



BANK OF FINLAND

Monthly Bulletin

Labour market agreements

Public finance

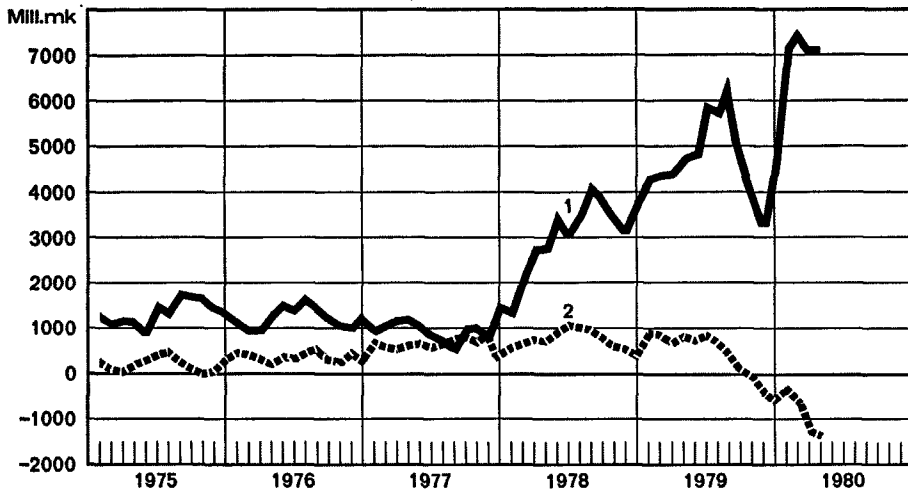
Finland's gross long-term foreign debt
in January—March 1980

Foreign direct investment in Finland and
Finnish direct investment abroad in 1979

JUNE 1980

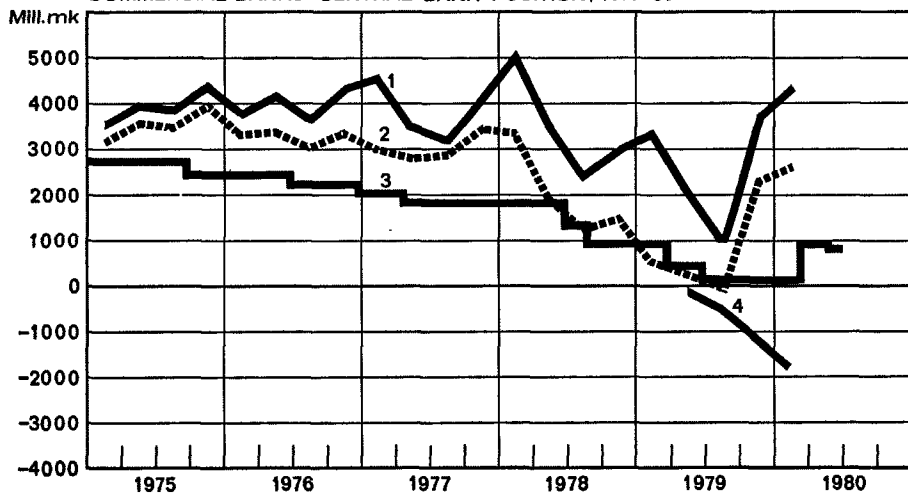
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BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1975-80



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

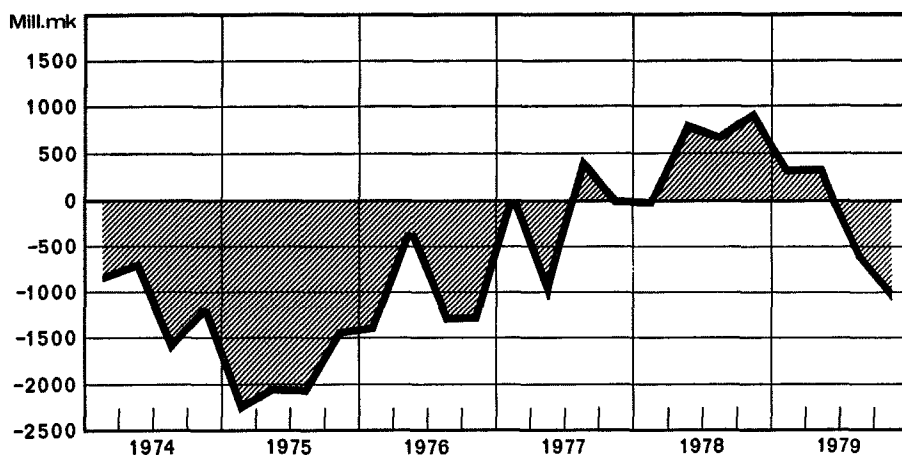
COMMERCIAL BANKS' CENTRAL BANK POSITION, 1975-80



- 1. Total central bank debt
- 2. Actual central bank debt
- 3. The quotas
- 4. Cash reserve deposits

Quarterly average of daily amounts (1, 2 and 4)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1974-79



Seasonally adjusted quarterly figures

LABOUR MARKET AGREEMENTS

by Harry Hendunen, Head of Bureau

Economics Department of the Ministry of Finance

Finnish collective agreement negotiations were difficult this year. A rapid growth of production and an acceleration in inflation generated by rises in import prices raised pay claims, while the safeguarding of competitiveness under deteriorating international economic conditions called for moderate incomes agreements.

During the reflation period of recent years, the Government paved the way for moderate incomes agreements by boosting the purchasing power of households and the competitiveness of companies. A similar policy has been pursued in 1980 by making adjustments for inflation in personal income taxation, increasing the current transfers received by households and reducing the upward pressures on the social security contributions paid by companies. However, owing to boom conditions, the measures implemented have been clearly less intensive than in the preceding few years. Furthermore, the appreciation of the Finnmark, which has amounted to almost 5 per cent during the preceding twelve months, has bolstered the objectives of moderate incomes policies.

The collective agreements concluded in 1979 increased wage and salary earners' earnings by a total of 5 per cent, of which the wage increases based on the so-called Earnings Guarantee were mainly paid during 1980.¹ Moreover, the agreements covering several years concluded in certain sectors raised the level of earnings by a total of 4 per cent during 1979, while wage drift amounted to 1.5 per cent. The index clause included in collective agreements did not bring about additional wage increases, as the threshold set in the agreements for the consumer price index number was not breached by October 1979. These collective agreements expired at the end of February 1980.

After the failure of negotiations aimed at reaching a comprehensive labour market agree-

ment, sector-by-sector negotiations got under way. The first collective agreement, which concerned paper industry workers, was concluded at the beginning of March. According to this agreement, wages were to be increased by 90 pennies an hour plus 0.4 per cent from February 25, 1980. (During the last quarter of 1979, the average hourly earnings of industrial workers were about 17 marks.) Wages will be increased by another 2.5 per cent or not less than 40 pennies an hour from September 22, 1980. Allowing for the impact of the various additional increases, this agreement is estimated to raise paper industry workers' earnings by 6.5 per cent in the spring and by 3 per cent in the autumn.

In most sectors, the new collective agreements have approximately followed the agreement concluded in the paper industry. The agreements are for one year; they do not contain any index clause nor a so-called Earnings Guarantee, which would guarantee that the level of earnings in each sector would rise in line with overall wage drift. More than half of the wage increases were flat-rate rises, which may generate drift pressures as a result of efforts to maintain established wage relationships. The agreements also include certain social improvements concerning, for example, employees' annual vacation benefits. They will be in force until the end of February 1981.

In certain sectors, agreements concluded after labour disputes brought about wage increases which substantially exceeded the overall increases agreed; in some sectors, part of these increases will not be paid until 1981, in addition to the overall increases to be agreed at that stage. The stoppage in shipping has been the most significant labour dispute. Allowing for the impact of all the collective agreements signed in 1980, an average rise in the level of earnings during 1980 of 11—12 per cent is anticipated.

¹ See the front article »The Labour Market Agreements» in Bulletin 5/1979.

The incomes policy agreements also include an agreement on agricultural income, which the Government and agricultural producer organizations concluded after negotiations in early spring. According to this agreement, agricultural producers were to be compensated for the rise in costs which had taken place during the previous six months; in addition, an increase of 19 per cent in agricultural income was agreed. The low income level of farmers was cited as a justification for the large increase, which was to be paid mainly according to flat rates similar to those applied in wage and salary earners' agreements. However, agricultural income accounts for only 5 per cent of the aggregate compensation of employees. In the autumn, agricultural producers will be compensated for the rise in costs during the first half of this year.

