments because of deteriorating demand prospects and the imposition of an investment tax curbing investments by the service industries. As a result, the emphasis in investment continued to be on investment in machinery and equipment. Inventory investment was reduced by high international interest rates and by expectations of a fall in raw-material prices.

The growth of households' real disposable income came to a halt owing to the continued rapid rate of inflation and a tightening in taxation. As

Chart 1.  
FOREIGN TRADE PRICES



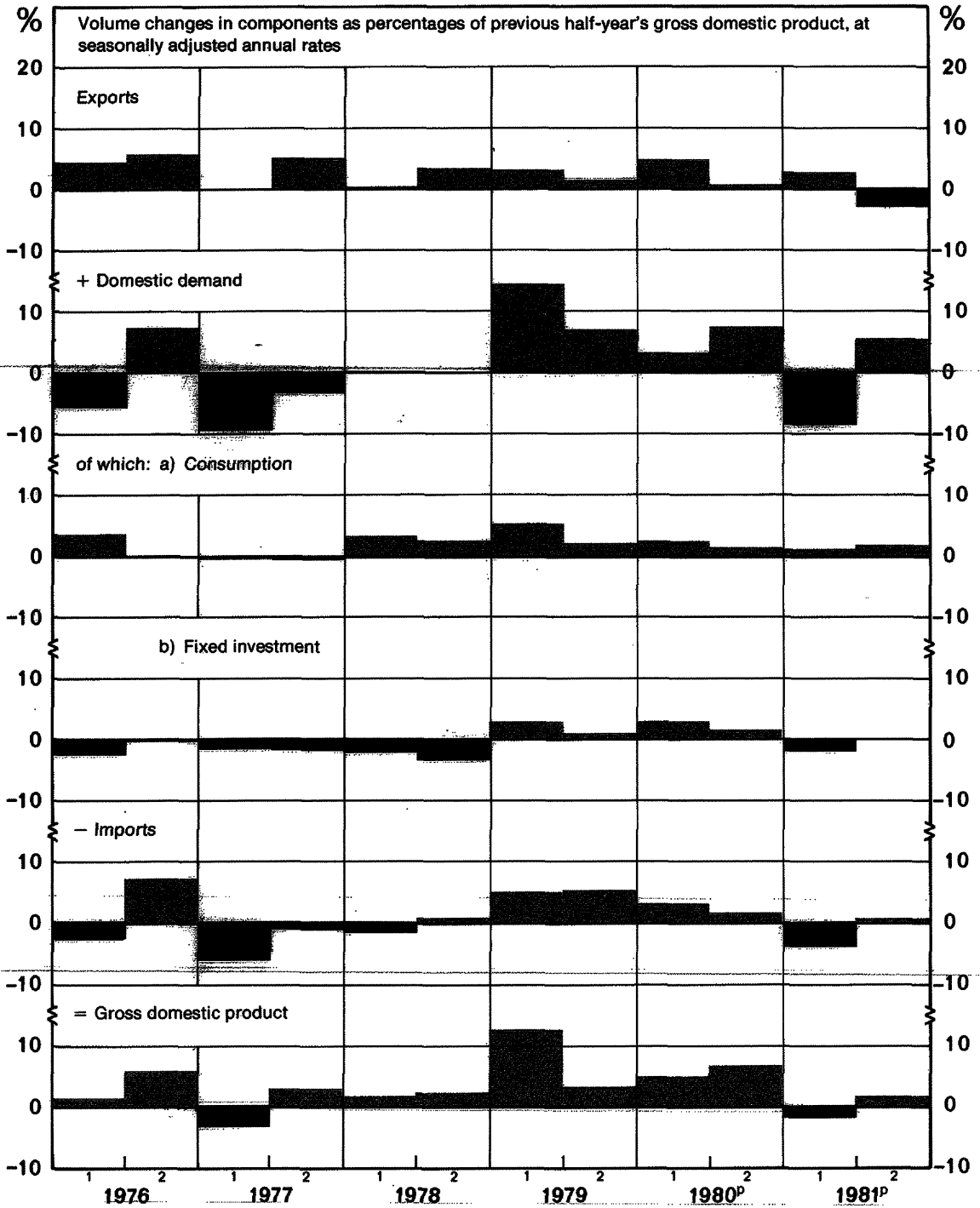
the propensity to consume rose at the same time, the volume of private consumption grew by 1.5 per cent. Because of the weakening in the growth of real income and the tightness in the financial market in the previous year, housing starts were clearly fewer than in 1980. As a result, households' housing investment declined by more than 3 per cent.

The increase in public demand remained approximately within the limits set in the agreement on public spending concluded between the central organizations of central and local government; public consumption expenditure increased by 3.5

per cent and the public sector's administrative investment by 2.5 per cent. Owing to a rapid nominal growth in local government tax revenue and increases in local government charges and tariffs, the financial position of municipalities remained fairly easy. The average level of tax rates remained almost unchanged.

Total output had peaked during the second half of 1980. Output scarcely grew at all in the course of 1981, but on average it was one per cent more than in the previous year. Owing particularly to a vigorous expansion in the metal industry, industrial output still increased by almost 2 per cent.

Chart 2.  
SUPPLY AND DEMAND



p = preliminary data

Construction and primary production declined significantly.

The volume of imports fell by 5 per cent. Because of improved energy efficiency and an increase in the use of other kinds of fuel, there was a particularly sharp decline in imports of crude oil and coal. Imports were also reduced by a weakening in aggregate demand and a shift in its structure towards private consumption and public demand (Chart 2).

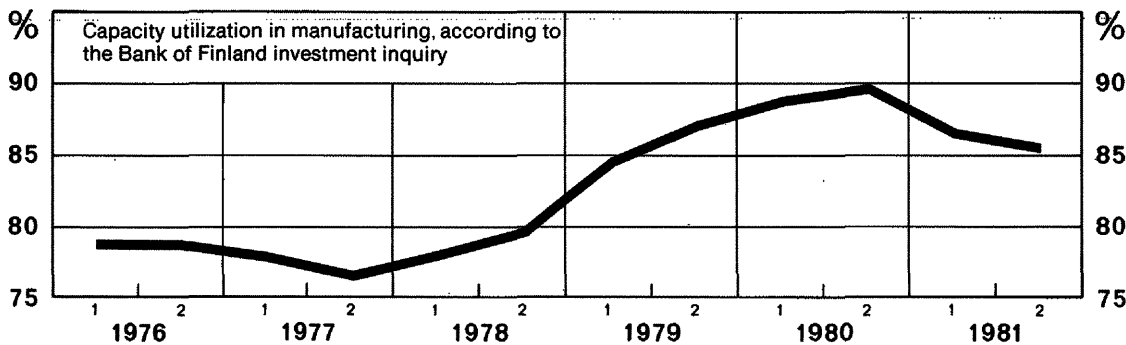
### ECONOMIC EQUILIBRIUM

The average number of employed persons was almost 40 000 more than in 1980 and hence exceeded the level attained during the previous

boom. The labour participation rate rose substantially in view of the cyclical situation. This was partly attributable to the fact that net emigration turned into net immigration. However, the unemployment rate began to rise in the summer, reaching more than 6 per cent at the end of the year. The average unemployment rate for 1981 came to more than 5 per cent (Chart 3).

A deceleration in international inflation and the weakening in demand reduced inflationary pressures in the economy towards the end of 1981. However, these pressures were sustained by the rapid rise in foreign trade prices which continued into the first half of the year. Consumer prices were on average 12 per cent higher than in the previous year, although the rise in consumer

Chart 3.  
UNEMPLOYMENT AND CAPACITY UTILIZATION



p = preliminary data

prices fell from 14 per cent to 10 per cent in the course of the year. Wage and salary developments were regulated by a two-year incomes policy agreement concluded in March. The index threshold of 6 per cent included in the agreement, which takes into account developments in consumer prices and the terms of trade, was exceeded by only 0.6 percentage points.

International price competitiveness, measured in terms of relative unit labour costs, weakened slightly. This was largely attributable to a weakening in Finnish productivity induced by cyclical factors and to relative changes in exchange rates but partly also to wage costs, which increased more rapidly in Finland than in other countries (Chart 4).

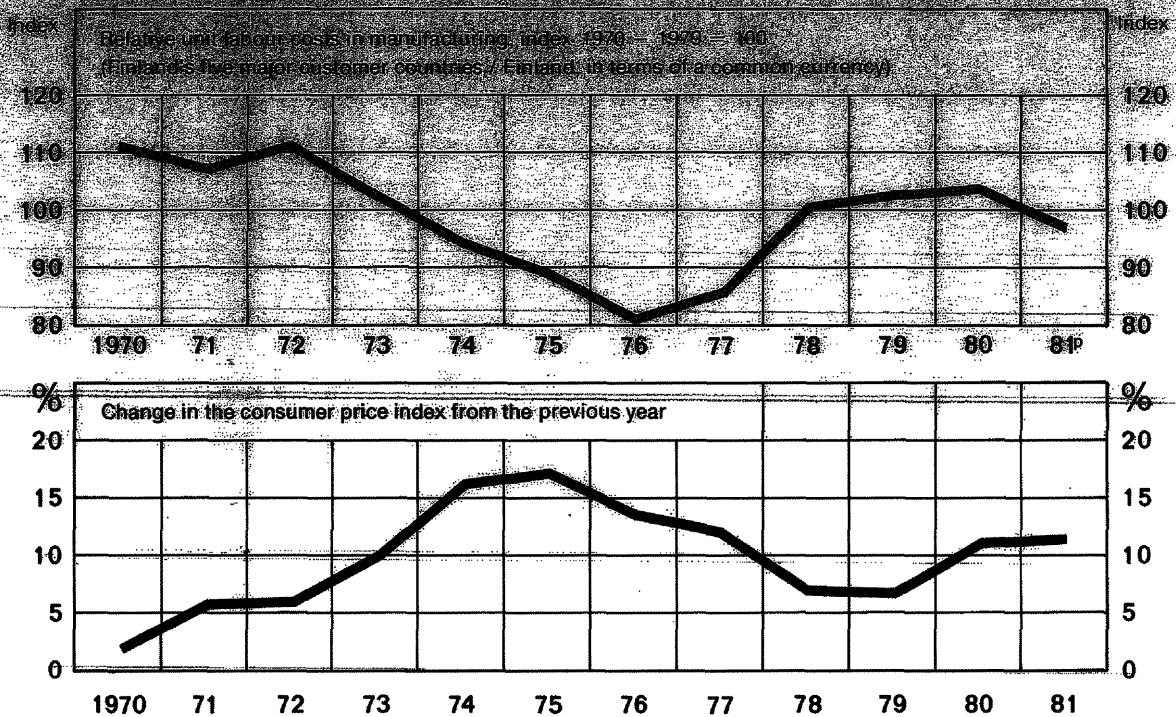
The value of visible imports rose clearly less

than the value of exports, so that the visible trade account deficit, including adjustment items, declined from about 5 500 million marks in 1980 to about 1 300 million marks. 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 4 700 million marks, the current account deficit amounted to about 1 700 million marks (Chart 5). This was 0.8 per cent of gross domestic product, compared with 2.7 per cent in 1980.

## FINANCIAL DEVELOPMENTS

The decline in the current account deficit mainly reflected a fairly sharp fall in the rate of investment and the resultant decline in the financial deficit of the corporate sector. The decline in the

Chart 4  
COSTS AND PRICES



p = preliminary data



Chart 5.  
BALANCE OF PAYMENTS

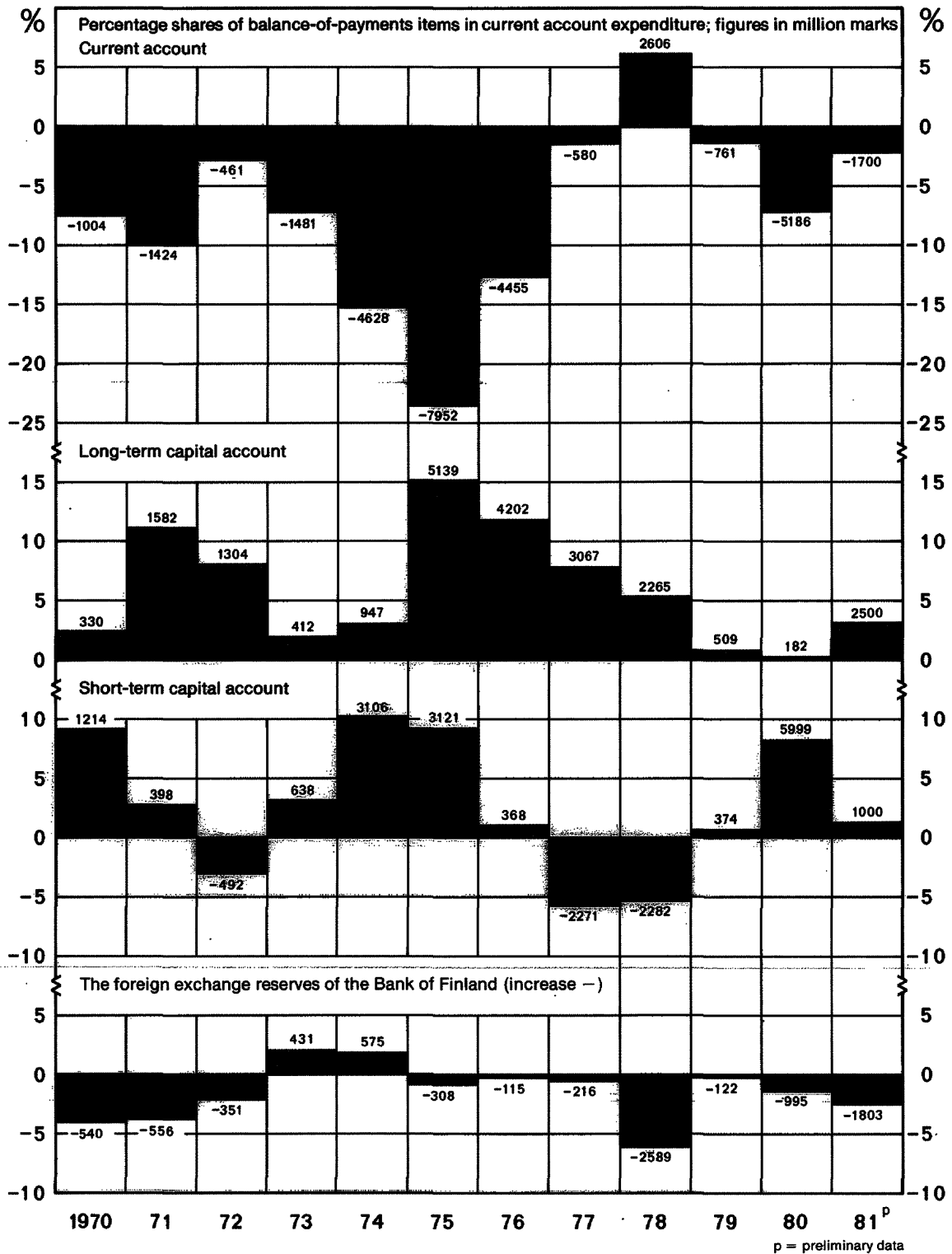
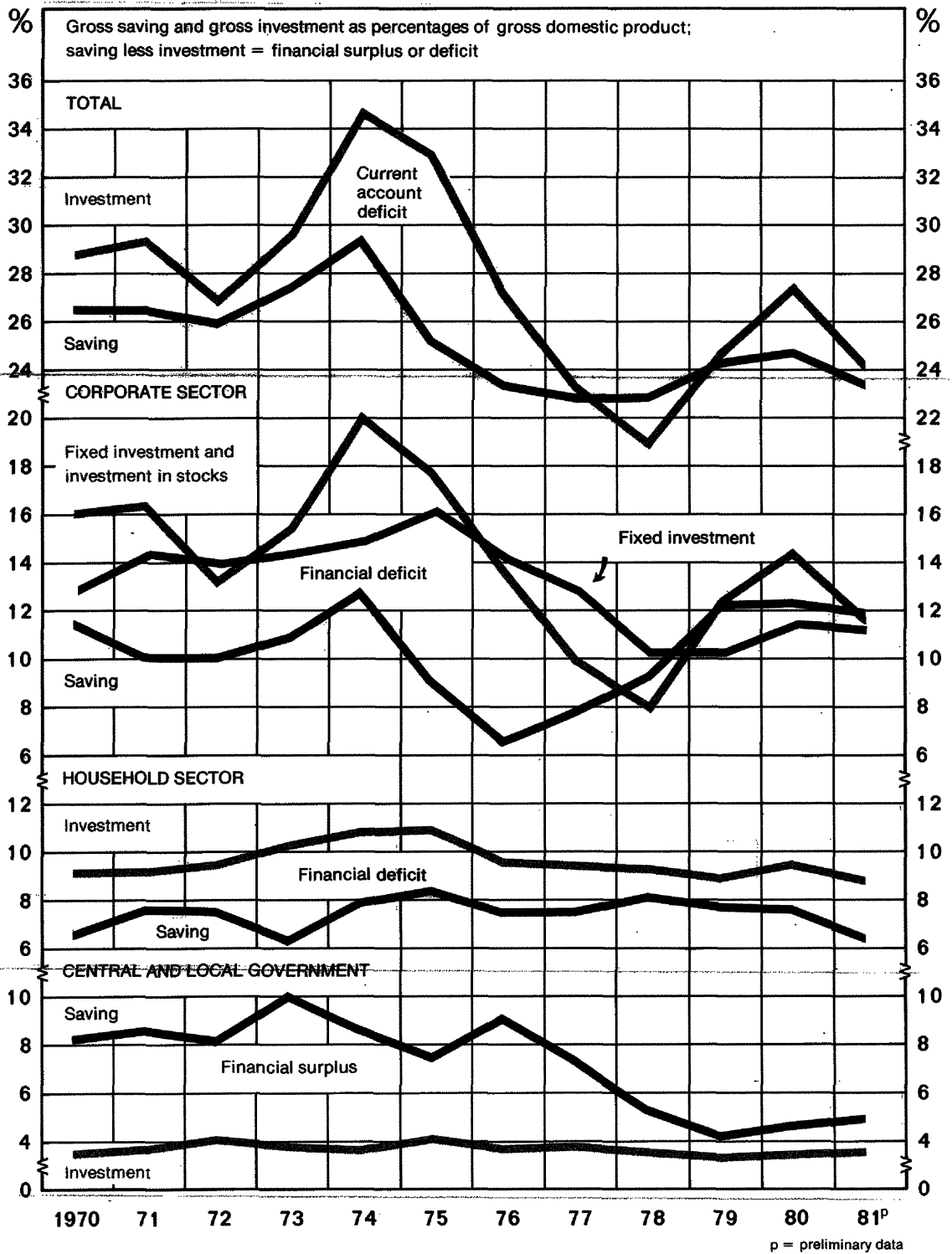


Chart 6.  
SAVING AND INVESTMENT



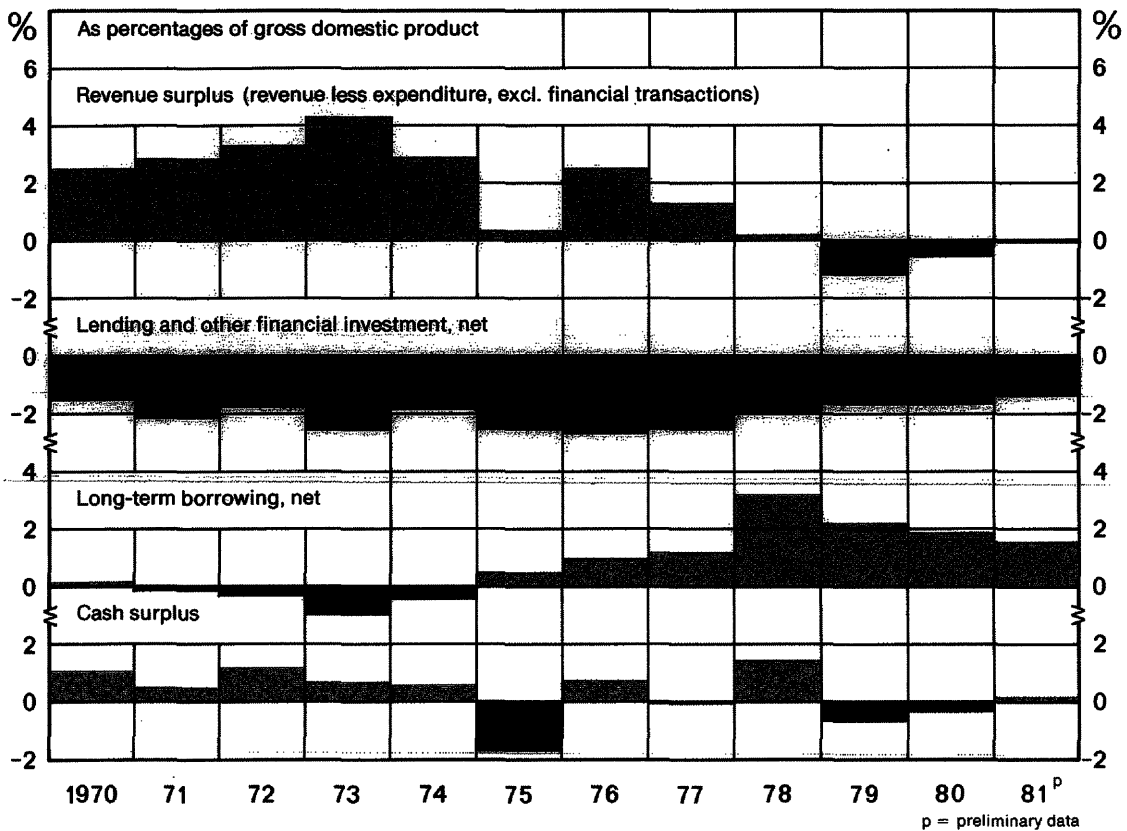
deficit could also be ascribed to an increase in the public sector's financial surplus (Chart 6).

Owing to the decline in investment and the continuing growth of export earnings, the increase in firms' indebtedness slowed down and their liquidity improved. In spite of an easing of the domestic financial market and the volatility on international capital markets, the corporate sector's long-term foreign borrowing increased. Firms also made attempts to convert their short-term foreign loans into long-term loans. The corporate sector's net import of long-term capital amounted to about 400 million marks, as against an outflow of almost 1 500 million marks in the previous year. As a result of the improvement in

the trade account balance and a rise in international interest rates, the inflow of short-term foreign capital, about 1 000 million marks in all, was entirely attributable to prepayments for bilateral trade.

In addition to weakening income developments, households' propensity to consume rose and their financial deficit grew. The rise in the propensity to consume and an improvement in the availability of credit finance maintained consumer demand, and purchases of consumer durables increased, in particular. Despite a decline in the volume of housing investment, housing credits increased by almost one-fifth, which was related to a substantial rise in the prices of

Chart 7.  
STATE FINANCES



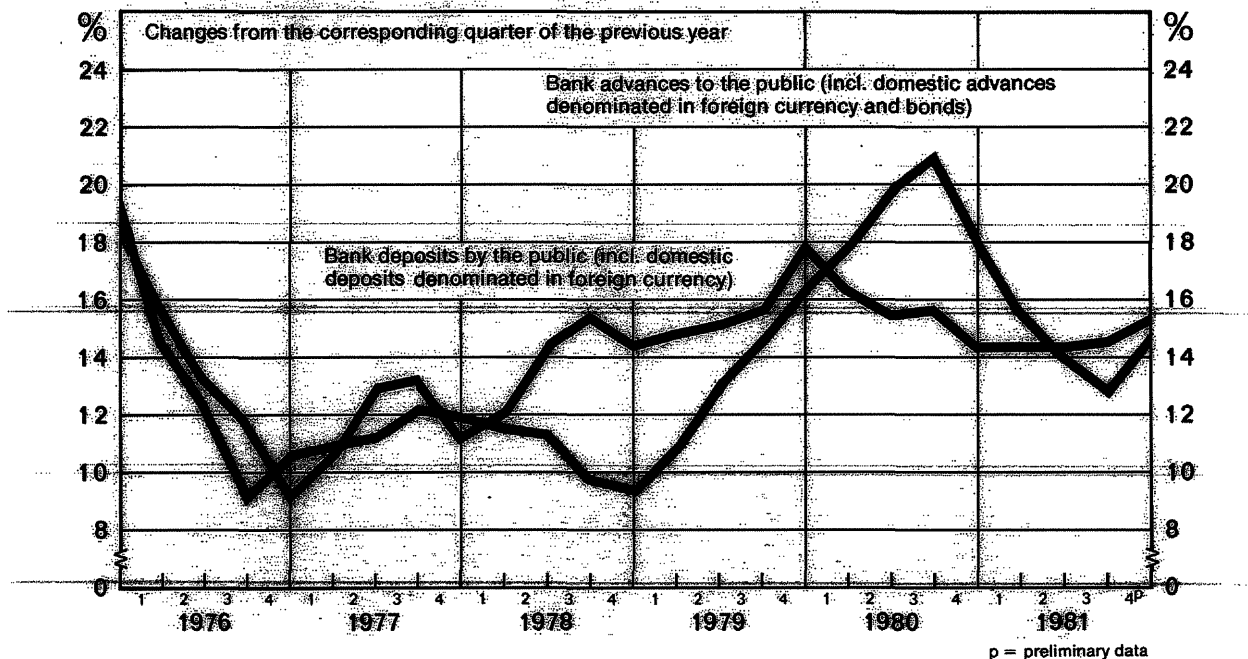
dwellings. In spite of a halt in the growth of households' real disposable income, the real growth of financial assets continued. In nominal terms, the household sector's deposits increased by about 15 per cent.

