



BANK OF FINLAND

Monthly Bulletin

Investment activity

**Payments arrangements in trade
between Finland and centrally
planned economies**

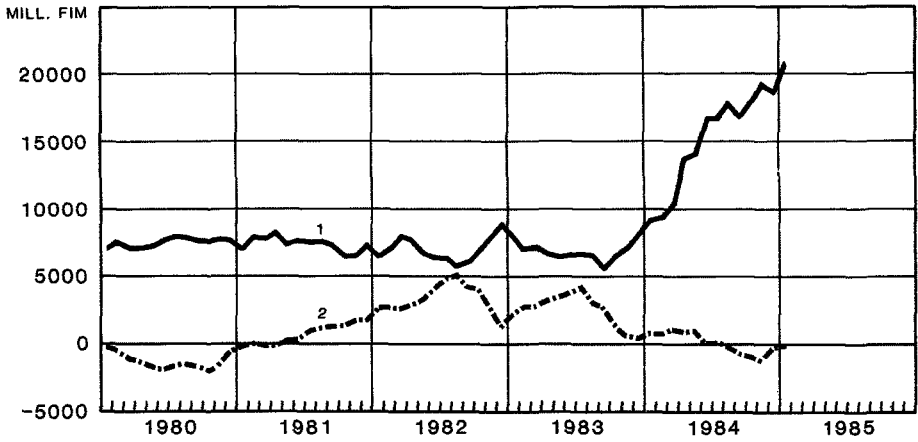
**Monetary and foreign exchange policy
measures from February 1984
to February 1985**

**Finnish direct investment abroad
and foreign direct investment
in Finland in 1984**

FEBRUARY 1985

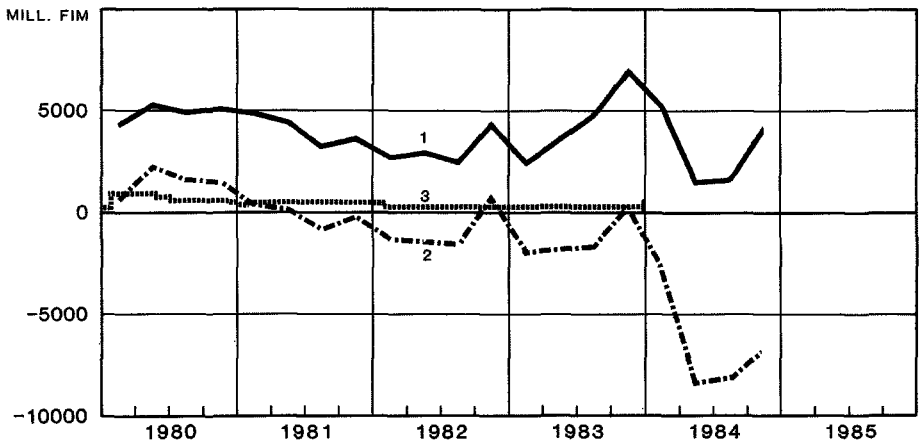
Vol. 59 No. 2

BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1980-85



- 1. Gold and convertible currencies
- 2. Tied currencies

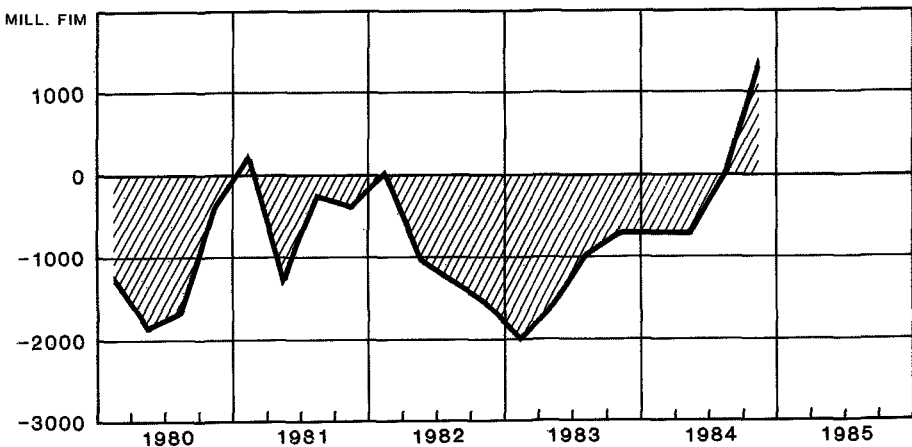
DEPOSIT BANKS' CENTRAL BANK POSITION, 1980-85



- 1. Gross central bank debt
- 2. Net central bank debt
- 3. Quotas

Quarterly average of daily amounts (1 and 2)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1980-85



Seasonally adjusted quarterly figures

INVESTMENT ACTIVITY

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Bank of Finland

The upturn in the Finnish economy which began in the second half of 1982 continued in 1984 at a pace which was rather modest by historical standards. On the demand side, the main contribution to growth came from a vigorous expansion in exports to western markets whereas domestic demand was subdued. Investment activity, which had remained at a relatively high level for several years, did not pick up as expected in the course of 1984. Volume outlays declined in both the private service sector and the public sector, while household investment maintained its level. By contrast, industrial investment increased in 1984, and as a result the overall level of investment activity declined only slightly. Preliminary estimates indicate a fall of some 1–2 per cent in the volume of total fixed investment last year.

According to the Bank of Finland investment inquiry conducted in November, the volume of industrial¹ fixed investment grew by 4 per cent in 1984. In the manufacturing industries, the increase was estimated to be 8 per cent. The growth in investment centered on purchases of machinery and equipment, whereas construction declined. Investment activity expanded rapidly in the forest industries as well as in the metal and engineering industries, but declined slightly in the other industrial sectors.

The fastest growth of investment was reported by large companies. Smaller firms anticipated a decrease in their volume outlays in 1984. This was not a uniform trend, however, since small companies in the forest industries forecast a marked increase in their investment for 1984.

¹ In addition to manufacturing industries, industry includes mining and quarrying as well as electricity, gas and water supply.

ANNUAL PERCENTAGE CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1983 AND 1984 AND PLANNED CHANGES FOR 1985, ACCORDING TO THE BANK OF FINLAND INVESTMENT INQUIRY OF NOVEMBER 1984

	1983	1984	1985
<i>By industrial sector</i>			
Forest industries	-13	16	5
Metal and engineering industries	-1	17	14
Other manufacturing	2	-2	-1
<hr/>			
Total manufacturing	-4	8	5
Electricity, gas and water	-1	-6	11
<hr/>			
Total industry	-3	4	7
<i>By type of investment</i>			
Building investment	-1	-2	-4
Investment in machinery and equipment	-4	7	12

To some extent, investment behaviour last year reflected policy-induced adjustment. In 1982 and 1983, both non-residential construction and investment by smaller industrial firms had been boosted by expansive policy action and the ready availability of credit. The negative investment growth figures for 1984 represent a return to more normal levels of investment activity. In 1984, both fiscal and monetary policies were kept tight so as to reduce the inflation gap between Finland and her competitor countries. The rise in consumer prices decelerated to 6 per cent in the course of the year from more than 8 per cent in 1983. Together with the consequent increase in real interest rates and, in particular, the high level of returns on short-term liquid assets in the unregulated money market, this seems to have led not only to the decline in stockbuilding observed last year but also to the postponement of some investment projects. This effect was enhanced by an increase in the cost of new long-term loans, due in part to ongoing

structural change in the Finnish financial markets and in part to the upward adjustment of the banks' average lending rate.

In construction activity, a notable feature of developments last year was that residential construction remained at a high level, in spite of a fall in the output of dwellings co-financed through central government housing loans. However, residential construction is not likely to contribute significantly to the growth of total investment in the future, since both demographic trends and developments in other key factors underlying the demand for housing do not favour the maintenance of construction permanently at its current level.

Industrial investment is likely to impart a positive contribution to economic growth in 1985. According to the November inquiry, companies expect their investment outlays to increase by 7 per cent this year. Evidence from earlier inquiries suggests that companies tend to underestimate their future investment. However, the possibility of an investment boom with the attendant risks of overheating appear rather remote. The prospects for investment growth are less promising in the sheltered

business sector, where profit developments have not been as favourable as in industry. Moreover, excess capacity exists in both industry and the service sector.

As the momentum provided by exports gradually diminishes, the continuation of economic growth during 1985 will depend increasingly on a strengthening in domestic demand. Thus, there seems to be some need to enter a new phase in economic policy. The stance of fiscal policy will remain tight this year, but there will be room for some easing in monetary policy, provided that the goal of bringing the inflation rate down permanently to the level of Finland's competitor countries is attained. Since last autumn, the Bank of Finland has gradually lowered the call money rate. In January of this year it was decided to cut the base rate by half a percentage point as from February 1. The steps taken in monetary policy should allow scope for a pickup in investment both in industry and the service sector. Overall, investment activity is expected to recover during this year, although at only a moderate pace.

January 23, 1985

	1984		1985			
	Jan. 31	Dec. 31	Jan. 8	Jan. 15	Jan. 23	Jan. 31
Assets						
Gold and foreign currency claims	10 177	19 302	20 372	21 792	21 851	21 460
Gold	1 383	1 732	1 732	1 732	1 732	1 732
Special drawing rights	227	936	941	944	948	944
IMF reserve tranche	756	859	864	867	870	866
Convertible currencies	6 885	15 387	16 434	17 833	17 877	17 491
Tied currencies	926	388	401	416	424	427
Other foreign claims	4 876	2 835	2 835	2 835	2 835	2 835
Markka subscription to Finland's IMF quota	2 762	2 835	2 835	2 835	2 835	2 835
Term credits	2 114	—	—	—	—	—
Claims on financial institutions	6 831	9 166	8 701	8 762	7 363	6 430
Banks' cheque accounts	68	530	97	78	101	116
Call money market advances	4 087	5 018	5 081	5 247	3 811	2 868
Till-money credits	1 038	1 563	1 475	1 359	1 373	1 382
Bonds	1 593	1 999	1 998	2 020	2 020	2 011
Other claims on financial institutions	45	56	50	58	58	53
Claims on the public sector	2 136	1 951	1 948	1 957	1 965	1 952
Government promissory notes	1 000	1 000	1 000	1 000	1 000	1 000
Bonds	411	124	124	125	136	130
Total coinage	713	806	806	809	812	814
Other claims on the public sector	12	21	18	23	17	8
Claims on corporations	5 122	4 846	4 852	4 873	4 942	4 958
Financing of exports	1 879	1 786	1 772	1 791	1 827	1 836
Financing of domestic deliveries	2 693	2 860	2 882	2 886	2 919	2 929
Bonds	130	114	112	112	113	110
Other claims on corporations	420	86	86	84	83	83
Other assets	106	142	142	144	143	141
Total	29 248	38 242	38 850	40 363	39 099	37 776
Liabilities						
Foreign currency liabilities	30	809	458	656	510	514
Convertible accounts	30	84	59	57	56	53
Tied currencies	0	725	399	599	454	461
Other foreign liabilities	5 722	3 752	3 757	3 760	3 763	3 759
IMF markka accounts	2 762	2 835	2 835	2 835	2 835	2 835
Allocations of special drawing rights	877	917	922	925	928	924
Term liabilities	2 083	—	—	—	—	—
Notes and coin in circulation	6 195	7 442	7 033	6 950	6 816	6 881
Notes	5 658	6 744	6 339	6 261	6 130	6 197
Coin	537	698	694	689	686	684
Liabilities to financial institutions	8 182	11 879	13 277	13 761	12 829	15 362
Banks' cheque accounts	6	147	3	22	98	6
Call money market deposits	2 907	2 216	3 755	4 213	3 207	5 738
Cash reserve deposits	5 250	8 696	8 696	8 696	8 696	8 799
Capital import deposits	12	745	748	759	755	754
Other liabilities to financial institutions	7	75	75	71	73	65
Liabilities to the public sector	512	4 277	4 277	5 277	5 277	1 285
Cheque accounts	0	1	1	1	1	1
Government deposit account	500	4 200	4 200	5 200	5 200	1 200
Export deposits	—	76	76	76	76	84
Other liabilities to the public sector	12	0	0	0	0	0
Liabilities to corporations	1 656	2 814	2 811	2 823	2 815	2 825
Deposits for investment and ship purchase	1 239	2 127	2 132	2 131	2 132	2 144
Capital import deposits	402	668	672	679	677	676
Other liabilities to corporations	15	19	7	13	6	5
Other liabilities	16	16	19	15	14	15
Valuation account and reserves	2 003	963	926	827	781	840
SITRA's capital	—	400	400	400	400	400
Capital accounts	4 932	5 890	5 892	5 894	5 894	5 895
Primary capital	3 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	1 638	638	764	764	764	764
Undisposed profits	273	—	126	126	126	126
Net earnings	21	252	2	4	4	5
Total	29 248	38 242	38 850	40 363	39 099	37 776

End of year or month	Foreign sector						Public sector			
	Gold, SDRs, IMF reserve tranche	Convertible currencies, net	Total convertible reserves (1 + 2)	Tied currencies, net	Other claims, net	Net claims (3 to 5)	Claims	Certificates of deposit and deposit account	Other liabilities	Net liabilities (8 - 7 + 9)
	1	2	3	4	5	6	7	8	9	10
1981	2 408	5 050	7 458	1 909	-991	8 376	1 236	1 600	578	942
1982	2 444	6 561	9 005	1 525	-1 447	9 083	1 040	1 700	50	710
1983	2 360	5 835	8 195	550	-794	7 951	2 178	3 000	0	822
1984	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1984										
Jan.	2 366	6 855	9 221	926	-846	9 301	2 136	500	12	-1 624
Feb.	2 333	7 066	9 399	841	88	10 328	2 094	800	12	-1 282
March	2 323	7 958	10 281	1 153	870	12 304	2 273	1 300	13	-960
April	2 819	10 961	13 780	1 027	858	15 665	2 175	600	17	-1 558
May	2 912	11 213	14 125	1 074	515	15 714	2 137	800	22	-1 315
June	2 927	13 829	16 756	170	510	17 436	2 103	1 000	26	-1 077
July	2 970	13 890	16 860	224	-184	16 900	2 109	1 800	20	-289
Aug.	2 975	14 947	17 922	-375	-181	17 366	2 080	1 200	30	-850
Sept.	3 009	13 991	17 000	-836	-910	15 254	2 039	1 500	38	-501
Oct.	3 019	15 013	18 032	-1 025	-915	16 092	1 998	1 500	52	-446
Nov.	3 095	16 237	19 332	-1 342	-905	17 085	2 000	2 200	65	265
Dec.	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1985										
Jan.	3 542	17 438	20 980	-34	-924	20 022	1 952	1 200	85	-667