Although the growth of total output is forecast to slow down towards the end of the year, the increase for the year as a whole is likely to be almost the same as in 1979, or 6.5 per cent. It is estimated that the average rate of unemployment will be 4 per cent this year, as against 7.5 per cent in 1978. Although wage drift will be larger than last year, it is forecast to be markedly smaller than under the overheated boom conditions prevailing in the mid-1970s. It is estimated that the average level of wage and salary earners' earnings will this year be 12 to 13 per cent higher than in 1979. In addition, the share of employers' social security contributions in the compensation of employees rose on average by one percentage point from the beginning of this year.

The rate of inflation has accelerated notably during 1980 and it is estimated that the average annual increase in the consumer price index will be 11 per cent up on 1979. To a considerable extent, this rise in prices will stem from higher import prices, but the rise in domestic costs will also accelerate somewhat. In recent years, the impact on prices of domestic cost increases has been weakened by an appreciable yearly rise in labour productivity, which in the manufacturing industries, for example, was on

average more than 5 per cent during 1978—1979. This year, the rise in productivity is expected to be slightly slower.

In 1980, price control will be entirely based on permanent price control provisions. According to these, increases in the prices of major foodstuffs, which have a weight of 13 per cent in the consumer price index, are subject to the confirmation of price authorities, while 31 per cent of the commodities included in the index are subject to a notification procedure. Moreover, rents are subject to permanent control: they can be raised only in line with cost rises, according to the general rules laid down.

This year, the average level of wage and salary earners' earnings will be, in real terms, only slightly higher than in 1979. However, the improvement in employment will contribute to the continued rapid growth of real disposable income. The reductions in income tax scales confirmed for this year do not correspond to the price rises forecast, because they have been based on estimates of an 7.5 per cent rate of inflation. Nevertheless, the rise in the tax burden will be curbed by the fact that certain deductions are now taken into account in tax prepayments rather than in the final assessment and that tax rebates will be paid earlier than last year.

The international price competitiveness of Finnish industry — in terms of industrial unit labour costs measured in a common currency — improved by around 25 per cent during 1977—1979. In the manufacturing industries, it is estimated that unit labour costs in Finnmarks will this year be on average 9 per cent higher than in 1979. If the Bank of Finland currency index maintains its present level until the end of the year, the corresponding rise in terms of the common currency will be 12 per cent. Nevertheless, price competitiveness is not expected to deteriorate to any notable extent this year, and, in any case, it will remain at least satisfactory.

May 19, 1980

BANK OF FINLAND

Mill. mk

	1979		1980			
	May 31	Dec. 31	May 8	May 15	May 23	May 30
Assets						
Gold and foreign exchange receivables	5 744	4 860	7 269	7 331	7 560	7 441
Gold ¹	169	1 073	1 073	1 073	1 073	1 073
Special drawing rights	451	430	570	570	570	570
IMF reserve tranche	236	225	225	225	225	225
Foreign bonds ²	—	—	1 988	1 999	2 006	1 976
Convertible currencies	4 050	2 978	3 289	3 386	3 607	3 528
Tied currencies	838	154	124	78	79	69
Other foreign receivables	2 548	2 803	1 054	1 054	1 054	1 054
Foreign bonds ²	1 442	1 749	—	—	—	—
Mark subscription to Finland's IMF quota	1 106	1 054	1 054	1 054	1 054	1 054
Receivables from financial institutions	2 299	4 538	5 369	6 351	5 624	5 417
Banks' cheque accounts	139	233	1 007	1 063	953	980
Discounted bills	379	—	—	—	—	—
Call money market advances	1 368	3 870	3 911	4 829	4 211	3 981
Bonds	377	408	399	414	413	411
Other financial institution receivables	36	27	52	45	47	45
Receivables from the public sector	828	884	1 269	1 272	1 264	1 264
Government promissory notes	346	346	700	700	700	700
Bonds	119	145	169	171	173	173
Total coinage	356	372	382	383	383	384
Other public sector receivables	7	21	18	18	8	7
Receivables from corporations	2 080	2 520	2 698	2 644	2 614	2 657
Financing of exports	960	1 230	1 179	1 125	1 092	1 126
Financing of domestic deliveries	782	952	1 205	1 206	1 210	1 207
Bonds	216	205	190	188	188	194
Other corporate receivables	122	133	124	125	124	130
Other assets	69	73	77	75	76	75
Total	13 568	15 678	17 736	18 727	18 192	17 908
Liabilities						
Foreign exchange liabilities	39	846	1 651	1 710	1 902	2 033
Convertible accounts	25	14	37	30	21	18
Tied accounts	14	832	1 614	1 680	1 881	2 015
Other foreign liabilities	2 077	1 818	1 951	1 931	1 931	1 931
IMF mark accounts	1 623	1 385	1 385	1 365	1 365	1 365
Allocations of special drawing rights	454	433	566	566	566	566
Notes and coins in circulation	3 923	4 375	4 139	4 190	4 261	4 389
Notes	3 604	4 020	3 789	3 841	3 911	4 039
Coins	319	355	350	349	350	350
Deposit certificates in circulation	2 588	1 700	3 340	3 340	3 340	2 490
Claims of financial institutions	1 944	3 043	2 671	3 516	2 690	2 993
Banks' cheque accounts	2	4	2	2	0	2
Call money market deposits	1 589	1 131	60	920	105	245
Cash reserve deposits	115	1 764	2 396	2 396	2 396	2 562
Capital import deposits	234	140	207	192	179	176
Other financial institution claims	4	4	6	6	10	8
Claims of the public sector	112	387	45	45	45	45
Cheque accounts	0	2	1	1	1	1
Counter-cyclical reserves	40	42	42	42	42	42
Capital import deposits	71	339	—	—	—	—
Other public sector claims	1	4	2	2	2	2
Claims of corporations	436	403	564	565	577	597
Deposits for investment and ship purchase	52	133	233	234	248	267
Capital import deposits	380	254	328	328	326	325
Import levy deposits	1	2	—	—	—	—
Other corporate claims	3	14	3	3	3	5
Other liabilities	13	13	14	13	13	14
Equalization accounts	248	1 252	1 485	1 530	1 538	1 511
Capital accounts	2 188	1 841	1 876	1 887	1 895	1 905
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	636	636	441	441	441	441
Undisposed profits	92	—	—	—	—	—
Net earnings	60	-195	35	46	54	64
Total	13 568	15 678	17 736	18 727	18 192	17 908

¹ As of Dec. 31, 1979 gold is valued at Fmk 35 per gramme.² As of January 1, 1980 foreign bonds are included in Gold and foreign exchange receivables.

End of year or month	Foreign sector ¹							Public sector			Deposit certificates in circulation
	Gold ² , SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1974	675	341	1 047	2 063	-388	-6	1 669	302	560	258	1 040
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	-
1977	337	543	1 212	2 092	496	-2 031	557	391	328	- 63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1979											
May	856	1 442	4 025	6 323	824	-971	6 176	828	112	-716	2 588
June	856	1 531	5 113	7 500	901	-971	7 430	844	41	-803	3 378
July	863	1 690	4 984	7 537	770	-971	7 336	853	373	-480	3 378
Aug.	853	1 865	5 644	8 362	504	-793	8 073	848	374	-474	3 378
Sept.	853	2 001	4 181	7 035	186	-793	6 428	859	364	-495	2 390
Oct.	858	1 860	3 316	6 034	-157	-793	5 084	866	388	-478	2 390
Nov.	855	1 783	2 582	5 220	-505	-793	3 922	867	381	-486	2 040
Dec.	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980											
Jan.	1 861	1 829	3 463	7 153	-462	-897	5 794	1 254	68	-1 186	2 200
Feb.	1 864	2 020	3 670	7 554	-700	-897	5 957	1 265	60	-1 205	2 740
March	1 874	1 972	3 330	7 176	-1 316	-897	4 963	1 280	63	-1 217	3 340
April	1 874	1 976	3 325	7 175	-1 432	-897	4 846	1 267	53	-1 214	2 940
May	1 868	1 976	3 510	7 354	-1 946	-877	4 531	1 264	45	-1 219	2 490

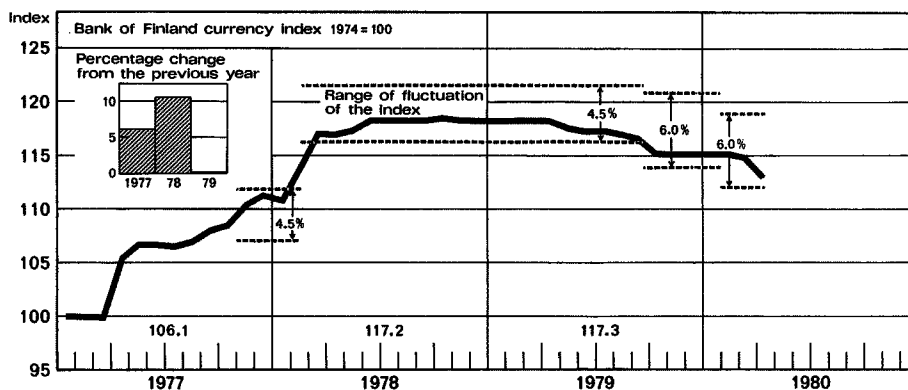
FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1979			Net holdings, April 30, 1980 ¹			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	April	Jan.-April
Gold ²	1 073	-	1 073	1 073	-	1 073	-	-
Special drawing rights	430	-	430	576	-	576	-	+146
IMF reserve tranche	225	-	225	225	-	225	-	-
Foreign bonds	-	-	-	1 976	-	1 976	+ 4	+226
Convertible currencies	2 964	-3 223	-259	3 324	-3 705	- 381	+42	-122
Total	4 692	-3 223	1 469	7 174	-3 705	3 469	+46	+250
Tied currencies	-678	-30	-708	-1 432	- 60	-1 492	-98	-784
Grand total	4 014	-3 253	761	5 742	-3 765	1 977	-52	-534

¹ New series, see item Bulletin 2/1980. ² As of Dec. 31, 1979 gold is valued at Fmk 35 per gramme.