A better balance was attained in central government finance during 1981. State revenue and expenditure (excluding financial transactions) were approximately equal. This balancing was attributable to the fact that revenue, mainly direct tax revenue, grew at a clearly faster rate than expenditure, thus reducing the central government's borrowing requirement by about 1 000 million marks from the previous year. As, moreover, the central government's borrowing requirement was reduced by about 200 million marks owing to developments in the central government's net lending and other financial placements, the central government's net financial requirement fell by about 1 200 million marks to

about 2 900 million marks. In order to meet this requirement, the central government imported long-term foreign capital to the value of about 2 100 million marks in net terms, or about 400 million marks more than in 1980. By contrast, net domestic borrowing declined by about 800 million marks to about 1 200 million marks from the previous year. Hence, long-term borrowing exceeded the financial requirement and central government finance showed a small cash surplus (Chart 7).

The net inflow of foreign capital exceeded the current account deficit by about 1 800 million marks, which, together with exchange rate changes and allocations of special drawing rights, resulted in an increase in the foreign exchange reserves of the Bank of Finland from about 7 000 million marks to about 9 400 million marks. This growth was entirely attributable to the tied currency accounts, for the convertible

Chart 8  
BANK ADVANCES AND DEPOSITS



reserves showed a slight decline. The increase in the foreign exchange reserves eased the domestic financial market until the late summer and again in November and December. The increase in the Bank of Finland's lending to the public also had an easing impact on the market. On the other hand, the small surplus in central government cash finance and the collection of investment deposits from firms decelerated the decline in the commercial banks' central bank debt. The commercial banks' net debt to the Bank of Finland fell by about 1 000 million marks. The use of call money overdrafts declined by about 1 900 million marks, as the cash reserve requirement was reduced.

The slow-down in the growth rate of bank lending which had started in 1980 continued until the autumn. The easing of the financial market be-

gan to be reflected in an acceleration in the growth of bank advances at the end of the year, which resulted in a total increase of 15 per cent in advances (Chart 8). In spite of the weakening in income developments, the growth in deposits reached 16 per cent. This acceleration in growth was attributable to an increase of 18 per cent in demand deposits. As foreign credits and credits granted by the central government increased at a slower rate than advances granted by the deposit banks and other financial institutions, the growth in the total stock of credits<sup>1</sup> amounted to about 14 per cent.

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<sup>1</sup> 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.

# CENTRAL BANK POLICY

Given the relatively balanced developments in the economy, major changes in central bank policy were unnecessary during 1981. The external value of the Finnish mark, measured in terms of a currency index, was kept constant throughout the year. There were, however, very marked changes in the international exchange rate structure and hence in the mark rates for different currencies. The domestic level of interest rates was also kept unchanged throughout the year. On the other hand, as regards the regulation of the banks' central bank financing, the monetary policy stance was clearly eased in the spring, so as to alleviate the economic recession. During the second half of the year, efforts were made to maintain this stance, which required certain minor revisions in the terms of central bank financing.

## MONETARY POLICY

### Main features of monetary policy

At the end of 1980, monetary policy was aimed at curbing domestic demand and inflation in order to ensure the prerequisites for long-term growth. For this reason, a fairly stringent monetary policy was pursued.

Although the economic outlook had deteriorated appreciably by early 1981, it was not deemed possible to ease monetary policy until there was clear evidence of a slow-down in inflation. After the incomes policy agreements had been concluded in the spring, an easier monetary policy stance was adopted in April by releasing part of the cash reserve deposits and lowering the call money rate. These measures reduced significantly the tightness which had been deemed necessary because of the boom and its aftereffects. However, the Bank still endeavoured to prevent the money market easing to such an extent that could jeopardize the deceleration of inflation. Accordingly, the policy measures taken in the spring were formulated so that, even allowing for the reduction, the average rate of interest ap-

plied to the commercial banks' central bank financing would remain clearly above the lending rates applied by the banks.

In revising its general monetary policy stance, the Bank of Finland submitted the banks new guidelines governing their credit policy in the near term. At the same time, the banking institutions also received new guidelines of a more permanent nature concerning the granting of personal credits.

Efforts were made to maintain the new general stance of monetary policy during the latter half of the year. With this aim in mind, the level of central bank financing was revised in the early autumn, in particular, to neutralize the increase in liquidity caused by a growth in the tied foreign exchange reserves. The call money rate, which had been lowered on several occasions during the spring, was raised slightly and the schedule of supplementary interest charges applied to call money overdrafts was tightened. In mid-December, the call money rate was lowered temporarily.

The terms applied to the Bank of Finland's per-

manent special financing arrangements were retained virtually unchanged. The stock of credits outstanding under these financing arrangements increased by about a quarter during 1981. This increase was mainly attributable to a growth in exports and to previously planned investments which were now realized. Owing to a slackening in investment, the stock of credit commitments outstanding under the arrangements for financing domestic suppliers' credits began to decline during the last quarter of the year.

To support the efforts to reduce regional differences in development, the Bank of Finland decided to participate in the financing of the Regional Development Fund Ltd. The Bank made a decision in principle to this effect in August. The purpose of the Bank of Finland's participation in financing was to reduce the share of foreign fi-

nance, which was felt to be less in keeping with the activities of the Fund.

The counter-cyclical special deposits<sup>1</sup> collected in the Bank of Finland during 1980-1981 totalled about 2 200 million marks. Of these deposits, a total of about 400 million marks was drawn in 1981, after the release of counter-cyclical reserves had commenced. Most of the remaining deposits will be released during 1982.

### Commercial banks' central bank financing

The terms of the commercial banks' central bank financing and the deposit banks' cash reserve requirement were the major monetary policy in-

<sup>1</sup> Investment, counter-cyclical and export deposits, and the central government's counter-cyclical reserves.

Chart 9.

### COMMERCIAL BANKS' CENTRAL BANK FINANCING AND THE CASH RESERVE DEPOSITS OF BANKS

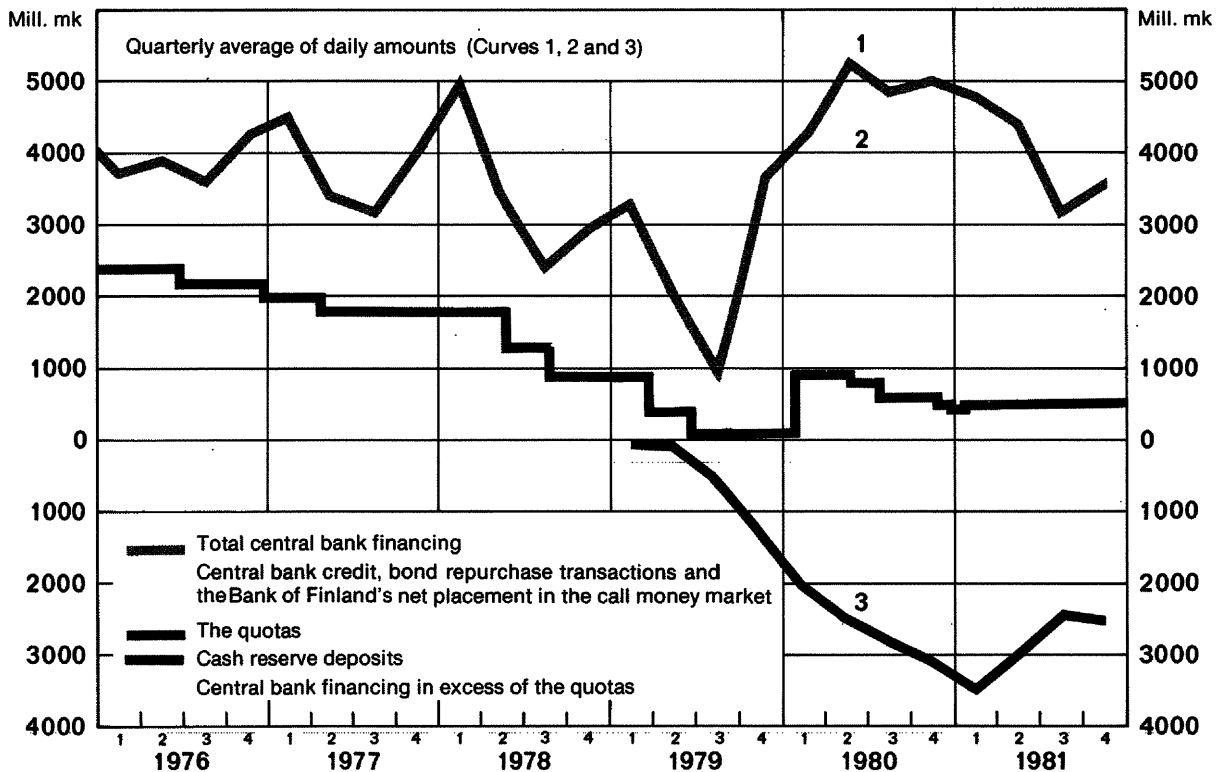
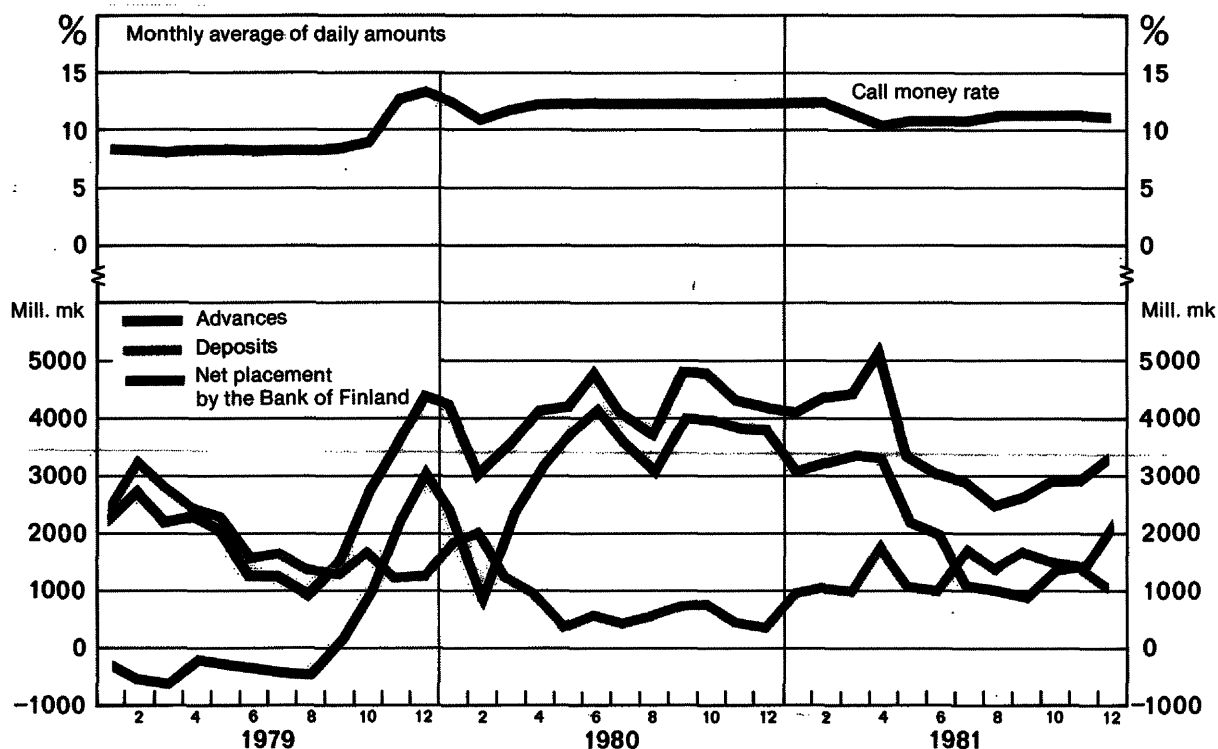


Chart 10.  
BANK OF FINLAND CALL MONEY MARKET



struments. The majority of central bank financing was granted in the form of call money overdrafts. As before, the other participants in the call money market besides the Bank of Finland itself were the commercial banks entitled to central bank credit and Postipankki. Throughout the year, an arrangement was applied in the call money market according to which the banks had to pay supplementary charges on call money overdrafts in excess of certain limits.

In keeping with a decision made in December 1980, the commercial banks' central bank credit quotas were reduced temporarily by 10 per cent in January. At the same time the coefficients determining the call money credit tranches were lowered. As from the beginning of February, the aggregate quotas were raised to their former average monthly level of 600 million marks

(Chart 9). The earlier coefficients for call money credit tranches were also reintroduced.

When, later, the threat of a bank strike increased the commercial banks' use of central bank finance, the credit tranche coefficients for call money borrowing of five and eight times the quota were raised to 10 and 13 times the quota for the period of April.

The schedule of supplementary interest charges applied to call money overdrafts was tightened as from the beginning of September, so that the tranche coefficient for call money borrowing subject to a 4 per cent supplementary charge was lowered from five to four times each bank's quota and the coefficient for borrowing subject to a 10 per cent supplementary charge from eight to seven times the quota.



**SCHEDULE OF SUPPLEMENTARY INTEREST CHARGES APPLIED TO THE  
COMMERCIAL BANKS' CALL MONEY OVERDRAFTS IN 1981**

|  | Jan. 1–Jan. 31 | Feb. 1–March 31 | April 1–April 30 | May 1–Aug. 31 | Sept. 1–Dec. 31 |
|--|----------------|-----------------|------------------|---------------|-----------------|
| Coefficient for credit tranches without supplementary charge                           | 5 × quota      | 5 × quota       | 10 × quota       | 5 × quota     | 4 × quota       |
| Credit tranches without supplementary charge, total, mill.mk                           | 2 700.0        | 3 000.0         | 6 000.0          | 3 000.0       | 2 400.0         |
| Credit tranches at 4 per cent supplementary charge, total, mill.mk                     | 1 620.0        | 1 800.0         | 1 800.0          | 1 800.0       | 1 800.0         |
| Starting point for credit tranches at 10 per cent supplementary charge, total, mill.mk | 4 320.0        | 4 800.0         | 7 800.0          | 4 800.0       | 4 200.0         |

To even out day-to-day fluctuations in its liquidity, Postipankki had been extended a cheque account overdraft facility of 50 million marks at the base rate in 1979. The terms applied to this overdraft were kept unchanged throughout 1981. The call money overdraft facility granted to Postipankki was also kept unchanged at 600 million marks. Similarly, the distribution among the banks of the central bank credit facility and of the coefficients for call money credit tranches was not amended during the year.

At the beginning of the year, the call money rate, which no longer reflects the marginal cost of financing owing to the levying of supplementary interest charges on call money overdrafts, was kept at 12.5 per cent, at which level it had been since the spring of 1980 (Chart 10). At the beginning of March, the call money rate was lowered by 0.5 percentage points to 12.0 per cent and again to 11.5 per cent after the middle of the month. When the commercial banks' central bank financing increased sharply at the end of March because of the threat of a bank strike, the Bank of Finland introduced a temporary arrangement according to which the call money rate fell as central bank financing increased and, conversely, rose as central bank financing declined. After the effects of the threatened bank strike had passed, a fixed call money rate was readopted. In early April, it was set at 11.0 per cent. At the beginning of August, the rate was raised to 11.5 per cent, at which level it remained until mid-December when it was temporarily lowered to 11.0 per cent.

**COMMERCIAL BANKS' CENTRAL BANK  
CREDIT QUOTAS IN 1981, MILL. MARKS**

|              | Jan. 1–Jan. 31 | Feb. 1–Dec. 31 |
|--------------|----------------|----------------|
| BH           | 29.70          | 33.0           |
| KOP          | 133.38         | 148.2          |
| Okobank      | 112.86         | 125.4          |
| Skopbank     | 137.70         | 153.0          |
| UBF          | 122.58         | 136.2          |
| AAB          | 3.78           | 4.2            |
| <b>Total</b> | <b>540.00</b>  | <b>600.0</b>   |

The Bank of Finland had placements in the call money market throughout the year. The demand for call money market advances averaged 3 494

million marks in 1981 and the supply of call money market deposits 1 333 million marks. The average call money rate was 11.5 per cent, while the rate of interest, excluding supplementary charges, paid by the borrowers after interest rate equalization averaged 11.1 per cent.

The average rate of interest paid by the commercial banks on their total central bank financing was about 13 per cent during the first quarter of 1981, or approximately the same as during the latter half of the previous year (Chart 11 A). The easing in the monetary policy stance in the spring of 1981 was reflected in a fall in this rate to about 11 per cent. The average rate of interest paid by the commercial banks on their central bank financing in 1981 was, in net terms, 11.6 per cent. Included in this rate of interest are the rate of interest paid on central bank credit and net expenses incurred by the commercial banks in using the call money market. In 1980, the corresponding rate of interest was 12.4 per cent. The differential between the average rate of interest and the base rate on central bank financing declined from 3.2 percentage points in 1980 to 2.4 percentage points in 1981. The total amount of central bank financing averaged 4 088 million marks, which was 876 million marks less than in 1980 (Table 7).

### Cash reserve deposits

During the first months of the year, the banks' reserve requirement under the cash reserve agreement stood at 4.6 per cent. After the threat of a bank strike had receded, the Bank of Finland decided to lower the reserve requirement retroactively to 4.0 per cent of the stock of deposits outstanding at the end of March. At the same time, the reserve requirement was lowered to 3.6 per cent of the stock of deposits outstanding at the end of April. In May, the cash reserve requirement was lowered to 3.0 per cent.

Throughout the rest of the year, the cash reserve requirement was kept at 3.0 per cent. At the end of December, cash reserve deposits totalled

2 492 million marks, which was 825 million marks less than one year earlier.

### Interest rate policy

The domestic level of interest rates was kept unchanged during 1981. The deposit rates applied by the banks were as follows during 1981:

|  | Per cent |
|--|----------|
| 36-month savings premium or tax concession deposits <sup>1</sup> | 9.75     |
| 24-month term deposits   | 9.00     |
| Housing savings premium deposits <sup>2</sup>                    | 8.00     |
| 12-month term deposits   | 7.75     |
| 6-month term deposits  | 6.25     |
| Deposits with 6 months' notice                                   | 6.25     |
| Deposits with 4-5 months' notice                                 | 4.50     |
| Deposits with 2-3 months' notice                                 | 3.50     |
| Deposits with one month's notice                                 | 2.50     |
| Savings accounts and ordinary deposit accounts                   | 5.00     |
| Deposit accounts with cheque facility <sup>3</sup>               | 5.00     |
| Cheque accounts and postal giro accounts <sup>3</sup>            | 2.00     |

<sup>1</sup> 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 the first instalment of which was made not later than March 31, 1980. Since the beginning of 1980 it has no longer been possible to make tax concession deposits.

<sup>2</sup> Interest paid comprises interest paid on ordinary deposit accounts, the supplementary interest of 1.25 per cent paid by the banking institution and the housing savings premium of 1.75 per cent paid by the central government. Deposits in the account must be in the form of at least eight consecutive quarterly instalments.

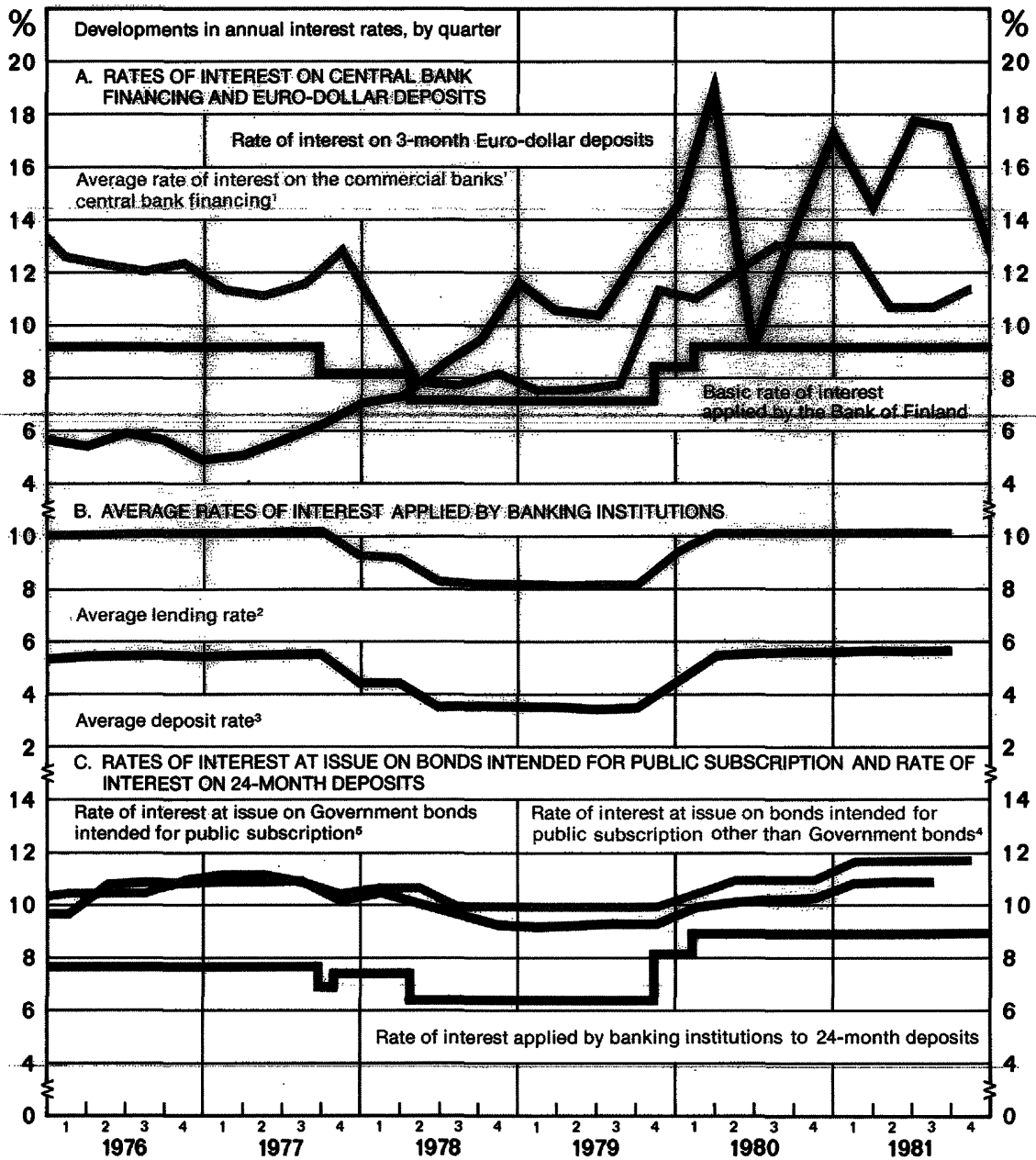
<sup>3</sup> Interest paid is calculated on the basis of the lowest balance during the month.

In the international financial markets, interest rates declined slightly during the first half of the year, but rose in the summer to the level prevailing at the end of the previous year. Towards the end of the year, interest rates fell again. Chart 11 A shows developments in Euro-dollar rates.