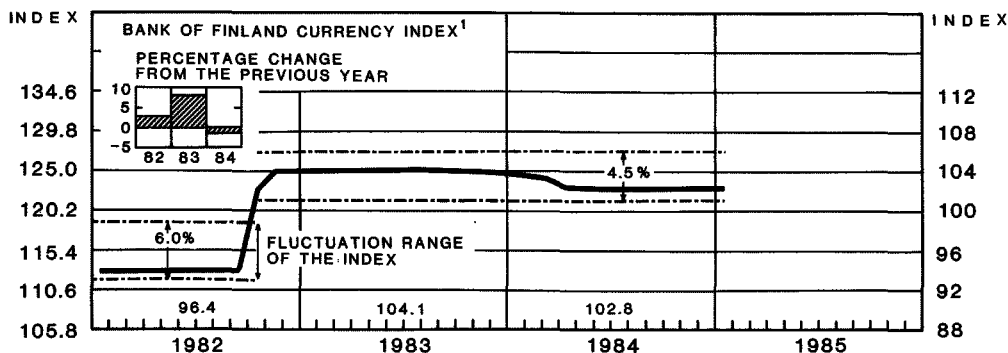
OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1983	Oct. 31, 1984	Nov. 30, 1984	Dec. 31, 1984	Jan. 31, 1985
Gold	1 383	1 383	1 383	1 732	1 732
SDRs	226	858	891	936	944
IMF reserve tranche	751	778	821	859	866
Convertible currencies, net	5 835	15 013	16 237	15 303	17 438
Total convertible reserves, net	8 195	18 032	19 332	18 830	20 980
Tied currencies, net	550	-1 025	-1 342	-337	-34
Total reserves, net	8 745	17 007	17 990	18 493	20 946

End of year or month	Domestic financial sector							Corporate sector			Notes and coin in circulation
	Till-money credits	Claims on cheque accounts, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net claims (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net claims (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1981	768	495	1 796	1 080	2 492	-406	-107	3 865	749	3 116	5 595
1982	889	163	3 126	1 470	3 132	-1 042	618	4 302	999	3 303	6 062
1983	942	443	5 785	610	5 039	-1 555	3 076	4 529	1 282	3 247	6 574
1984	1 563	383	5 018	2 216	8 696	-1 235	-2 713	4 646	2 614	2 032	7 442
1984											
Jan.	1 038	62	4 087	2 907	5 250	-1 619	-1 351	4 572	1 106	3 466	6 195
Feb.	1 024	58	3 659	2 607	5 327	-1 605	-1 588	4 592	1 746	2 846	6 232
March	924	14	2 916	3 105	5 710	-1 612	-3 349	4 596	1 763	2 833	6 308
April	1 123	191	1 573	4 836	6 142	-1 605	-6 486	4 600	2 220	2 380	6 602
May	1 119	-136	1 244	3 892	6 432	-1 999	-6 098	4 572	2 142	2 430	6 647
June	1 119	15	541	3 872	6 480	-2 006	-6 671	4 571	2 641	1 930	6 954
July	1 279	14	1 041	3 063	6 604	-2 037	-5 296	4 487	2 771	1 716	6 813
Aug.	1 108	5	1 149	4 109	6 670	-2 033	-6 484	4 435	2 753	1 682	6 776
Sept.	1 145	27	2 109	2 281	6 734	-2 081	-3 653	4 545	2 834	1 711	6 869
Oct.	1 276	68	3 045	3 658	7 385	-1 816	-4 838	4 710	2 684	2 026	6 698
Nov.	1 170	22	4 819	4 153	8 029	-1 263	-4 908	4 735	2 602	2 133	6 897
Dec.	1 563	383	5 018	2 216	8 696	-1 235	-2 713	4 646	2 614	2 032	7 442
1985											
Jan.	1 382	110	2 868	5 738	8 799	-1 245	-8 932	4 765	2 632	2 133	6 881

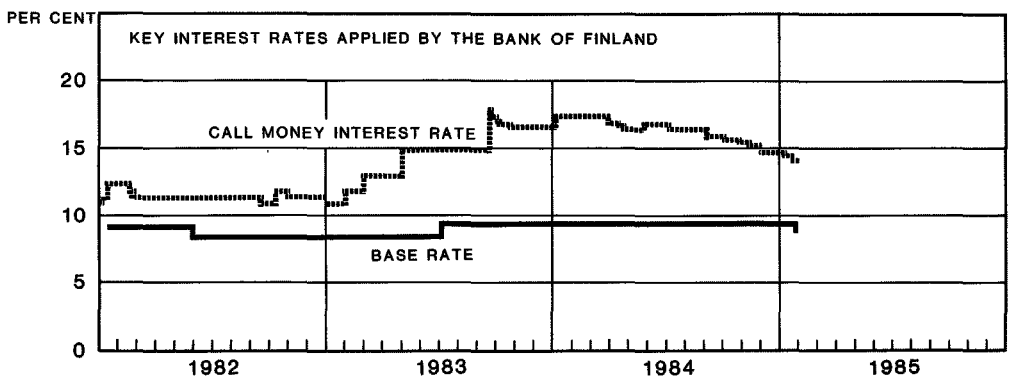
¹ The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



MONETARY POLICY INDICATORS

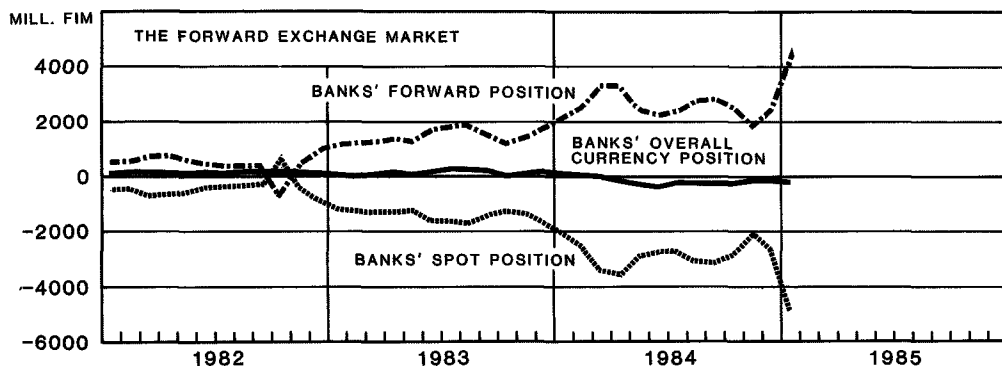
Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9
1980	4 971	1 560	2 542	3.8	3 313	12.38	12.37	9.20	9.77
1981	4 095	-33	2 795	3.5	2 161	11.48	11.61	9.25	9.84
1982	3 201	-783	2 777	3.1	1 571	11.64	11.98	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	15.13	9.00	9.56
1984	3 176	-6 365	6 325	5.4	-39	16.53	16.53	9.50	10.49
1983									
Nov.	7 075	238	5 008	4.7	4 837	16.70	16.27	9.50	10.15
Dec.	7 007	646	5 039	4.7	5 269	16.70	16.49	9.50	10.18
1984									
Jan.	6 794	-458	5 045	4.7	4 588	17.50	17.50	9.50	10.30
Feb.	5 327	-2 921	5 242	4.7	2 323	17.50	17.50	9.50	10.36
March	3 460	-4 482	5 351	5.0	869	17.50	17.50	9.50	10.40
April	2 051	-7 207	5 721	5.4	-1 487	16.77	16.82	9.50	10.44
May	1 471	-8 557	6 149	5.6	-2 407	16.53	16.52	9.50	10.45
June	1 175	-9 062	6 429	5.6	-2 633	16.80	16.80	9.50	10.50
July	1 463	-7 680	6 481	5.6	-1 199	16.53	16.51	9.50	10.50
Aug.	1 462	-8 136	6 598	5.6	-1 538	16.50	16.50	9.50	10.51
Sept.	2 127	-8 186	6 672	5.6	-1 515	16.10	16.04	9.50	10.56
Oct.	2 948	-6 801	6 755	5.6	-46	15.75	15.76	9.50	10.55
Nov.	4 181	-6 888	7 410	5.6	522	15.48	15.48	9.50	10.63
Dec.	5 650	-5 999	8 051	5.6	2 052	15.07	15.07	9.50	10.67
1985									
Jan.	4 713	-7 902	8 700	5.6	798	14.57	14.61	9.50	..

¹ End of period.



FORWARD EXCHANGE MARKETS IN FINLAND

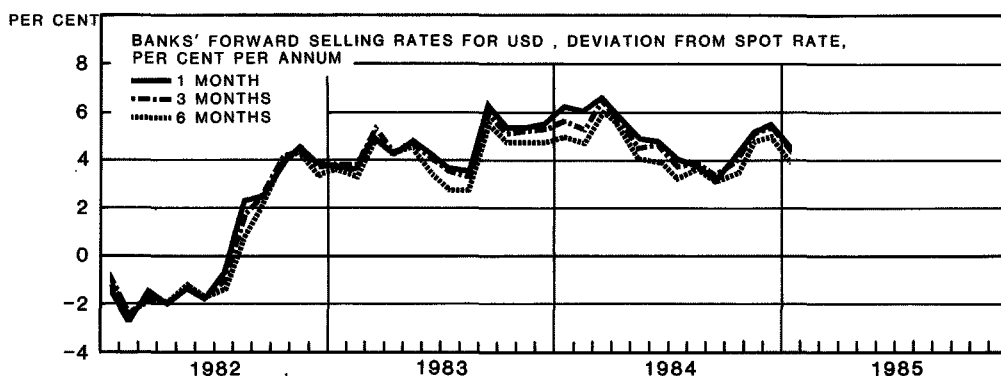
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1983	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1984	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1
1983									
Aug.	8 618	1 784	6 834	-1 144	-3 791	1 813	3.6	3.3	2.8
Sept.	7 818	1 952	5 866	-1 575	-3 345	964	6.5	6.1	5.7
Oct.	8 087	1 942	6 145	-1 645	-2 792	1 711	5.5	5.2	4.8
Nov.	7 488	1 912	5 576	-1 411	-2 438	1 687	5.4	5.3	4.8
Dec.	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1984									
Jan.	7 292	1 661	5 631	-2 026	-1 235	2 304	6.3	5.3	5.1
Feb.	8 290	1 681	6 609	-1 871	-1 887	2 717	6.1	5.3	4.8
March	10 052	1 611	8 441	-1 676	-3 560	3 173	6.7	6.6	6.2
April	11 249	1 326	9 923	-841	-5 109	3 846	5.8	5.7	5.5
May	13 528	1 156	12 372	178	-10 041	2 529	4.9	4.5	4.1
June	15 547	1 145	14 402	1 389	-12 667	3 083	4.8	4.7	4.0
July	15 956	1 306	14 650	1 541	-13 011	3 240	4.1	3.9	3.3
Aug.	20 049	1 354	18 695	2 557	-17 217	4 089	3.8	4.0	3.7
Sept.	20 548	1 679	18 869	2 406	-18 362	3 056	3.2	3.4	3.2
Oct.	22 267	1 741	20 526	1 914	-19 419	3 138	4.2	4.0	3.5
Nov.	22 383	1 786	20 597	1 790	-20 139	2 460	5.2	5.2	4.9
Dec.	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