End of year or month	Domestic financial sector							Corporate sector			Notes and coins in circulation
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receiv-ables (1+2+3-4-5-6)	Permanent special financing schemes	Liabili-ties, net	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1974	3 034	110	—	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1979											
May	379	138	1 368	1 589	115	-174	355	1 742	98	1 644	3 923
June	295	116	736	1 246	235	-210	-124	1 827	67	1 760	4 186
July	—	376	935	1 104	482	-287	12	1 884	55	1 829	4 025
Aug.	—	330	392	1 038	730	-276	-770	1 909	60	1 849	4 022
Sept.	—	119	1 919	1 334	989	-312	27	1 923	144	1 779	4 072
Oct.	—	232	2 894	1 058	1 232	-284	1 120	2 173	150	2 023	3 963
Nov.	—	192	3 735	836	1 496	-262	1 857	2 233	107	2 126	4 156
Dec.	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980											
Jan.	—	375	2 989	1 376	2 095	-295	188	2 224	62	2 162	4 047
Feb.	—	910	3 005	1 370	2 123	-315	737	2 317	149	2 168	4 233
March	—	836	4 155	592	2 267	-307	2 439	2 305	234	2 071	4 163
April	—	1 032	3 950	519	2 396	-224	2 291	2 388	247	2 141	4 281
May	—	978	3 981	245	2 562	-272	2 424	2 333	273	2 060	4 389



MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks ³ mill. mk	Cash reserve deposits of the commercial banks ³ mill. mk	Bank of Finland placements in the call money market, mill. mk	Basic discount rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9	10
1973	2 042	1 819	1 333	—	—	—	8.50	—	9.99	8.65
1974	3 204	2 840	2 494	—	—	—	9.25	—	10.57	9.52
1975	4 000	3 611	2 725	—	—	239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03

1979

May	2 343	292	500	4	3	—226	7.25	8.35	7.65	7.83
June	1 499	200	500	123	108	—308	7.25	8.35	7.52	7.83
July	1 257	—180	200	243	212	—388	7.25	8.31	7.68	7.84
Aug.	784	—208	200	490	427	—407	7.25	8.36	7.61	7.83
Sept.	1 427	395	200	756	658	198	7.25	8.68	8.03	7.85
Oct.	2 905	1 216	200	997	868	1 018	7.25	9.13	8.50	7.85
Nov.	3 760	2 512	200	1 241	1 078	2 298	8.50	12.87	11.94	8.98
Dec.	4 603	3 350	200	1 505	1 316	3 151	8.50	13.53	12.76	9.06

1980

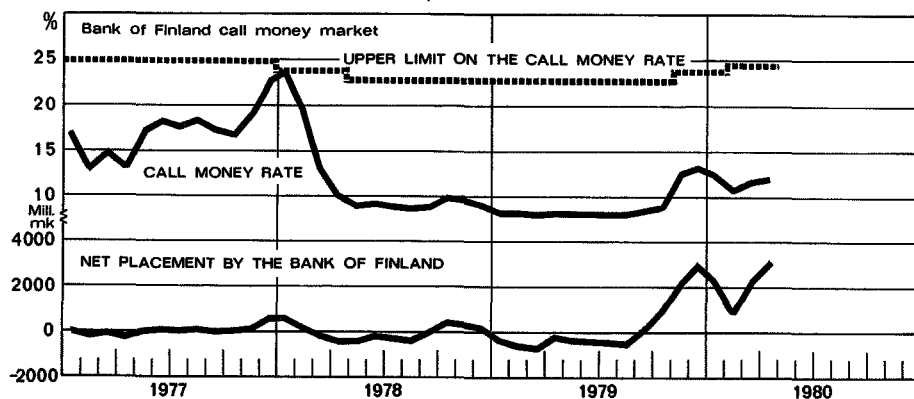
Jan.	4 471	2 627	200	1 775	1 553	2 399	8.50	12.70	11.79	9.08
Feb.	4 034	2 066	1 000	2 092	1 829	1 068	9.25	11.14	10.18	9.77
March	4 580	3 380	1 000	2 128	1 857	2 381	9.25	11.97	11.19	9.82
April	5 156	4 204	1 000	2 271	1 987	3 204	9.25	12.36	11.62	..
May	5 216	4 802	1 000	2 406	2 104	3 802	9.25	12.49		

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

³ See Bulletin April., 1979, page 1.

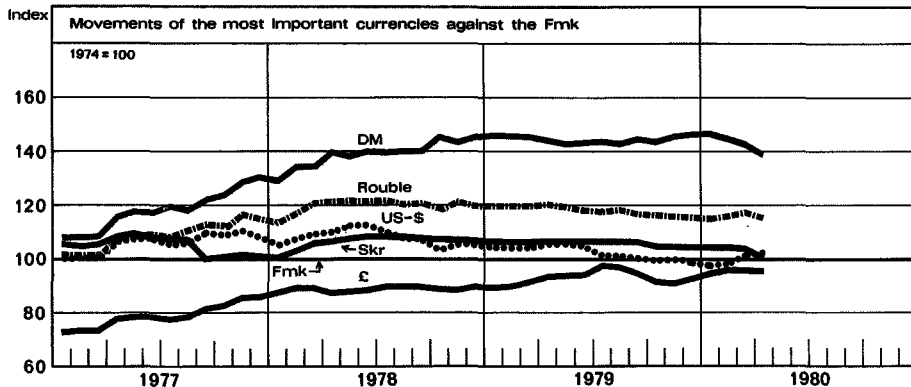


FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

Period	New York	London	Stockholm	Oslo	Copenhagen	Frankfurt	Zurich	Paris	Moscow	Currency index 1974=100
	1 US \$ USD	1 £ GBP	100 Skr SEK	100 Nkr NOK	100 Dkr DKK	100 DM DEM	100 Sfr CHF	100 FF FRF	1 CI Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3
1979										
May	4.013	8.276	91.59	77.63	74.76	210.53	232.49	91.31	6.032	117.8
June	3.973	8.390	91.71	77.29	73.35	210.71	233.39	91.21	5.956	117.5
July	3.851	8.716	91.52	76.66	73.75	211.37	234.03	91.04	5.915	117.5
Aug.	3.845	8.620	91.34	76.71	73.25	210.34	232.22	90.59	5.942	117.2
Sept.	3.821	8.415	91.38	76.95	73.85	212.88	236.64	91.23	5.858	116.9
Oct.	3.780	8.132	90.09	76.39	72.57	211.60	232.68	90.46	5.845	115.4
Nov.	3.794	8.097	90.03	75.82	72.41	213.96	230.42	91.43	5.828	115.4
Dec.	3.735	8.233	89.67	75.39	69.89	215.60	233.65	92.22	5.798	115.4
1980										
Jan.	3.703	8.396	89.55	75.69	69.07	214.92	232.60	92.00	5.788	115.4
Feb.	3.724	8.546	89.58	76.56	68.59	213.33	227.68	91.24	5.818	115.4
March	3.858	8.533	89.13	76.75	67.23	209.01	219.46	89.87	5.896	115.0
April	3.828	8.482	87.85	75.78	65.85	204.42	218.11	88.39	5.791	113.1
May	3.699	8.541	88.07	75.65	66.35	206.72	222.71	88.80	5.689	113.1

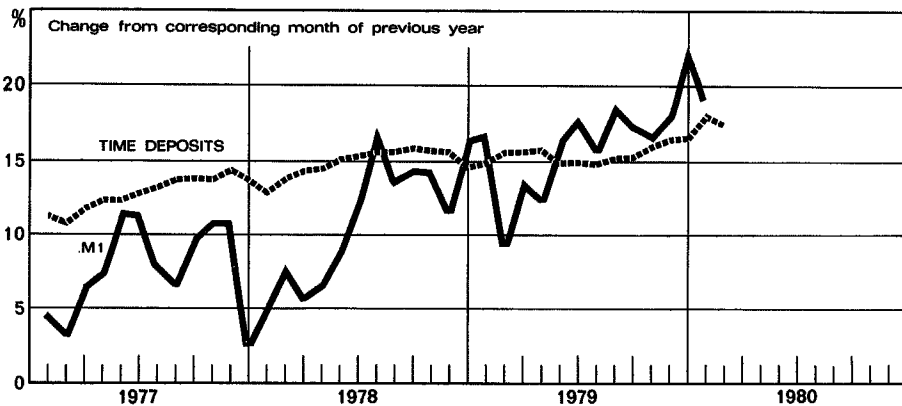
See explanations on page 22.