At the end of the year, the average lending rate applied by the banking institutions (Chart 11 B) was 10.19 per cent, as against 10.18 per cent one year earlier. The developments in the average lending rate were, to some extent, affected by the guidelines issued by the Bank of Finland concerning a systematic lowering of the average lending rate.

The average deposit rate applied by the banking institutions (Chart 11 B) was 5.73 per cent at the

Chart 11.  
RATES OF INTEREST



<sup>1</sup> Average calculated from daily amounts.

<sup>2</sup> Weighted by shares in loans outstanding.

<sup>3</sup> Weighted by shares of various types of deposit accounts.

<sup>4</sup> Weighted by issues of bonds.

<sup>5</sup> Weighted by sales of bonds.

**WEIGHTED AVERAGE LENDING AND DEPOSIT RATES OF INTEREST APPLIED BY BANKING INSTITUTIONS AND THE DIFFERENCES BETWEEN THESE RATES AT THE END OF 1980 AND 1981, PER CENT**

|                                      | Dec. 31, 1980 |              |             | Dec. 31, 1981 |              |             |
|--------------------------------------|---------------|--------------|-------------|---------------|--------------|-------------|
|                                      | Lending rate  | Deposit rate | Difference  | Lending rate  | Deposit rate | Difference  |
| Postipankki                          | 9.83          | 4.73         | 5.10        | 9.83          | 4.74         | 5.09        |
| Commercial banks                     | 9.83          | 5.63         | 4.20        | 9.84          | 5.63         | 4.16        |
| Savings banks                        | 10.57         | 6.03         | 4.54        | 10.50         | 6.03         | 4.56        |
| Co-operative banks                   | 10.66         | 5.92         | 4.64        | 10.65         | 5.95         | 4.60        |
| <b>Banking institutions, overall</b> | <b>10.18</b>  | <b>5.70</b>  | <b>4.48</b> | <b>10.19</b>  | <b>5.73</b>  | <b>4.46</b> |

end of the year, or 0.03 percentage points higher than one year earlier. Hence, the difference between the lending and deposit rates at the end of the year was 4.46 percentage points, compared with 4.48 percentage points one year earlier. The rates at issue on bonds intended for public subscription continued to rise slightly in the course of the year (Chart 11 C).

### Credit policy guidelines

In May, the banks received revised credit policy guidelines reflecting the eased overall stance of monetary policy. At the same time, the Bank of Finland issued new guidelines of a more permanent nature relating to the granting of personal credits.

In the credit policy guidelines, the Bank of Finland stated that the peak of the boom had been passed and that it had eased the monetary policy line so as to alleviate the downswing. However, efforts were to be made to prevent the money market easing to such an extent that could jeopardize the slowing down of inflation.

The banking institutions were requested to give priority in their lending to the financing of profitable investment and production. They were further urged to take a reserved attitude towards finance for the acquisition of dwellings, particularly in large population centres. In addition, the guidelines requested the banking institutions to try to control their lending so that scheduled

local government investments would be implemented primarily in 1982.

The new guidelines on the granting of personal credits specified the minimum conditions for granting personal credits. The conditions for obtaining housing credits were set forth in these guidelines in more detail and more explicitly than before. According to them, credit up to three times the amount of prior savings could be obtained for financing the purchase of a first dwelling and up to twice this amount for financing the purchase of a new dwelling. In the latter case, the banking institution could, at its discretion, include in the amount of own funds the redemptions of credits granted for the acquisition of the dwelling being sold.

Systematic saving was also made a requirement for obtaining other fairly large personal credits. In these cases, credit could be obtained up to the amount of own funds in the form of bank account savings, while the loan period could not exceed the period needed for saving these funds.

The Bank of Finland required that these guidelines also be followed in granting credit on the basis of personal credit agreements concluded between a banking institution and the employees of client firms or corporations and between the banking institution and organizations.

### Statements concerning bonds

In 1981, the Bank of Finland gave the Council of

State 30 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 1 316 million marks, which was 135 million marks less than in the previous year.

Of the loans, 20 were issued by private mortgage institutions, seven by industrial or energy companies and one by a development credit institution. The total nominal value of the loans issued by private mortgage institutions was 1 180 million marks, which was 118 million marks more than in the previous year. The total value of the loans issued by industrial or energy companies amounted to 25 million marks. The loans issued by mortgage institutions and the development credit institution were mainly used to finance residential construction, and corporate and municipal industrial investments.

The total nominal value of the 10 private bond issues intended for public subscription was 483 million marks, or the same amount as in the previous year. Of these loans, nine bore a fixed rate of interest of 11.75 per cent. One loan bore a variable rate of interest, which was 12.75 per cent in 1981. The total nominal value of the other loans issued amounted to 833 million marks, and the rate of interest on these, variable in some cases, was between 9.25 and 11.50 per cent, mainly depending on the length of the loan period.

#### Deposit certificates and term deposits

The total value of deposit certificates in circulation, which amounted to 1 900 million marks at the beginning of the year, reached a peak of 2 600 million marks during the spring. By the end of the year, however, it had fallen to 1 600 million marks.

The public sector's term deposits at the Bank of Finland declined by a total of 6 million marks during 1981. The Council of State decided to discontinue the collection of counter-cyclical deposits as from the beginning of July; these had

been collected since the beginning of October 1980. At the same time, the Council of State decided to release the deposits to depositors in January and April 1982. At the end of the year, counter-cyclical deposits totalled 143 million marks. Central government counter-cyclical reserves declined by 112 million marks during 1981 and amounted to 433 million marks.

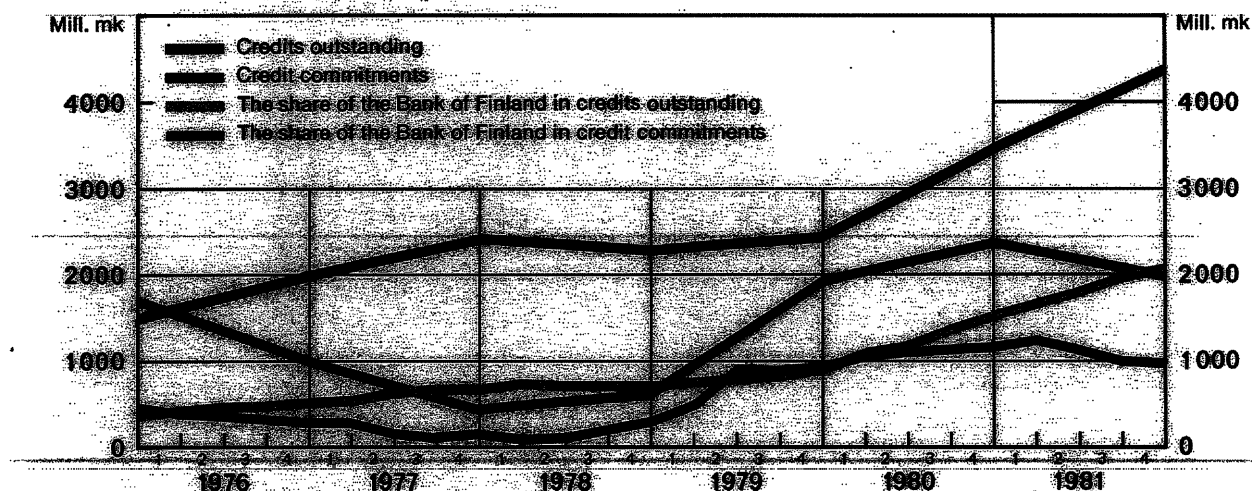
The corporate sector's term deposits increased by a total of 515 million marks during 1981. There were no capital import deposits at the end of the year. Owing to changing economic conditions, the Council of State decided in February and April to discontinue the collection of export deposits, which had been started in June 1980. At the end of October, the Council of State also decided to bring forward the release of export deposits to enterprises. A total of 219 million marks of export deposits including interest accrued was released by the end of the year.

In May, the Council of State decided that the investment reserves made out of profits for accounting periods ending during 1978 were to be used between the beginning of October 1981 and the end of 1982. The investment reserves made out of profits for accounting periods ending during 1979 were to be used during 1982 and those out of profits for accounting periods ending during 1980 or before April 1, 1981, between May 1, 1982 and April 30, 1983. In December, the Council of State revised this decision so that all the investment reserves made out of profits for accounting periods ending during 1979, 1980 and before April 1, 1981 were to be used between the beginning of January 1982 and the end of April 1983. At the end of the year, investment deposits based on investment reserves totalled 1 377 million marks, or 707 million marks more than one year earlier.

#### Special financing arrangements

The terms of the arrangements made for the financing of domestic suppliers' credits, short-term export credits and new-export credits were revised slightly during 1981. The Bank of Finland's

Chart 12.  
FINANCING OF DOMESTIC DELIVERIES



share in the financing of credits outstanding under these arrangements amounted to 3 901 million marks at the end of the year, or about a quarter 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. The Bank of Finland base rate, which was 9 1/4 per cent throughout the year, was applied to domestic suppliers' credits. The Bank of Finland's share in the financing of that part of the contract price covered by bank credit was kept unchanged at 50 per cent. Certain technical modifications and revisions in mark terms were made in the other conditions of this arrangement.

Owing to a slackening in investment activity, new credit commitments made under the system of financing domestic suppliers' credits clearly declined from the previous year. Forest industry machinery accounted for 49 per cent of the total

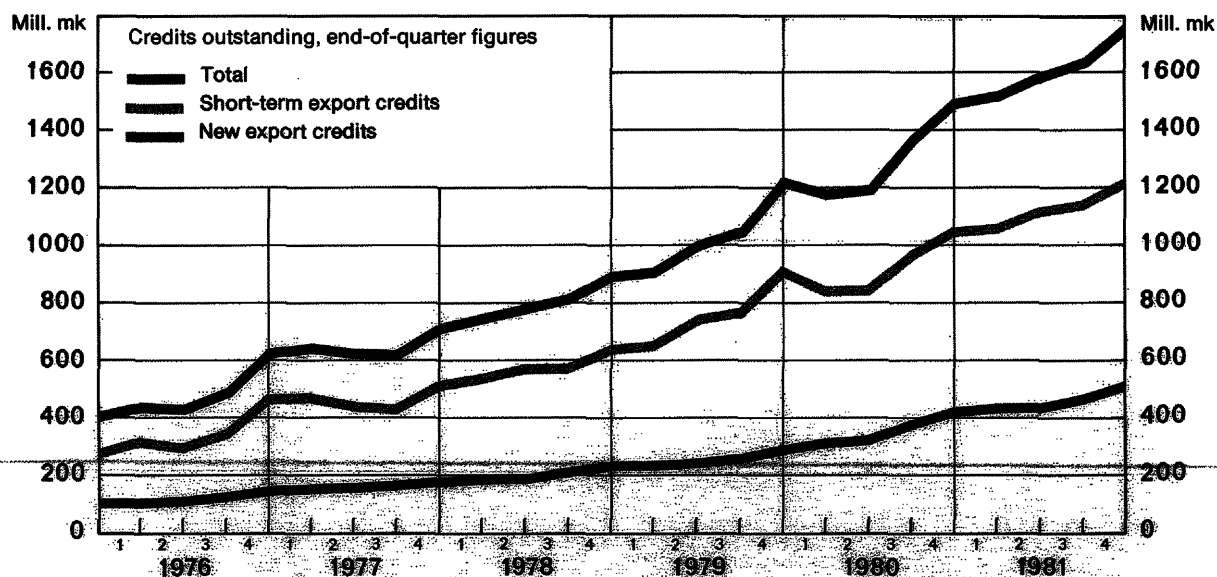
of 1 554 million marks of new credit commitments. At the end of the year, credit commitments outstanding totalled 2 034 million marks. Drawings of domestic suppliers' credits were not yet affected during 1981 by the falling-off of investment activity. Drawings of credits totalled 1 896 million marks, which was 27 million marks more than in 1980. At the end of the year, the stock of credits outstanding amounted to 4 435 million marks, which was 925 million marks more than one year earlier. The Bank of Finland's share in the financing amounted to 2 111 million marks.

The purpose of the arrangements for the financing of short-term export credits is to refinance export credits granted to foreign buyers up to 24 months, in connection with exports payable in convertible currencies. The terms of these financing arrangements were kept unchanged during the year. The rate of interest on the refinancing of export deliveries payable within 12 months was 8 1/2 per cent and that on the refinancing of export deliveries payable in more than 12 months 9 per cent.

The stock of short-term export credits outstand-

Chart 13.

**FINANCING OF NEW EXPORT CREDITS AND SHORT-TERM EXPORT CREDITS**



ing, including export factoring finance granted to finance companies under these financing arrangements, grew by 16 per cent during 1981 and reached 1 250 million marks at the end of the year. At year's end, the manufacture of fabricated metal products, machinery and equipment accounted for 46 per cent of the stock of credits outstanding, the basic metal industries for 13 per cent, and the textile, wearing apparel and leather industries for 8 per cent. At the end of the year, a total of 722 firms were in receipt of credit of this type.

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. At the beginning of June, the turnover limit for firms eligible to receive new-export credits was raised to 200 million marks and the upper limit on credit extended to an individual firm to 5 million marks. The rate of interest applied by credit institutions to new-export credits was 8 1/2 per cent. The stock of credits outstanding grew by nearly 20 per cent in 1981 and

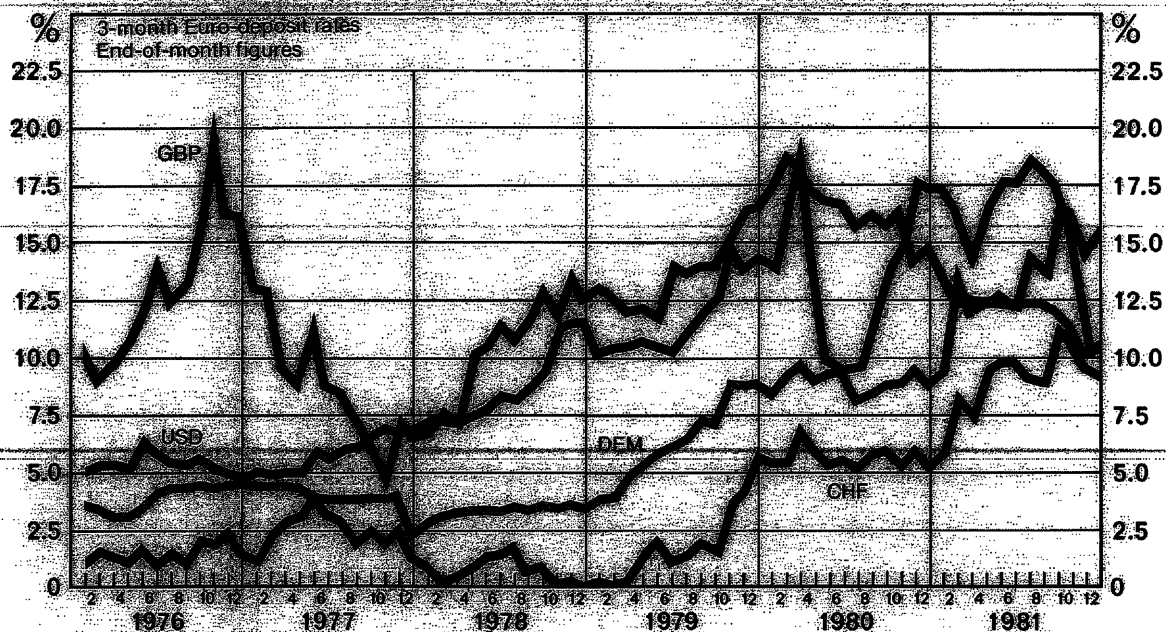
amounted to 540 million marks at the end of the year. The manufacture of fabricated metal products, machinery and equipment accounted for 26 per cent of the stock of credits outstanding, the textile, wearing apparel and leather industries for 32 per cent, and seasonal credit granted to fur farming for 11 per cent. At the close of the year, a total of 2 148 firms were in receipt of this type of credit; of this total, 1 395 were fur farmers.

**FOREIGN EXCHANGE POLICY**

**Developments in international foreign exchange and financial markets**

The international foreign exchange markets remained volatile in 1981, and there were marked movements in the exchange rates of major currencies. The turmoil prevailing in the foreign exchange markets was mainly attributable to large fluctuations in dollar interest rates, political conditions and the fact that the nature of economic problems varied greatly in the most important industrial countries.

Chart 14  
EURO-DEPOSIT RATES



In the United States monetary policy continued to be based on the control of the growth of the money supply, and because of this dollar interest rates fluctuated sharply, as they had done in the previous two years. At the beginning of 1981, the interest rate charged by US banks to their best customers, the so-called prime rate, stood at 21.5 per cent, but in the spring it had fallen to 17 per cent. The prime rate reached almost the same level, 20.5 per cent, again in the summer, but subsequently fell steadily towards the end of the year to less than 16 per cent. In the Euro-market, the dollar interest rate broadly followed movements in US domestic interest rates. The rates of interest on other currencies in the Euro-market fluctuated much more sharply than in the previous year (Chart 14).

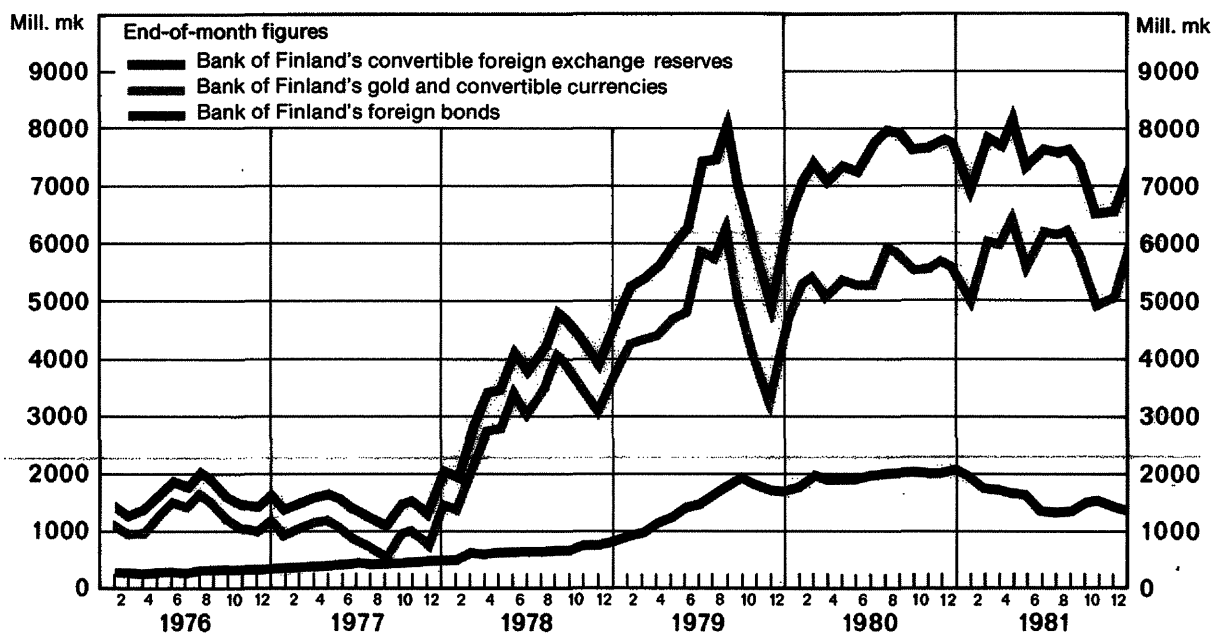
Until the autumn, the movements in exchange rates clearly reflected changes in the interest rate differentials, particularly between the United States and the Federal Republic of Germany. Because the level of interest rates in the United

States rose relative to that prevailing in several other countries, the dollar appreciated against other currencies. During the first half of the year, the dollar was also supported by favourable expectations about the impact of the economic policy pursued by the new US Administration. However, towards the end of the year, these expectations became more cautious, which contributed to a decline in the dollar exchange rate. In August, dollar interest rates began to fall rapidly. The exchange rate of the dollar was sustained by expectations of a new rise in interest rates.

Owing to the unfavourable interest rate differential, the deutschemark weakened against the U.S. dollar throughout the first half of the year. However, the deutschemark strengthened from the late summer onwards as a consequence of favourable current account developments in the Federal Republic of Germany. The Swiss franc and the Japanese yen also weakened against the dollar during the first half of the year, but from August onwards strengthened substantially



Chart 15.  
**CONVERTIBLE FOREIGN EXCHANGE RESERVES**



more than other currencies. The strengthening of the Swiss franc was partly attributable to the country's fairly high level of interest rates. On the other hand, the pound sterling was weakened by doubts about the effectiveness of the economic policy being pursued in the United Kingdom; however, the high level of sterling interest rates raised the sterling exchange rate at the end of the year. The Swedish krona was devalued by 10 per cent on August 14, 1981.

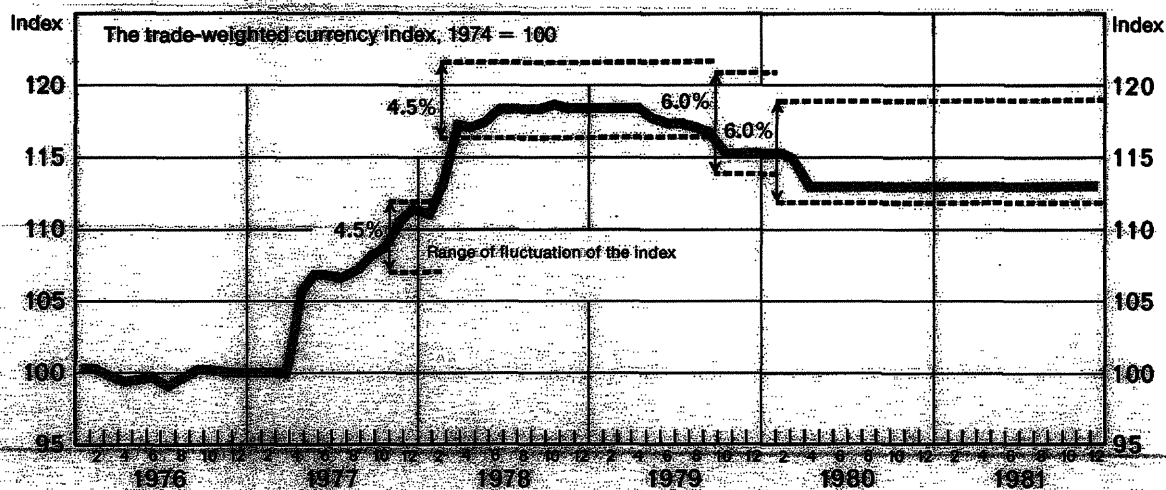
In the European Monetary System (EMS), a weakening of the French franc and the strengthening of the deutschemark gave rise to a realignment of the internal exchange rate structure in October. The deutschemark and the Dutch guilder were revalued by 5.5 per cent against the Danish krone, the Belgian franc, the Luxembourg franc and the Irish pound. The French franc and the Italian lira were devalued by 3 per cent against these currencies.

The price of gold continued to fall in international

markets. Whereas the price was still 588 dollars per ounce at the end of the previous year, at the end of 1981 it was only 400 dollars.

Despite the high level of interest rates on loans denominated in the major currency, the U.S. dollar, borrowing in the international financial markets increased substantially during 1981. New Euro-currency loans and foreign bond issues totalled approximately 180 000 million dollars, as against about 120 000 million dollars one year earlier. This increase could be ascribed in part to the financial flows caused by the current account surpluses of OPEC countries. It also reflected the fact that Euro-interest rates were lower than interest rates in the United States and Canada, which, together with the good prospects obtaining credit, attracted borrowers from these countries to the Euro-market. Borrowing by non-oil developing countries increased in the international financial markets, whereas industrial countries, excluding the United States and Canada, raised slightly fewer new loans than in

Chart 16.  
BANK OF FINLAND CURRENCY INDEX



the previous year. As in the preceding year, borrowing by the Socialist countries remained fairly insignificant.