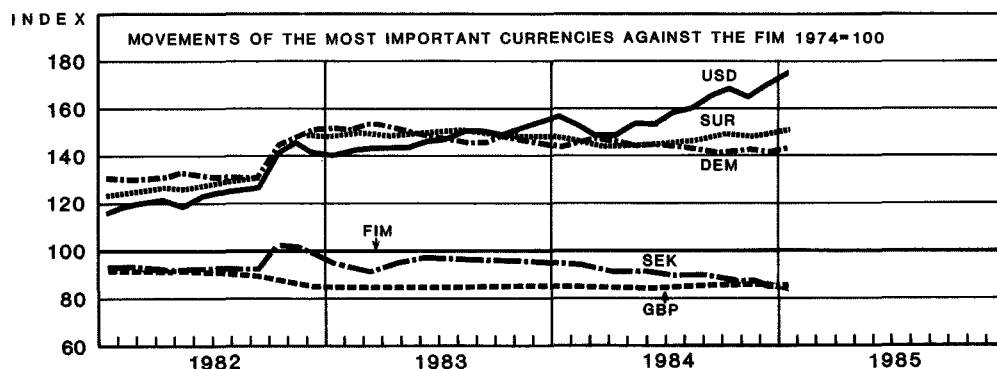
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC	BEL
	1	2	3	4	5	6	7	8	9	10	11
1980	3.730	3.194	8.691	7.689	88.43	75.81	66.53	205.58	188.02	12.818	12.635
1981	4.315	3.602	8.731	6.976	85.74	75.54	60.96	191.31	173.43	11.688	11.095
1982	4.820	3.913	8.423	6.854	77.03	74.84	57.93	198.76	180.66	10.584	9.859
1983	5.570	4.524	8.456	6.957	72.75	76.44	61.07	218.61	195.66	10.934	10.742
1984	6.010	4.645	8.023	6.533	72.77	73.84	58.16	211.65	187.72	10.428	10.274
1983											
Dec.	5.860	4.706	8.414	6.639	72.84	76.01	58.99	213.55	190.33	10.500	10.357
1984											
Jan.	5.940	4.764	8.389	6.579	72.85	75.65	58.56	211.96	188.64	10.395	10.225
Feb.	5.803	4.655	8.355	6.626	72.56	75.47	58.89	214.81	190.35	10.495	10.182
March	5.618	4.432	8.201	6.645	72.79	75.04	59.16	216.76	192.02	10.596	10.260
April	5.650	4.422	8.054	6.569	72.27	74.54	58.32	214.29	189.99	10.491	10.209
May	5.821	4.502	8.100	6.518	72.15	74.64	57.91	211.99	188.39	10.422	10.267
June	5.822	4.472	8.038	6.528	72.05	74.66	58.10	213.19	189.12	10.462	10.324
July	6.019	4.550	7.962	6.501	72.64	73.48	57.92	211.78	187.65	10.454	10.355
Aug.	6.072	4.661	7.987	6.502	72.78	73.27	57.78	210.61	186.72	10.433	10.336
Sept.	6.278	4.787	7.919	6.451	73.36	73.05	57.40	208.01	184.46	10.320	10.236
Oct.	6.378	4.842	7.793	6.455	73.57	72.06	57.61	208.14	184.61	10.294	10.206
Nov.	6.261	4.762	7.792	6.507	73.13	72.08	58.07	209.79	186.02	10.400	10.346
Dec.	6.458	4.896	7.686	6.512	73.07	72.10	58.16	208.46	184.72	10.379	10.341
1985											
Jan.	6.640	5.023	7.510	6.548	73.38	72.53	58.75	209.90	185.81	10.489	10.455



Average selling rates for foreign exchange, FIM

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 OS ATS	Lisbon 100 Esc PTE	Reykjavik 100 lkr ISK	Madrid 100 Ptas ESB	Tokyo 100 Y JPY	Moscow 1 Cl Rbl SUR	I special drawing right SDR	Currency index ¹
12	13	14	15	16	17	18	19	20	21	22
222.87	88.65	0.440	28.90	7.60	0.81	5.25	1.662	5.741	4.842 55	113.6
220.34	79.92	0.385	27.17	7.17	60.35	4.72	1.967	5.986	5.071 40	113.1
237.79	73.65	0.358	28.31	6.13	40.79	4.41	1.943	6.624	5.305 63	115.9
265.70	73.53	0.369	31.11	5.14	23.25	3.91	2.351	7.491	5.943 25	125.1
256.42	69.07	0.344	30.13	4.14	19.39	3.75	2.534	7.357	6.147 39	102.8
267.20	70.15	0.353	30.33	4.49	20.76	3.73	2.506	7.439	6.101 77	125.0
266.26	69.47	0.350	30.10	4.41	20.58	3.74	2.547	7.425	6.145 38	103.8
263.17	69.92	0.349	30.48	4.35	20.05	3.78	2.488	7.343	6.065 12	103.6
262.10	70.46	0.350	30.80	4.32	19.63	3.77	2.498	7.252	5.969 10	103.3
258.71	69.79	0.347	30.48	4.25	19.66	3.78	2.515	7.239	5.965 91	102.5
257.05	69.14	0.345	30.18	4.21	19.94	3.80	2.528	7.252	6.050 38	102.5
255.83	69.50	0.346	30.39	4.16	19.87	3.78	2.501	7.257	6.044 21	102.5
250.57	69.13	0.346	30.20	4.08	20.17	3.75	2.484	7.296	6.131 93	102.5
251.43	68.75	0.343	30.01	4.08	19.78	3.71	2.511	7.340	6.162 64	102.5
251.64	67.93	0.338	29.64	4.03	19.44	3.71	2.565	7.435	6.272 79	102.5
253.02	68.01	0.337	29.66	3.97	19.35	3.72	2.588	7.486	6.323 99	102.5
254.59	68.52	0.339	29.87	3.91	17.78	3.75	2.578	7.447	6.268 66	102.5
252.66	68.18	0.340	29.71	3.92	16.38	3.77	2.609	7.516	6.366 57	102.5
250.36	68.70	0.343	29.92	3.90	16.54	3.81	2.619	7.582	6.470 31	102.5

¹ Until December 31, 1983 the base year was 1974=100.
Since January 1, 1984 the base year has been 1982=100.



DEPOSITS BY THE PUBLIC

Mill. FIM

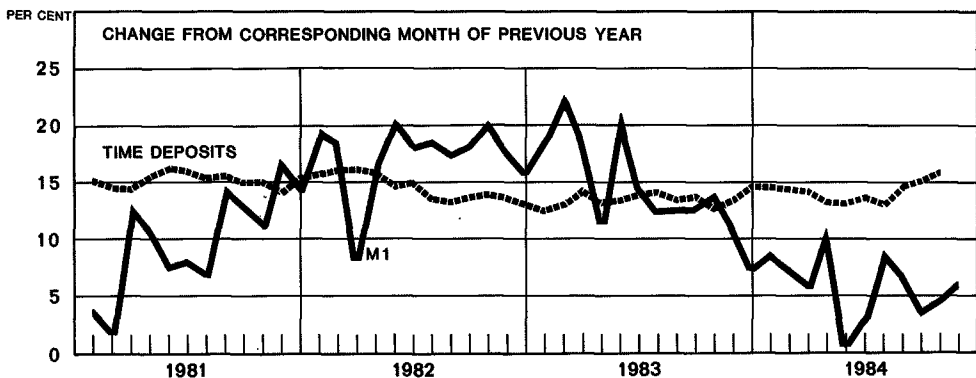
End of year and month	Demand deposits				Time deposits					Total (4 + 9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180
1981	5 791	2 879	2 952	11 622	26 094	22 937	18 598	7 448	75 077	86 699
1982	7 155	3 874	3 049	14 078	29 465	25 883	21 040	8 666	85 054	99 132
1983*	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1983*

Oct.	7 271	4 269	4 529	16 069	31 414	28 298	23 285	9 365	92 362	108 431
Nov.	7 521	4 182	3 625	15 328	31 702	28 447	23 424	9 492	93 065	108 393
Dec.	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1984*

Jan.	7 438	4 163	4 442	16 043	33 658	29 724	24 641	10 241	98 264	114 307
Feb.	7 325	3 975	4 055	15 355	34 365	30 235	25 190	10 333	100 123	115 478
March	6 469	4 040	3 974	14 483	34 812	30 236	25 203	10 471	100 722	115 205
April	7 094	4 084	4 173	15 351	34 760	30 411	25 252	10 403	100 826	116 177
May	6 978	4 216	3 960	15 154	34 485	30 801	25 653	10 552	101 491	116 645
June	6 843	4 291	4 231	15 365	35 435	31 442	26 232	10 364	103 473	118 838
July	7 091	4 458	4 638	16 187	35 505	31 608	26 315	10 524	103 952	120 139
Aug.	6 910	4 454	4 708	16 072	36 139	31 989	26 598	10 672	105 398	121 470
Sept.	6 489	4 400	4 826	15 715	36 626	32 140	26 882	10 593	106 241	121 956
Oct.	7 423	4 522	4 621	16 566	37 457	32 255	26 919	10 710	107 341	123 907



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

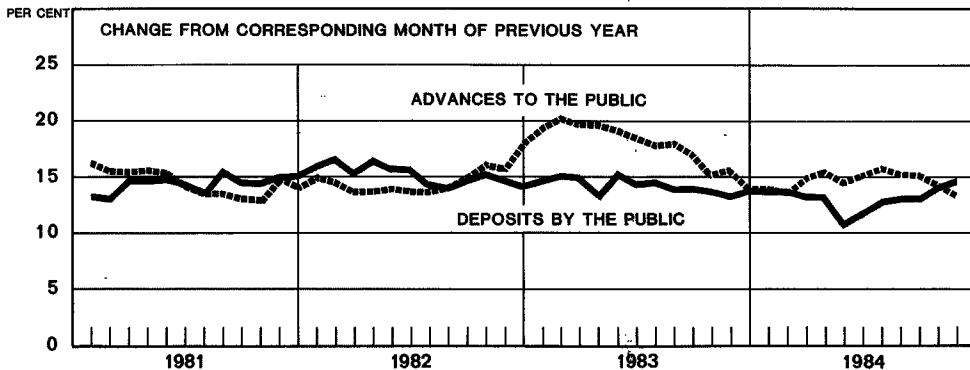
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi-Money
	1	2	3	4	5	6	7		8	9
1980	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601
1981	40 462	22 009	20 059	11 135	80 817	2 877	9 971	93 665	17 186	94 577
1982	48 620	25 682	23 601	12 684	93 014	3 468	14 105	110 587	19 917	107 549
1983*	56 162	29 276	27 322	13 471	104 627	4 350	17 254	126 231	21 427	121 905

1983*

Oct.	54 535	28 821	26 529	13 543	103 090	4 797	15 541	123 428	21 772	116 992
Nov.	56 197	29 040	26 946	13 666	104 024	4 851	16 974	125 849	21 105	117 008
Dec.	56 162	29 276	27 322	13 470	104 626	4 350	17 254	126 230	21 427	121 905

1984*

Jan.	57 343	29 569	27 515	14 193	105 759	5 004	17 857	128 620	22 098	123 176
Feb.	58 398	29 762	27 706	14 017	106 328	4 989	18 566	129 883	21 334	124 666
March	59 625	29 961	27 990	14 011	106 930	5 142	19 515	131 587	20 606	125 049
April	61 338	30 142	28 191	14 317	107 812	5 466	20 710	133 988	21 464	126 269
May	60 965	30 522	28 535	14 362	109 106	5 140	20 138	134 384	21 486	126 686
June	62 468	30 718	28 825	14 343	110 267	5 208	20 879	136 354	22 026	129 549
July	62 941	31 049	29 134	14 466	111 229	5 365	20 996	137 590	22 495	130 602
Aug.	63 398	31 479	29 648	14 405	112 849	5 345	20 736	138 930	22 460	132 019
Sept.	64 225	31 820	30 077	14 562	114 602	5 401	20 681	140 684	22 238	132 660
Oct.	64 242	32 223	30 465	14 536	116 239	5 398	19 829	141 466	22 832	134 162



STATE FINANCES

Mill. FIM

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1983	1984		1983	1984
Income and wealth tax (net)	19 127	21 207	Wages, salaries, pensions etc.	10 935	12 070
Gross receipts	45 237	52 641	Repair and maintenance	1 383	1 501
Refunds & local authorities	-26 110	-31 434	Other consumption expenditure	6 646	6 621
Other taxes on income and wealth	439	566	Total consumption expenditure	18 964	20 192
Employers' child allowance payments	1	223	State aid to local authorities	14 126	16 728
Sales tax	15 861	19 736	State aid to industries	7 350	8 483
Customs duties and import charges and levies	1 419	1 568	of which: agric. price subsidies	3 601	3 934
Excise duties	9 404	9 968	Child allowances	2 228	2 340
Excise duty on alcoholic bevs.	3 420	3 669	Share in national pensions and sickness insurance schemes	2 272	2 138
Excise duty on tobacco	1 437	1 479	Deficit of State enterprises	1 155	1 105
Excise duty on liquid fuel	3 300	3 495	Other transfer expenditure	8 771	9 928
Other excise duties	1 247	1 325	Total transfer expenditure	35 902	40 722
Tax on autom. and motor-cycles	2 054	2 407	Machinery and equipment	1 556	1 643
Stamp duties	1 546	2 059	Construction of buildings	1 014	1 163
Special diesel etc. vehicles tax	240	317	Land and waterway construction	2 196	2 117
Other taxes and similar revenue	1 607	1 900	Total real investment	4 766	4 923
Total taxes	51 698	59 951	Interest on State debt	2 931	3 654
Miscellaneous revenue	4 151	4 909	Other expenditure	10	18
Interest, dividends etc.	1 669	1 499	Total other expenditure	2 941	3 672
Surplus of state enterprises	1 641	1 808	Increase in inventories	828	-50
Redemptions of loans granted	1 561	1 377	Lending	3 997	3 766
Total revenue	60 720	69 544	Other financial investment	596	639
Foreign borrowing	4 073	4 633	Total expenditure	67 994	73 864
Domestic borrowing	5 630	5 297	Redemption of foreign loans	2 166	1 841
Total borrowing	9 703	9 930	Redemption of domestic loans	1 552	3 609
Deficit (+) or surplus (-)	1 289	-160	Total redemptions	3 718	5 450
Total	71 712	79 314	Total	71 712	79 314

State debt	1982	1983	1984			
	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.
Foreign debt	18 807	21 723	24 328	24 609	24 934	24 946
Long-term debt	11 378	16 383	17 867	18 033	18 296	19 057
Short-term credit	63	18	78	118	115	266
Domestic debt	11 441	16 401	17 945	18 151	18 411	19 323
Total State debt	30 248	38 124	42 273	42 760	43 345	44 269
Total debt mill. \$	5 651	6 506	6 734	6 704	6 923	6 855

FOREIGN TRADE

Mill. FIM

Value, mill. FIM

Period	Value, mill. FIM		Surplus of exports (+) or imports (-)
	Exports f.o.b	Imports c.i.f.	
	1	2	3
1979	43 430	44 222	-792
1980	52 795	58 250	-5 455
1981	60 308	61 269	-961
1982	63 026	64 751	-1 725
1983	69 692	71 528	-1 836

1984*

Jan.	6 691	5 737	+954
Feb.	6 414	5 296	+1 118
March	6 669	5 926	+743
April	6 790	6 071	+719
May	6 624	6 303	+321
June	6 361	6 365	-4
July	6 432	7 185	-753
Aug.	6 067	6 130	-63
Sept.	6 954	5 905	+1 049
Oct.	7 737	6 753	+984
Nov.	7 288	6 375	+913

Jan.-Nov.