DEPOSITS BY THE PUBLIC

Mill. mk

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	10
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1978										
Dec.	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979										
Jan.	4 138	1 579	2 089	7 806	16 951	14 720	11 454	4 917	48 042	55 848
Feb.	3 544	1 629	2 081	7 254	17 267	15 045	11 716	5 004	49 032	56 286
March	3 717	1 589	2 108	7 414	17 521	15 231	11 803	5 085	49 640	57 054
April	3 837	1 670	1 995	7 502	17 816	15 405	11 966	5 112	50 299	57 801
May	4 244	1 777	2 271	8 292	17 692	15 584	12 140	5 140	50 556	58 848
June	4 373	1 842	2 678	8 893	17 978	15 932	12 330	5 176	51 416	60 309
July	4 160	1 944	2 700	8 804	18 189	16 153	12 481	5 253	52 076	60 880
Aug.	4 195	1 969	2 747	8 911	18 389	16 390	12 698	5 304	52 781	61 692
Sept.	3 900	2 053	2 818	8 771	18 441	16 447	12 716	5 350	52 954	61 725
Oct.	4 232	2 111	2 493	8 836	18 877	16 556	12 852	5 403	53 688	62 524
Nov.	4 316	2 078	2 486	8 880	19 315	16 832	13 059	5 469	54 675	63 555
Dec.	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1980										
Jan.	4 688	1 983	2 778	9 449	19 964	17 501	13 683	5 685	56 833	66 282
Feb.	4 009	1 903	2 697	8 609	20 150	17 787	13 983	5 772	57 692	66 301



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by				Types of advances			Total (1 to 7) (5 to 7)	Money Supply	
	Commer- cial 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	10
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47,014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157

1978

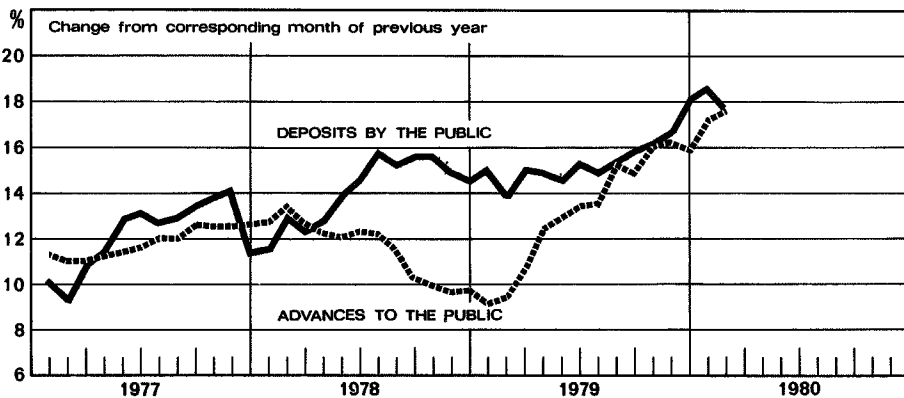
Dec.	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
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1979

Jan.	26 250	14 214	12 272	6 986	52 889	1 746	5 087	59 722	11 544	61 064
Feb.	26 735	14 373	12 348	7 160	53 558	1 876	5 182	60 616	11 102	61 615
March	27 186	14 446	12 446	7 196	53 701	1 805	5 768	61 274	11 442	62 463
April	28 170	14 598	12 548	7 342	54 374	1 816	6 468	62 658	11 577	63 203
May	28 384	14 826	12 747	7 423	55 035	1 761	6 584	63 380	12 435	64 350
June	28 860	14 991	12 940	7 631	55 528	1 781	7 113	64 422	13 269	65 833
July	28 758	15 224	13 124	7 603	56 256	1 839	6 614	64 709	13 161	66 293
Aug.	29 072	15 489	13 372	7 803	57 002	1 798	6 936	65 736	13 274	67 140
Sept.	28 923	15 732	13 595	7 848	57 931	1 914	6 253	66 098	13 008	67 117
Oct.	29 456	16 040	13 796	7 987	59 330	1 928	6 021	67 279	13 003	67 919
Nov.	29 764	16 306	14 056	8 039	60 234	2 031	5 900	68 165	13 131	69 012
Dec.	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157

1980

Jan.	30 524	16 754	14 395	8 399	61 745	2 158	6 169	70 072	13 767	71 810
Feb.	31 247	16 960	14 525	8 618	62 648	2 378	6 324	71 350	13 389	72 421



STATE FINANCES

Mill. mk

Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1978	1979		1978	1979
Income and wealth tax (net)	8 279	9 566	Wages, salaries, pensions etc.	5 725	6 417
Gross receipts	(24 524)	(26 710)	Repair and maintenance	744	837
Refunds & local authorities	(-16 245)	(-17 144)	Other consumption expenditure	2 947	3 478
Other taxes on income and wealth	258	247	Total consumption expenditure	9 416	10 732
Employers' child allowance payments	977	461	State aid to local authorities	7 249	7 889
Sales tax	8 535	9 269	State aid to industries	4 378	6 014
Customs duties and import charges and levies	816	1 006	of which: agric. price subsidies	(2 256)	(2 517)
Excise duties	5 910	7 340	Child allowances	1 138	1 265
Excise duty on alcoholic beverages	1 811	2 224	Share in national pensions and sickness insurance schemes	295	307
Excise duty on tobacco	810	909	Other transfer expenditure	4 175	4 891
Excise duty on liquid fuel	2 075	2 327	Total transfer expenditure	17 235	20 366
Other excise duties	1 214	1 880	Machinery and equipment	1 261	1 268
Tax on autom. and motor-cycles	802	1 221	Construction of buildings	656	711
Stamp duties	718	802	Land and waterway construction	1 387	1 538
Special diesel etc. vehicles tax	138	138	Total real investment	3 304	3 517
Other taxes and similar revenue	773	869	Interest on State debt	469	696
Total taxes	27 206	30 919	Net deficit of State enterprises	-131	-416
Miscellaneous revenue	1 968	2 233	Other expenditure	46	48
Interest, dividends etc.	693	844	Total other expenditure	384	328
Redemptions of loans granted	427	507	Increase in inventories	-131	24
Total revenue	30 294	34 503	Lending	2 548	2 754
Foreign borrowing	2 858	2 500	Other financial investment	448	457
Domestic borrowing	1 856	1 967	Total expenditure	33 204	38 178
Total borrowing	4 714	4 467	Redemption of foreign loans	270	217
Deficit (+) or surplus (-)	-1 058	+ 272	Redemption of domestic loans	476	847
			Total redemptions	746	1 064
	Total	33 950	Total	33 950	39 242

State debt	1976	1977	1978	1979		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
Foreign debt	2 248	3 679	7 360	8 413	8 479	8 595
Loans	2 175	2 963	4 607	5 416	5 530	5 565
Compensatory obligations	1	1	1	1	1	1
Short-term credit	287	175	259	109	107	116
Cash debt (net)	-643	-669	-735	-401	-479	-396
Domestic debt	1 820	2 470	4 132	5 125	5 159	5 286
Total State debt	4 068	6 149	11 492	13 538	13 638	13 881
Total debt mill \$	1 069	1 493	2 859	3 544	3 608	3 659

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223
1978	35 206	32 338	+2 868
1979	43 430	44 222	-792

1979			
March	3 459	3 163	+296
April	3 376	3 161	+215
May	4 008	3 653	+355
June	3 494	3 333	+161
July	3 523	3 788	-265
Aug.	3 363	3 857	-494
Sept	3 355	3 865	-510
Oct.	4 375	4 298	+77
Nov.	4 382	4 398	-16
Dec.	3 845	4 749	-904