The high dollar rates prevailing during the first half of the year curbed borrowing on the bond market in both the United States and the Euro-market. In the Euro-market, borrowing started to increase rapidly after American borrowers had accepted the prevailing level of interest rates. Towards the end of the year, the United States bond market also picked up after interest rates had begun to fall appreciably. The number of foreign bond issues remained almost unchanged in other major capital markets, except in the Federal Republic of Germany, where new issues declined clearly from the previous year, and in Japan, where they increased more than twofold. Foreign bond issues totalled about 50 000 million dollars, of which Euro-bond issues accounted for about 30 000 million dollars.

Euro-currency loans with a variable interest rate played an increasingly important role as the largest loan category and remained a significant source of finance, particularly for borrowers re-

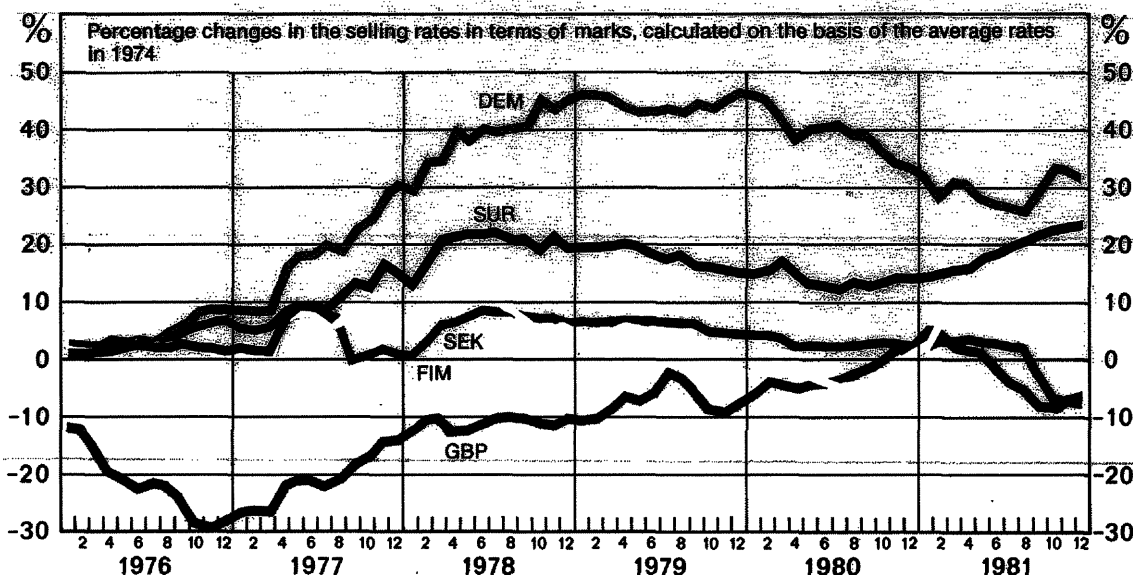
presenting the public sectors of various countries. The terms applied to loans did not change notably in the course of the year. Terms remained favourable for good borrowers, whereas costs rose for less creditworthy borrowers. High interest rates are likely to hamper the access to finance of certain deeply-indebted countries in the coming years and make it necessary for negotiations on rescheduling these countries' debts.

#### Foreign exchange policy and the domestic foreign exchange market

In 1981, the domestic foreign exchange market remained stable although occasionally lively. Despite a slight decline in the convertible foreign exchange reserves, the Bank of Finland's total foreign exchange reserves increased. The end-of-month figures for the convertible reserves varied between a low point of 6 653 million marks in November and a high point of 8 399 million marks in April (Chart 15). Owing to a surplus in Finland's trade with the Soviet Union, the tied currencies of the Bank of Finland increased sharply.

Chart 17.

**CHANGES IN EXCHANGE RATES OF MAJOR CURRENCIES**



The monthly average value of the currency index was kept at 113.1 throughout 1981, at which level the Board of Management of the Bank of Finland decided to set it in March 1980 (Chart 16). The fluctuation limits of the currency index remained at 112.0 and 119.0. Neither the devaluation of the Swedish krona in September nor the realignment of the exchange rate structure in the EMS in October caused any pressures on the domestic foreign exchange market.

Changes in the mark rates for currencies quoted by the Bank of Finland were entirely attributable to changes in the international exchange rate structure. Compared with the selling rates at the end of the previous year, the mark rate for the U.S. dollar rose by 13.4 per cent and that for the rouble by 8.8 per cent during 1981. On the other hand, the mark rate for the Swedish krona fell by 10.3 per cent, that of the pound sterling by 9.2 per cent and that of the deutschemark by 1.1 per cent (Chart 17). In October, the Bank of Finland adopted a more flexible method of quoting the

rouble, which evened out movements in the mark rate for the rouble.

During 1981, the Bank of Finland did not participate in forward exchange deals conducted in convertible currencies. The Bank of Finland continued to set limits for the authorized banks' foreign exchange positions, within which the sum of each bank's daily spot and forward exchange positions had to be kept. The forward exchange markets were mostly stable and occasionally very brisk. Towards the end of the year, the forward exchange rates settled around the value suggested by the interest rate differential between the Finnish mark and the U.S. dollar and the net forward exchange receivables of the authorized banks declined. As from the beginning of September, the banks' right to conclude forward exchange agreements was extended to cover also domestic credits denominated in foreign currencies. The use of rouble-denominated forward exchange agreements in the trade with the Soviet Union increased substantially during

1981. At the end of the year, the Bank of Finland's rouble-denominated forward exchange receivables totalled 439 million roubles and liabilities 15 million roubles.

At the end of 1981, the convertible foreign exchange reserves of the Bank of Finland amounted to 7 458 million marks, or 340 million marks less than one year earlier. Owing to purchases of gold, the gold reserves increased by 309 million marks. Convertible currencies declined, in net terms, by 178 million marks to 3 645 million marks and foreign bonds by 720 million marks to 1 405 million marks. The Bank of Finland's tied currency accounts swung from a liability of 757 million marks to a receivable of 1 909 million marks (Table 3).

The credits drawn in 1975 and 1976 under the Oil Facility of the International Monetary Fund were redeemed to the value of 72 million marks during 1981. At the end of the year, the credits outstanding under this facility amounted to 265 million marks.

At the end of 1981, the Bank of Finland's credit facility arrangements negotiated with foreign banks totalled 1 500 million U.S. dollars; these can be used, whenever needed, to support the foreign exchange reserves. In 1981, these credit facilities increased by 150 million U.S. dollars. The Bank of Finland did not need to resort to these facilities in the course of the year.

### Long-term capital flows and foreign debt

The inflow of long-term capital in 1981 was substantially larger than in the previous year. However, the total inflow of capital was fairly insignificant during the first months; during this period the central government was the major net importer of capital. Capital imports were curbed in the early part of the year by high foreign interest rates, fluctuations in exchange rates, the controlled ease of the domestic money market and the corporate sector's income developments. In the summer, capital imports picked up mainly as a result of the fall in Euro-dollar rates. During the

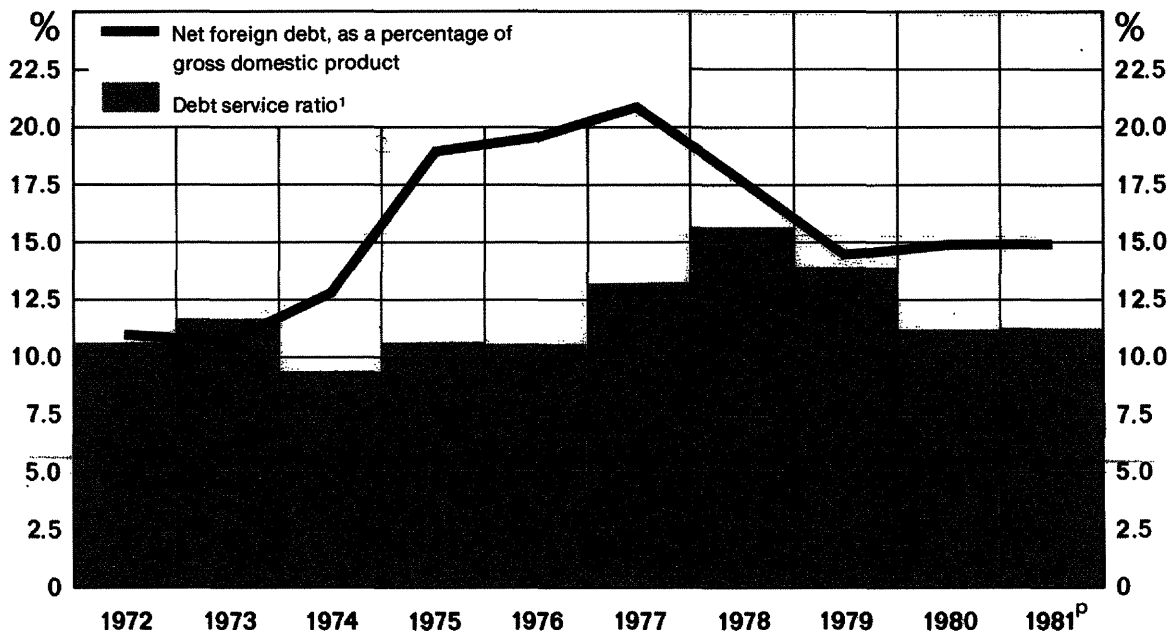
last months of the year, the overall decline in international interest rates, coupled with the rise in the cost of domestic central bank finance, served to accelerate capital imports.

The central government imported a substantially larger amount of foreign capital than in the previous year. Although the central government's drawings were distributed fairly evenly over the whole year, the largest drawings took place in November. The corporate sector's imports of long-term capital were used primarily to finance investments in the paper industry, the chemical industries and the metal industry.

According to preliminary figures, Finland's net foreign debt grew by about 4 300 million marks during 1981 and amounted to about 32 300 million marks at the end of the year. The net long-term debt increased by about 4 300 million marks, whereas, the net short-term debt remained virtually unchanged. The increase in the net long-term debt was primarily attributable to the raising of new financial loans abroad. The corporate sector's foreign liabilities increased, but as the authorized banks' short-term foreign receivables grew, the increase in the net short-term foreign debt was moderate. The ratio of net foreign debt to gross domestic product at prices remained at its former level and was 15.0 per cent at the end of the year (Chart 18). Finland's credit-worthiness in international financial markets remained good.

Finland's gross long-term foreign debt grew by about 6 000 million marks to reach about 42 600 million marks (Table 15). Exchange rate changes accounted for about 2 700 million marks of the increase in debt. The central government's net inflow of capital amounted to about 2 100 million marks. The corporate sector's and financial institutions' net inflow of capital amounted to only about 1 600 million marks. At the end of the year, 45 per cent of Finland's gross long-term debt was denominated in U.S. dollars, 11 per cent in deutschemarks, 11 per cent in Swiss francs and 7 per cent in Japanese yen. The remainder of the

Chart 18.  
DEVELOPMENT OF INDEBTEDNESS



<sup>1</sup> 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.

p = preliminary data

debt was distributed among some 20 other currencies. The average life of credits was 5.3 years.

Drawings of long-term foreign credits increased by about 50 per cent on the previous year and amounted to about 8 700 million marks. Of this amount, Finnish bond issues abroad accounted for about 2 300 million marks. The following 10 Finnish bond issues were floated abroad in 1981:

|                                       |     |                |
|---------------------------------------|-----|----------------|
| Republic of Finland                   | DEM | 100 million    |
| Republic of Finland                   | JPY | 20 000 million |
| Republic of Finland                   | GBP | 50 million     |
| Republic of Finland                   | USD | 100 million    |
| Republic of Finland                   | DEM | 100 million    |
| Finnish Export Credit Ltd             | GBP | 15 million     |
| Finnish Export Credit Ltd             | USD | 50 million     |
| Industrialization Fund of Finland Ltd | JPY | 5 000 million  |
| Industrial Bank of Finland Ltd        | CHF | 50 million     |
| Enso-Gutzeit Oy                       | NLG | 60 million     |

Drawings of long-term import credits amounted

to about 900 million marks, which was slightly more than in the previous year.

Redemptions of long-term liabilities amounted to about 4 900 million marks, or somewhat more than in 1980. Premature repayments accounted for about 1 000 million marks of the redemptions. Interest expenses grew by a fifth and amounted to about 3 900 million marks. The weighted average rate of interest on financial loans outstanding rose to about 11 per cent, as against 9.6 per cent in the previous year.

Net direct investment by foreign firms in Finland amounted to 75 million marks, or somewhat less than in the previous year. At the end of the year, there were 958 firms in Finland which were more than 20 per cent foreign-owned.

Finland's gross long-term foreign assets increased by 21 per cent and totalled about 9 400

million marks. About half of the stock of assets consisted of export credits, which increased, in net terms, by about 500 million marks. The stock of financial loans outstanding grew slightly and amounted to about 400 million marks at the end of the year. The decline in the development credits outstanding came to a halt and the stock amounted to 88 million marks at the end of the year.

Direct investment by Finnish firms abroad amounted, in net terms, to 599 million marks, slightly more than in the previous year. At the end of the year, there were 1 095 firms abroad which were more than 20 per cent Finnish-owned.

After the Council of State had sanctioned Citibank N.A.'s application to establish a subsidiary in Finland, the Bank of Finland decided to grant Citibank N.A. a permit to import capital. In addition, the Bank of Finland has received two other applications for permission to import capital for the establishment of a foreign subsidiary in Finland.

### Short-term capital flows

During the first months of the year, the net inflow of short-term capital was smaller than forecast. This was due to high interest rates and the trade account surplus caused by a slow growth of imports and vigorous exports. During the first months, the banks' short-term foreign debt was sustained mainly by foreign exchange deposits made to cover forward exchange receivables. The banks' net debt began to decline towards the end of the year as the growth in foreign trade decelerated and domestic financial prospects improved.

The net inflow of short-term capital in the form of suppliers' credits amounted to about 900 million marks. Of the import of short-term capital by banks of about 1 400 million marks, about 800 million marks was used to refinance export receivables.

### Bilateral payments arrangements

At the end of 1981, Finland had clearing agreements with the Soviet Union, Bulgaria, Romania, the German Democratic Republic, the People's Republic of China, and Hungary. The clearing agreements with Poland and Czechoslovakia were still formally in force, but in practice the arrangements for using convertible U.S. dollars in payments were continued.

On October 30, 1981, Finland and Romania signed a new long-term trade agreement, in accordance with which the clearing payments system was abolished and the two countries agreed to switch over to the use of convertible currencies in their payments as from the beginning of 1982.

A new payments agreement between Finland and Bulgaria was signed on August 19, 1981, and was due to enter into force at the beginning of 1982. According to the document, the credit limit was to be raised to 3 million U.S. dollars and the liability exceeding the credit limit settled automatically. In the event that the liability outstanding at the end of the year exceeded the credit limit, the amount in excess of the limit was to be paid in convertible U.S. dollars.

During 1981, the credit limit applied to the clearing account between Finland and the Soviet Union was raised to 150 million roubles and that applied to the clearing account between Finland and the People's Republic of China to 20 million marks.

At the beginning of 1981, the clearing account between Finland and the Soviet Union showed a liability for Finland, which, however, turned into a substantial receivable for Finland in the course of the year. This was attributable to the rapid expansion in Finnish exports to the Soviet Union; exports grew by 60 per cent in 1981. The clearing account between Finland and the People's Republic of China has also shown a relatively large receivable for Finland. The clearing accounts between Finland and other countries have remained fairly well balanced.

# 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 1981 and the preceding two years are presented in Table 4. Chart 19 shows the movements in the major items in the Balance Sheet during 1981.

## FOREIGN SECTOR

"Net foreign receivables" of the Bank of Finland increased by 2 225 million marks in 1981 to reach 8 376 million marks. From the beginning of the year until August, net foreign receivables

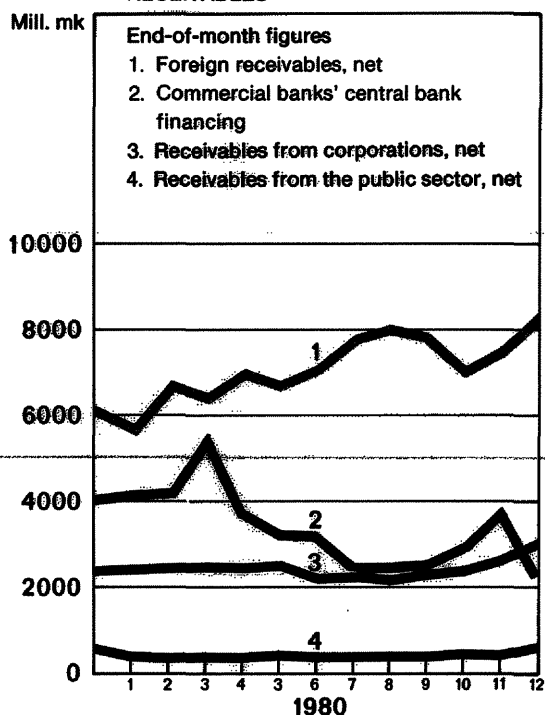
grew fairly steadily. In October and November they diminished but started to increase again in December.

The convertible foreign exchange reserves, which include gold, special drawing rights, the

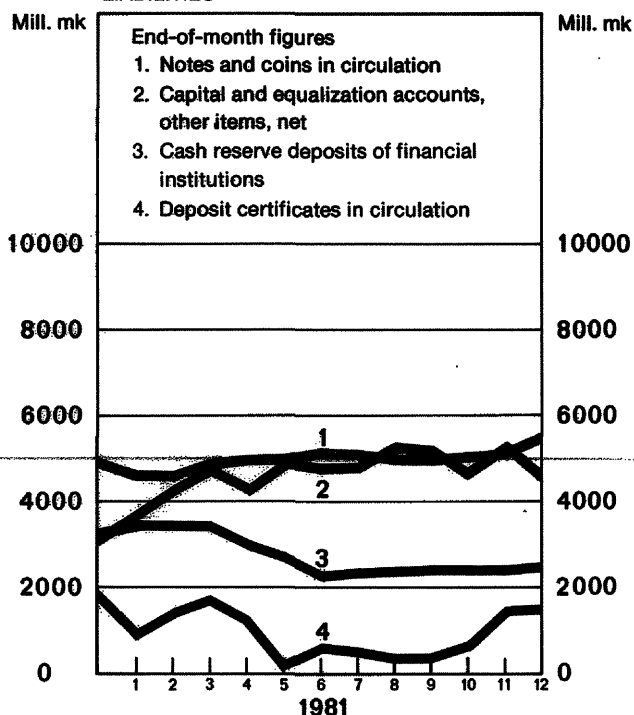
## FOREIGN ACCOUNTS, MILL. MARKS

|   | December<br>31, 1980 | December<br>31, 1981 | Change        |
|---|----------------------|----------------------|---------------|
| Gold  | 1 073                | 1 382                | + 309         |
| Special drawing rights                          | 397                  | 632                  | + 235         |
| IMF reserve tranche                             | 380                  | 394                  | + 14          |
| Foreign bonds                                   | 2 125                | 1 405                | - 720         |
| Convertible currencies                          | 3 841                | 3 686                | - 155         |
| Tied currencies                                 | 208                  | 1 964                | +1 756        |
| Gold and foreign exchange receivables           | 8 024                | 9 463                | +1 439        |
| Mark subscription to Finland's quota in the IMF | 1 540                | 1 606                | + 66          |
| Other foreign receivables                       | 1 540                | 1 606                | + 66          |
| <b>Total foreign receivables</b>                | <b>9 564</b>         | <b>11 069</b>        | <b>+1 505</b> |
| Convertible accounts                            | 18                   | 41                   | + 23          |
| Tied accounts                                   | 965                  | 55                   | - 910         |
| Foreign exchange liabilities                    | 983                  | 96                   | - 887         |
| IMF mark accounts                               | 1 864                | 1 871                | + 7           |
| Allocations of special drawing rights           | 566                  | 726                  | + 160         |
| Other foreign liabilities                       | 2 430                | 2 597                | + 167         |
| <b>Total foreign liabilities</b>                | <b>3 413</b>         | <b>2 693</b>         | <b>- 720</b>  |
| <b>Net foreign receivables</b>                  | <b>6 151</b>         | <b>8 376</b>         | <b>+2 225</b> |

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



**LIABILITIES**



reserve tranche in the International Monetary Fund, foreign bonds and net convertible foreign exchange receivables, declined by 340 million marks during 1981 and amounted to 7 458 million marks. The composition of the reserves changed so that the share of gold grew by 309 million marks owing to gold purchases, and holdings of special drawing rights increased by 235 million marks because of additional allocations of rights. By contrast, holdings of foreign bonds fell by 720 million marks and those of currencies by 155 million marks.

The tied foreign exchange reserves, which are the difference between tied foreign exchange receivables and tied foreign exchange liabilities, increased by 2 666 million marks in 1981. At the end of the year, the tied currency accounts showed a net receivable of 1 909 million marks. The composition of the tied reserves changed so that tied foreign exchange liabilities declined by

910 million marks to total 55 million marks, while tied foreign exchange receivables increased by 1 756 million marks and amounted to 1 964 million marks.

"Other foreign receivables" of the Bank of Finland, which comprise only the mark subscription to Finland's quota in the IMF, increased by 66 million marks to reach 1 606 million marks. "Other foreign liabilities" of the Bank of Finland grew by 167 million marks to 2 597 million marks mainly because holdings of special drawing rights increased by 160 million marks to 720 million marks as a result of additional allocations.

## FINANCIAL INSTITUTIONS

Financial institutions' net claims on the Bank of Finland amounted to 107 million marks at the end of 1981. In the course of the year, the Bank of Finland's receivables from financial institu-



## ACCOUNTS OF FINANCIAL INSTITUTIONS, MILL. MARKS

|  | December<br>31, 1980 | December<br>31, 1981 | Change        |
|--|----------------------|----------------------|---------------|
| Cheque accounts of the banks                       | 481                  | 495                  | + 14          |
| Call money market advances                         | 3 674                | 1 796                | -1 878        |
| Till-money credits                                 | 643                  | 768                  | + 125         |
| Bonds  | 527                  | 594                  | + 67          |
| Other accounts                                     | 25                   | 37                   | + 12          |
| <b>Receivables from financial institutions</b>     | <b>5 350</b>         | <b>3 690</b>         | <b>-1 660</b> |
| Cheque accounts of the banks                       | 1                    | 0                    | - 1           |
| Call money market deposits                         | 290                  | 1 080                | + 790         |
| Cash reserve deposits                              | 3 317                | 2 492                | - 825         |
| Capital import deposits                            | 108                  | 201                  | + 93          |
| Other accounts                                     | 23                   | 24                   | + 1           |
| <b>Claims of financial institutions</b>            | <b>3 739</b>         | <b>3 797</b>         | <b>+ 58</b>   |
| <b>Net receivables from financial institutions</b> | <b>1 611</b>         | <b>- 107</b>         | <b>-1 718</b> |

tions declined by 1 660 million marks to total 3 690 million marks, while claims of financial institutions grew by 58 million marks to reach 3 797 million marks. The central bank financing of the commercial banks declined by 1 894 million marks and amounted to 2 238 million marks. Call money market advances accounted for 1 796 million marks of this amount and base-rate cheque account overdrafts for 458 million marks. Central bank financing reached a peak of 5 578 million marks at the end of March because of the threat of a bank strike. After this threat had receded, central bank financing fell back to its normal level in April and subsequently declined until the end of July owing to the release of cash reserve deposits, the increase in foreign exchange reserves and the decline in the holdings of deposit certificates. In October and November, central bank financing increased mainly for seasonal reasons, whereas it declined substantially in December due to the payment of tax rebates and foreign currency flows. On average, central bank financing in 1981 was 876 million marks down on the average for the previous year.

At the end of the year, the base-rate central bank credit of the commercial banks amounted to 458 million marks, or the same as one year earlier. On average, central bank credit was 189 million marks less than in 1980.

On the Bank of Finland's call money market, advances to the commercial banks amounted to 1 796 million marks at the end of the year; this was 1 878 million marks less than at the end of the previous year. Call money market advances to the commercial banks were at their highest, 4 978 million marks, at the end of March and at their lowest at the end of the year. The commercial banks' call money market deposits totalled 16 million marks at the end of the year. On average, the commercial banks' call money market advances in 1981 were 685 million marks less than in 1980.

In order to cover the difference between call money market advances and deposits, the Bank of Finland placed 716 million marks in the call money market at the end of the year; this was 2 668 million marks less than at the end of 1980. The Bank of Finland's average placement in the call money market was 1 152 million marks less than the average for the previous year.