1983	62 858	64 444	-1 586
1984*	74 027	68 046	+5 981

Indices of exports and imports
1980 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	
1979	92	89	90	86	105
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	100	95	119	117	101
1983	104	98	127	125	101

1982

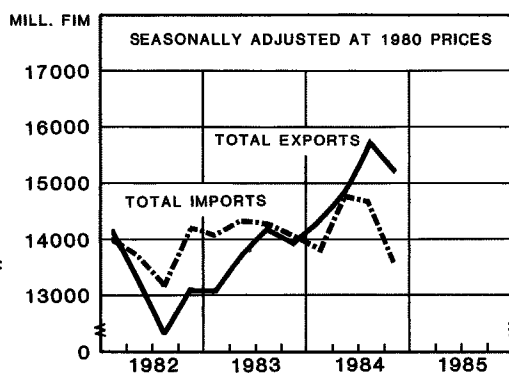
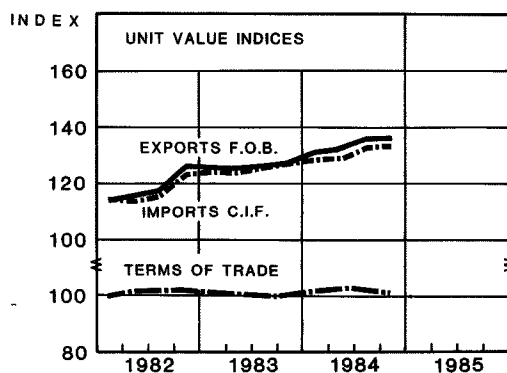
July-Sept.	85	90	118	116	101
Oct.-Dec.	107	107	127	125	101

1983

Jan.-March	101	90	126	125	101
Apr.-June	103	95	126	124	101
July-Sept.	97	97	127	126	100
Oct.-Dec.	115	108	128	127	100

1984*

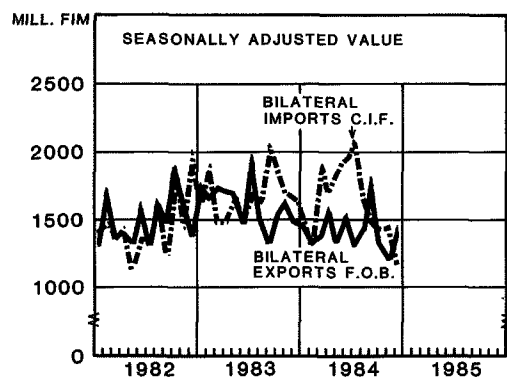
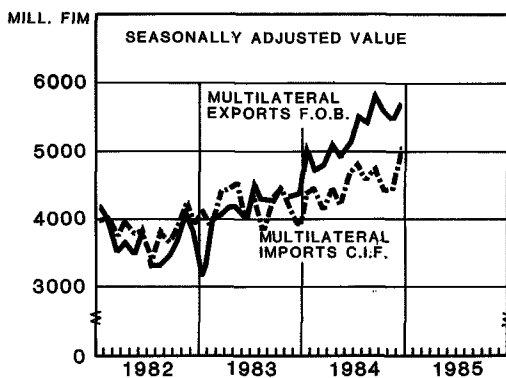
Jan.-March	114	90	132	129	102
Apr.-June	113	99	133	129	103
July-Sept.	108	99	136	133	102



FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1	2	3	4	5	6	7	8	9	10	
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1980	1 403	7 742	15 751	11 546	16 353	38 622	4 088	7 989	7 440	111
1981	2 036	6 852	17 127	14 858	19 435	39 156	5 115	8 877	8 015	106
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1983	1 723	6 944	19 327	20 211	21 487	44 757	5 006	10 860	10 572	333
1984*										
Jan.	222	502	1 625	2 395	1 947	3 162	407	1 171	932	65
Feb.	332	540	1 702	1 790	2 050	3 116	339	824	1 005	12
March	355	626	1 990	1 766	1 932	3 832	273	813	1 000	8
April	263	567	1 880	1 739	2 341	3 700	265	1 096	992	18
May	234	632	2 128	1 839	1 791	4 129	453	788	930	3
June	250	641	1 768	1 668	2 034	4 215	531	850	767	2
July	332	554	1 765	2 013	1 768	4 868	565	857	878	17
Aug.	173	560	2 293	1 236	1 805	3 897	474	830	916	13
Sept.	144	661	2 029	2 011	2 109	3 668	480	785	969	3
Oct.	180	674	2 210	2 661	2 012	4 173	538	958	1 075	9
Nov.	152	584	2 167	2 350	2 035	3 941	483	958	982	11
Jan.-Nov.										
1983	1 485	6 286	17 512	18 280	19 295	40 252	4 572	9 644	9 649	327
1984*	2 637	6 541	21 557	21 468	21 824	42 701	4 808	9 930	10 446	161



FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January–November				January–November			
	1983*		1984*		1983*		1984*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
OECD countries in Europe	55.2	34 669	57.9	42 877	51.6	33 258	54.1	36 794
Austria	0.7	471	0.7	546	1.2	775	1.1	760
Belgium and Luxembourg	1.6	982	1.4	1 064	1.8	1 149	1.9	1 312
Denmark	3.6	2 238	4.1	3 000	2.4	1 576	2.5	1 671
France	4.1	2 595	3.9	2 914	3.3	2 104	3.1	2 136
Federal Republic of Germany	9.6	6 058	9.6	7 114	13.3	8 538	13.8	9 383
Italy	1.9	1 186	2.1	1 569	3.0	1 961	3.2	2 154
Netherlands	4.0	2 513	3.6	2 626	2.7	1 728	2.8	1 870
Norway	3.5	2 190	4.7	3 456	2.3	1 509	2.1	1 416
Portugal	0.2	133	0.2	157	0.6	400	0.7	454
Spain	0.7	463	0.7	532	0.7	477	0.9	605
Sweden	12.1	7 583	12.0	8 919	11.2	7 206	12.1	8 250
Switzerland	1.4	863	1.3	929	1.7	1 082	1.6	1 109
United Kingdom	10.5	6 573	12.2	9 015	6.7	4 333	7.6	5 179
Other	1.3	821	1.4	1 036	0.7	420	0.7	495
OECD countries outside Europe	6.7	4 238	11.6	8 583	12.4	7 986	11.5	7 840
Canada	0.6	381	0.9	618	0.8	485	0.7	484
Japan	1.1	720	1.3	954	5.6	3 578	5.6	3 812
United States	4.0	2 542	8.3	6 174	5.7	3 682	4.9	3 345
Other	1.0	595	1.1	837	0.3	241	0.3	199
CMEA countries	28.2	17 709	20.8	15 386	28.6	18 404	27.0	18 361
Czechoslovakia	0.4	255	0.4	289	0.5	288	0.5	300
German Democratic Republic	0.5	331	0.5	345	0.6	400	0.5	364
Poland	0.2	97	0.3	220	1.3	812	1.5	1 037
Soviet Union	26.6	16 708	19.1	14 126	25.6	16 508	24.0	16 293
Other	0.5	318	0.5	406	0.6	396	0.5	367
Latin America	1.8	1 118	0.9	653	2.4	1 559	2.6	1 774
Argentina	0.1	71	0.1	69	0.1	81	0.2	128
Brazil	0.3	175	0.2	118	0.7	444	0.9	639
Colombia	0.1	89	0.1	90	0.4	286	0.6	408
Other	1.3	783	0.5	376	1.2	748	0.9	599
Other	8.1	5 124	8.8	6 528	5.0	3 237	4.8	3 277
GRAND TOTAL	100.0	62 858	100.0	74 027	100.0	64 444	100.0	68 046
of which								
EFTA countries	18.0	11 323	19.1	14 103	17.1	11 016	17.7	12 077
EEC countries	36.3	22 795	38.0	28 137	33.7	21 722	35.4	24 058
OECD countries	61.9	38 907	69.5	51 460	64.0	41 244	65.6	44 634

BALANCE OF PAYMENTS

Period	Exports f.o.b.	Imports c.i.f.	Trade account (1-2)	Transport, net	Travel, net	Other services, net	Goods and services account (3 to 6)	Invest- ment income, net	Un- requited transfers, net	Other, net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
1981	60 243	61 703	-1 460	+3 088	+405	+1 049	+3 082	-4 423	-498	+107	-1 732
1982	62 867	65 147	-2 280	+2 856	-277	+1 732	+2 031	-5 447	-643	+161	-3 898
1983*	69 593	72 107	-2 514	+3 298	-749	+1 172	+1 207	-5 811	-721	+25	-5 300
1984*	80 750	75 250	+5 500	+4 000	-1 200	-600	+7 700	-6 700	-900	-100	0

1982

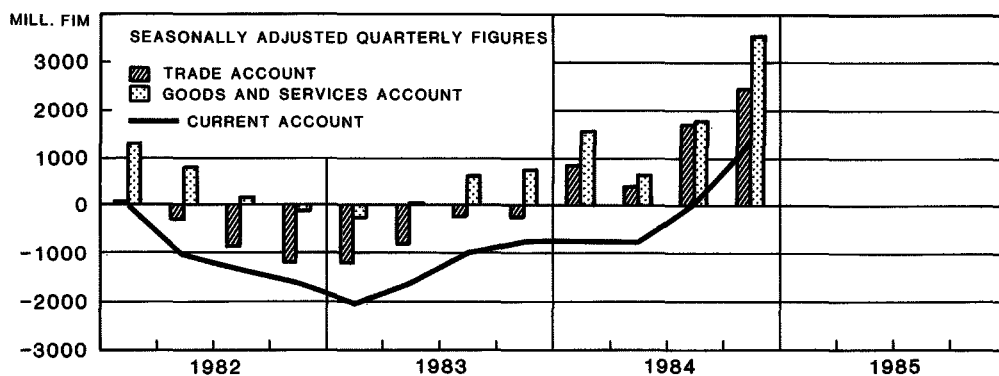
Jan.-March	16 078	14 858	+1 220	+699	-154	+484	+2 249	-1 078	-187	-6	+978
Apr.-June	15 577	15 376	+201	+700	-83	+451	+1 269	-1 682	-167	+50	-530
July-Sept.	13 308	15 419	-2 111	+789	+151	+478	-693	-1 359	-139	+75	-2 116
Oct.-Dec.	17 904	19 494	-1 590	+668	-191	+319	-794	-1 328	-150	+42	-2 230

1983*

Jan.-March	16 796	16 469	+327	+807	-291	+190	+1 033	-1 553	-217	-29	-766
Apr.-June	17 154	17 500	-346	+787	-229	+299	+511	-1 492	-149	+35	-1 095
July-Sept.	16 236	18 002	-1 766	+934	+44	+336	-452	-1 459	-147	+45	-2 013
Oct.-Dec.	19 407	20 136	-729	+770	-273	+347	+115	-1 307	-208	-26	-1 426

1984*

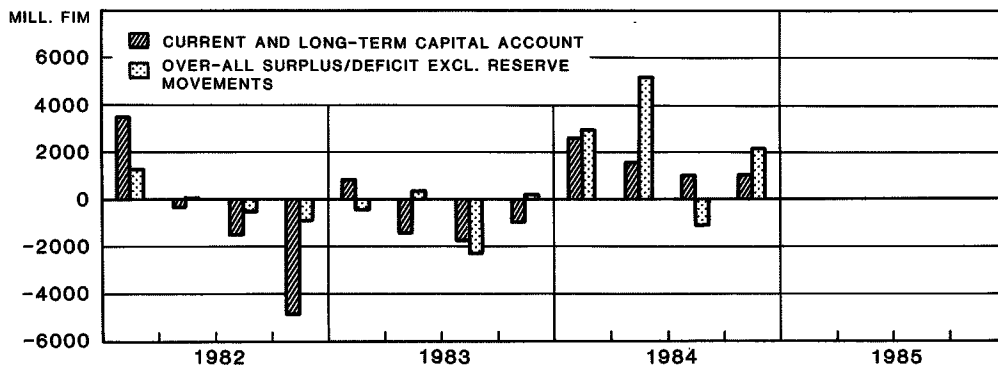
Jan.-March	19 730	17 056	+2 674	+899	-371	-148	+3 054	-2 046	-232	-56	+720
Apr.-June	19 732	18 905	+827	+954	-327	-319	+1 135	-1 244	-150	-1	-260
July-Sept.	19 410	19 401	+9	+1 032	-125	-305	+611	-1 541	-194	+4	-1 120
Oct.-Dec.	21 878	19 888	+1 990	+1 115	-377	+172	+2 900	-1 869	-324	-47	+660



Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net	Long-term capital account (12 to 15)	Current and long-term capital account (11 + 16)	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net	Miscellaneous, short-term capital items, incl. errors and omissions	Over-all surplus deficit excl. reserve movements (17 to 21)	Bank of Finland foreign exchange reserves
12	13	14	15	16	17	18	19	20	21	22	23
+8 312	-4 643	-518	-826	+2 325	+593	-148	+723	-421	+1 056 ¹	+1 803	-1 803
+10 213	-4 721	-1 239	-3 642	+611	-3 287	-914	+771	+1 493	+1 811	-126	+126
+10 112	-7 273	+423	-1 367	+1 895	-3 405	+3 273	-3 422	+1 272	+120	-2 162	+2 162
+14 087	-7 538	-1 600	+1 428	+6 377	+6 377	+2 500	+1 498	+1 400	-2 500	+9 275	-9 275
+3 637	-806	-114	-165	+2 552	+3 530	-676	+762	-1 517	-787	+1 312	-1 312
+2 332	-1 555	-328	-301	+148	-382	+367	+581	-171	-350	+45	-45
+1 859	-883	-127	-246	+603	-1 513	-277	-143	-520	+1 909	-544	+544
+2 385	-1 477	-670	-2 930	-2 692	-4 922	-328	-429	+3 701	+1 039	-939	+939
+2 985	-1 271	+100	-182	+1 632	+866	-115	+647	-1 214	-666	-482	+482
+2 435	-2 895	+273	-204	-391	-1 486	+1 261	-353	+699	+276	+397	-397
+1 479	-1 269	+142	-128	+224	-1 789	+1 197	-1 671	-593	+543	-2 313	+2 313
+3 213	-1 838	-92	-853	+430	-996	+930	-2 045	+2 380	-33	+236	-236
+4 075	-1 887	-235	-46	+1 907	+2 627	-763	+485	+2 443	-1 806	+2 986	-2 986
+3 858	-2 351	+89	+275	+1 871	+1 611	+1 292	+94	+2 854	-629	+5 222	-5 222
+2 495	-1 185	-603	+1 475	+2 182	+1 062	+567	-425	-1 886	-458	-1 140	+1 140
+3 659	-2 115	-851	-276	+417	+1 077	+1 404	+1 344	-2 011	+393	+2 207	-2 207

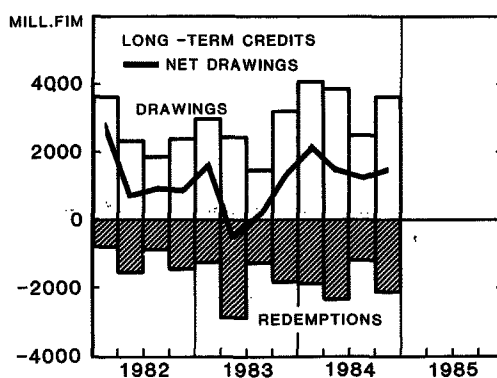
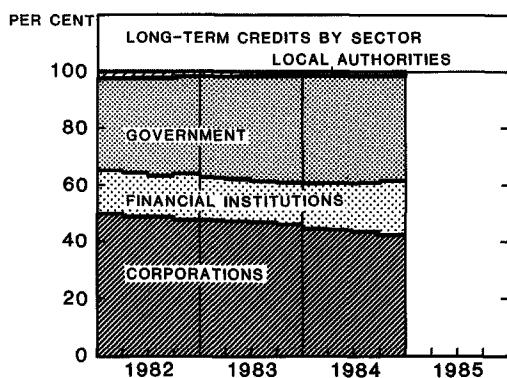
Assets: increase -, decrease +. Liabilities: increase +, decrease -

¹ Including allocations of special drawing rights: 133 million in 1980 and 131 million in 1981.

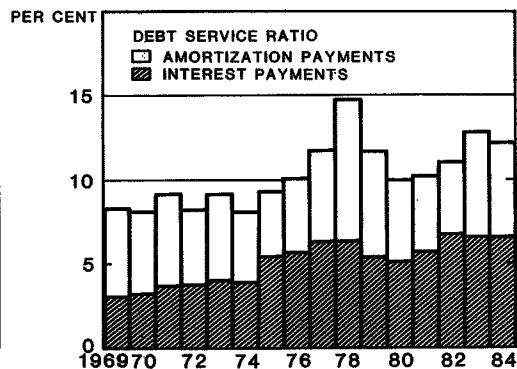
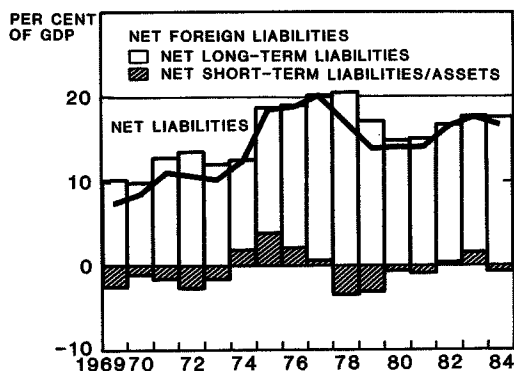


FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities						Net long-term liabilities (10-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Portfolio investment	Other	Total (5 to 9)	
	1	2	3	4	5	6	7	8	9	10	11
1981	4 673	3 426	1 317	9 416	35 536	4 444	2 183	..	391	42 554	33 138
1982	6 628	4 626	3 796	15 050	47 547	4 608	2 223	..	752	55 130	40 080
1983*	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808
1984*	8 800	8 689	1 915	19 404	63 518	3 865	2 646	2 340	764	73 133	53 729
1982											
March	4 960	3 616	1 415	9 991	38 669	4 623	2 263	..	709	46 264	36 273
June	5 361	3 741	1 471	10 573	39 847	4 456	2 313	..	696	47 312	36 739
Sept.	5 556	4 084	1 466	11 106	41 198	4 515	2 345	..	687	48 745	37 639
Dec.	6 628	4 626	3 796	15 050	47 547	4 608	2 223	..	752	55 130	40 080
1983*											
March	6 672	5 003	3 892	15 567	49 897	4 759	2 288	..	846	57 790	42 223
June	6 458	4 998	3 956	15 412	49 921	4 462	2 306	..	812	57 501	42 089
Sept.	6 411	5 392	3 935	15 738	50 705	4 566	2 303	..	798	58 372	42 634
Dec.	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808
1984*											
March	6 658	6 687	3 539	16 884	54 014	4 225	2 354	987	731	62 311	45 427
June	6 827	7 435	3 230	17 492	57 198	3 937	2 393	1 640	729	65 897	48 405
Sept.	7 767	7 834	1 839	17 440	60 497	3 951	2 410	1 957	834	69 649	52 209
Dec.	8 800	8 689	1 915	19 404	63 518	3 865	2 646	2 340	764	73 133	53 729



Short-term assets				Short-term liabilities				Net short-term liabilities (19-15)	Net liabilities (11+20)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (12 to 14)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (16 to 18)				
12	13	14	15	16	17	18	19	20	21	22	23
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	7 994	3 494
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	9 069	3 464
11 842	29 263	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	11 585	5 621
22 914	43 817	14 887	81 618	4 562	55 046	19 830	79 438	-2 180	51 549	12 714	5 841
12 795	13 654	13 791	40 240	3 074	18 592	14 218	35 884	-4 356	31 917	1 757	600
12 846	14 641	13 536	41 023	3 077	19 349	15 048	37 474	-3 549	33 190	2 730	1 017
12 456	17 474	13 531	43 461	4 097	21 737	14 859	40 693	-2 768	34 871	2 040	662
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	2 542	1 185
12 365	22 166	14 580	49 111	4 637	29 530	15 105	49 272	161	42 384	2 531	942
12 905	23 008	14 878	50 791	4 705	31 137	16 546	52 388	1 597	43 686	3 788	2 243
10 556	23 605	15 681	49 842	4 737	31 289	16 779	52 805	2 963	45 597	2 538	1 049
11 842	29 263	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	2 728	1 387
14 740	25 724	16 098	56 562	3 657	37 966	15 740	57 363	801	46 228	3 559	1 452
20 705	31 929	15 803	68 437	3 775	47 083	17 288	68 146	-291	48 114	3 286	1 987
21 064	34 614	15 962	71 640	4 815	47 882	18 137	70 834	-806	51 403	2 381	821
22 914	43 817	14 887	81 618	4 562	55 046	19 830	79 438	-2 180	51 549	3 488	1 581



PRICE INDICES

Period	Basic price index for domestic supply 1980 = 100							Building costs 1980 = 100		
	Wholesale price index 1949 = 100	Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1983	1 189	127.6	128.8	124.2	125.9	130.8	128.5	128.7	124.4	129.3
1984	1 261	134.5	135.9	130.0	132.6	137.5	135.8	136.6	133.7	136.1
1984										
May	1 251	133.4	134.9	128.8	131.4	136.7	134.8	136.6	134.9	135.8
June	1 254	134.1	135.5	129.7	131.8	137.2	136.3	137.0	134.9	136.4
July	1 261	134.8	136.0	131.0	132.9	137.6	136.5	137.5	135.5	136.6
Aug.	1 264	134.8	136.6	129.5	132.6	138.2	136.9	137.7	135.7	136.9
Sept.	1 277	135.9	137.5	131.1	134.1	138.9	137.2	137.8	135.9	137.1
Oct.	1 289	137.1	138.6	132.4	135.9	139.5	137.4	138.2	136.1	137.6
Nov.	1 291	137.4	139.2	131.7	136.1	139.9	137.8	138.8	136.3	138.2
Dec.	1 298	138.1	139.7	133.4	137.1	140.4	138.2	139.0	136.5	138.3

Period	Consumer prices 1981 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1983	118.7	120.0	125.1	112.8	118.4	114.3	126.6	117.4	116.9	120.7
1984	127.1	129.1	132.5	119.4	124.5	123.0	145.2	125.4	126.4	130.8
1984										
May	126.9	128.4	132.5	119.7	126.0	122.4	144.8	123.6	125.9	130.6
June	127.2	128.8	132.6	119.7	126.0	122.4	144.7	124.7	126.2	130.7
July	127.7	130.2	132.7	118.6	126.0	122.7	147.7	125.7	126.1	131.0
Aug.	128.2	131.1	132.7	119.6	126.0	123.8	148.1	126.0	127.2	131.2
Sept.	129.0	132.6	132.7	121.1	126.3	124.5	148.1	126.4	128.1	132.3
Oct.	129.6	133.7	132.8	123.0	126.3	125.2	148.7	127.4	128.2	132.9
Nov.	129.7	133.4	133.0	123.4	126.3	125.9	149.4	127.1	128.6	133.3
Dec.	129.8	132.6	133.1	123.4	126.4	126.2	149.4	128.0	128.8	133.7

WAGES

Index of wage and salary earnings 1975 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1	2	3	4	5	6	7	8	9	10	
1981	201.3	192.5	165.6	186.1	182.2	174.8	191.9	187.4	188.8	188.1
1982	225.7	213.5	181.8	206.9	201.1	195.0	212.0	207.3	208.8	208.0
1983	243.6	234.0	202.5	229.0	223.3	217.2	233.1	229.3	229.3	229.6
1983										
July-Sept.	239.0	233.5	202.8	230.0	223.1	218.7	233.8	230.5	229.3	230.2
Oct.-Dec.	252.2	242.0	212.4	239.7	231.7	228.2	242.3	239.3	237.8	239.1
1984*										
Jan.-March	260.7	245.6	218.1	244.7	234.0	234.7	245.7	243.1	241.5	242.7
Apr.-June	271.6	258.7	221.8	251.6	238.7	240.9	256.4	251.2	252.6	251.9
July-Sept.	271.6	256.8	225.6	253.1	238.6	242.3	257.8	252.9	252.6	253.1

PRODUCTION

Volume indices of production 1980 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1982										
July-Sept.	103	95	182	45	112	105	104	106	109	107
Oct.-Dec.	115	111	85	110	144	110	116	121	111	116
1983*										
Jan.-March	101	103	74	99	83	95	97	95	111	108
Apr.-June	107	112	80	90	91	104	105	109	111	115
July-Sept.	107	99	206	41	119	104	108	105	112	112
Oct.-Dec.	117	116	88	101	148	104	123	117	114	120
1984*										
Jan.-March	104	110	75	90	82	92	105	97	115	112
Apr.-June	109	113	82	92	84	103	112	106	115	119
July-Sept.	109	101	184	47	116	103	110	109	116	117

PRODUCTION

Index of industrial production 1980 = 100

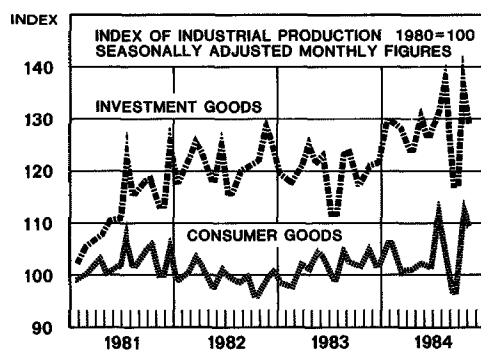
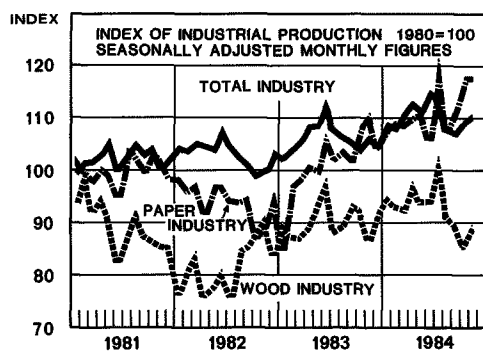
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1981	102.6	114.1	103.4	100.1	104.0	89.6	100.8	103.0	101.3	106.9	102.9
1982*	103.7	121.0	103.4	100.6	106.4	83.5	96.1	98.8	109.8	114.0	103.8
1983*	106.8	125.3	103.3	105.1	106.4	88.9	103.9	105.1	117.3	117.3	106.9

1983*

Nov.	118.3	134.3	116.8	116.0	130.5	91.1	115.5	120.9	117.6	126.6	106.7
Dec.	106.6	128.9	103.7	104.0	103.4	77.6	98.7	107.3	106.9	120.2	105.2