1980*			
Jan.	4 245	4 940	-695
Feb.	3 795	4 232	-437
March	4 736	4 378	+358

Jan.-March			
1979*	9 709	9 119	+590
1980*	12 776	13 550	-774

Indices of exports and imports
1975 = 100

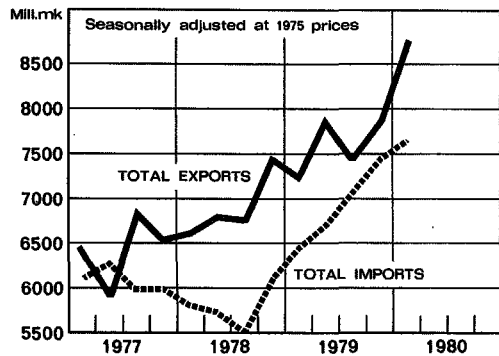
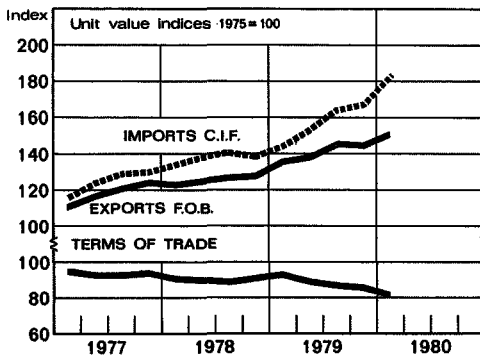
Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1975	100	100	100	
1976	117	96	103	107	96
1977	129	88	119	124	96
1978	138	84	126	138	91
1979	151	99	142	159	89

1977					
Oct.-Dec.	143	93	125	131	95

1978					
Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	139	91
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92

1979*					
Jan.-March	140	90	137	145	94
Apr.-June	154	94	140	154	91
July-Sept.	138	100	147	164	90
Oct.-Dec.	171	113	146	170	86

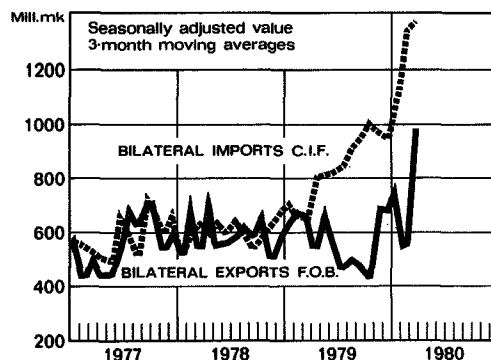
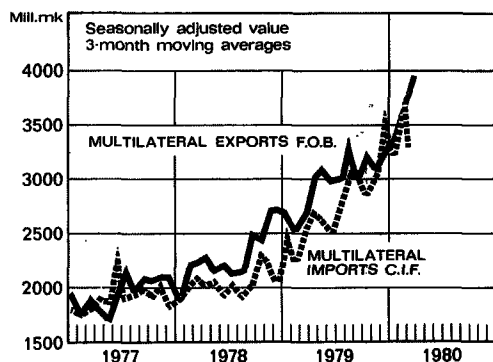
1980 *					
Jan.-March	166	105	152	184	83



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

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 producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1979										
March	258	327	1 128	797	949	1 964	64	529	604	2
April	17	441	1 107	896	915	1 952	110	585	511	3
May	187	590	1 148	923	1 160	2 331	275	434	612	1
June	47	599	1 010	815	1 023	2 205	319	366	433	10
July	59	557	1 034	891	982	2 319	523	463	467	16
Aug.	58	514	1 151	639	1 001	2 529	429	424	471	4
Sept.	52	495	949	833	1 026	2 469	385	472	497	42
Oct.	56	577	1 308	1 093	1 341	2 910	364	474	548	2
Nov.	151	624	1 191	1 115	1 301	2 896	338	592	568	4
Dec.	199	554	1 158	821	1 113	3 427	276	526	516	4
1980*										
Jan.	285	601	1 203	751	1 405	3 157	431	652	681	19
Feb.	40	566	1 170	829	1 190	2 809	200	534	632	57
March	247	554	1 270	1 087	1 578	2 891	190	593	703	1
Jan.-March										
1979*	540	1 122	2 936	2 316	2 795	5 839	383	1 383	1 509	5
1980*	572	1 721	3 643	2 667	4 173	8 857	821	1 779	2 016	77



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—March				January—March			
	1979		1980*		1979		1980*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	65.5	6 358	69.3	8 849	62.8	5 725	57.2	7 750
Austria	0.7	69	0.7	85	1.4	131	1.2	169
Belgium and Luxembourg	1.4	136	1.6	202	2.0	185	1.9	260
Denmark	3.8	365	3.7	471	2.9	268	2.5	340
France	4.6	447	5.0	636	4.0	360	3.4	455
Federal Republic of Germany	12.4	1 202	11.7	1 491	14.9	1 362	13.5	1 826
Italy	2.0	192	2.8	353	2.6	236	2.7	364
Netherlands	3.4	335	4.9	630	3.0	278	2.7	360
Norway	5.0	482	4.4	567	2.4	214	2.0	271
Portugal	0.2	22	0.3	44	0.5	42	0.5	71
Spain	1.0	94	0.9	112	0.9	78	1.2	170
Sweden	16.0	1 552	18.5	2 370	16.4	1 499	14.1	1 914
Switzerland	2.3	221	2.0	257	2.3	209	1.7	226
United Kingdom	11.2	1 092	11.4	1 457	8.8	802	9.3	1 258
Other	1.5	149	1.4	174	0.7	61	0.5	66
OECD countries outside Europe	7.9	762	5.6	718	9.6	875	9.3	1 255
Canada	0.6	61	0.5	69	0.8	69	0.9	118
Japan	1.7	161	0.8	96	3.2	293	3.0	408
United States	4.6	448	3.3	426	5.4	496	5.2	710
Other	1.0	92	1.0	127	0.2	17	0.2	19
CMEA countries	17.4	1 693	14.8	1 891	19.1	1 738	24.8	3 367
Czechoslovakia	0.3	26	0.2	31	0.5	46	0.6	77
German Democratic Republic	0.5	46	0.7	87	0.7	60	0.6	86
Poland	0.6	58	0.5	58	0.8	69	1.4	196
Soviet Union	15.0	1 457	12.5	1 598	16.2	1 479	21.2	2 866
Other	1.0	106	0.9	117	0.9	84	1.0	142
Latin America	1.5	147	1.3	171	3.7	335	3.2	437
Argentina	0.2	24	0.3	39	0.1	9	0.1	9
Brazil	0.5	44	0.3	38	0.8	75	0.7	101
Colombia	0.1	11	0.2	22	1.2	110	1.1	142
Other	0.7	68	0.5	72	1.6	141	1.3	185
Other	7.7	749	9.0	1 147	4.8	446	5.5	741
GRAND TOTAL	100.0	9 709	100.0	12 776	100.0	9 119	100.0	13 550
of which								
EFTA countries	24.3	2 364	26.2	3 346	23.2	2 115	19.7	2 675
EEC countries	39.6	3 841	41.7	5 326	38.5	3 506	36.1	4 891
OECD countries	73.3	7 120	74.9	9 567	72.4	6 600	66.5	9 005

¹ New series. See explanations on page 22.

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Invest- ment income, net	Un- requited transfers, net	Current account
1975	20 185	27 939	-7 754	+994	+105	+247	-6 408	-1 415	-129	-7 952
1976	24 379	28 472	-4 093	+1 223	+22	+314	-2 534	-1 749	-172	-4 455
1977	30 767	30 625	+142	+1 414	-3	+499	+2 052	-2 434	-198	-580
1978	35 024	32 243	+2 781	+1 683	+166	+1 004	+5 634	-2 853	-211	+2 570
1979*	43 227	44 073	-846	+2 384	+174	+556	+2 268	-2 985	-386	-1 103

1977

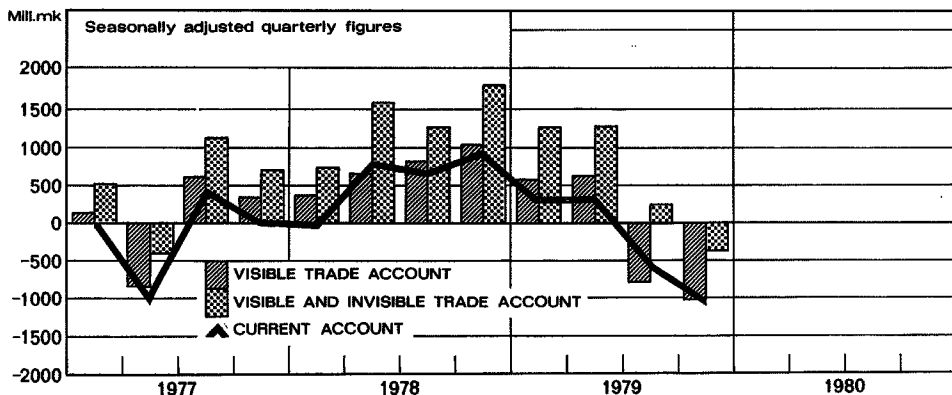
Jan.-March	6 959	6 765	+194	+355	-80	+103	+572	-506	-65	+1
Apr.-June	6 816	7 689	-873	+301	+10	+72	-490	-726	-32	-1 248
July-Sept.	7 932	7 671	+261	+386	+118	+202	+967	-532	-50	+385
Oct.-Dec.	9 060	8 500	+560	+372	-51	+122	+1 003	-670	-51	+282