Of the claims of financial institutions on the Bank of Finland, call money market deposits increased by 790 million marks to reach 1 080 million marks. On average, call money market deposits amounted to 467 million marks more than in the previous year. Cash reserve deposits totalled 2 492 million marks at the end of the year, which

was 825 million marks less than one year earlier. Of this amount, the commercial banks (excl. Okobank and Skopbank) accounted for 868 million marks, the co-operative banks (incl. Okobank) for 586 million marks, the savings banks (incl. Skopbank) for 730 million marks and Postipankki for 308 million marks. On average, cash reserve deposits totalled 252 million marks more than in 1980. Capital import deposits increased by 93 million marks to reach 201 million marks. At the end of the year, till-money credits amounted to 768 million marks, or 125 million marks more than at the end of 1980. The Bank of Finland's holdings of financial institution bonds increased by 67 million marks and reached 594 million marks.

In addition to receivables and liabilities, financial institutions have contingent liabilities to the Bank of Finland, which 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, consist of 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 re-

payment of domestic suppliers' credits.

## THE PUBLIC SECTOR

The receivables of the Bank of Finland from the public sector increased by 11 million marks to reach 1 236 million marks. The 700 million mark promissory note loan granted by the Bank of Finland to the central government in 1978 was redeemed by 158 million marks, and at the end of the year the loan outstanding amounted to 354 million marks. The Bank of Finland's holdings of central government bonds grew by 98 million marks and total coinage by 80 million marks.

Claims of the public sector decreased by 13 million marks and amounted to 578 million marks. At the beginning of 1981, counter-cyclical reserves totalled 545 million marks, of which the central government released 149 million marks in the course of the year. At the end of the year, these reserves totalled 433 million marks including interest accrued of 37 million marks. Counter-cyclical deposits collected by the central government from enterprises increased by 106 million marks during 1981 and at the end of the year totalled 143 million marks.

## ACCOUNTS OF THE PUBLIC SECTOR, MILL.MARKS

|   | December<br>31, 1980 | December<br>31, 1981 | Change      |
|---|----------------------|----------------------|-------------|
| Government promissory notes                   | 512                  | 354                  | - 158       |
| Bonds   | 266                  | 366                  | + 98        |
| Total coinage                                 | 403                  | 483                  | + 80        |
| Other accounts                                | 22                   | 18                   | - 9         |
| <b>Receivables from the public sector</b>     | <b>1 225</b>         | <b>1 236</b>         | <b>+ 11</b> |
| Cheque accounts                               | 2                    | 1                    | - 1         |
| Counter-cyclical reserves                     | 545                  | 433                  | - 112       |
| Counter-cyclical deposits                     | 37                   | 143                  | + 106       |
| Capital import deposits                       | -                    | -                    | -           |
| Other accounts                                | 7                    | 1                    | - 6         |
| <b>Claims of the public sector</b>            | <b>591</b>           | <b>578</b>           | <b>- 13</b> |
| <b>Net receivables from the public sector</b> | <b>634</b>           | <b>658</b>           | <b>+ 24</b> |

## CORPORATIONS

The receivables of the Bank of Finland from corporations increased by 1 150 million marks to reach 4 549 million marks. Financing of exports, which includes export bills and new-export bills, grew by 252 million marks. Of this amount, short-term export credits accounted for 161 million marks and new-export credits for 91 million marks. Financing of domestic deliveries increased by 550 million marks. The total stock of credits outstanding under these three special financing arrangements grew by 802 million marks to reach 3 865 million marks. Of other receivables, the Bank of Finland's holdings of bonds floated by corporations fell by 33 million

marks, whereas receivables under "Other accounts" increased by 381 million marks.

Claims of corporations on the Bank of Finland grew by 455 million marks to reach 1 433 million marks. Deposits for investment and ship purchase increased, in net terms, by 708 million marks and amounted to 1 425 million marks at the end of the year. Capital import deposits, which totalled 83 million marks at the beginning of the year, were all drawn in the course of the year. By a decision of the Council of State, export deposits were returned to enterprises in full as from the beginning of November. The deposits returned, including interest accrued, totalled 219 million marks.

## ACCOUNTS OF CORPORATIONS, MILL.MARKS

|   | December<br>31, 1980 | December<br>31, 1981 | Change        |
|---|----------------------|----------------------|---------------|
| Financing of exports                      | 1 502                | 1 754                | + 252         |
| Financing of domestic deliveries          | 1 561                | 2 111                | + 550         |
| Bonds                                     | 220                  | 187                  | - 33          |
| Other accounts                            | 116                  | 497                  | + 381         |
| <b>Receivables from corporations</b>      | <b>3 399</b>         | <b>4 549</b>         | <b>+1 150</b> |
| Deposits for investment and ship purchase | 717                  | 1 425                | + 708         |
| Capital import deposits                   | 83                   | -                    | - 83          |
| Export deposits                           | 110                  | 0                    | - 110         |
| Other accounts                            | 68                   | 8                    | - 60          |
| <b>Claims of corporations</b>             | <b>978</b>           | <b>1 433</b>         | <b>+ 455</b>  |
| <b>Net receivables from corporations</b>  | <b>2 421</b>         | <b>3 116</b>         | <b>+ 695</b>  |

## NOTES, COIN AND DEPOSIT CERTIFICATES IN CIRCULATION

Notes and coin in circulation increased by 641 million marks in 1981 and amounted to 5 595 million marks at the end of the year. Of this sum, notes accounted for 5 152 million marks and coin for 443 million marks. Notes in the old denomination, amounting to 9 million marks, are included in "Other liabilities" in the Balance Sheet.

Deposit certificates in circulation amounted to 1 600 million marks at the end of the year, 300 million marks less than at the end of 1980. Deposit certificates reached a peak of 1 800 million marks at the end of March and a low point of 300

million marks at the end of May.

## OTHER BALANCE SHEET ITEMS

In connection with the closing of the accounts, the Bank of Finland's primary capital was raised by 1 600 million marks to reach 3 000 million marks in accordance with a decision made by Parliament. After this increase, but before the addition of the net earnings for the accounting year, the Bank's capital accounts amounted to 3 750 million marks, which was 1 909 million marks more than at the end of the previous year.

In connection with the closing of the accounts, the basic capital of the Finnish National Fund for

Research and Development (SITRA) was increased by 100 million marks to reach 400 million marks by transferring securities held by the Bank of Finland to the Fund and debiting the equalization accounts of the Bank of Finland with the corresponding amount. 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 Ltd 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 1981 by a total of 3 244 million marks as a result of the increases in net foreign receivables, net receivables from corporations and the public sector and the decline in deposit certificates in circulation. By contrast, the financial market tightened owing to a total growth of 1 526 million marks in notes and coin in circulation, and in capital accounts and other balance-sheet items. The financial institutions' position vis-à-vis the Bank of Finland eased as a result of a decline of 1 718 million marks in the Bank's net receivables from financial institutions.

### ITEMS IN THE NET BALANCE SHEET, MILL. MARKS

|  | December<br>31, 1980 | December<br>31, 1981 | Change |
|--|----------------------|----------------------|--------|
| + Net foreign receivables  | 6 151                | 8 376                | +2 225 |
| + Net receivables from financial institutions                                | 1 611                | - 107                | -1 718 |
| + Net receivables from corporations  | 2 421                | 3 116                | + 695  |
| + Net receivables from the public sector                                     | 634                  | 658                  | + 24   |
| = Total net receivables  | 10 817               | 12 043               | +1 226 |
| + Deposit certificates in circulation  | 1 900                | 1 600                | - 300  |
| + Notes and coin in circulation  | 4 954                | 5 595                | + 641  |
| + Capital accounts, equalization accounts and other balance sheet items, net | 3 963                | 4 848                | + 885  |
| = Net claims plus capital accounts   | 10 817               | 12 043               | +1 226 |

### NOTE ISSUE

Ordinary note cover, which includes gold reserves and the Bank's indisputable foreign receivables, increased by 1 669 million marks in 1981 and amounted to 9 350 million marks. Supplementary note cover, which includes coverable domestic bills, declined by 192 million marks to reach 1 308 million marks. Hence, the

total right of note issue rose by 1 477 million marks and amounted to 10 658 million marks. As the used right of note issue, which includes notes in circulation, liabilities payable on demand and unused overdraft facilities, declined by a total of 363 million marks to 5 298 million marks, the note reserve grew by 1 840 million marks and amounted to 5 360 million marks at the end of the year.

## RIGHT OF NOTE ISSUE AND ITS USE, MILL. MARKS

|                                 | December<br>31, 1980 | December<br>31, 1981 | Change        |
|---------------------------------|----------------------|----------------------|---------------|
| Ordinary cover                  | 7 681                | 9 350                | +1 669        |
| Supplementary cover             | 1 500                | 1 308                | - 192         |
| <b>Right of note issue</b>      | <b>9 181</b>         | <b>10 658</b>        | <b>+1 477</b> |
| Notes in circulation            | 4 572                | 5 152                | + 580         |
| Liabilities payable on demand   | 1 089                | 144                  | - 945         |
| Unused overdraft facilities     | 0                    | 2                    | + 2           |
| <b>Used right of note issue</b> | <b>5 661</b>         | <b>5 298</b>         | <b>- 363</b>  |
| <b>Note reserve</b>             | <b>3 520</b>         | <b>5 360</b>         | <b>+1 840</b> |

## INCOME STATEMENT

The Income Statement of the Bank of Finland for 1981 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 41 million marks and totalled 1 536 million marks. Of interest earnings, interest on foreign receivables grew by 156 million marks mainly because of high interest rates abroad. Interest on domestic bonds rose by 37 million marks. By contrast, interest on domestic receivables fell by 109 million marks primarily on account of the easing of monetary policy. Interest on foreign bonds decreased by 44 million marks.

Interest expenses of the Bank of Finland fell by 23 million marks and totalled 592 million marks. This reduction in interest expenses was the result of a decline in domestic claims, chiefly cash reserve deposits and deposit certificates. The interest on these declined by 32 million marks. On the other hand, interest and commission on drawn and undrawn foreign claims increased by 9 million marks.

Net interest earnings grew by 65 million marks,

totaling 944 million marks for the year as a whole.

The item "Other earnings" increased by 227 million marks to reach 543 million marks. Earnings from agios amounting, in net terms, to 514 million marks accounted for the major part of this growth, or for 218 million marks. The item "Other expenses" rose by 51 million marks. The largest expenses item, depreciation made in connection with the closing of the accounts, grew from 43 million marks to 70 million marks. Salaries and social security contributions increased by a total of 8 million marks, pensions by 3 million marks, expenses incurred in printing of notes by 10 million marks and miscellaneous expenses by 3 million marks. A sum of 700 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 563 million marks. Half of the net earnings, or 282 million marks, was transferred to the reserve fund in the opening Balance Sheet for 1982. The other half was transferred to the account of undistributed profits, and its 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)

Bhutan and Vanuatu having joined the International Monetary Fund as new members, the Fund had a total of 143 members at the end of 1981. In 1981, Saudi Arabia's membership quota was increased twofold, so that total membership quotas amounted to about 60 700 million SDRs at the end of the year.

The total amount of currency purchased from the Fund during 1981 amounted to about 7 100 million SDRs, which was almost twice as much as in the previous year. This could be ascribed to a sharp weakening in the current account positions of developing countries and to the fairly high interest rates prevailing in international capital markets.

The three-year extended arrangement approved for India, which authorized purchases up to the equivalent of 5 000 million SDRs, was the largest in the history of the International Monetary Fund. The Fund's net lending amounted to about 5 000 million SDRs, whereas in 1980 drawings of new credits had exceeded repayments of outstanding credits by only about 400 million SDRs. In addition, the developing countries received loans totalling the equivalent of

about 400 million SDRs from the Trust Fund administered by the International Monetary Fund.

The Finnish membership quota in the International Monetary Fund amounted to 393 million SDRs, or the equivalent of about 2 000 million marks,<sup>1</sup> which was 0.65 per cent of all quotas.

At the beginning of 1981, the International Monetary Fund allocated about 4 000 million new SDRs to the SDR accounts of its members. Since 1970, the Fund has allocated a total of about 21 400 million SDRs to member countries. The allocations are made in proportion to the membership quotas; in 1981, Finland was allocated 26.7 million SDRs.

By the end of 1981, Finland had been allocated a total of 142.7 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 redemptions on Oil Facility purchases. At the end of the year, Finland's holdings of SDRs totalled 124.2 million, the equivalent of 632 million marks.

<sup>1</sup> At the end of 1981, the value of one SDR in the Balance Sheet of the Bank of Finland was 5.08865 marks.

The state of the world economy and Fund policies were the main issues at the annual meeting of the International Monetary Fund held in Washington, D.C., between September 26 and October 2, 1981. It was pointed out that the current account deficits generated by the second oil shock had been reduced faster than expected, particularly in the case of large industrial countries; by contrast, it was feared that the poorest developing countries would encounter substantial difficulties in the financing of their balance of payments.

At the annual meeting, it was emphasized that the Fund's activities should be financed by further increases in membership quotas. On the other hand, the sharp increase in the Fund's own borrowing was welcomed as a means of enabling the expansion in the Fund's lending. The Saudi Arabian Monetary Agency (SAMA) made a commitment to lend the Fund 4 000 million SDRs annually, at least in 1981 and 1982. In addition, the Fund negotiated short-term financing arrangements with the central banks of most industrial countries (including the Bank of Finland) which enabled the Fund to fulfil its earlier resolutions (Enlarged Access Policy) to allow member countries to receive credit from the Fund up to as much as six times their membership quotas.

The Interim Committee, which deals with policy issues relating to Fund operations, agreed that the preparations for the Eighth General Review of Quotas should be expedited. In addition to an overall increase in quotas, the Review involves adjustments in the distribution of quotas which take into account changes in the relative importance of member countries' economies in the international monetary system.

Unanimity was not reached on the question of additional allocations of SDRs following the termination of the third basic period in 1981. The Interim Committee asked the Executive Board to continue its deliberations on the matter.

The Fund's obligations to exercise surveillance over its member's exchange rate policies were

given more attention than in previous years. This largely reflected the wide fluctuations in the exchange rates of major currencies, which were ascribed, in particular, to unstable interest rate developments.

At the meetings of the Interim Committee and the Development Committee held in connection with the Fund's annual meeting, it was decided that the following meetings of these advisory bodies will be held in Helsinki, Finland, on May 12 – 14, 1982.

A credit facility intended especially for the poorest developing countries for financing an excess in the cost of imported cereals was integrated with the Compensatory Financing Facility in 1981.

As from the beginning of 1981, the value of the SDR has been 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. The percentage weights used in the new basket are 42 for the US dollar, 19 for the deutschmark, and 13 each for the Japanese yen, the French franc and the pound sterling. The SDR interest rate is determined on the basis of the market interest rates on the same currencies. The purpose of the revision was to enhance the attractiveness of SDRs in the international monetary system.

Of the total amount of credits drawn from the Fund in 1981, drawings under the Fund's normal stand-by credit arrangements accounted for about 3 700 million SDRs, those under the Compensatory Financing Facility, intended for smoothing out fluctuations in the export earnings of developing countries, for about 1 200 million SDRs, and those under the Extended Fund Facility, set up to meet the needs of the developing countries, for about 2 100 million SDRs.

In addition to its own resources, the Fund used borrowed funds totalling about 2 800 million SDRs for its lending, which are included in the

drawings mentioned above. By the end of 1981, 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 16 500 million SDRs. Finland had unpaid Oil Facility purchases totalling 52.1 million SDRs of its 1975 and 1976 drawings. Repayments of credits amounted to 14.3 million SDRs in 1981.

Of the total amount of credits committed by the Fund, about 13 100 million SDRs was undrawn at the end of 1981. The clearly expanded role of the International Monetary Fund in financing will be spread over several years according to the extent credits are drawn. In 1981, credits were granted exclusively to poor non-oil developing countries.

Jacques de Larosière of France continued to act as the Fund's Managing Director. The Nordic Countries were represented on the Fund's Executive Board by Jón Sigurdsson of Iceland, with Leiv Vidvei of Norway as his alternate.

The Nordic Countries were represented on the Fund's Interim Committee by Mauno Koivisto, the Prime Minister of Finland. The Committee acts as an advisory body for the Fund's Board of Governors, in which capacity it monitors developments in international foreign exchange markets, deals with the major decisions to be taken on the Fund's policies 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 acts as an international monetary policy forum for mainly European central banks where questions of mutual interest can be examined and discussed. The Bank of Finland has been a shareholder in the Bank for International Settlements since its

establishment, owning about 2 per cent of the Bank's capital.

In 1981, the Bank for International Settlements participated in the operations easing the financial position of the International Monetary Fund. It acted as an intermediary in the preparation of financing arrangements between the Fund and some of its members.

The Bank for International Settlements has studied ways of reducing risks arising from the expansion of the Euro-currency markets. It has also endeavoured to intensify regulation of markets by making recommendations on the principles to be applied in regulation and on the sharing of responsibilities in regulation by co-ordinating the collection of data on international borrowing and publishing statistics.

The total of the BIS Balance Sheet amounted to about 19 700 million gold francs (nearly 33 000 million marks) for the fiscal year ended March 31, 1981. The total of the Balance Sheet was 19 per cent down on the previous year mainly due to the unwinding at maturity of some temporary operations undertaken in the previous fiscal year to assist central banks.

## THE WORLD BANK GROUP (IBRD, IDA, IFC)

Mr. Robert S. McNamara, Governor of the World Bank Group, retired on June 30, 1981, after 13 years of service. The Bank's Executive Board appointed Mr. A. W. Clausen as his successor as from July 1, 1981.

During the fiscal year ended June 30, 1981, the International Bank for Reconstruction and Development (IBRD) granted credit to 50 member countries for 140 projects, up to a total value of about 8 800 million U.S. dollars. The highly subsidized loans granted by the International Development Association (IDA) to the least-developed countries amounted to about 3 500 million dollars, or about 300 million dollars less than one year earlier. Forty member countries received



these loans for the financing of 106 projects. The total value of investment by the International Finance Company (IFC) in developing countries amounted to about 800 million dollars. Hence, the credits granted by the World Bank Group during the fiscal year totalled more than 13 100 million dollars, or 7.7 per cent more than in the previous year. On average, World Bank finance accounted for 35 per cent of the total costs of the projects assisted.

In connection with the increase in the special capital of the IBRD, Finland subscribed and paid up 173 new shares. The general increase in capital approved by the members of the IBRD by January 14, 1980, implied an increase in the Bank's share capital from 40 000 million U.S. dollars to 81 000 million dollars during 1981 – 1986. Finland's contribution to the increase is 2 003 shares, with a total value of 200.3 million SDRs. Finland subscribed and paid up its first instalment, 334 shares, at the end of 1981. At present, the contribution to the increase in share capital to be paid up amounts to 7.5 per cent of the nominal value. At the end of the year, Finland held 2 474 paid-up shares, with a total nominal value of 247.4 million SDRs.

On January 17, 1980, the 33 donor countries of the International Development Association reached agreement on the Sixth Replenishment of the IDA's funds involving an increase of 12 000 million U.S. dollars in the organization's financial assets. According to the replenishment agreement, Finland's contribution was to be 268 million marks. After the enforcement of the agreement had been delayed, Finland, together with certain other donor countries, paid the first instalment of its contribution, 89.5 million marks, in 1981 in the form of an advance payment in order to ensure the continuation of the IDA's operations. The replenishment arrangement finally entered into force on August 24, 1981.

In the year examined, Finland also paid 0.7 million U.S. dollars to the IFC in contribution to the increase in the Company's capital, which entitled Finland to 724 new shares. At the end of 1981,

Finland held a total of 3 319 shares and the right to purchase 724 additional shares. In 1981, the IFC had been in operation for 25 years.

Co-financing declined after several years of rapid growth. During the last fiscal year, national development credit institutions, other development finance organizations and commercial banks financed World Bank projects to the equivalent of about 4 000 million U.S. dollars, which meant a decrease of 38 per cent on the previous fiscal year.

In recent years, the activities of the World Bank Group have been characterized by efforts to create new forms of financing. The IBRD and the IDA have continued to grant Structural Adjustment Loans to the developing countries. These loans providing medium-term balance-of-payments finance are designed to cover member countries' current account deficits arising from their investment programmes. Co-operation between the International Monetary Fund and the World Bank has intensified notably as it has become apparent that the disequilibrium in the balance of payments of various groups of countries is threatening to prove permanent.

No decision was reached on the establishment of a new suborganization for financing energy investments, which has been under discussion in the World Bank. The IBRD has also examined the prospects for increasing the Bank's borrowing authority by revising the solvency regulations.

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 1981, Finland's outstanding debt relating to 7 of these loans amounted to 30 million dollars.

## 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 has provided its expertise in the North-South dialogue, which is aimed at bringing about world-wide economic negotiations, and in several issues of co-operation within GATT, UNCTAD and other organizations concerned with the international payments system and capital markets.

Nordic foreign exchange policy co-operation continued in the form of the Nordic Central Bank Meetings, the Nordic Government Officials Committee on Finance and Foreign Exchange Questions appointed by the Nordic Council of Ministers, and the Nordic Financial Commission (NFU). These meetings dealt with the Nordic Countries' common approaches to issues discussed in the International Monetary Fund. The Government Officials Committee prepared a report on Nordic monetary and foreign exchange policies for the Council of Ministers.

The Bank of Finland has taken part in the activities of the Finnish-Soviet Commission for Economic Co-operation and of the Commission for Economic Co-operation between Finland and the CMEA.

The Bank of Finland participated as an observer in the decennial session of the Council of the International Investment Bank (MIB) and the 53rd session of the Council of the International Bank for Economic Co-operation (MBES). Ahti Karjalainen, Acting Chairman of the Board of Management of the Bank of Finland, participated in the 60th anniversary celebrations of the State Bank of the USSR in Moscow.

The Bank of Finland arranged, together with the State Bank of the USSR, a Soviet-Finnish banking seminar, which was held in Moscow on October 20 – 23, 1981. This seminar dealt with the activities and economic importance of banking institutions in both countries, bilateral banking issues, training, research and the banks' foreign activities.

The Bank of Finland was represented in the negotiations concerning the exchange of goods between Finland and the Soviet Union in 1982 and 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 1981

|         |  |
|---------|--|
| January | <p>The terms of central bank financing</p> <p>In keeping with a decision made in December 1980, the commercial banks' central bank credit quotas were reduced temporarily by 10 per cent in January.</p>   |
| March   | <p>Export deposits</p> <p>In accordance with a decision of the Council of State, the collection of export deposits on bleached sulphate pulp was discontinued as from March 1.</p> <p>The call money market</p> <p>The call money rate, which had been kept at 12.5 per cent since the spring of 1980, was lowered by 0.5 percentage points to 12.0 per cent as from March 3. The rate was lowered to 11.5 per cent as from March 19.</p> <p>Foreign exchange regulations</p> <p>On March 23, the Bank of Finland decided to raise the upper limit in mark terms on foreign exchange which could be exported under a permit to buy a second home abroad.</p> <p>The call money market</p> <p>To forestall a potential bank strike, the Bank of Finland revised its call money policy as from March 27 so that the call money rate fell from 11.5 per cent in line with an increase in central bank financing.</p> <p>Cash reserve deposits</p> <p>On April 7, the Bank of Finland decided to lower the reserve requirement based on the cash reserve agreement retroactively from 4.6 per cent to 4.0 per cent of the stock of deposits outstanding at the end of March.</p> |
| April   | <p>Export deposits</p> <p>Because of changing economic conditions, the Council of State decided to discontinue the collection of export deposits on sawn and surfaced softwood as from April 6.</p> <p>The call money market</p> <p>The call money rate was set at 11.0 per cent as from April 10.</p> <p>The terms of central bank financing</p> <p>Since the threat of a bank strike increased the commercial banks' central bank financing, the coefficients for call money credit tranches without supplementary charge were raised retroactively on April 24 to cover the period of April.</p> <p>Cash reserve deposits</p> <p>The Bank of Finland lowered the reserve requirement based on the cash reserve agreement to 3.6 per cent of the stock of deposits outstanding at the end of April.</p>  |
| May     | <p>Export deposits</p> <p>On May 13, the Council of State decided to release the export deposits which had been collected between June 1, 1980 and April 6, 1981.</p>  |

#### Personal credits

On May 18, the Bank of Finland issued new guidelines to banking institutions on the granting of personal credits, which specified the minimum conditions for granting personal credits.