1984*

Jan.	113.4	135.1	109.4	111.4	100.0	91.7	111.3	111.6	102.8	125.7	109.3
Feb.	108.2	130.4	103.2	106.7	87.5	85.7	112.9	103.8	92.4	120.9	108.6
March	116.4	142.0	109.7	114.9	97.1	98.6	118.2	120.4	111.4	129.3	111.3
April	107.8	132.1	100.5	106.8	95.4	102.2	102.9	116.3	96.2	121.6	113.3
May	121.8	158.5	110.9	120.4	114.0	118.2	120.5	117.6	117.5	144.1	111.8
June	110.0	144.5	101.5	107.9	103.6	103.1	91.5	105.7	114.6	128.2	115.3
July	74.9	54.7	71.9	79.8	97.2	41.7	124.2	71.9	60.8	56.0	113.9
Aug.	114.7	131.5	108.7	114.5	114.3	90.5	117.5	112.2	124.6	122.7	108.3
Sept.	110.5	127.3	102.0	111.5	105.6	99.6	111.3	112.2	127.7	120.6	107.5
Oct.	126.3	145.0	122.4	124.7	140.4	104.6	124.2	121.4	134.3	137.9	109.9
Nov.	124.0	143.6	121.8	121.4	132.4	95.2	122.6	120.5	117.1	136.1	110.9



LABOUR – TIMBER FELLINGS – INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1980 = 100	Wholesale volume index 1980 = 100
	1	2	3	4	5	6	7	8
1982	3 659	2 526	2 377	149	5.9	41 435	106	109
1983	3 681	2 546	2 390	156	6.1	39 324	107	110
1983								
Oct.	3 687	2 520	2 369	151	6.0	2 860	106	115
Nov.	3 695	2 507	2 355	152	6.1	3 391	106	117
Dec.	3 695	2 526	2 369	157	6.2	4 109	132	124
1984*								
Jan.	3 699	2 510	2 339	171	6.8	3 577	97	94
Feb.	3 700	2 498	2 329	169	6.8	4 209	95	101
March	3 694	2 520	2 353	168	6.6	4 734	105	111
April	3 693	2 523	2 356	167	6.6	4 207	101	98
May	3 697	2 579	2 438	140	5.4	3 734	113	120
June	3 695	2 745	2 570	175	6.4	2 664	115	106
July	3 700	2 761	2 614	146	5.3	1 323	113	93
Aug.	3 700	2 598	2 454	145	5.6	1 649	113	119
Sept.	3 703	2 549	2 395	153	6.0	2 353	105	116
Oct.	3 706	2 520	2 370	150	6.0	3 561	114	121
Nov.	3 704	2 517	2 358	159	6.3	4 269

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
	1	2	3	4	5	6	7	8	9	10	11
1982	52.17	19.30	6.73	19.12	3.50	43.74	18.0	6.02	14.35	2.67	50.32
1983*	51.78	19.66	6.44	18.34	3.65	47.37	18.43	5.92	16.32	3.55	51.44
1983*											
Apr.-June	19.12	7.95	3.14	5.43	1.01	10.56	4.29	0.85	3.77	0.90	52.74
July-Sept.	14.22	4.23	1.07	6.90	0.91	11.06	3.96	1.86	3.52	0.96	58.14
Oct.-Dec.	8.59	3.31	0.95	2.78	1.02	15.46	6.12	2.07	5.24	1.02	51.44
1984*											
Jan.-March	9.11	3.83	1.12	3.08	0.61	8.72	3.72	0.71	3.08	0.62	47.01
Apr.-June	16.19	7.21	2.35	4.67	0.73	8.64	3.53	0.55	3.57	0.51	53.65
July-Sept.	12.09	4.57	1.22	4.35	0.94	8.82	3.32	1.49	2.55	0.83	56.32

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. *Public sector*: Claims = Government promissory notes + Bonds + Total coinage + Other claims on the public sector. Other liabilities = Cheque accounts + Counter cyclical reserves + Counter-cyclical deposits + Capital import deposits + Other liabilities to the public sector. Certificates of deposit are interest bearing, freely transferable term liabilities of the Bank of Finland sold to the government. Their maturities range from one week to one year. As from November 1, 1983, certificates of deposit were replaced by the government deposit account.

Page 5. *Domestic financial sector*: Other liabilities, net = Capital import deposits + Other liabilities to financial institutions — Bonds — Other claims on financial institutions.

Corporate sector: Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers' credits.

Liabilities, net = Deposits for investment and ship purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Export deposits + Other liabilities to corporations — Bonds — Other claims on corporations.

MONETARY POLICY INDICATORS

Page 6. All the figures except the average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The average lending rate of the commercial banks is the mean value of the end of the month lending rates weighted by credit outstanding. The annual figure for the average lending rate is an unweighted average of the weighted average monthly rates.

Gross central bank debt of the deposit banks = The commercial banks' and Postipankki's cheque account overdrafts + Call money credit. Prior to January 1984 the average monthly amount of cheque account overdrafts at base rate was restricted by the quota granted to each bank. The banks could obtain central bank credit in excess of the quota by borrowing on the Bank of Finland's call money market. As from January 1984, the quotas were abolished and the only source of central bank debt is now the call money market. There is no longer any absolute ceiling on call money credit. However, banks' borrowing is monitored and a bank whose borrowing exceeds a certain limit comes under the special surveillance of the central bank. The interest charged on call money credit, the call money rate, is adjusted by the central bank in line with monetary policy objectives at the time.

Net central bank debt of the deposit banks = Gross central bank debt of the deposit banks — The commercial banks' and Postipankki's deposits on the call money market — All deposit banks' cash reserve deposits at the Bank of Finland.

Cash reserve deposits of the deposit banks equal the total amount of cash reserve deposits at the Bank of Finland made by the deposit banks under the Cash Reserve Agreement of March 8, 1983. The deposit banks consist of the commercial banks, co-operative banks, savings banks and Postipankki.

The cash reserve requirement is set each month by the Bank of Finland as the percentage of each bank's stock of deposits which must be deposited at the central bank. Deposits are to be made one month after the close of the month to which the coefficient applies.

Call money credit extended by the Bank of Finland = Demand for call money by the deposit banks — Supply of call money by the deposit banks.

Average cost of gross central bank debt = Costs of borrowing paid to the Bank of Finland by the deposit banks, as a percentage of their gross central bank debt, per annum.

FORWARD EXCHANGE MARKETS IN FINLAND

Page 7. The figures for columns 1–6 are calculated by the Bank of Finland on the basis of monthly reports from the banks on their outstanding forward exchange positions at the end of each month. The figures for columns 7–9 are based on monthly averages of daily representative quotations, as reported by the banks to the Bank of Finland. The banks' foreign currency positions shown in the chart at the bottom of page 7 are monthly averages of daily spot and forward positions vis-à-vis the markka as reported by the commercial banks to the Bank of Finland. The spot position includes all foreign currency-denominated assets and liabilities of the banks, excluding their outstanding forward contracts.

FOREIGN EXCHANGE RATES

Pages 8–9. *Exchange rates* are annual and monthly averages of the Bank of Finland's daily quotations. *Currency index* is annual and monthly average of daily index numbers. The chart at the bottom of page 8 shows the banks' forward selling rates for the US dollar as deviations from the spot rate.

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

Figures for deposits and advances are supplied by the Central Statistical Office.

Page 10. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public. From 1974 deposits include domestic deposits denominated in foreign currency.

Page 11. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply M_1 = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis.

FOREIGN TRADE

Pages 13–15. Figures supplied by the Board of Customs. *Indices* (p. 13): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries*: (p. 15): from January 1980 imports by countries of origin, exports by countries of consignment.

BALANCE OF PAYMENTS

Pages 16–17. Figures are calculated by the Bank of Finland.

Columns 1–7. The figures for the trade and goods and services accounts are in accordance with the System of National Accounts.

Columns 12–13. Long-term loans comprise financial loans and import and leasing credits.

Column 15. Miscellaneous long-term capital items, net = direct investment, net + portfolio investment by foreigners + financial loans and development credits to abroad + Finland's subscriptions to international financial institutions, net.

Column 23. Changes in the foreign exchange reserves of the Bank of Finland exclude changes in the markka value of the reserves caused by changes in exchange rates.

FOREIGN ASSETS AND LIABILITIES

Pages 18–19. Figures calculated by the Bank of Finland.

Long-term assets: Other = financial loans + development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 22. Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payment of long-term foreign assets and liabilities, excl. amortisation payments of the Bank of Finland's reserve and oil credits.

Columns 22 and 23 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings. Debt service does not include amortisation of the Bank of Finland's reserve and oil credits.

PRICE INDICES

Page 20. All indices calculated by the Central Statistical Office.

WAGES — PRODUCTION

Pages 21–22. Figures supplied by the Central Statistical Office.

Page 22. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II.

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

Page 23. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Forest Research Institute. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

SYMBOLS USED: * Preliminary, r Revised, 0 Less than half the final digit shown, . Logically impossible, . . Not available, — Nil, S affected by strike, — Break in series.

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1983 is as follows: Social Democratic Party of Finland 57, National Coalition Party 44, Centre Party 38, Democratic League of the People of Finland 27, Finnish Rural Party 17, Swedish People's Party 11, Christian League of Finland 3, The Greens 2 and Finnish People's Constitutional Party 1.

Finland is divided into 461 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of 4 years.

INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1956, IDA 1960, EFTA 1961, ADB 1966, OECD 1969, IDB 1977 and AfDB 1982.

LAND

THE AREA is 338 000 square kilometres (Great Britain's area is 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. Of the land area (1980) 2.5 mill. ha (8.2 %) are cultivated and 19.7 mill. ha (64.5 %) are covered by forests.

OWNERSHIP OF LAND (1979). The total land area was distributed among different classes of owners approximately as follows: private 58.7 %, State 31.4 %, joint stock companies etc. 7.4 %, municipalities and parishes 2.5 %.

POPULATION

NUMBER OF INHABITANTS (1982): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1982): In South Finland 47.1, in East and Central Finland 14.2, in North Finland 4.2 and in the whole country an average of 15.9 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1982): 40 % of the population inhabit the rural areas, 60 % towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 260 inhabitants, Tampere (Tammerfors) 167 211, Turku (Åbo) 163 484.

EMPLOYMENT (1983): Agriculture and forestry 13 %, industry and construction 33 %, commerce 14 %, transport and communication 7 %, financing, insurance, real estate and business services 6 %, community and personal services 27 %.

LANGUAGE (1982): Finnish speaking 93.5 %, Swedish speaking 6.3 %, others 0.2 %.

EDUCATION (1984): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1982): births 13.7 ‰, deaths 9.0 ‰, change + 6.2 ‰, net immigration + 1.5 ‰. Deaths in France 10.1 ‰ and Great Britain 11.8 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1983), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 11 747 (5 %), forestry 9 007 (4 %), manufacturing 73 782 (30 %), construction 20 442 (8 %), trade, restaurants and hotels 27 803 (11 %), transport and communication 19 129 (8 %), banking and insurance 9 671 (4 %), ownership of dwellings 16 460 (7 %), other services 58 100 (23 %), total 246 141. Index of real domestic product 108 (1980 = 100).

FOREST RESOURCES (1982). The growing stock comprised of 1 658 million m³ (solid volume with bark) of which 45 % was pine and 37 % spruce the remaining 18 % being broad-leaved trees chiefly birch. Of the growing stock 667 million m³ was up to the standard required for logs, 52 % of these being pine. The annual growth was 67 million m³ and the total drain calculated on the basis of roundwood consumption was 48.5 million m³.

AGRICULTURE (1982). Cultivated land 2.4 million hectares. Number of holdings 212 630 of which 148 590 are of more than 5 ha. Measure of self-sufficiency in bread cereals (1983) 93 %.

INDUSTRY (1982). Gross value of industrial production FIM 205 471 mill., number of workers 409 499, salaried employees 145 997, motive power 8.2 mill. kW. Index of industrial production 103.6 for 1982 (1980 = 100).

STATE RAILWAYS (Dec. 31, 1983): Length 6 069 km.

MERCHANT FLEET (Dec. 31, 1984): Passenger vessels 160 (230 499 gross reg. tons), tankers 44 (1 005 952 gross reg. tons), dry cargo vessels 167 (816 949 gross reg. tons), other vessels 101 (13 875 gross reg. tons), total 472 (2 067 275 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1983): Passenger cars 1 410 438, lorries and vans 167 831, buses 9 102, others 10 585, total 1 597 956.

FINNISH AIRLINES (May 1, 1984) Finnair has in use 1 DC-8, 6 DC-9-10, 5 DC-9-41, 12 DC-9-51, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 2 Fokker F-27. The company has scheduled flights to 38 foreign and 21 domestic destinations.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is tradeweighted and as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 18.3, DEM 19.5, GBP 14.9, USD 9.3, other currencies 38.0. The permissible range of fluctuation is about 2.25 per cent on either side of the theoretical arithmetic mean. The fluctuation limits are 106.0 and 101.3.

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1983). There are two big and eight small commercial banks with in all 924 offices, 270 savings banks, 371 co-operative banks, five mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and 48 private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1984). The Bank of Finland's base rate is 9 ½ %. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 7 % and 12 %. Other credit institutions: time deposits 5 ½ %, 6 month deposits 6 ½ %, 12 month deposits 8 %; 24 month deposits 9 ½ % and sight deposits 2 ½ %. The highest lending rate is 14 %.

PAYMENTS ARRANGEMENTS IN TRADE BETWEEN FINLAND AND CENTRALLY PLANNED ECONOMIES

by Terhi Kivilahti, Head of Office

Bilateral Trade Department
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For more than a decade after World War II, foreign trade in Western Europe was dominated by bilateral trade and payments agreements. These agreements also governed a major part of Finland's foreign trade.

In 1950, the European Payments Union (EPU), was set up so as to facilitate a return to multilateral trade and the achievement of currency convertibility. By the end of 1958, most of the member countries of the EPU had accomplished these goals. In Finland, the first steps towards the liberalization of foreign trade were not taken until 1957, when the Helsinki Club was established. On that occasion, Finland concluded multilateral trade and payments relations with most of her western trading partners.