1978

Jan.-March	7 745	7 357	+388	+378	-66	+222	+922	-613	-80	+229
Apr.-June	8 614	8 004	+610	+403	+11	+263	+1 287	-820	-40	+427
July-Sept.	8 271	7 816	+455	+415	+222	+182	+1 278	-644	-42	+592
Oct.-Dec.	10 394	9 066	+1 328	+487	-1	+333	+2 147	-776	-49	+1 322

1979*

Jan.-March	9 674	9 066	+608	+483	-105	+344	+1 330	-686	-193	+451
Apr.-June	10 818	10 085	+733	+619	+21	-15	+1 358	-1 003	-80	+275
July-Sept.	10 193	11 463	-1 270	+603	+259	+133	-275	-711	-40	-1 026
Oct.-Dec.	12 542	13 459	-917	+679	-1	+94	-145	-585	-73	-803

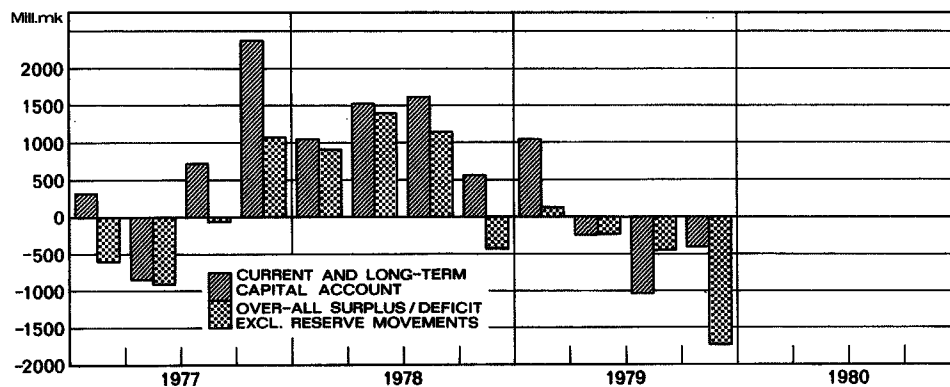


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+62	+5 132	-2 820	+638	+1 449	-14	-747	-444	+1 191
+6 130	-1 785	-191	+48	+4 202	-253	+138	-1 288	+1 275	-128	+78	+50
+6 454	-2 745	-241	-229	+3 239	+2 659	-1 547	-470	-1 131	-489	-170	+659
+9 007	-5 743	-774	-229	+2 261	+4 831	+130	-2 188	+267	+3 040	-2 339	-701
+6 230	-4 843	-541	-455	+391	-712	+582	-834	-1 336 ²	-2 300	+877	+1 423
+1 022	-550	-127	-24	+321	+322	-799	+149	-277	-605	-140	+745
+1 273	-857	+35	-37	+414	-834	-333	+149	+112	-906	+358	+548
+1 252	-647	-156	-89	+360	+745	+227	-384	-643	-55	-319	+374
+2 907	-691	+7	-79	+2 144	+2 426	-642	-384	-323	+1 077	-69	-1 008
+1 876	-854	-166	-17	+839	+1 068	-479	-402	+737	+924	-1 556	+632
+2 900	-1 733	-1	-51	+1 115	+1 542	+328	-402	-68	+1 400	-687	-713
+2 265	-1 089	-96	-39	+1 041	+1 633	+20	-692	+183	+1 144	-607	-537
+1 966	-2 067	-511	-122	-734	+588	+261	-692	-585	-428	+511	-83
+2 202	-1 626	-8	+50	+618	+1 069	-46	-63	-833 ²	+127	-913	+786
+1 267	-1 453	-218	-174	-578	-303	-34	-62	+163	-236	-1 760	+1 996
+1 258	-892	-336	-105	-75	-1 101	+387	-354	+612	-456	+1 455	-999
+1 503	-872	+21	-226	+426	-377	+275	-355	-1 278	-1 735	+2 095	-360

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

¹ Including Direct investment, net.

² Including Allocations of special drawing rights 139 million.

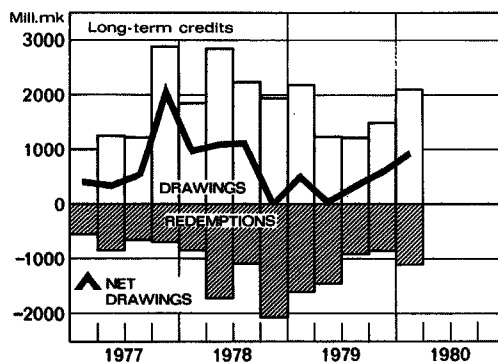
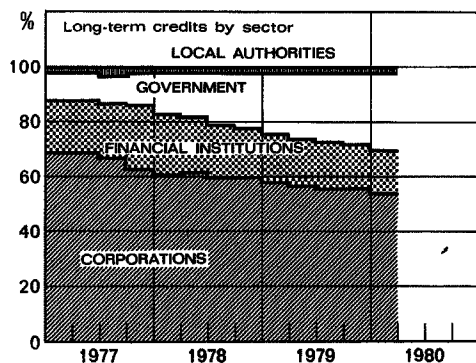


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities				Net long-term liabilities (9-4)	
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other		Total (5 to 8)
	1	2	3	4	5	6	7	8	9	10
1976	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675
1976										
Dec.	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977										
March	2 094	1 312	489	3 895	17 598	4 974	1 632	163	24 367	20 472
June	2 175	1 404	508	4 087	19 150	5 483	1 708	156	26 497	22 410
Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978										
March	2 499	1 673	840	5 012	25 107	6 068	1 774	159	33 108	28 096
June	2 517	1 759	862	5 138	26 769	6 134	1 865	159	34 927	29 789
Sept.	2 548	1 785	885	5 218	28 212	5 812	1 885	187	36 096	30 878
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*										
March	3 001	1 972	1 008	5 981	28 214	5 584	1 924	221	35 943	29 962
June	3 179	2 089	1 029	6 297	27 763	5 172	1 923	226	35 084	28 787
Sept.	3 419	2 226	1 066	6 711	27 724	4 956	1 930	232	34 842	28 131
Dec.	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675

See explanations on page 22.

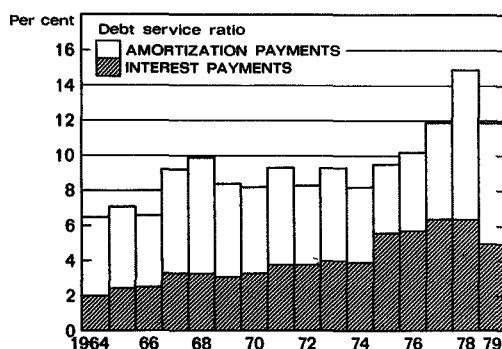
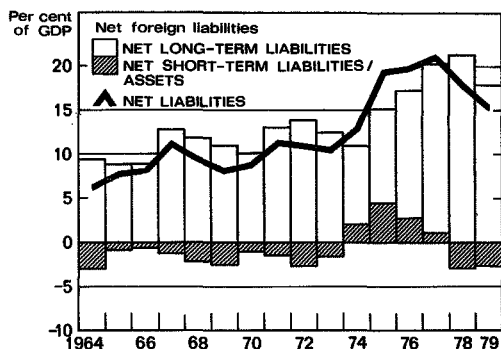


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10 + 19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	6 622	3 769
7 918	6 504	9 129	23 551	2 340	9 333	7 566	19 239	-4 312	24 363	6 457	3 472
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	819	336
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
5 491	3 409	7 233	16 133	1 293	6 594	7 559	15 446	-687	27 409	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 751	16 133	-2 168	27 621	1 493	673
7 003	4 412	7 779	19 194	1 483	6 264	7 419	15 166	-4 028	26 850	1 628	984
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	2 109	1 333
7 804	4 072	8 289	20 165	1 611	6 692	7 305	15 608	-4 557	25 405	1 970	1 284
9 871	3 939	8 482	22 292	1 604	8 404	7 376	17 384	-4 908	23 879	2 085	1 082
8 601	4 141	8 788	21 530	1 579	7 620	7 673	16 872	-4 658	23 473	1 315	604
7 918	6 504	9 129	23 551	2 340	9 333	7 566	19 239	-4 312	24 363	1 087	502

See explanations on page 22.