#### Credit policy

On May 18, the Bank of Finland issued new credit policy guidelines for the near term to banking institutions.

#### Counter-cyclical deposits

On May 20, the Council of State decided to discontinue the collection of counter-cyclical deposits and release the deposits.

#### Investment reserves

On May 20, the Council of State made a decision concerning the periods in which investment reserves and funds were to be used.

#### Investment tax

On May 20, the Council of State decided that the building investment tax in force since November 3, 1980, was, as from September 1, 1981, to be levied only on building projects in the cities of Espoo, Helsinki, Kauniainen and Vantaa.

#### Cash reserve deposits

The Bank of Finland lowered the reserve requirement based on the cash reserve agreement to 3.0 per cent of the stock of deposits outstanding at the end of May.

June

#### Arrangements for the financing of new-export credits

The Bank of Finland revised the terms of the arrangements for the financing of new-export credits as from the beginning of June by raising the turnover limit for firms eligible to receive new-export credits and the upper limit on credit extended to individual firms.

July

#### Arrangements between the Bank of Finland and the International Monetary Fund

The financing arrangement between the Bank of Finland and the International Monetary Fund, under which the Fund may draw up to the equivalent of 30 million SDRs, entered into force on July 2.

On July 22, Finland's holdings of SDRs were restored to the amount allocated to Finland by the International Monetary Fund.

August

#### The call money market

The call money rate was raised to 11.5 per cent as from August 5.

#### Financing of the Regional Development Fund Ltd

On August 12, the Bank of Finland made a decision in principle to participate in the financing of the Regional Development Fund Ltd.

September

#### The terms of central bank financing

The Bank of Finland tightened the schedule of supplementary charges applied to call money overdrafts.

**The forwards exchange markets**

The banks' right to conclude forward exchange agreements was extended by means of new regulations which became effective on September 1, 1981.

October

**Export deposits**

On October 29, the Council of State decided to bring forward the release of export deposits.

December

**Investment reserves**

The Council of State decided that all the investment reserves made out of profits for accounting periods ending during 1979, 1980 and before April 1, 1981 were to be used within the same period.

**The call money market**

The call money rate was lowered temporarily to 11.0 per cent between December 18, 1981 and January 3, 1982.

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**Arrangements for the financing of short-term export credits**

The Bank of Finland decided that the practice of discounting bills related to these financing arrangements would also be started in the Bank's branches as from January 1, 1982.

**Changes in payments agreements**

A new payments agreement between Finland and Bulgaria was due to enter into force on January 1, 1982. A long-term trade agreement between Finland and Romania abolishing the clearing payments system between the two countries was due to enter into force on January 1, 1982.

# TABLES

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Table 1.

**THE END-OF-YEAR BALANCE SHEET OF THE BANK OF FINLAND FOR THE YEARS  
1979 – 1981, MILLION MARKS**

| <b>ASSETS</b>                                   | <b>1979</b>   | <b>1980</b>   | <b>1981</b>   |
|---|---------------|---------------|---------------|
| Gold  | 1 073         | 1 073         | 1 382         |
| Special drawing rights                          | 430           | 397           | 632           |
| IMF reserve tranche                             | 225           | 380           | 394           |
| Foreign bonds                                   | 1 749         | 2 125         | 1 405         |
| Convertible currencies                          | 2 978         | 3 841         | 3 686         |
| Tied currencies                                 | 154           | 208           | 1 964         |
| <b>Gold and foreign exchange receivables</b>    | <b>6 609</b>  | <b>8 024</b>  | <b>9 463</b>  |
| Mark subscription to Finland's quota in the IMF | 1 054         | 1 540         | 1 606         |
| <b>Other foreign receivables</b>                | <b>1 054</b>  | <b>1 540</b>  | <b>1 606</b>  |
| Banks' cheque accounts                          | 233           | 481           | 495           |
| Discounted bills                                | 3 870         | 3 674         | 1 796         |
| Call money market advances                      | -             | 643           | 768           |
| Till-money credits                              | 408           | 527           | 594           |
| Other financial institution receivables         | 27            | 25            | 37            |
| <b>Receivables from financial institutions</b>  | <b>4 538</b>  | <b>5 350</b>  | <b>3 690</b>  |
| Government promissory notes                     | 346           | 512           | 354           |
| Bonds   | 145           | 288           | 386           |
| Total coinage                                   | 372           | 403           | 483           |
| Other public sector receivables                 | 21            | 22            | 13            |
| <b>Receivables from the public sector</b>       | <b>884</b>    | <b>1 225</b>  | <b>1 236</b>  |
| Financing of exports                            | 1 230         | 1 502         | 1 754         |
| Financing of domestic deliveries                | 952           | 1 561         | 2 111         |
| Bonds   | 205           | 220           | 187           |
| Other corporate receivables                     | 133           | 116           | 497           |
| <b>Receivables from corporations</b>            | <b>2 520</b>  | <b>3 399</b>  | <b>4 549</b>  |
| <b>Other assets</b>                             | <b>73</b>     | <b>80</b>     | <b>89</b>     |
| <b>TOTAL</b>                                    | <b>15 678</b> | <b>19 618</b> | <b>20 633</b> |



| <b>LIABILITIES</b>                         | <b>1979</b>   | <b>1980</b>   | <b>1981</b>   |
|--|---------------|---------------|---------------|
| Convertible accounts                       | 14            | 18            | 41            |
| Tied accounts                              | 832           | 965           | 55            |
| <b>Foreign exchange liabilities</b>        | <b>846</b>    | <b>983</b>    | <b>96</b>     |
| IMF mark accounts                          | 1 385         | 1 864         | 1 871         |
| Allocations of special drawing rights      | 433           | 566           | 726           |
| <b>Other foreign liabilities</b>           | <b>1 818</b>  | <b>2 430</b>  | <b>2 597</b>  |
| Notes                                      | 4 020         | 4 572         | 5 152         |
| Coin                                       | 355           | 382           | 443           |
| <b>Notes and coin in circulation</b>       | <b>4 375</b>  | <b>4 954</b>  | <b>5 595</b>  |
| <b>Deposit certificates in circulation</b> | <b>1 700</b>  | <b>1 900</b>  | <b>1 600</b>  |
| Banks' cheque accounts                     | 4             | 1             | 0             |
| Call money market deposits                 | 1 131         | 290           | 1 080         |
| Cash reserve deposits                      | 1 764         | 3 317         | 2 492         |
| Capital import deposits                    | 140           | 108           | 201           |
| Other financial institution claims         | 4             | 23            | 24            |
| <b>Claims of financial institutions</b>    | <b>3 043</b>  | <b>3 739</b>  | <b>3 797</b>  |
| Cheque accounts                            | 2             | 2             | 1             |
| Counter-cyclical reserves                  | 42            | 545           | 433           |
| Counter-cyclical deposits                  | -             | 37            | 143           |
| Capital import deposits                    | 339           | -             | -             |
| Other public sector claims                 | 4             | 7             | 1             |
| <b>Claims of the public sector</b>         | <b>387</b>    | <b>591</b>    | <b>578</b>    |
| Deposits for investment and ship purchase  | 133           | 717           | 1 425         |
| Capital import deposits                    | 254           | 83            | -             |
| Export deposits                            | -             | 110           | 0             |
| Other corporate claims                     | 16            | 68            | 8             |
| <b>Claims of corporations</b>              | <b>403</b>    | <b>978</b>    | <b>1 433</b>  |
| <b>Other liabilities</b>                   | <b>13</b>     | <b>13</b>     | <b>15</b>     |
| <b>Equalization accounts</b>               | <b>1 252</b>  | <b>1 767</b>  | <b>609</b>    |
| Primary capital                            | 1 400         | 1 400         | 3 000         |
| Reserve fund                               | 636           | 441           | 750           |
| Net earnings for the accounting year       | -195          | 422           | 563           |
| <b>Capital accounts</b>                    | <b>1 841</b>  | <b>2 263</b>  | <b>4 313</b>  |
| <b>TOTAL</b>                               | <b>15 678</b> | <b>19 618</b> | <b>20 633</b> |

Table 2.

**THE MONTHLY BALANCE SHEET OF THE BANK OF FINLAND IN 1981,  
MILLION MARKS**

| <b>ASSETS</b>                                   | <b>I</b>      | <b>II</b>     | <b>III</b>    |
|---|---------------|---------------|---------------|
| Gold  | 1 073         | 1 073         | 1 073         |
| Special drawing rights                          | 527           | 521           | 521           |
| IMF reserve tranche                             | 380           | 380           | 380           |
| Foreign bonds                                   | 1 994         | 1 812         | 1 764         |
| Convertible currencies                          | 3 184         | 4 191         | 4 135         |
| Tied currencies                                 | 99            | 103           | 52            |
| <b>Gold and foreign exchange receivables</b>    | <b>7 257</b>  | <b>8 080</b>  | <b>7 925</b>  |
| Mark subscription to Finland's quota in the IMF | 1 540         | 1 540         | 1 540         |
| <b>Other foreign receivables</b>                | <b>1 540</b>  | <b>1 540</b>  | <b>1 540</b>  |
| Banks' cheque accounts                          | 558           | 594           | 621           |
| Call money market advances                      | 3 679         | 3 651         | 4 978         |
| Till-money credits                              | 536           | 538           | 688           |
| Bonds   | 532           | 546           | 553           |
| Other financial institution receivables         | 21            | 29            | 47            |
| <b>Receivables from financial institutions</b>  | <b>5 326</b>  | <b>5 358</b>  | <b>6 887</b>  |
| Government promissory notes                     | 354           | 354           | 354           |
| Bonds   | 293           | 305           | 296           |
| Total coinage                                   | 413           | 418           | 447           |
| Other public sector receivables                 | 21            | 18            | 15            |
| <b>Receivables from the public sector</b>       | <b>1 081</b>  | <b>1 095</b>  | <b>1 112</b>  |
| Financing of exports                            | 1 470         | 1 480         | 1 526         |
| Financing of domestic deliveries                | 1 661         | 1 698         | 1 723         |
| Bonds   | 217           | 217           | 211           |
| Other corporate receivables                     | 93            | 99            | 99            |
| <b>Receivables from corporations</b>            | <b>3 441</b>  | <b>3 494</b>  | <b>3 559</b>  |
| <b>Other assets</b>                             | <b>80</b>     | <b>81</b>     | <b>81</b>     |
| <b>TOTAL</b>                                    | <b>18 725</b> | <b>19 648</b> | <b>21 104</b> |

| IV            | V             | VI            | VII           | VIII          | IX            | X             | XI            | XII           |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1 073         | 1 073         | 1 073         | 1 073         | 1 073         | 1 073         | 1 075         | 1 075         | 1 382         |
| 521           | 521           | 521           | 697           | 689           | 676           | 676           | 635           | 632           |
| 380           | 380           | 380           | 380           | 380           | 380           | 380           | 380           | 394           |
| 1 726         | 1 708         | 1 422         | 1 400         | 1 420         | 1 582         | 1 597         | 1 498         | 1 405         |
| 4 716         | 3808          | 4 371         | 4 129         | 4 169         | 3 714         | 2 932         | 3 093         | 3 686         |
| 69            | 396           | 505           | 1 246         | 1 400         | 1 482         | 1 523         | 1 932         | 1 964         |
| <b>8 485</b>  | <b>7 886</b>  | <b>8 272</b>  | <b>8 925</b>  | <b>9 131</b>  | <b>8 907</b>  | <b>8 183</b>  | <b>8 613</b>  | <b>9 463</b>  |
| 1 540         | 1 632         | 1 632         | 1 632         | 1 632         | 1 632         | 1 632         | 1 632         | 1 606         |
| <b>1 540</b>  | <b>1 632</b>  | <b>1 632</b>  | <b>1 632</b>  | <b>1 632</b>  | <b>1 632</b>  | <b>1 632</b>  | <b>1 632</b>  | <b>1 606</b>  |
| 551           | 582           | 604           | 611           | 611           | 567           | 562           | 607           | 495           |
| 3 197         | 2 717         | 2 635         | 1 876         | 1 916         | 1 994         | 2 443         | 3 218         | 1 796         |
| 634           | 597           | 740           | 621           | 738           | 709           | 666           | 723           | 768           |
| 551           | 559           | 611           | 638           | 673           | 676           | 652           | 689           | 594           |
| 52            | 60            | 89            | 60            | 66            | 41            | 46            | 45            | 37            |
| <b>4 985</b>  | <b>4 515</b>  | <b>4 679</b>  | <b>3 806</b>  | <b>4 004</b>  | <b>3 987</b>  | <b>4 369</b>  | <b>5 282</b>  | <b>3 690</b>  |
| 354           | 354           | 354           | 354           | 354           | 354           | 354           | 354           | 354           |
| 299           | 344           | 337           | 367           | 386           | 370           | 380           | 360           | 386           |
| 451           | 456           | 463           | 464           | 468           | 473           | 478           | 481           | 483           |
| 12            | 7             | 1             | 1             | 1             | 1             | 1             | 1             | 13            |
| <b>1 116</b>  | <b>1 161</b>  | <b>1 155</b>  | <b>1 186</b>  | <b>1 209</b>  | <b>1 198</b>  | <b>1 213</b>  | <b>1 196</b>  | <b>1 236</b>  |
| 1 515         | 1 558         | 1 593         | 1 583         | 1 557         | 1 631         | 1 723         | 1 733         | 1 754         |
| 1 775         | 1 782         | 1 848         | 1 942         | 1 960         | 2 018         | 2 063         | 2 096         | 2 111         |
| 208           | 206           | 199           | 198           | 196           | 193           | 189           | 188           | 187           |
| 99            | 97            | 99            | 102           | 106           | 109           | 106           | 113           | 497           |
| <b>3 597</b>  | <b>3 643</b>  | <b>3 739</b>  | <b>3 825</b>  | <b>3 819</b>  | <b>3 951</b>  | <b>4 081</b>  | <b>4 130</b>  | <b>4 549</b>  |
| 82            | 83            | 83            | 84            | 84            | 85            | 87            | 88            | 89            |
| <b>19 805</b> | <b>18 920</b> | <b>19 560</b> | <b>19 458</b> | <b>19 879</b> | <b>19 760</b> | <b>19 565</b> | <b>20 941</b> | <b>20 633</b> |

Table 2. (Cont.)

| <b>LIABILITIES</b>                         | <b>I</b>      | <b>II</b>     | <b>III</b>    |
|--|---------------|---------------|---------------|
| Convertible accounts                       | 21            | 26            | 28            |
| Tied accounts                              | 488           | 268           | 415           |
| <b>Foreign exchange liabilities</b>        | <b>509</b>    | <b>294</b>    | <b>443</b>    |
| IMF mark accounts                          | 1 864         | 1 864         | 1 864         |
| Allocations of special drawing rights      | 696           | 696           | 696           |
| <b>Other foreign liabilities</b>           | <b>2 560</b>  | <b>2 560</b>  | <b>2 560</b>  |
| Notes                                      | 4 294         | 4 289         | 4 561         |
| Coin                                       | 372           | 372           | 399           |
| <b>Notes and coin in circulation</b>       | <b>4 666</b>  | <b>4 661</b>  | <b>4 960</b>  |
| <b>Deposit certificates in circulation</b> | <b>1 000</b>  | <b>1 500</b>  | <b>1 800</b>  |
| Banks' cheque accounts                     | 1             | 1             | 1             |
| Call money market deposits                 | 470           | 975           | 1 610         |
| Cash reserve deposits                      | 3 461         | 3 469         | 3 472         |
| Capital import deposits                    | 121           | 92            | 83            |
| Other financial institution claims         | 89            | 46            | 17            |
| <b>Claims of financial institutions</b>    | <b>4 142</b>  | <b>4 583</b>  | <b>5 183</b>  |
| Cheque accounts                            | 1             | 1             | 1             |
| Counter-cyclical reserves                  | 545           | 545           | 545           |
| Counter-cyclical deposits                  | 54            | 71            | 88            |
| Capital import deposits                    | 7             | 8             | -             |
| Other public sector claims                 | 24            | 22            | 22            |
| <b>Claims of the public sector</b>         | <b>631</b>    | <b>647</b>    | <b>656</b>    |
| Deposits for investment and ship purchase  | 756           | 768           | 813           |
| Capital import deposits                    | 63            | 59            | 38            |
| Export deposits                            | 133           | 151           | 176           |
| Other corporate claims                     | 9             | 6             | 7             |
| <b>Claims of corporations</b>              | <b>961</b>    | <b>984</b>    | <b>1 034</b>  |
| <b>Other liabilities</b>                   | <b>14</b>     | <b>14</b>     | <b>15</b>     |
| <b>Equalization accounts</b>               | <b>1 966</b>  | <b>2 112</b>  | <b>2 126</b>  |
| Primary capital                            | 1 400         | 1 400         | 1 400         |
| Reserve fund                               | 750           | 750           | 750           |
| Net earnings                               | 126           | 143           | 177           |
| <b>Capital accounts</b>                    | <b>2 276</b>  | <b>2 293</b>  | <b>2 327</b>  |
| <b>TOTAL</b>                               | <b>18 725</b> | <b>19 648</b> | <b>21 104</b> |

| IV            | V             | VI            | VII           | VIII          | IX            | X             | XI            | XII           |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 18            | 31            | 40            | 20            | 15            | 27            | 24            | 28            | 41            |
| 418           | 81            | 68            | 80            | 38            | 47            | 51            | 54            | 55            |
| <b>436</b>    | <b>112</b>    | <b>108</b>    | <b>100</b>    | <b>53</b>     | <b>74</b>     | <b>75</b>     | <b>82</b>     | <b>96</b>     |
| 1 864         | 1 956         | 1 956         | 1 956         | 1 956         | 1 943         | 1 943         | 1 906         | 1 871         |
| 696           | 696           | 696           | 696           | 696           | 696           | 696           | 696           | 726           |
| <b>2 560</b>  | <b>2 652</b>  | <b>2 652</b>  | <b>2 652</b>  | <b>2 652</b>  | <b>2 639</b>  | <b>2 639</b>  | <b>2 602</b>  | <b>2 597</b>  |
| 4 623         | 4 672         | 4 799         | 4 746         | 4 669         | 4 604         | 4 709         | 4 774         | 5 152         |
| 410           | 410           | 413           | 420           | 420           | 419           | 422           | 427           | 443           |
| <b>5 033</b>  | <b>5 082</b>  | <b>5 212</b>  | <b>5 166</b>  | <b>5 089</b>  | <b>5 023</b>  | <b>5 131</b>  | <b>5 201</b>  | <b>5 595</b>  |
| <b>1 300</b>  | <b>300</b>    | <b>700</b>    | <b>600</b>    | <b>450</b>    | <b>450</b>    | <b>750</b>    | <b>1 550</b>  | <b>1 600</b>  |
| 1             | 6             | 1             | 1             | 1             | 32            | 1             | 0             | 0             |
| 925           | 1 340         | 1 430         | 1 240         | 1 770         | 1 380         | 780           | 1 430         | 1 080         |
| 3 055         | 2 783         | 2 346         | 2 396         | 2 429         | 2 464         | 2 469         | 2 476         | 2 492         |
| 76            | 66            | 123           | 120           | 106           | 244           | 180           | 183           | 201           |
| 20            | 19            | 14            | 13            | 23            | 27            | 20            | 48            | 24            |
| <b>4 077</b>  | <b>4 214</b>  | <b>3 914</b>  | <b>3 770</b>  | <b>4 329</b>  | <b>4 147</b>  | <b>3 450</b>  | <b>4 137</b>  | <b>3 797</b>  |
| 0             | 0             | 0             | 1             | 0             | 0             | 0             | 1             | 1             |
| 545           | 545           | 545           | 545           | 545           | 545           | 545           | 545           | 433           |
| 104           | 117           | 132           | 145           | 145           | 145           | 145           | 145           | 143           |
| -             | -             | -             | 23            | 44            | 22            | -             | -             | -             |
| 18            | 18            | 19            | 17            | 13            | 15            | 8             | 8             | 1             |
| <b>667</b>    | <b>680</b>    | <b>696</b>    | <b>731</b>    | <b>747</b>    | <b>727</b>    | <b>698</b>    | <b>699</b>    | <b>578</b>    |
| 853           | 892           | 1 252         | 1 315         | 1 351         | 1 400         | 1 414         | 1 415         | 1 425         |
| 40            | -             | -             | -             | -             | -             | -             | -             | -             |
| 192           | 203           | 205           | 204           | 205           | 202           | 202           | 1             | 0             |
| 4             | 5             | 8             | 9             | 9             | 8             | 6             | 9             | 8             |
| <b>1 089</b>  | <b>1 100</b>  | <b>1 465</b>  | <b>1 528</b>  | <b>1 565</b>  | <b>1 610</b>  | <b>1 622</b>  | <b>1 425</b>  | <b>1 433</b>  |
| <b>14</b>     | <b>14</b>     | <b>14</b>     | <b>15</b>     | <b>13</b>     | <b>14</b>     | <b>14</b>     | <b>15</b>     | <b>15</b>     |
| <b>2 252</b>  | <b>2 341</b>  | <b>2 439</b>  | <b>2 504</b>  | <b>2 562</b>  | <b>2 623</b>  | <b>2 705</b>  | <b>2 696</b>  | <b>609</b>    |
| 1 400         | 1 400         | 1 400         | 1 400         | 1 400         | 1 400         | 1 400         | 1 400         | 3 000         |
| 750           | 750           | 750           | 750           | 750           | 750           | 750           | 750           | 750           |
| 227           | 275           | 210           | 242           | 269           | 303           | 331           | 384           | 563           |
| <b>2 377</b>  | <b>2 425</b>  | <b>2 360</b>  | <b>2 392</b>  | <b>2 419</b>  | <b>2 453</b>  | <b>2 481</b>  | <b>2 534</b>  | <b>4 313</b>  |
| <b>19 805</b> | <b>18 920</b> | <b>19 560</b> | <b>19 458</b> | <b>19 879</b> | <b>19 760</b> | <b>19 565</b> | <b>20 941</b> | <b>20 633</b> |

Table 3.

**CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES AT THE END OF THE YEAR, 1979 – 1981, MILLION MARKS**

|  | 1979         | 1980         | 1981         |
|--|--------------|--------------|--------------|
| Gold   | 1 073        | 1 073        | 1 382        |
| Special drawing rights                       | 430          | 397          | 632          |
| IMF reserve tranche                          | 225          | 380          | 394          |
| Foreign bonds                                | 1 749        | 2 125        | 1 405        |
| Convertible currencies                       |              |              |              |
| Receivables                                  | 2 978        | 3 841        | 3 686        |
| Liabilities                                  | - 14         | - 18         | - 41         |
| <b>Convertible foreign exchange reserves</b> | <b>6 441</b> | <b>7 798</b> | <b>7 458</b> |
| Tied currencies                              |              |              |              |
| Receivables                                  | 154          | 208          | 1 964        |
| Liabilities                                  | - 832        | - 965        | - 55         |
| <b>Tied foreign exchange reserves</b>        | <b>- 678</b> | <b>- 757</b> | <b>1 909</b> |

Table 4.

**THE INCOME STATEMENT OF THE BANK OF FINLAND, 1979 – 1981, MILLION MARKS**

|   | 1979         | 1980         | 1981         |
|---|--------------|--------------|--------------|
| Interest on domestic receivables                            | 248          | 816          | 707          |
| Interest on foreign receivables                             | 360          | 433          | 591          |
| Interest on domestic bonds                                  | 63           | 87           | 124          |
| Interest on foreign bonds                                   | 118          | 158          | 114          |
| <b>Interest earnings</b>                                    | <b>789</b>   | <b>1 494</b> | <b>1 536</b> |
| Interest on domestic claims                                 | 294          | 562          | 530          |
| Interest and commission on drawn and undrawn foreign claims | 61           | 53           | 62           |
| <b>Interest expenses</b>                                    | <b>355</b>   | <b>615</b>   | <b>592</b>   |
| <b>Interest earnings, net</b>                               | <b>434</b>   | <b>879</b>   | <b>944</b>   |
| Commissions   | 2            | 2            | 2            |
| Agio  | -            | 296          | 514          |
| Other earnings  | 13           | 18           | 27           |
| <b>Other earnings</b>                                       | <b>15</b>    | <b>316</b>   | <b>543</b>   |
| Salaries  | 49           | 57           | 65           |
| Social security contributions                               | 3            | 4            | 4            |
| Pensions  | 15           | 17           | 20           |
| Printing of bank notes                                      | 31           | 34           | 44           |
| Depreciation  | 86           | 43           | 70           |
| Agio  | 443          | -            | -            |
| Other expenses  | 17           | 18           | 21           |
| <b>Other expenses</b>                                       | <b>644</b>   | <b>173</b>   | <b>224</b>   |
| Transfer to equalization accounts                           | -            | 600          | 700          |
| <b>NET EARNINGS FOR THE ACCOUNTING YEAR</b>                 | <b>- 195</b> | <b>422</b>   | <b>563</b>   |

Table 5.