At present, Finland is the only market economy which maintains bilateral trade and payments arrangements with the centrally planned economies. On the other hand, bilateral agreements between developing countries and industrial countries are still very common.

Bilateral trade and payments agreements are used in international trade mainly under conditions where multilateral arrangements are not considered effective enough to ensure the favourable and balanced development of trade between two countries. Imports and exports of goods are regulated by bilateral agreements on trade or the exchange of goods. A separate payments agreement is concluded between the two countries on the arrangements for handling commercial payments. These so-called restrictive payment flows require that payments are channelled through a central

organ, normally the central bank, which maintains a special clearing account.

At present, Finland has operative clearing arrangements with the U.S.S.R., the German Democratic Republic and Bulgaria. This means that about one-quarter of Finland's total foreign trade falls under restricted payments arrangements. Trade with the U.S.S.R. accounts for 90 per cent of this trade. Transactions with Poland and Czechoslovakia have been settled in convertible currencies since 1970 under agreements reached separately for each year, but the clearing agreements with these countries have not been terminated. Payments between Finland and Poland are effected in US dollars. The experiment with convertible currencies in the trade with Czechoslovakia has been enlarged for 1984–1985, so that payments can be effected in any convertible currency.

After Romania, the People's Republic of China and Hungary had joined the International Monetary Fund, it was agreed to settle transactions with these countries in convertible currencies. The International Monetary Fund requires that its member countries terminate their bilateral payments arrangements with other member countries. The clearing agreement with Romania was terminated in 1982 and that with the People's Republic of China in 1983. In the trade with Hungary, payments were placed on a convertible currency basis from February 1, 1985. Payments with other centrally planned economies are effected multilaterally in any convertible currency.

Because the clearing agreements currently in force date from different periods, they differ

from each other in many respects. For example, Finland has not concluded any separate payments agreement with the U.S.S.R.; rather, the main features of the payments arrangements are agreed in five-year agreements on the exchange of goods and payments. This is supplemented by a banking agreement concerning the details of payment flows.

Central features in the bilateral payments agreements are the accounting currency and the credit limits. The rouble is used as the unit of account in payments between Finland and the U.S.S.R., while payments between the German Democratic Republic and Finland are effected in Finnish markkaa. It has been agreed with Bulgaria to change the accounting currency from the US dollar to the Finnish markka as from April 1, 1985.

With the expansion in trade, particularly the credit limits have been raised so as to preserve the flexibility of payment flows. The ratio of the credit limit to the volume of trade varies by country. At present, it is highest in relative terms in the trade with Bulgaria and lowest in the trade with the U.S.S.R.:

Under payments agreements, if the clearing account balance exceeds the credit limit, the creditor country is entitled to restrict its exports to the debtor country or to claim payment in convertible currencies for the amount in question. In practice, such steps have not been resorted to. Imbalances in excess of the credit limits have been allowed on both sides, so as not to restrict the development of trade. Since 1982, Finland has had an arrangement with Bulgaria under which the debtor country pays the balance outstanding at the end of the year in excess of the credit limit to the creditor country in convertible currencies.

The agreements on the exchange of goods and payments between Finland and the U.S.S.R. are present-day examples of traditional bilateral arrangements for achieving balance of trade and payments between nations.

TABLE. FINLAND'S BILATERAL PAYMENTS ARRANGEMENTS

Country	Year of signing the payments agreement	Accounting currency	Credit limit and its ratio (%) to the volume of trade between the two countries in 1984	Special arrangements
Bulgaria	1981	Clearing USD	3 mill., 11.4 %	If the balance outstanding at year-end exceeds the credit limit, the debtor country pays the balance outstanding to the creditor country in convertible US dollars by the end of March in the following year.
GDR	1959	Clearing FIM	70 mill., 9.0 %	
U.S.S.R.	1979 (for the period 1981-85)	Clearing SUR	300 mill., 6.8 %	Articles concerning payments are included in the agreement on the exchange of goods and payments.

Convertible currencies are used in trade with other CMEA member countries.

An essential part of the five-year agreements on the exchange of goods and payments between Finland and the U.S.S.R. consists of balanced lists of quotas of goods to be exported by each country to the other during the agreement period. Detailed lists of goods are drawn up in annual protocols on the exchange of goods. Examined from Finland's viewpoint, the mechanism for negotiating and balancing trade between the two countries can be described broadly as follows: The quotas in the five-year framework agreements are based on estimated developments in imports and on the long-term export contracts and trade estimates of the heavy metal and engineering industries, mainly the shipbuilding industry. Other exports are estimated largely on the basis of the prospects for Finnish imports from the U.S.S.R.

In the annual negotiations on the exchange of goods, the quotas are specified according to the situation prevailing in each year. If balance

on the clearing account has not been attained during the previous year, this is taken into account in the negotiations on the exchange of goods in the following year. Thus, under long-term agreements there is, in practice, not only balance in the exchange of goods over the five-year period but also an attempt to achieve balance annually.

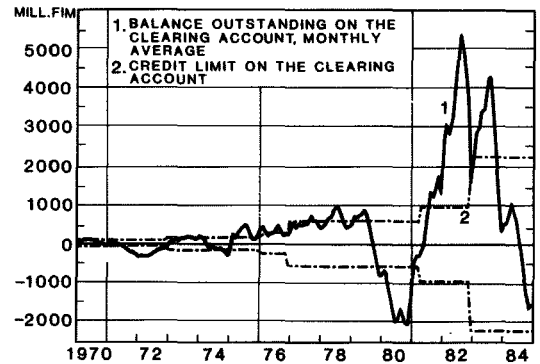
The quotas for machinery and ships in the long-term contracts still serve as the basis for the annual trade protocols. Normally, when the trade agreement for a particular year is being negotiated, delivery contracts between the buyer and the seller have already been concluded for that year. In contrast, negotiations between individual enterprises on delivery contracts for other exports do not usually start until the annual trade negotiations have been completed. These other exports are affected, in addition to machinery and ship exports, by both imports and the previous year's payments situation.

Although the clearing arrangement was originally set up for the settlement of cash payments between the two countries, it has become necessary during the long period of its existence to partially dispense with the principle of cash payment. On the other hand, the principle according to which goods paid for through the clearing account must be of Finnish origin has been adhered to rather strictly.

Thus the balance of payments between Finland and the U.S.S.R is also influenced significantly by the capital flows passing through the clearing account, such as export prepayments, import credits and, to a certain degree, direct capital transfers. From the point of view of the determination of balance, it is noteworthy that these capital flows are not included in the protocol on the exchange of goods itself.

In the payments relations between the two countries, it is mainly the exchange of goods which has been the item adjusted whenever substantial imbalances have built up on the

CHART. BALANCE OUTSTANDING ON THE CLEARING ACCOUNT BETWEEN FINLAND AND THE U.S.S.R. AND THE CREDIT LIMIT UNDER THE PAYMENTS AGREEMENT.



clearing account. In certain years, when it has become clear that balance cannot be achieved on the basis of the annual protocol and Finland has been the debtor party, additional deliveries exceeding the quotas in the protocol have been agreed upon.

In the early 1980s, it proved possible to deal with the large surplus that had accrued in Finland's favour without the need to reduce Finnish exports to the U.S.S.R. In 1982, part of the surplus was transferred as a credit to a special interest-bearing account.

Another important device for redressing the balance has been trading deals by which the U.S.S.R. has sold substantial quantities of crude oil to Finland for resale to third countries.

In trade with the centrally planned economies, financing and credit arrangements related to exports are largely determined according to established payment terms and trade practices, and they depend on both the exporting country and the goods themselves. Machinery and equipment normally account for about one-third of Finland's exports to the U.S.S.R. and they are occasionally exported in significant quantities to other centrally planned economies as well.

An essential feature of Finnish exports to the U.S.S.R. is that payments are traditionally

effected on cash terms. In addition, in the case of large ship, machinery and construction project deliveries, a practice has been applied whereby the Soviet buyer has, in fact, paid for the commodity at different stages in its manufacture or construction.

In trade with other centrally planned economies, the delivery of an export can be financed, in certain cases, through credits granted by Finnish Export Credit Ltd, a special credit institution jointly owned by the central government, banks and firms.

The major forms of export credit financing are the refinancing of supplier credits and so-called buyer credits, which include lines of credits extended by the buyer's bank and financing credits granted directly to the buyer to cover the purchase of Finnish exports. Finnish Export Credit Ltd has concluded credit line agreements with most of the centrally planned economies. The purpose of lines of credit is to increase the choice of goods by financing exports other than the traditional exports of the heavy metal and engineering industries.

Supplier and financing credits are also used for commodity imports. The financing practice is the same as for other Finnish imports. Provisions governing their use are laid down separately in the Foreign Exchange Regulations and in guidelines issued by the Bank of Finland to the authorized banks. As a general rule, standard international payment terms are observed for import payment periods and import credits. However, an importing company may, without the permission of the Bank of Finland, conclude an agreement on a supplier credit of up to 12 months. In that case, the Bank of Finland levies a surcharge on that part of the credit

exceeding 6 months. According to the current regulations, the authorized banks are allowed to intermediate financing credits of not more than 3 months duration to importers without the Bank of Finland's special permission. By contrast, the acceptance of other financing credits related to imports is always subject to the approval of the Bank of Finland.

By applying bilateral principles, Finland has been able to maintain and even strengthen her market position, particularly in the U.S.S.R. That Finland is the only industrial country applying a clearing system in her bilateral trade is not in itself sufficient reason for the abolition of an efficiently functioning system.

The fact that Finland has terminated its clearing arrangements with a number of centrally planned economies is not due to any dissatisfaction on the part of these countries with the functioning of the payments system, but rather to changes in their international commitments.

At present, neither the U.S.S.R. nor Finland seeks to terminate the bilateral trade and payments arrangements in force between them. The views of the two parties were set forth in the Agreement on the Exchange of Goods and Payments for 1986—1990 signed in the autumn of 1984. Under the new agreement, the clearing system will remain unchanged. Furthermore, the Long-Term Programme up to 1995 asserts that efforts will be made to develop the payments basis, the methods of payment and the credit relations between the two countries. The Programme also states that the clearing system continues to exert a favourable influence on the development of trade and economic relations between Finland and the U.S.S.R.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM FEBRUARY 1984 TO FEBRUARY 1985

1984

February

Cash reserve requirement. At the end of February, the Bank of Finland raises the reserve requirement from 4.7 to 5.0 per cent.

Repayment of standby credit. On February 29, 1984, the Bank of Finland repays a USD 150 million standby credit.

March

Repayment of standby credit. On March 23, 1984, the Bank of Finland repays its last standby credit in use, amounting to USD 200 million.

The external value of the markka. On March 27, 1984, the Bank of Finland raises the external value of the markka by about one per cent within the range of fluctuation of the currency index number.

Financing of domestic suppliers' credits. The Bank of Finland reduces its share in the financing of domestic suppliers' credits from 40 to 30 per cent as from March 27, 1984.

Arrangement for the financing of short-term export credits. On March 27, 1984, the Bank of Finland decides to reduce the maximum annual average amount of the Bank's financing of short-term export credits from FIM 50 to FIM 30 million as from January 1, 1984.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 5.0 per cent to 5.4 per cent at the end of March.

April

Call money market. The Bank of Finland rescinds the upper limit on the banks' call money deposits as from April 1, 1984. The Bank of Finland lowers the call money rate from 17.5 to

17.0 per cent as from the same date. The call money rate is lowered further to 16.7 per cent as from April 17 and to 16.5 per cent as from April 19.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 5.4 to 5.6 per cent at the end of April.

Revisions in Foreign Exchange Regulations. In a decision of the Council of State, the foreign branch offices of commercial banks and Postipankki are defined as non-residents as from March 1, 1984. Because of this decision, the Bank of Finland announces certain other revisions in the Foreign Exchange Regulations, which enter into force on April 11, 1984. The right of Finnish residents to use credit and debit cards for purchasing goods to be imported to Finland is extended as from the same date, provided that the value of any one purchase does not exceed FIM 10 000.

May

Call money market. The Bank of Finland raises the call money rate from 16.5 to 16.8 per cent as from May 29.

June

Export deposits. On June 5, the Council of State decides to collect export deposits for pulp to be exported between June 8, 1984 and June 7, 1985. The deposits are to be made at the Bank of Finland, and will bear interest at a rate of 8 $\frac{3}{4}$ per cent.

July

Call money market. The Bank of Finland lowers the call money rate from 16.8 to 16.5 per cent as from July 3.

September

Central bank financing. The Bank of Finland decides to extend to Peruspankki Ltd, as from the beginning of September, the same rights to central bank financing and the use of the call money market as the other commercial banks.

Call money market. The Bank of Finland lowers the call money rate from 16.5 to 16.0 per cent as from September 7 and further to 15.8 per cent as from September 28.

Cash reserve requirement. On September 7, 1984, the Bank of Finland concludes a new cash reserve agreement with the banks. According to it, the cash reserve base comprises, in addition to deposits received on normal terms, the total stock of deposits denominated in foreign currency, special deposits and the banks' net foreign liabilities after certain deductions.

Regulation of average lending rates. On September 7, 1984, the Bank of Finland decides to revise its regulation of the banks' average lending rates. According to the new system, the average lending rate applied by a banking institution to its domestic markka-denominated lending is allowed to rise by not more than 30 per cent of the increase in the average deposit rate on the bank's total stock of deposits. The new system is to become effective progressively as from the beginning of October.

October

Call money market. The Bank of Finland lowers the call money rate from 15.8 to 15.6 per cent as from October 26.

November

Financing of domestic suppliers' credits. The Bank of Finland raises the rate of interest applied to domestic suppliers' credits by one percentage point to 10 ½ per cent. At the

same time, the Bank raises the lower limit on the contract price of a delivery which can be financed to FIM 1 million and the commitment fee to a maximum of 0.35 per cent. The revisions are to concern domestic suppliers' credits granted as from November 1, 1984.