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100 ¹						Building costs 1973 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1978	727	125.8	124.1	131.8	119.2	140.3	129.5	180.8	161.0	186.0
1979	791	138.0	135.0	148.7	133.1	150.7	139.2	198.8	177.6	204.1
1979										
July	800	139.1	135.9	150.3	134.4	150.5	140.5	199.7	179.1	204.3
Aug.	796	139.9	136.5	151.6	135.4	151.9	140.6	201.0	179.1	206.5
Sept.	813	142.1	138.3	155.1	138.2	153.9	141.4	203.5	179.1	210.3
Oct.	822	143.6	139.9	156.8	139.8	155.5	142.9	205.0	179.1	212.4
Nov.	829	145.0	141.2	158.3	141.5	156.1	143.9	206.0	179.1	214.0
Dec.	834	145.7	141.8	159.6	142.4	156.4	144.7	208.3	181.0	216.2
1980										
Jan.	849	148.3	144.3	162.4	145.6	158.4	146.2	212.0	182.1	220.0
Feb.	859	150.2	146.3	163.8	147.3	161.0	148.2	214.0	182.1	222.9
March	882	154.1	150.1	168.1	153.1	161.5	150.1	216.1	182.6	225.8
April	899	157.2	152.4	173.9	157.6	162.7	151.3	218.8	182.6	229.0

¹ New series, see item Bulletin 10/1979.

Period	Consumer prices 1977 = 100 ¹										
	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
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1979											
July	116.2	109.1	129.5	114.6	113.0	114.9	114.9	123.8	122.1	115.8	118.3
Aug.	116.7	109.0	129.5	116.1	115.1	115.1	115.5	123.9	122.0	116.2	118.7
Sept.	117.7	109.8	129.5	118.4	115.1	120.5	116.3	124.9	123.4	116.8	119.4
Oct.	118.4	111.2	129.5	120.8	115.1	121.0	118.9	124.7	123.2	117.0	120.6
Nov.	119.3	112.3	129.4	122.8	115.6	121.4	119.4	126.9	123.3	117.8	123.0
Dec.	119.9	112.1	129.6	123.0	115.6	124.1	119.7	126.9	126.0	118.0	123.4
1980											
Jan.	121.3	113.3	138.6	121.1	115.6	124.7	122.2	131.1	126.3	118.8	125.6
Feb.	123.1	114.4	138.6	123.8	116.0	130.5	122.9	133.2	130.6	119.2	127.8
March	124.3	115.4	138.6	126.0	116.0	133.6	123.6	133.4	134.3	119.3	128.6
April	126.7	120.3	139.2	131.4	116.0	133.9	125.8	134.7	135.7	122.7	129.8

¹ New series.

WAGES

Index of wage and salary earnings 1975 = 100¹

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							
1978*	146.3	137.0	124.7	131.8	131.5	128.0	135.1	132.9	134.4	133.6
1979*	161.1	151.3	133.6	149.4	145.2	141.7	151.1	148.5	149.3	148.7
1978*										
Apr.-June	144.3	135.6	123.0	128.9	128.8	125.5	133.1	130.3	132.7	131.5
July-Sept.	146.7	137.2	124.1	133.3	132.6	128.2	136.1	134.0	135.0	134.5
Oct.-Dec.	152.4	143.1	129.4	138.2	137.1	133.6	140.8	138.7	139.9	139.3
1979*										
Jan.-March	155.7	147.3	132.5	145.2	141.8	138.8	146.4	144.7	144.6	144.7
Apr.-June	159.9	154.3	136.7	148.8	145.4	142.0	151.3	147.8	150.4	149.1
July-Sept.	163.0	154.6	137.9	149.5	145.7	142.1	152.7	148.8	151.6	150.2
Oct.-Dec.	163.7	154.5	135.6	153.9	148.1	144.2	154.9	152.2	152.7	152.4

¹ New series, see item Bulletin 1/1980.

PRODUCTION

Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1977										
July-Sept.	98	88	163	66	99	87	102	95	111	101
Oct.-Dec.	106	107	72	123	112	92	109	100	112	108
1978*										
Jan.-March	100	106	70	122	77	87	91	83	115	104
Apr.-June	102	107	80	110	79	90	101	92	115	108
July-Sept.	97	90	148	62	99	86	102	91	115	104
Oct.-Dec.	109	111	71	149	104	88	112	101	117	109
1979*										
Jan.-March	106	116	74	148	72	85	99	88	118	107
Apr.-June	109	113	80	175	72	90	111	100	118	112
July-Sept.	104	100	145	75	95	87	113	99	118	107
Oct.-Dec.	117	120	68	162	115	91	126	108	120	113

PRODUCTION

Index of industrial production 1975 = 100¹

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1976	101.2	100.9	101.6	100.3	96.6	112.1	105.5	103.7	93.2	99.9	101.3
1977	101.8	93.6	104.4	100.9	96.3	119.0	104.6	101.0	94.7	98.7	101.9
1978	105.3	90.1	109.8	104.2	102.4	127.4	114.4	108.0	93.2	97.2	105.4
1979*	113.8	94.9	119.6	111.7	109.2	146.2	129.4	118.5	102.2	103.0	114.0

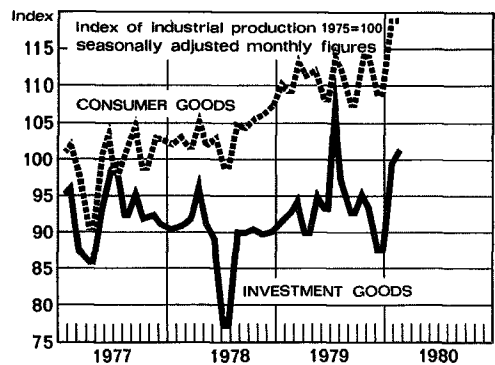
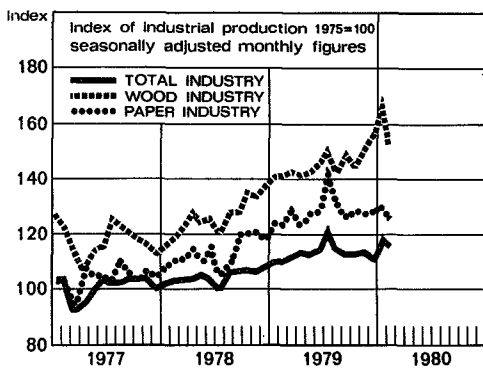
1979*

Jan.	118.1	100.2	123.7	116.2	101.4	132.6	132.7	127.7	96.1	109.3	110.4
Feb.	110.5	93.4	115.8	108.8	92.4	133.8	124.9	118.0	85.5	102.2	110.9
March	124.4	103.2	130.9	122.2	105.1	165.2	141.1	135.3	102.7	113.1	112.9
April	110.3	88.8	115.7	110.7	104.5	154.1	117.0	117.2	96.9	98.5	114.1
May	124.0	105.3	130.6	119.9	115.4	187.7	136.2	134.3	113.9	115.7	113.5
June	107.4	94.1	111.8	105.2	105.2	163.1	103.5	108.8	110.4	101.6	115.3
July	70.2	45.0	79.5	64.2	98.9	73.2	118.0	71.8	68.3	46.0	123.1
Aug.	118.6	99.7	123.8	117.8	117.7	134.8	137.1	127.6	116.2	108.0	114.9
Sept.	115.1	97.2	121.3	111.8	110.1	149.6	136.8	116.3	111.4	105.2	113.4
Oct.	129.4	113.3	134.5	127.3	132.6	165.2	144.9	129.5	125.3	121.2	113.4
Nov.	129.3	112.3	134.1	128.5	128.1	162.8	139.6	134.1	118.3	119.8	114.2
Dec.	108.3	86.8	114.1	108.0	99.2	132.1	121.4	101.3	82.2	95.7	112.0

1980*

Jan.	127.1	108.4	132.6	125.9	105.0	156.7	138.9	133.6	105.2	115.4	119.4
Feb.	120.1	101.4	125.7	118.5	100.1	149.5	130.5	130.8	102.7	109.5	116.3

¹ New series.