**INTEREST RATES APPLIED BY THE BANK OF FINLAND IN 1969 – 1981, PER CENT**

| From          | Base rate<br>of the Bank of Finland | Range of discount rates |         | Upper limit on<br>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                              |
| Jan. 1, 1981  | 9 ¼                                 | 7 ½                     | 10 ½    | 24 ¼                              |

Table 6.

**INTERNAL CLEARING OPERATIONS: NUMBER AND VALUE OF BANK BILLS, CHEQUES AND TRANSFERS BETWEEN ACCOUNTS IN 1979 – 1981**

| Year and<br>month | Head office             |                            | Branch offices          |                            | Total                   |                            |
|-------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|
|                   | Number,<br>in thousands | Value, in<br>million marks | Number,<br>in thousands | Value, in<br>million marks | Number,<br>in thousands | Value, in<br>million marks |
| 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                    |
| 1981              | 55 877                  | 314 651                    | 5 217                   | 25 528                     | 61 094                  | 340 179                    |
| 1981              |                         |                            |                         |                            |                         |                            |
| January           | 4 001                   | 24 109                     | 368                     | 1 926                      | 4 369                   | 26 035                     |
| February          | 3 646                   | 23 464                     | 367                     | 1 907                      | 4 013                   | 25 371                     |
| March             | 4 434                   | 26 217                     | 432                     | 2 113                      | 4 866                   | 28 330                     |
| April             | 4 125                   | 27 568                     | 421                     | 2 798                      | 4 546                   | 30 366                     |
| May               | 4 589                   | 23 837                     | 416                     | 1 873                      | 5 005                   | 25 710                     |
| June              | 4 916                   | 27 530                     | 462                     | 2 150                      | 5 378                   | 29 680                     |
| July              | 4 781                   | 27 540                     | 469                     | 2 220                      | 5 250                   | 29 760                     |
| August            | 4 370                   | 23 111                     | 423                     | 1 946                      | 4 793                   | 25 057                     |
| September         | 5 254                   | 27 355                     | 447                     | 2 128                      | 5 701                   | 29 483                     |
| October           | 4 883                   | 28 194                     | 438                     | 2 116                      | 5 321                   | 30 310                     |
| November          | 5 397                   | 26 607                     | 438                     | 2 058                      | 5 835                   | 28 665                     |
| December          | 5 481                   | 29 119                     | 536                     | 2 293                      | 6 017                   | 31 412                     |

Table 7.

**COMMERCIAL BANKS' CENTRAL BANK FINANCING, ITS BREAKDOWN AND COST IN 1976 - 1981<sup>1</sup>**

| Year and month | Total central bank financing<br>Mill. mk | Central bank credit<br>Mill. mk | Call money market advances to the commercial banks<br>Mill. mk | Call money market deposits by the commercial banks<br>Mill. mk | Transactions in bonds with repurchase obligation <sup>2</sup><br>Mill. mk | Total cost of central bank financing<br>Per cent |
|----------------|--|---------------------------------|--|--|---|--|
| 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  |
| 1981           | 4 087.6                                  | 593.3                           | 3 494.4  | 0.1  | -   | 11.61  |
| 1981           |  |                                 |  |  |   |  |
| January        | 4 677.2                                  | 539.8                           | 4 137.4  | -  | -   | 13.61  |
| February       | 4 976.3                                  | 598.1                           | 4 378.2  | -  | -   | 12.82  |
| March          | 5 039.2                                  | 597.1                           | 4 442.1  | -  | -   | 12.89  |
| April          | 5 838.2                                  | 597.9                           | 5 240.3  | -  | -   | 10.26  |
| May            | 3 950.1                                  | 598.6                           | 3 351.5  | -  | -   | 11.20  |
| June           | 3 658.4                                  | 598.6                           | 3 059.8  | -  | -   | 10.96  |
| July           | 3 513.4                                  | 599.2                           | 2 914.2  | -  | -   | 10.73  |
| August         | 3 114.9                                  | 598.0                           | 2 516.9  | -  | -   | 10.58  |
| September      | 3 265.2                                  | 598.8                           | 2 666.6  | 0.2  | -   | 11.05  |
| October        | 3 544.1                                  | 597.6                           | 2 946.5  | -  | -   | 11.37  |
| November       | 3 533.1                                  | 598.8                           | 2 935.3  | 1.0  | -   | 11.26  |
| December       | 3 941.3                                  | 596.9                           | 3 344.9  | 0.5  | -   | 11.74  |

<sup>1</sup> Annual and monthly averages calculated on the basis of daily figures.

<sup>2</sup> The sale of bonds with repurchase obligation was discontinued as from February 1, 1980.



Table 8.

**BANK OF FINLAND CALL MONEY MARKET IN 1976 - 1981<sup>1</sup>**

| Year and month | Demand for advances          | Supply of deposits           |                          | Bank of Finland's net placement in the market<br>Mill. mk | Call money rate <sup>2</sup><br>Per cent | Call money rate after equalization of rates<br>Per cent |
|----------------|------------------------------|------------------------------|--------------------------|---|--|---|
|                | Commercial banks<br>Mill. mk | Commercial banks<br>Mill. mk | Posti-pankki<br>Mill. mk |   |  |   |
| 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   |
| 1981           | 3 494.4                      | 0.1                          | 1 333.3                  | 2 161.0   | 11.48                                    | 11.08   |
| 1981           |                              |                              |                          |   |  |   |
| January        | 4 137.4                      | -                            | 984.0                    | 3 153.4   | 12.50                                    | 12.11   |
| February       | 4 378.2                      | -                            | 1 071.2                  | 3 307.0   | 12.50                                    | 12.10   |
| March          | 4 442.1                      | -                            | 1 012.7                  | 3 429.4   | 11.72                                    | 11.44   |
| April          | 5 240.3                      | -                            | 1 863.7                  | 3 376.6   | 10.57                                    | 10.35   |
| May            | 3 351.5                      | -                            | 1 102.1                  | 2 249.4   | 11.00                                    | 10.71   |
| June           | 3 059.8                      | -                            | 1 024.0                  | 2 035.8   | 11.00                                    | 10.71   |
| July           | 2 914.2                      | -                            | 1 753.1                  | 1 161.1   | 11.00                                    | 10.47   |
| August         | 2 516.9                      | -                            | 1 437.1                  | 1 079.8   | 11.45                                    | 10.83   |
| September      | 2 666.6                      | 0.2                          | 1 706.8                  | 959.6   | 11.50                                    | 10.92   |
| October        | 2 946.5                      | -                            | 1 512.6                  | 1 433.9   | 11.50                                    | 10.92   |
| November       | 2 935.3                      | 1.0                          | 1 440.7                  | 1 493.6   | 11.50                                    | 10.95   |
| December       | 3 344.9                      | 0.5                          | 1 091.4                  | 2 253.0   | 11.30                                    | 10.96   |

<sup>1</sup> Annual and monthly averages calculated on the basis of daily figures.<sup>2</sup> 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 1976 – 1981, 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, 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        |
| 1981          | 9 350               | 1 308               | 10 658 | 5 152                    | 144                           | 2                      | 5 298 | 5 360        |
| 1981          |                     |                     |        |                          |                               |                        |       |              |
| Jan. 30       | 6 979               | 1 500               | 8 479  | 4 294                    | 623                           | 2                      | 4 919 | 3 560        |
| Feb. 27       | 7 795               | 1 500               | 9 295  | 4 288                    | 361                           | 1                      | 4 650 | 4 645        |
| March 31      | 7 638               | 1 500               | 9 138  | 4 560                    | 482                           | 1                      | 5 043 | 4 095        |
| April 30      | 8 232               | 1 500               | 9 732  | 4 623                    | 475                           | 0                      | 5 098 | 4 634        |
| May 29        | 7 655               | 1 500               | 9 155  | 4 672                    | 156                           | 2                      | 4 830 | 4 325        |
| June 30       | 8 073               | 1 500               | 9 573  | 4 799                    | 144                           | 2                      | 4 945 | 4 628        |
| July 31       | 8 716               | 1 197               | 9 913  | 4 746                    | 138                           | 0                      | 4 884 | 5 029        |
| Aug. 31       | 8 924               | 704                 | 9 628  | 4 669                    | 99                            | 1                      | 4 769 | 4 859        |
| Sept. 30      | 8 650               | 1 155               | 9 805  | 4 604                    | 155                           | 2                      | 4 761 | 5 044        |
| Oct. 30       | 7 956               | 1 500               | 9 456  | 4 709                    | 115                           | 2                      | 4 826 | 4 630        |
| Nov. 30       | 8 448               | 1 500               | 9 948  | 4 774                    | 155                           | 0                      | 4 929 | 5 019        |
| Dec. 31       | 9 350               | 1 308               | 10 658 | 5 152                    | 144                           | 2                      | 5 298 | 5 360        |

Table 10.

**NOTES AND COIN IN CIRCULATION AT THE END OF THE YEAR, 1976–1981,  
MILLION MARKS**

| Denomination       | 1976           | 1977           | 1978           | 1979           | 1980           | 1981           |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>NOTES</b>       |                |                |                |                |                |                |
| <b>NEW</b>         |                |                |                |                |                |                |
| 500 mk             | 408.5          | 574.1          | 853.3          | 1 109.3        | 1 364.6        | 1 655.8        |
| 100 »              | 1 573.0        | 1 647.2        | 1 924.6        | 2 136.6        | 2 377.3        | 2 611.3        |
| 50 »               | 354.8          | 361.6          | 388.4          | 406.9          | 435.5          | 462.8          |
| 10 »               | 235.5          | 243.0          | 268.6          | 287.6          | 307.3          | 329.9          |
| 5 »                | 57.9           | 60.5           | 68.5           | 72.0           | 80.8           | 86.4           |
| 1 »                | 5.7            | 5.6            | 5.7            | 7.5            | 6.3            | 6.4            |
| <b>Total</b>       | <b>2 635.4</b> | <b>2 892.0</b> | <b>3 509.1</b> | <b>4 019.9</b> | <b>4 571.8</b> | <b>5 152.6</b> |
| <b>OLD</b>         |                |                |                |                |                |                |
| 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            |
| <b>Total</b>       | <b>9.4</b>     | <b>9.4</b>     | <b>9.4</b>     | <b>9.4</b>     | <b>9.4</b>     | <b>9.4</b>     |
| <b>Grand total</b> | <b>2 644.8</b> | <b>2 901.4</b> | <b>3 518.5</b> | <b>4 029.3</b> | <b>4 581.2</b> | <b>5 162.0</b> |
| <b>COIN</b>        |                |                |                |                |                |                |
| <b>NEW</b>         |                |                |                |                |                |                |
| 50 mk              | –              | –              | –              | –              | –              | 24.4           |
| 25 »               | –              | –              | 12.5           | 19.8           | 19.9           | 19.9           |
| 10 »               | 35.0           | 39.1           | 39.1           | 39.2           | 39.2           | 39.2           |
| 5 »                | 15.7           | 17.5           | 18.6           | 24.5           | 26.9           | 28.5           |
| 1 »                | 112.5          | 123.3          | 139.2          | 157.8          | 174.6          | 197.5          |
| 50 p               | 28.4           | 31.3           | 33.6           | 38.2           | 41.0           | 45.8           |
| 20 »               | 22.3           | 24.7           | 27.2           | 30.3           | 34.4           | 38.7           |
| 10 »               | 13.0           | 14.1           | 15.5           | 17.4           | 18.8           | 20.6           |
| 5 »                | 11.7           | 12.9           | 14.5           | 15.7           | 16.8           | 18.7           |
| 1 »                | 10.9           | 11.7           | 12.4           | 12.5           | 10.1           | 9.3            |
| <b>Total</b>       | <b>249.5</b>   | <b>274.6</b>   | <b>312.6</b>   | <b>355.4</b>   | <b>381.7</b>   | <b>442.6</b>   |
| <b>OLD</b>         |                |                |                |                |                |                |
| 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            |
| <b>Total</b>       | <b>15.7</b>    | <b>15.7</b>    | <b>15.7</b>    | <b>15.7</b>    | <b>15.7</b>    | <b>15.7</b>    |
| <b>Grand total</b> | <b>265.2</b>   | <b>290.3</b>   | <b>328.3</b>   | <b>371.1</b>   | <b>397.4</b>   | <b>458.3</b>   |

Table 11.

**PRINTING AND DESTRUCTION OF NOTES IN 1976 – 1981, MILLION MARKS**

| Notes printed      | 1976           | 1977           | 1978           | 1979           | 1980           | 1981           |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>NOTES</b>       |                |                |                |                |                |                |
| <b>NEW</b>         |                |                |                |                |                |                |
| 500 mk             | 969.0          | –              | 3 000.0        | –              | 2 917.0        | –              |
| 100 »              | 1 192.0        | 916.0          | 1 884.0        | 1 408.0        | 3 144.0        | 2 349.5        |
| 50 »               | 523.5          | 910.5          | 766.0          | 2 188.0        | –              | 736.0          |
| 10 »               | 483.2          | 542.4          | 749.2          | 285.2          | 939.2          | 863.7          |
| 5 »                | 194.6          | 211.0          | 266.5          | 229.0          | 305.8          | 369.2          |
| 1 »                | –              | 1.0            | –              | 5.2            | –              | 0.4            |
| <b>Total</b>       | <b>3 362.3</b> | <b>2 580.9</b> | <b>6 665.7</b> | <b>4 115.4</b> | <b>7 306.0</b> | <b>4 318.8</b> |
| In millions        | 111.5          | 124.8          | 168.4          | 137.4          | 192.3          | 198.8          |
| <br>               |                |                |                |                |                |                |
| Notes cancelled    |                |                |                |                |                |                |
| <b>NOTES</b>       |                |                |                |                |                |                |
| <b>NEW</b>         |                |                |                |                |                |                |
| 500 mk             | 40.5           | 94.5           | 122.0          | 777.0          | 172.4          | 220.5          |
| 100 »              | 1 165.0        | 1 225.0        | 1 375.0        | 1 430.0        | 1 045.0        | 1 315.0        |
| 50 »               | 569.9          | 465.1          | 562.4          | 570.1          | 467.5          | 537.5          |
| 10 »               | 545.0          | 530.0          | 582.0          | 572.0          | 489.4          | 540.1          |
| 5 »                | 205.0          | 216.8          | 227.2          | 222.7          | 238.6          | 273.6          |
| 1 »                | 2.0            | 0.8            | 0.6            | 0.3            | 0.8            | 0.1            |
| <b>Total</b>       | <b>2 527.4</b> | <b>2 532.2</b> | <b>2 869.2</b> | <b>3 572.1</b> | <b>2 413.7</b> | <b>2 886.8</b> |
| In millions        | 120.6          | 118.8          | 129.5          | 129.3          | 117.6          | 133.2          |
| <br>               |                |                |                |                |                |                |
| <b>OLD</b>         |                |                |                |                |                |                |
| <b>Total</b>       | 0.0            | 0.0            | 0.0            | –              | 0.0            | 0.0            |
| In millions        | 0.0            | 0.0            | 0.0            | –              | 0.0            | 0.0            |
| <br>               |                |                |                |                |                |                |
| <b>Grand total</b> | <b>2 527.4</b> | <b>2 532.2</b> | <b>2 869.2</b> | <b>3 572.1</b> | <b>2 413.7</b> | <b>2 886.8</b> |
| In millions        | 120.6          | 118.8          | 129.5          | 129.3          | 117.6          | 133.2          |

Table 12.

**NOTES AND COIN IN 1981, MILLION MARKS**

|                    | Total issue<br>Dec. 31,<br>1980 | Issued<br>in 1981 | Destroyed<br>in 1981 | Total issue<br>Dec. 31,<br>1981 | Held by the<br>Bank of<br>Finland<br>Dec. 31, 1981 | In<br>circulation<br>Dec. 31,<br>1981 |
|--------------------|---------------------------------|-------------------|----------------------|---------------------------------|--|---------------------------------------|
| <b>NOTE</b>        |                                 |                   |                      |                                 |  |                                       |
| <b>NEW</b>         |                                 |                   |                      |                                 |  |                                       |
| 500 mk             | 5 850.6                         | -                 | 220.5                | 5 630.1                         | 3 974.3  | 1 655.8                               |
| 100 »              | 5 542.2                         | 2 349.5           | 1 315.0              | 6 576.8                         | 3 965.5  | 2 611.3                               |
| 50 »               | 2 440.0                         | 736.0             | 537.5                | 2 638.5                         | 2 175.7  | 462.8                                 |
| 10 »               | 926.7                           | 863.7             | 540.1                | 1 250.3                         | 920.4  | 329.9                                 |
| 5 »                | 227.6                           | 369.2             | 273.6                | 323.2                           | 236.8  | 86.4                                  |
| 1 »                | 10.6                            | 0.4               | 0.1                  | 10.9                            | 4.5  | 6.4                                   |
| Total              | 14 997.7                        | 4 318.8           | 2 886.8              | 16 429.8                        | 11 277.2   | 5 152.6                               |
| In millions        | 264.7                           | 198.8             | 133.2                | 330.4                           | 235.0  | 95.4                                  |
| <b>OLD</b>         |                                 |                   |                      |                                 |  |                                       |
| Total              | 9.4                             | -                 | 0.0                  | 9.4                             | -  | 9.4                                   |
| In millions        | 11.5                            | -                 | 0.0                  | 11.5                            | -  | 11.5                                  |
| <b>Grand total</b> | <b>15 007.1</b>                 | <b>4 318.8</b>    | <b>2 886.8</b>       | <b>16 439.2</b>                 | <b>11 277.2</b>                                    | <b>5 162.0</b>                        |
| In millions        | 276.2                           | 198.8             | 133.2                | 341.9                           | 235.0  | 106.9                                 |
| <b>COIN</b>        |                                 |                   |                      |                                 |  |                                       |
| <b>NEW</b>         |                                 |                   |                      |                                 |  |                                       |
| 50 mk              | -                               | 25.0              | -                    | 25.0                            | 0.6  | 24.4                                  |
| 25 »               | 20.0                            | -                 | -                    | 20.0                            | 0.1  | 19.9                                  |
| 10 »               | 39.3                            | -                 | -                    | 39.3                            | 0.1  | 39.2                                  |
| 5 »                | 30.7                            | 5.0               | 0.5                  | 35.3                            | 6.8  | 28.5                                  |
| 1 »                | 179.6                           | 32.0              | 0.1                  | 211.6                           | 14.1   | 197.5                                 |
| 50 p               | 48.3                            | 10.0              | 0.0                  | 58.3                            | 12.5   | 45.8                                  |
| 20 »               | 34.7                            | 6.0               | 0.0                  | 40.7                            | 2.0  | 38.7                                  |
| 10 »               | 20.1                            | 3.0               | 0.0                  | 23.0                            | 2.4  | 20.6                                  |
| 5 »                | 20.1                            | 0.1               | -                    | 20.2                            | 1.5  | 18.7                                  |
| 1 »                | 10.6                            | -                 | 1.1                  | 9.4                             | 0.1  | 9.3                                   |
| Total              | 403.4                           | 81.1              | 1.7                  | 482.8                           | 40.2   | 442.6                                 |
| <b>OLD</b>         |                                 |                   |                      |                                 |  |                                       |
| 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                                  |
| <b>Grand total</b> | <b>419.1</b>                    | <b>81.1</b>       | <b>1.7</b>           | <b>498.5</b>                    | <b>40.2</b>  | <b>458.3</b>                          |

Table 13.

## FOREIGN EXCHANGE: SPOT SELLING RATES IN 1976-1981, MARKS

| Currency                            | 1976    |         |         | 1977    |         |         | 1978    |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                     | Max.    | Av.     | Min.    | Max.    | Av.     | Min.    | Max.    | Av.     | Min.    |
| 1 US \$, New York                   | 3.929   | 3.864   | 3.776   | 4.216   | 4.029   | 3.760   | 4.327   | 4.117   | 3.772   |
| 1 £, London                         | 7.820   | 6.983   | 6.070   | 7.705   | 7.042   | 6.415   | 8.215   | 7.917   | 7.700   |
| 1 Ir £, Dublin                      |         |         |         |         |         |         |         |         |         |
| 100 Skr, Stockholm                  | 91.90   | 88.86   | 87.10   | 94.25   | 90.21   | 86.10   | 93.50   | 91.43   | 85.80   |
| 100 Nkr, Oslo                       | 73.50   | 70.95   | 69.20   | 79.50   | 75.83   | 71.90   | 81.60   | 78.93   | 77.90   |
| 100 Dkr, Copenhagen                 | 66.25   | 64.04   | 62.10   | 70.10   | 67.23   | 64.50   | 79.20   | 75.06   | 69.30   |
| 100 DM, Frankf. o. M.               | 161.20  | 153.78  | 147.36  | 193.85  | 174.15  | 158.35  | 219.20  | 205.53  | 188.90  |
| 100 Hfl, Amsterdam                  | 154.00  | 146.42  | 142.20  | 178.60  | 164.59  | 151.20  | 202.80  | 190.77  | 176.10  |
| 100 FB, Brussels <sup>1</sup>       | 10.530  | 10.030  | 9.740   | 12.330  | 11.277  | 10.340  | 14.020  | 13.152  | 12.220  |
| 100 Sfr, Zurich                     | 163.90  | 154.86  | 147.30  | 202.80  | 168.70  | 148.50  | 274.40  | 231.83  | 199.00  |
| 100 FF, Paris                       | 86.45   | 81.09   | 76.10   | 87.00   | 82.16   | 76.40   | 96.10   | 91.77   | 81.00   |
| 100 Lit. Rome                       | 0.567   | 0.468   | 0.417   | 0.482   | 0.459   | 0.430   | 0.504   | 0.489   | 0.463   |
| 100 ÖS, Vienna                      | 22.68   | 21.59   | 20.84   | 27.00   | 24.47   | 22.28   | 29.95   | 28.45   | 26.35   |
| 100 Y, Tokyo                        | 1.364   | 1.307   | 1.258   | 1.755   | 1.512   | 1.290   | 2.253   | 1.983   | 1.658   |
| 1 Rbl, Moscow,<br>clearing          | 5.197   | 5.125   | 5.053   | 5.865   | 5.475   | 5.067   | 6.185   | 6.037   | 5.601   |
| 1 special<br>drawing right<br>(SDR) | 4.50899 | 4.45099 | 4.37684 | 4.99043 | 4.69556 | 4.37250 | 5.27229 | 5.13633 | 4.81488 |

<sup>1</sup> 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                      | 1979             |                  |                  | 1980             |                  |                  | 1981             |                  |                  |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                               | Max.             | Av.              | Min.             | Max.             | Av.              | Min.             | Max.             | Av.              | Min.             |
| 1 US \$, New York             | 4.033            | 3.896            | 3.711            | 3.941            | 3.730            | 3.604            | 4.707            | 4.315            | 3.812            |
| 1 £, London                   | 8.915            | 8.275            | 7.895            | 9.290            | 8.691            | 8.245            | 9.590            | 8.731            | 7.987            |
| 1 Ir £, Dublin <sup>1</sup>   | 8.088            | 7.956            | 7.839            | 8.000            | 7.889            | 7.255            | 7.367            | 6.976            | 6.650            |
| 100 Skr, Stockholm            | 92.10            | 91.12            | 89.60            | 89.75            | 88.43            | 87.45            | 89.05            | 85.74            | 79.00            |
| 100 Nkr, Oslo                 | 79.25            | 77.22            | 75.00            | 77.40            | 75.81            | 75.00            | 76.85            | 75.54            | 73.80            |
| 100 Dkr, Copenhagen           | <del>78.90</del> | <del>74.38</del> | <del>69.55</del> | <del>69.80</del> | <del>66.53</del> | <del>63.75</del> | <del>64.30</del> | <del>60.96</del> | <del>58.50</del> |
| 100 DM, Frankf. o. M.         | 216.70           | 212.75           | 209.20           | 216.14           | 205.58           | 194.45           | 198.40           | 191.31           | 183.35           |
| 100 Hfl, Amsterdam            | 200.00           | 194.43           | 189.40           | 195.95           | 188.02           | 179.20           | 181.35           | 173.43           | 165.30           |
| 100 FB, Brussels              | 13.740           | 13.338           | 13.010           | 13.330           | 12.818           | 12.133           | 12.280           | 11.688           | 11.230           |
| 100 Sfr, Zurich               | 242.70           | 234.36           | 227.40           | 235.65           | 222.87           | 210.60           | 247.70           | 220.34           | 203.30           |
| 100 FF, Paris                 | 94.70            | 91.88            | 89.70            | 92.55            | 88.65            | 84.40            | 85.45            | 79.92            | 76.50            |
| 100 Lit, Rome                 | 0.480            | 0.473            | 0.458            | 0.465            | 0.440            | 0.414            | 0.419            | 0.385            | 0.363            |
| 100 ÖS, Vienna                | 30.13            | 29.19            | 28.44            | 30.12            | 28.90            | 27.45            | 28.48            | 27.17            | 26.14            |
| 100 Y, Tokyo                  | 2.035            | 1.797            | 1.503            | 1.898            | 1.662            | 1.515            | 2.032            | 1.967            | 1.903            |
| 1 Rbl, Moscow, clearing       | 6.081            | 5.941            | 5.711            | 5.992            | 5.741            | 5.603            | 6.328            | 5.986            | 5.646            |
| 1 special drawing right (SDR) | 5.12720          | 5.01678          | 4.87141          | 4.95537          | 4.84255          | 4.79084          | 5.22182          | 5.07140          | 4.88542          |

<sup>1</sup> Quoted since July 1, 1979.