Export deposits. The Council of State decides to discontinue the collection of export deposits on sawn pine wood as from November 1, 1984.

Call money market. The Bank of Finland lowers the call money rate from 15.6 to 15.4 per cent as from November 14 and further to 15.2 per cent as from November 30.

Bank of Finland's credit facility agreements. On November 16, the Bank of Finland cancels its credit facility agreements totalling USD 1.5 billion with international banking consortia.

December

Call money market. The Bank of Finland lowers the call money rate from 15.2 to 14.8 per cent as from December 21.

1985

January

Arrangement for the financing of short-term export credits. On January 1, 1985, the Bank of Finland raises the rate of interest on short-term export credits so that, irrespective of the credit period, it is the same as the Bank of Finland's base rate at any one time. At the same time, the Bank of Finland decides to reduce the maximum annual average amount of the Bank's financing of short-term export credits from FIM 30 to FIM 20 million.

Call money market. The Bank of Finland lowers the call money rate from 14.8 to 14.6 per cent as from January 11 and further to 14.2 per cent as from January 25.

February

Interest rate policy. The Bank of Finland lowers its base rate from 9.5 to 9.0 per cent as from February 1. The banks are required to lower, in general, the rates of interest on their outstanding loans by 0.5 percentage point from the same date. The upper limit on the banks' lending rates is also lowered to 13.5 per cent. In addition, the rates of interest on the banks' tax-exempt deposit accounts fall, on average, by 0.5 percentage point.

Domestic foreign-currency-denominated loans. As from February 1, 1985, the Bank of Finland

limits the amount of domestic foreign currency loans granted by an authorized bank which do not require the prior approval of the Bank of Finland to no more than the amount of domestic non-bank foreign currency deposits with the bank.

Payments agreement between Finland and Hungary. Under an agreement concluded between the Finnish and Hungarian authorities in October 1984, the payments agreement between the two countries terminates on January 31, 1985. As from February 1, 1985, payments between the two countries are to be effected in convertible currencies.

ITEMS

Finnish direct investment abroad and foreign direct investment in Finland in 1984

Overall position at end-1984. The nominal value of the stock of direct investment by Finnish companies in subsidiaries and associates abroad amounted to FIM 8.7 billion at the end of 1984. Of this sum, FIM 7.4 billion represented equity capital and FIM 1.3 billion loans to subsidiaries and associates.

At the end of 1984, there were 1 462 Finnish-owned companies¹ abroad, of which 208, or 14 per cent, were manufacturing firms. During the year, Finnish companies established or acquired 192 subsidiaries and associates abroad and relinquished ownership of 69 companies.

The nominal value of the stock of direct investment by foreign companies in subsidiaries and associates in Finland totalled FIM 2.6 billion at the end of 1984. Of this sum, FIM 2.2 billion was invested as equity capital and FIM 0.4 billion as loans to subsidiaries and associates.

At the end of 1984, there were 1 089 foreign-owned companies² in Finland. Of these, 202, or 19 per cent, were manufacturing firms. In the course of the year, foreign companies established or acquired 104 subsidiaries and associates in Finland. Foreign companies relinquished ownership of 111 companies.

Finnish direct investment abroad in 1984. Finnish direct investment abroad in the form of equity capital amounted to FIM 2 385 million, while capital repatriated to Finland totalled FIM 261 million. Thus, there was a net outflow of equity capital of FIM 2 124 million. Capital outflows in the form of loans to subsidiaries and associates totalled FIM 428 million. Redemptions of loans amounted to FIM 73 mil-

lion, so that there was a net outflow of loans to subsidiaries and associates of FIM 355 million. Hence, the total net direct investment outflow in 1984 amounted to FIM 2 479 million. Up to 1983, a 20 per cent ownership limit was used in compiling the statistics. By this definition, the net direct investment outflow in 1984 would have amounted to FIM 2 399 million.

More than half of the net direct investment outflow went to EFTA countries, almost a quarter of it being invested in manufacturing firms. The direct investment outflow to EFTA countries increased almost tenfold in 1984 as compared with the previous year. Net investment in EEC countries accounted for about one-quarter of the total direct investment outflow. Of this amount, 64 per cent was invested in manufacturing firms. The net direct investment outflow to North America represented 12 per cent of the total outflow, or slightly less than half of the amount in the previous year. Thirty-eight per cent of the capital was invested in manufacturing firms. Finnish net direct investment in developing countries totalled FIM 179 million, representing 7 per cent of the total direct investment outflow. One-fifth of this amount went to manufacturing firms.

Foreign direct investment in Finland in 1984. New foreign direct investment in companies in Finland in the form of equity capital totalled FIM 371 million. As repatriations of capital amounted to FIM 39 million, the net inflow of equity capital totalled FIM 332 million. Loans granted by foreign companies to their subsidiaries and associates in Finland totalled FIM 42 million, while redemptions of loans amounted to FIM 50 million. Hence, the net direct investment inflow totalled FIM 324 million. If the 20 per cent ownership limit had been applied in compiling the statistics, the net direct investment inflow would have totalled FIM 322 million.

¹ Companies in which direct Finnish ownership accounts for more than 10 per cent of the nominal value of the share capital, the co-operative capital or similar basic capital.

² Companies in which direct foreign ownership accounts for more than 10 per cent of the nominal value of the share capital, the co-operative capital or similar basic capital.

The net direct investment inflow to Finland from EFTA countries amounted to FIM 168 million. Of the net inflow from EFTA countries, more than half was invested in manufacturing firms.

Direct investment by EEC countries in Finland was converted from a net outflow to a net inflow. The net direct investment inflow amounted to FIM 21 million, while there had been a net outflow of FIM 63 million in 1983. Of the net inflow in 1984, manufacturing firms accounted for 29 per cent.

Foreign firms operating in Finland transferred FIM 458 million in dividends to their parent

companies and paid FIM 17 million in interest on loans granted by these companies. Thus, capital charges totalled FIM 475 million.

Portfolio investment. Shares issued by Finnish firms on foreign capital markets were sold to foreign investors up to the value of FIM 634 million and repurchased by Finnish investors up to the value of FIM 51 million. Shares, bonds and debentures sold abroad on the Helsinki Stock Exchange amounted to FIM 1 099 million and repurchases by Finnish investors to FIM 190 million. Thus, net portfolio investment in 1984 was equivalent of FIM 1 492 million; portfolio investment is not included in direct investment.

TABLE 1. FINNISH DIRECT INVESTMENT ABROAD¹ AND DIVIDEND AND INTEREST EARNINGS IN 1975-1984, MILL. FIM

	Equity capital ²	Repatriations	Equity capital, net	Drawings of loans to subsidiaries and associates	Redemptions of loans to subsidiaries and associates	Loans to subsidiaries and associates, net	Total net investment	Dividend earnings	Interest earnings	Total capital earnings
1975	159	3	156	46	106	-60	96	13	0	13
1976	110	11	99	29	10	19	118	4	-	4
1977	459	2	457	31	195	-164	293	3	3	6
1978	243	2	241	17	1	16	257	14	1	15
1979	440	1	439	50	2	48	487	4	3	7
1980	427	4	423	75	11	64	487	0	0	0
1981	631	31	600	98	86	12	612	11	0	11
1982	848	11	837	338	50	288	1 125	2	11	13
1983	1 469	14	1 455	179	183	-4	1 451	12	12	24
1984	2 385	261	2 124	428	73	355	2 479	49	3	52

¹ Up to 1983, companies in which direct Finnish ownership accounts for more than 20 per cent of the nominal value of the share capital, the co-operative capital or similar basic capital. From 1984, companies in which direct Finnish ownership accounts for at least 10 per cent.

² Figures include bonus issues up to 1981.

TABLE 2. FOREIGN DIRECT INVESTMENT IN FINLAND¹ AND PAYMENTS OF DIVIDENDS AND INTEREST IN 1975-1984, MILL. FIM

	Equity capital ²	Repatriations	Equity capital, net	Drawings of loans to subsidiaries and associates	Redemptions of loans to subsidiaries and associates	Loans to subsidiaries and associates, net	Total net investment	Payments of dividends	Interest earnings	Total capital charges
1975	160	16	144	129	22	107	251	96	11	107
1976	156	3	153	85	15	70	223	115	16	131
1977	122	14	108	129	49	80	188	188	31	219
1978	155	29	126	43	28	15	141	130	29	159
1979	211	25	186	60	140	-80	106	163	30	193
1980	165	20	145	28	69	-41	104	181	25	206
1981	182	32	150	49	124	-75	75	245	25	270
1982	192	216	-24	36	79	-43	-67	301	28	329
1983	188	100	88	63	63	0	88	357	22	379
1984	371	39	332	42	50	-8	324	458	17	475

¹ Up to 1983, companies in which direct foreign ownership accounts for more than 20 per cent of the nominal value of the share capital, the co-operative capital or similar basic capital. From 1984, companies in which direct foreign ownership accounts for at least 10 per cent.

² Figures include bonus issues up to 1981.

BANK OF FINLAND

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Seppo Lindblom
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Monetary Policy

Kari Holopainen
Bilateral Trade

J. Ojala
Exchange Control

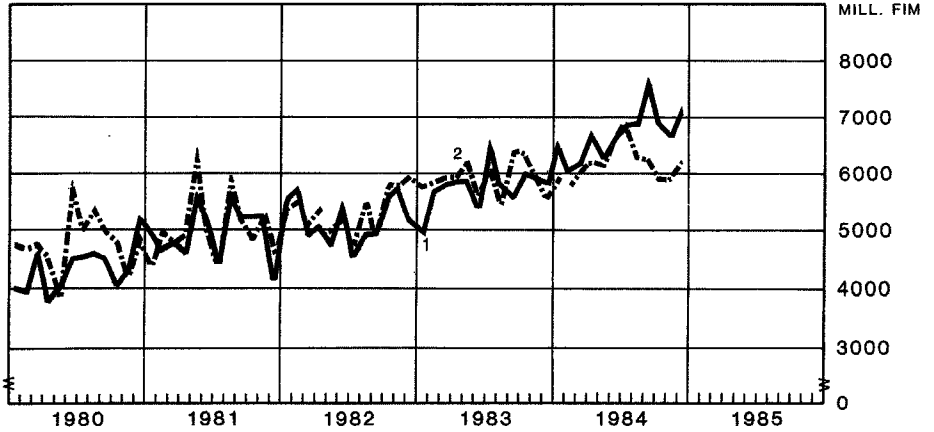
Johnny Åkerholm
Exchange Policy

Kari Pekonen
Foreign Exchange

Markus Fogelholm
Foreign Financing

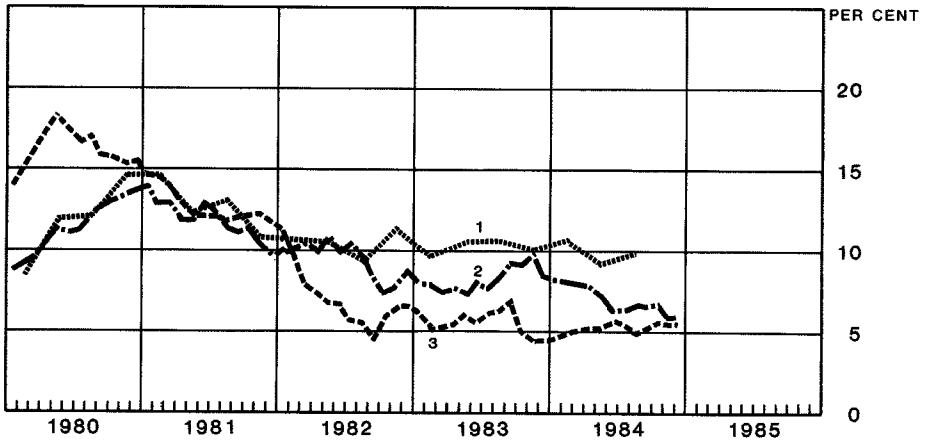
FOREIGN TRADE, 1980-85

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



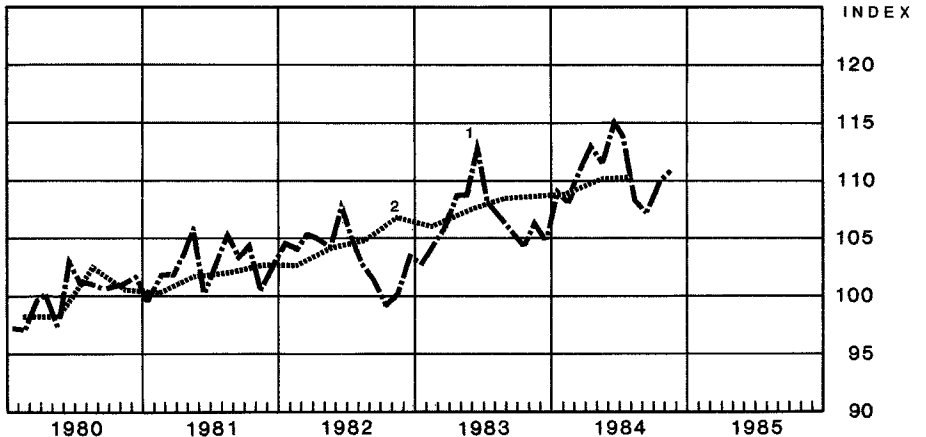
PRICES AND WAGES, 1980-85

- 1. Index of wage and salary earnings 1975=100, quarterly figures
 - 2. Consumer price index 1981 = 100, monthly figures
 - 3. Basic price index for domestic supply 1980 = 100, monthly figures
- Percentage change on previous year



PRODUCTION, 1980-85

- 1. Total index of industrial production 1980 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1980 = 100, seasonally adjusted quarterly figures



Bank of Finland Monthly Bulletin
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