Table 14.

**FOREIGN EXCHANGE: SPOT SELLING RATES IN 1981, MARKS**

| Currency                            | January |         |         | February |         |         | March   |         |         |
|-------------------------------------|---------|---------|---------|----------|---------|---------|---------|---------|---------|
|                                     | Max.    | Av.     | Min.    | Max.     | Av.     | Min.    | Max.    | Av.     | Min.    |
| 1 US \$, New York                   | 4.004   | 3.889   | 3.812   | 4.164    | 4.073   | 3.999   | 4.142   | 4.072   | 4.004   |
| 1 C \$, Montreal                    | 3.351   | 3.265   | 3.159   | 3.465    | 3.401   | 3.354   | 3.444   | 3.419   | 3.388   |
| 1 £, London                         | 9.590   | 9.369   | 9.206   | 9.523    | 9.358   | 9.060   | 9.170   | 9.098   | 8.997   |
| 1 Ir £, Dublin                      | 7.367   | 7.264   | 7.154   | 7.188    | 7.081   | 6.963   | 7.178   | 7.066   | 6.954   |
| 100 Skr, Stockholm                  | 88.20   | 87.85   | 87.20   | 89.00    | 88.59   | 88.05   | 89.05   | 88.65   | 88.25   |
| 100 Nkr, Oslo                       | 75.20   | 74.62   | 73.80   | 76.65    | 75.50   | 74.10   | 76.30   | 75.78   | 75.30   |
| 100 Dkr, Copenhagen                 | 64.30   | 63.38   | 62.00   | 62.65    | 61.88   | 61.00   | 62.50   | 61.78   | 61.20   |
| 100 DM, Frankf. o. M.               | 197.25  | 194.10  | 190.05  | 193.50   | 189.90  | 186.20  | 195.85  | 193.33  | 190.90  |
| 100 Hfl, Amsterdam                  | 181.35  | 178.74  | 175.20  | 176.35   | 174.37  | 171.60  | 177.00  | 174.81  | 173.10  |
| 100 FB, Brussels                    |         |         |         |          |         |         |         |         |         |
| commercial rate                     | 12.280  | 12.113  | 11.900  | 11.920   | 11.817  | 11.630  | 11.990  | 11.836  | 11.710  |
| financial rate                      | 12.230  | 12.088  | 11.870  | 11.870   | 11.700  | 11.400  | 11.710  | 11.533  | 11.370  |
| 100 Sfr, Zurich                     | 218.00  | 214.34  | 209.50  | 213.55   | 203.30  | 215.45  | 211.45  | 211.94  | 207.90  |
| 100 FF, Paris                       | 85.45   | 84.20   | 82.70   | 82.80    | 82.18   | 80.90   | 83.20   | 82.26   | 81.30   |
| 100 Lit, Rome                       | 0.419   | 0.413   | 0.405   | 0.407    | 0.403   | 0.398   | 0.405   | 0.399   | 0.388   |
| 100 ÖS, Vienna                      | 27.85   | 27.44   | 26.85   | 27.38    | 26.84   | 26.35   | 27.70   | 27.34   | 27.00   |
| 100 Esc., Lisbon                    | 7.44    | 7.38    | 7.34    | 7.45     | 7.37    | 7.27    | 7.40    | 7.33    | 7.26    |
| 100 lkr, Reykjavik                  | 0.66    | 63.10   | 62.40   | 65.20    | 63.74   | 62.09   | 63.20   | 62.55   | 62.10   |
| 100 Ptas, Madrid                    | 4.92    | 4.87    | 4.84    | 4.90     | 4.79    | 4.72    | 4.85    | 4.79    | 4.71    |
| 100 Y, Tokyo                        | 1.958   | 1.933   | 1.909   | 2.013    | 1.990   | 1.960   | 1.991   | 1.959   | 1.930   |
| 1 Rbl, Moscow,<br>clearing          | 5.820   | 5.747   | 5.646   | 5.867    | 5.779   | 5.685   | 5.891   | 5.810   | 5.671   |
| 1 special<br>drawing right<br>(SDR) | 4.96782 | 4.91535 | 4.88542 | 5.06088  | 5.00729 | 4.96954 | 5.01774 | 4.99008 | 4.96444 |



| Currency                            | April   |         |         | May     |         |         | June    |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                     | Max.    | Av.     | Min.    | Max.    | Av.     | Min.    | Max.    | Av.     | Min.    |
| 1 US \$, New York                   | 4.218   | 4.151   | 4.066   | 4.376   | 4.321   | 4.250   | 4.516   | 4.448   | 4.365   |
| 1 C \$, Montreal                    | 3.526   | 3.490   | 3.432   | 3.647   | 3.602   | 3.543   | 3.745   | 3.698   | 3.636   |
| 1 £, London                         | 9.130   | 9.061   | 9.000   | 9.089   | 9.047   | 8.996   | 9.082   | 8.805   | 8.682   |
| 1 Ir £, Dublin                      | 7.104   | 7.041   | 6.995   | 7.040   | 6.922   | 6.865   | 6.939   | 6.857   | 6.650   |
| 100 Skr, Stockholm                  | 89.00   | 88.76   | 88.55   | 88.75   | 88.51   | 87.95   | 88.70   | 88.34   | 87.90   |
| 100 Nkr, Oslo                       | 76.55   | 76.20   | 75.90   | 76.80   | 76.52   | 76.10   | 76.60   | 75.62   | 74.50   |
| 100 Dkr, Copenhagen                 | 62.00   | 61.37   | 60.70   | 60.50   | 60.18   | 59.15   | 60.45   | 59.90   | 59.30   |
| 100 DM, Frankf. o. M.               | 194.40  | 192.38  | 190.50  | 189.70  | 188.58  | 186.85  | 189.05  | 187.41  | 185.70  |
| 100 Hfl, Amsterdam                  | 175.40  | 173.53  | 171.70  | 170.75  | 169.70  | 168.10  | 170.05  | 168.62  | 167.10  |
| 100 FB, Brussels                    |         |         |         |         |         |         |         |         |         |
| commercial rate                     | 11.930  | 11.802  | 11.720  | 11.680  | 11.603  | 11.520  | 11.610  | 11.508  | 11.420  |
| financial rate                      | 11.490  | 11.382  | 11.250  | 11.380  | 11.316  | 11.220  | 11.450  | 11.300  | 11.080  |
| 100 Sfr, Zurich                     | 212.90  | 210.91  | 208.65  | 212.10  | 209.60  | 206.85  | 219.75  | 214.73  | 210.15  |
| 100 FF, Paris                       | 82.60   | 81.66   | 80.60   | 80.20   | 79.04   | 78.40   | 79.75   | 78.97   | 77.85   |
| 100 Lit, Rome                       | 0.394   | 0.390   | 0.388   | 0.386   | 0.383   | 0.382   | 0.384   | 0.380   | 0.378   |
| 100 ÖS, Vienna                      | 27.50   | 27.21   | 26.97   | 26.86   | 26.69   | 26.45   | 26.77   | 26.55   | 26.35   |
| 100 Esc., Lisbon                    | 7.37    | 7.31    | 7.25    | 7.37    | 7.26    | 7.20    | 7.28    | 7.22    | 7.16    |
| 100 lkr, Reykjavik                  | 63.35   | 63.02   | 62.40   | 63.80   | 63.46   | 63.05   | 63.60   | 61.52   | 60.20   |
| 100 Ptas, Madrid                    | 4.82    | 4.78    | 4.77    | 4.79    | 4.77    | 4.73    | 4.79    | 4.75    | 4.72    |
| 100 Y, Tokyo                        | 1.980   | 1.943   | 1.923   | 1.983   | 1.967   | 1.953   | 2.022   | 1.994   | 1.978   |
| 1 Rbl, Moscow,<br>clearing          | 5.890   | 5.825   | 5.734   | 5.974   | 5.922   | 5.880   | 6.056   | 5.951   | 5.854   |
| 1 special<br>drawing right<br>(SDR) | 5.04482 | 5.01522 | 4.98435 | 5.10166 | 5.07885 | 5.04760 | 5.19441 | 5.13364 | 5.10192 |

Table 14. (Cont.)

| Currency                            | July    |         |         | August  |         |         | September |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|---------|-----------|---------|---------|
|                                     | Max.    | Av.     | Min.    | Max.    | Av.     | Min.    | Max.      | Av.     | Min.    |
| 1 US \$, New York                   | 4.590   | 4.543   | 4.488   | 4.707   | 4.629   | 4.556   | 4.580     | 4.504   | 4.390   |
| 1 C \$, Montreal                    | 3.786   | 3.758   | 3.720   | 3.825   | 3.787   | 3.740   | 3.820     | 3.756   | 3.651   |
| 1 £, London                         | 8.696   | 8.546   | 8.466   | 8.578   | 8.445   | 8.345   | 8.405     | 8.197   | 7.987   |
| 1 Ir £, Dublin                      | 6.950   | 6.825   | 6.773   | 6.883   | 6.792   | 6.724   | 7.145     | 6.988   | 6.820   |
| 100 Skr, Stockholm                  | 88.20   | 87.97   | 87.65   | 87.90   | 87.59   | 87.20   | 87.75     | 83.48   | 80.10   |
| 100 Nkr, Oslo                       | 75.05   | 74.82   | 74.50   | 75.70   | 75.24   | 74.95   | 76.85     | 75.79   | 75.10   |
| 100 Dkr, Copenhagen                 | 60.20   | 59.78   | 59.30   | 60.25   | 59.23   | 58.50   | 62.90     | 61.25   | 59.85   |
| 100 DM, Frankf. o. M.               | 187.80  | 186.54  | 184.95  | 187.65  | 185.36  | 183.35  | 197.15    | 191.31  | 186.30  |
| 100 Hfl, Amsterdam                  | 168.80  | 167.73  | 166.30  | 168.80  | 167.01  | 165.30  | 177.95    | 172.51  | 167.75  |
| 100 FB, Brussels<br>commercial rate | 11.510  | 11.427  | 11.340  | 11.550  | 11.381  | 11.230  | 12.110    | 11.729  | 11.440  |
| financial rate                      | 11.090  | 10.902  | 10.670  | 10.830  | 10.553  | 10.340  | 11.020    | 10.762  | 10.550  |
| 100 Sfr, Zurich                     | 218.90  | 217.10  | 214.90  | 215.25  | 213.77  | 212.80  | 228.90    | 222.42  | 212.30  |
| 100 FF, Paris                       | 79.25   | 78.75   | 77.90   | 78.55   | 77.77   | 76.60   | 83.15     | 80.18   | 78.15   |
| 100 Lit, Rome                       | 0.381   | 0.379   | 0.376   | 0.380   | 0.377   | 0.375   | 0.390     | 0.384   | 0.377   |
| 100 ÖS, Vienna                      | 26.74   | 26.52   | 26.27   | 26.75   | 26.42   | 26.14   | 28.07     | 27.26   | 26.59   |
| 100 Esc., Lisbon                    | 7.20    | 7.17    | 7.12    | 7.18    | 7.11    | 7.06    | 7.10      | 7.04    | 6.97    |
| 100 lkr, Reykjavik                  | 61.65   | 61.19   | 61.05   | 61.75   | 61.06   | 58.10   | 58.65     | 58.14   | 57.55   |
| 100 Ptas, Madrid                    | 4.73    | 4.70    | 4.68    | 4.71    | 4.67    | 4.64    | 4.80      | 4.73    | 4.68    |
| 100 Y, Tokyo                        | 1.999   | 1.967   | 1.925   | 2.020   | 1.992   | 1.905   | 2.004     | 1.972   | 1.943   |
| 1 Rbl, Moscow,<br>clearing          | 6.081   | 6.028   | 5.974   | 6.194   | 6.078   | 5.971   | 6.328     | 6.127   | 6.048   |
| 1 special<br>drawing right<br>(SDR) | 5.16248 | 5.14946 | 5.12689 | 5.22182 | 5.18500 | 5.15423 | 5.19805   | 5.13941 | 5.10722 |

| Currency                            | October |         |         | November |         |         | December |         |         |
|-------------------------------------|---------|---------|---------|----------|---------|---------|----------|---------|---------|
|                                     | Max.    | Av.     | Min.    | Max.     | Av.     | Min.    | Max.     | Av.     | Min.    |
| 1 US \$, New York                   | 4.506   | 4.424   | 4.337   | 4.389    | 3.354   | 4.300   | 4.433    | 4.375   | 4.306   |
| 1 C \$, Montreal                    | 3.737   | 3.682   | 3.627   | 3.703    | 3.667   | 3.637   | 3.726    | 3.697   | 3.670   |
| 1 £, London                         | 8.310   | 8.173   | 8.100   | 8.456    | 8.301   | 8.186   | 8.462    | 8.368   | 8.267   |
| 1 Ir £, Dublin                      | 7.087   | 7.009   | 6.920   | 7.020    | 6.959   | 6.910   | 6.955    | 6.909   | 6.848   |
| 100 Skr, Stockholm                  | 80.80   | 80.19   | 79.80   | 79.90    | 79.70   | 79.50   | 79.50    | 79.24   | 79.00   |
| 100 Nkr, Oslo                       | 76.40   | 75.19   | 74.40   | 76.15    | 75.18   | 74.60   | 76.45    | 75.96   | 75.20   |
| 100 Dkr, Copenhagen                 | 62.00   | 61.61   | 61.00   | 61.70    | 61.11   | 60.45   | 60.60    | 60.07   | 59.70   |
| 100 DM, Frankf. o. M.               | 198.40  | 196.84  | 193.20  | 197.65   | 195.91  | 193.80  | 195.00   | 194.01  | 192.80  |
| 100 Hfl, Amsterdam                  | 179.80  | 178.23  | 173.65  | 179.65   | 178.69  | 177.25  | 178.30   | 177.21  | 176.40  |
| 100 FB, Brussels                    |         |         |         |          |         |         |          |         |         |
| commercial rate                     | 11.910  | 11.830  | 11.720  | 11.850   | 11.714  | 11.620  | 11.710   | 11.498  | 11.380  |
| financial rate                      | 11.170  | 10.803  | 10.620  | 10.710   | 10.548  | 10.430  | 10.530   | 10.258  | 9.880   |
| 100 Sfr, Zurich                     | 239.70  | 234.86  | 227.45  | 247.70   | 244.06  | 241.40  | 243.90   | 241.26  | 236.50  |
| 100 FF, Paris                       | 81.10   | 79.05   | 77.95   | 79.00    | 77.98   | 77.10   | 77.55    | 76.96   | 76.50   |
| 100 Lit, Rome                       | 0.387   | 0.376   | 0.373   | 0.375    | 0.371   | 0.367   | 0.369    | 0.367   | 0.363   |
| 100 ÖS, Vienna                      | 28.48   | 28.11   | 27.57   | 28.22    | 27.94   | 27.64   | 27.82    | 27.67   | 27.52   |
| 100 Esc., Lisbon                    | 7.09    | 7.02    | 6.98    | 7.00     | 6.93    | 6.84    | 6.91     | 6.87    | 6.83    |
| 100 lkr, Reykjavik                  | 58.10   | 57.81   | 57.60   | 58.10    | 55.05   | 53.45   | 53.85    | 53.60   | 53.30   |
| 100 Ptas, Madrid                    | 4.73    | 4.66    | 4.63    | 4.65     | 4.61    | 4.57    | 4.57     | 4.56    | 4.52    |
| 100 Y, Tokyo                        | 1.944   | 1.922   | 1.903   | 2.032    | 1.959   | 1.908   | 2.023    | 2.010   | 1.991   |
| 1 Rbl, Moscow,<br>clearing          | 6.205   | 6.165   | 6.103   | 6.230    | 6.188   | 6.159   | 6.233    | 6.207   | 6.187   |
| 1 special<br>drawing right<br>(SDR) | 5.14117 | 5.09412 | 5.06060 | 5.09235  | 5.06532 | 5.04269 | 5.10742  | 5.08306 | 5.05486 |

Table 15.

**FINLAND'S LONG-TERM FOREIGN LIABILITIES AND ASSETS IN 1981,  
MILLION MARKS**

|   | Debt<br>Jan. 1,<br>1981 | Drawings<br>in 1981 | Redemp-<br>tions<br>in 1981 | Net<br>drawings<br>in 1981 | Impact of<br>exchange<br>rates<br>in 1981 | Debt<br>Dec. 31,<br>1981 |
|---|-------------------------|---------------------|-----------------------------|----------------------------|---|--------------------------|
| <b>FINANCIAL LOANS</b>  | <b>29 298</b>           | <b>7 451</b>        | <b>3 768</b>                | <b>+3 683</b>              | <b>+2 555</b>                             | <b>35 536</b>            |
| Individual financial loans <sup>1</sup>                         | 13 170                  | 4 360               | 2 502                       | +1 858                     | +1 414                                    | 16 442                   |
| Bank of Finland's reserve credits<br>and Oil Facility purchases | 325                     | -                   | 73                          | - 73                       | + 12                                      | 264                      |
| Bonds and debentures  | 16 128                  | 3 091               | 1 266                       | +1 825                     | +1 141                                    | 19 094                   |
| Bond issues   | 10 901                  | 2 323               | 856                         | +1 467                     | + 690                                     | 13 058                   |
| Debenture issues  | 329                     | 87                  | -                           | + 87                       | + 30                                      | 446                      |
| Deposit certificate loans                                       | 269                     | 216                 | -                           | + 216                      | + 39                                      | 524                      |
| Private placement loans   | 4 440                   | 465                 | 360                         | + 105                      | + 372                                     | 4 917                    |
| Loans from the World Bank                                       | 189                     | -                   | 50                          | - 50                       | + 10                                      | 149                      |
| <b>IMPORT CREDITS</b>   | <b>4 377</b>            | <b>860</b>          | <b>846</b>                  | <b>+ 14</b>                | <b>+ 53</b>                               | <b>4 444</b>             |
| Ship and aircraft credits                                       | 1 701                   | 456                 | 447                         | + 9                        | + 77                                      | 1 787                    |
| Other import credits  | 2 676                   | 404                 | 399                         | + 5                        | - 24                                      | 2 657                    |
| <b>LEASING CREDITS</b>  | <b>102</b>              | <b>1</b>            | <b>29</b>                   | <b>- 28</b>                | <b>+ 10</b>                               | <b>84</b>                |
| <b>DIRECT INVESTMENT</b>  | <b>2 075</b>            | <b>231</b>          | <b>156</b>                  | <b>+ 75</b>                | <b>+ 33</b>                               | <b>2 183</b>             |
| Equity capital  | 1 629                   | 182                 | 32                          | + 150                      | -   | 1 779                    |
| Loans to subsidiaries   | 446                     | 49                  | 124                         | - 75                       | + 33                                      | 404                      |
| <b>SUBSCRIPTIONS<sup>2</sup></b>                                | <b>238</b>              | <b>137</b>          | <b>68</b>                   | <b>+ 69</b>                | <b>-</b>                                  | <b>307</b>               |
| <b>GROSS LONG-TERM DEBT<sup>3</sup></b>                         | <b>36 090</b>           | <b>8 680</b>        | <b>4 867</b>                | <b>+3 813</b>              | <b>+2 651</b>                             | <b>42 554</b>            |
| <b>FINANCIAL LOANS</b>  | <b>264</b>              | <b>152</b>          | <b>80</b>                   | <b>+ 72</b>                | <b>+ 20</b>                               | <b>356</b>               |
| <b>EXPORT CREDITS</b>   | <b>3 872</b>            | <b>1 606</b>        | <b>1 088</b>                | <b>+ 518</b>               | <b>+ 283</b>                              | <b>4 673</b>             |
| <b>DEVELOPMENT CREDITS</b>                                      | <b>55</b>               | <b>35</b>           | <b>2</b>                    | <b>+ 33</b>                | <b>-</b>                                  | <b>88</b>                |
| <b>DIRECT INVESTMENT</b>  | <b>2 806</b>            | <b>729</b>          | <b>130</b>                  | <b>+ 599</b>               | <b>+ 21</b>                               | <b>3 426</b>             |
| Equity capital  | 2 367                   | 631                 | 31                          | + 600                      | ..  | 2 967                    |
| Loans to subsidiaries   | 439                     | 98                  | 99                          | - 1                        | + 21                                      | 459                      |
| <b>SUBSCRIPTIONS<sup>2</sup></b>                                | <b>732</b>              | <b>141</b>          | <b>-</b>                    | <b>+ 141</b>               | <b>-</b>                                  | <b>873</b>               |
| <b>GROSS LONG-TERM ASSETS<sup>3</sup></b>                       | <b>7 729</b>            | <b>2 663</b>        | <b>1 300</b>                | <b>+1 363</b>              | <b>+ 324</b>                              | <b>9 416</b>             |
| <b>NET LONG-TERM DEBT</b>                                       | <b>28 361</b>           | <b>6 017</b>        | <b>3 567</b>                | <b>+2 450</b>              | <b>+2 327</b>                             | <b>33 138</b>            |

<sup>1</sup> Since the beginning of 1981, the short-term foreign loans raised by authorized banks on their own account to refinance corporations' long-term investment credits and the so-called revolving credits have been recorded as short-term capital.

<sup>2</sup> On the liabilities side, subscriptions to international financial institutions paid up in the form of bonds.

<sup>3</sup> 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 1981

We, the undersigned, the Auditors elected by Parliament in 1981, have audited the accounts and operations of the Bank of Finland for 1981 on February 22 – 26, 1982, as reported in detail in the minutes.

All relevant accounting books, records, minutes of meetings, documents, vouchers and the Annual Statement 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 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, 1981 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 Långman 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 563 183 011,44 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 1981.

Helsinki, February 26, 1982

Mikko Kaarna

Erkki Liikanen

Erkki Kivimäki

Pentti Mäki-Hakola

Håkan Malm

./ Tyko Vanhala

# **BANK OF FINLAND**

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Established 1811

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| Jyväskylä: | Kauppakatu 21, P.O. Box 165, 40101 Jyväskylä 10, Telephone (941) 211 433 |
| Kotka:     | Keskuskatu 19, P.O. Box 211, 48101 Kotka 10, Telephone (952) 182 500     |
| 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) 118 322              |