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 1972 = 100	Wholesale volume index 1972 = 100
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978	3 578	2 253	2 084	169	7.5	29 021	110	120
1979	3 593	2 223	2 134	139	6.1	37 986	118	136
1979*								
April	3 592	2 201	2 052	149	6.8	4 828	113	133
May	3 593	2 246	2 111	135	6.0	4 536	124	150
June	3 591	2 439	2 304	135	5.5	2 760	120	133
July	3 594	2 441	2 300	141	5.8	984	120	118
Aug.	3 592	2 347	2 227	120	5.1	1 368	124	145
Sept.	3 594	2 250	2 140	110	4.9	2 054	118	140
Oct.	3 597	2 247	2 131	116	5.2	3 007	122	153
Nov.	3 596	2 227	2 121	106	4.8	3 421	119	153
Dec.	3 598	2 250	2 119	131	5.8	3 373	147	138
1980*								
Jan.	3 601	2 232	2 098	134	6.0	3 644	107	133
Feb.	3 603	2 228	2 110	118	5.3	4 579	105	130
March	3 602	2 240	2 113	127	5.6

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											
1977	41.88	18.86	4.22	12.11	3.71	43.70	18.10	3.07	16.80	3.33	48.12
1978	41.98	17.90	4.97	12.72	3.68	42.56	18.21	3.77	13.59	4.21	42.78
1979*	48.64	18.71	6.34	16.55	3.99	37.80	16.54	4.20	11.82	3.23	48.38
1978											
July-Sept.	11.07	4.12	1.04	4.33	0.85	10.31	3.83	1.21	3.19	1.12	48.76
Oct.-Dec.	7.79	3.54	0.74	1.74	1.21	13.07	6.02	1.29	3.44	1.38	42.78
1979*											
Jan.-March	7.75	3.32	1.23	1.95	0.77	7.38	3.37	0.69	2.42	0.62	39.45
Apr.-June	19.16	7.45	2.77	7.22	0.68	6.99	3.24	0.45	2.16	0.79	47.04
July-Sept.	11.74	4.47	1.32	3.79	1.16	7.92	3.18	1.15	2.06	0.87	52.84
Oct.-Dec.	9.99	3.46	1.02	3.59	1.38	13.64	6.23	1.72	4.20	0.87	48.38

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. *Public sector*: Receivables = Government promissory notes + Bonds + Total coinage + Other public sector receivables. Liabilities = Cheque accounts + Counter-cyclical reserves + Capital import deposits + Other public sector claims. Deposit certificates are interest bearing, freely transferable, term liabilities of the Bank of Finland. Their maturities range from one week to one year.

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

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 + Other corporate claims — Bonds — Other corporate receivables.

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 end of the month lending rates weighted by credit outstanding.

Total central bank debt of the commercial banks = Discounted and rediscounted bills (until 30. 6. 1979, subsequently the banks have not been allowed to discount or rediscount bills) + net cheque account receivables from the commercial banks + call money debt + bond transactions with repurchase obligation — call money deposits by the commercial banks.

Actual central bank debt of the commercial banks = Total central bank debt — Postipankki's call money placements (or + Postipankki's call money overdrafts). Postipankki accounts for the bulk of the supply of call money from the deposit banks (supply of call money, see column 4 on page 5).

Credit quotas of the commercial banks at the Bank of Finland are the sum of individual quotas specifying the amount each bank eligible for central bank credit can borrow at the discount rate. Before July 1979, a progressively rising interest rate was charged on credit in excess of the quota up to an absolute ceiling on quota-related debt. From July 1979, no bank may exceed its quota on average over the month. On any given day quota-related borrowing may not exceed 2.5 times the quota. The interest on this borrowing is the basic discount rate.

Bank of Finland placements in the call money market = Demand for call money by the deposit banks — Supply of call money by the deposit banks. Average cost of the total central bank debt of the commercial banks: Net costs paid to the Bank of Finland by the commercial banks, as a percentage of their total central bank debt, per annum.

FOREIGN EXCHANGE RATES

Page 7. *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.

DEPOSITS BY THE PUBLIC — ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

Page 8. *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 9. *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 10. Official figures computed by the Economic 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. Debt: Foreign debt includes promissory notes given to international organizations. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to Postipankki less cash holdings (net) of State departments and funds.

FOREIGN TRADE

Pages 11—13. Figures supplied by the Board of Customs. *Indices* (p. 11): 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. 13): from January 1980 imports by countries of origin exports by countries of consignment.

BALANCE OF PAYMENTS

Pages 14—15. Figures are calculated by the Bank of Finland. In addition to the Board of Customs figures, exports include grants in kind but exclude stevedoring expenses and imports include seamen's duty-free imports, grants in kind and adjusted allowance for smuggling.

FOREIGN ASSETS AND LIABILITIES

Pages 16—17. Figures calculated by the Bank of Finland. Long-term assets: Other = financial loans + Finland's subscriptions to international financial institutions. Long-term liabilities: Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds. Short-term assets: From 1978 the Bank of Finland's foreign bills are included in financing of exports and reclassified under the corporate sector.

Column 21 Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payments of long-term foreign assets and liabilities.

Columns 21 and 22 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings. 1978 Debt service does not include amortisation of the Bank of Finland credit facilities.

PRICE INDICES

Page 18. All indices calculated by the Central Statistical Office.

WAGES — PRODUCTION

Pages 19—20. Figures supplied by the Central Statistical Office. Page 20. *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. Commodities according to use: Investment goods weight 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 311-2) 8.0, manufacture of paper and paper products (SIC 341) 15.2, manufacture of industrial chemicals (SIC 351-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.6, and metal industry (SIC 37—38) 25.9.

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

Page 21. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Ministry of Labour. *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. Mr. Urho Kekkonen has been President since 1956 and he was re-elected for the period March 1, 1978, to March 1, 1984.

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 1979 is as follows: Social Democratic Party of Finland 52, National Coalition Party 47, Centre Party 36, Democratic League of the People of Finland 35, Swedish Party 10, Christian League of Finland 10, Finnish Rural Party 6 and Liberal Party 4.

INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1958, IDA 1960, EFTA 1961, ADB 1966, OECD 1969, and IDB 1977.

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1970) 2.7 mill. ha (9.6%) are cultivated and 19.1 mill. ha (68.4%) are covered by forests.

OWNERSHIP OF LAND (1970): The total land area was distributed among different classes of owners approximately as follows: private 60.7%, State 29.4%, joint stock companies etc. 8.0%, municipalities and parishes 1.9%.

POPULATION

NUMBER OF INHABITANTS (1978): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1978): In South Finland 46.5, in East and Central Finland 14.0, in North Finland 4.0 and in the whole country an average of 15.6 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1978): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 484 879 inhabitants, Tampere (Tammerfors) 165 519 Turku (Åbo) 164 586.

EMPLOYMENT (1978): Agriculture and forestry 12%, industry and construction 34%, commerce 15%, transport and communication 8%, services 31%.

LANGUAGE (1978): Finnish speaking 93.5%, Swedish speaking 6.4%, others 0.1%.

EDUCATION (1979): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1840) and 16 colleges of university standard.

CHANGE OF POPULATION (1978): births 13.5 ‰, deaths 9.4 ‰, change + 2.3 ‰, net emigration - 1.9 ‰. Deaths in France 10.3 ‰ and Great Britain 11.7 ‰ (1977).

TRADE AND TRANSPORT

NATIONAL INCOME (1978, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 272 (5%), forestry and fishing 5 409 (4%), manufacturing 35 784 (31%), construction 10 300 (9%), transport and communication 12 683 (11%), commerce, banking and insurance 15 956 (14%), public administration 6 578 (6%), ownership of dwellings 4 401 (4%), services 19 164 (16%), total 116 547 Index of real domestic product 166 (1964 = 100).

FOREST RESOURCES (1978). The growing stock comprised of 1 553 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, 668 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 59.9 million m³ and the total removal, calculated on the basis of roundwood consumption was 42.5 million m³.

AGRICULTURE (1978): Cultivated land 2.3 million hectares. Number of holdings 232 800 of which 159 600 are of more than 5 ha. Measure of self-sufficiency in bread cereals 44%.

INDUSTRY (1978). Gross value of industrial production 115 120 mill. marks, number of workers 388 322, salaried employees 132 712, motive power (1978) 7.6 mill. kW. Index of industrial production 105 for 1978 (1975 = 100).

STATE RAILWAYS (Dec. 31, 1979): Length 6 080 km.

MERCHANT FLEET (April 30, 1980): Passenger vessels 134 (199 164 gross reg. tons), tankers 41 (1 194 372 gross reg. tons), dry cargo vessels 217 (1 040 356 gross reg. tons), other vessels 84 (11 143 gross reg. tons), total 476 (2 445 035 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1979): Passenger cars 1 169 501 lorries and vans 143 095, buses 8 826, others 8 136, total 1 329 558.

FINNISH AIRLINES (March 1, 1980): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravellas, 9 DC-9, 7 DC-9-51, 2 DC-10-30 and 1 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 37 airports and to 20 domestic airports.

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 mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 18.6, Skr 17.7, £ 14.0, DM 13.4, \$ 9.7, other currencies 26.6. The permissible range of fluctuation is about 3 per cent on either side of the arithmetic mean. The fluctuation limits are 119.0 and 112.0.

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, 1979). There are two big and five small commercial banks with in all 863 offices, 278 savings banks, 373 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 fifty-six private insurance companies also grant credits.

RATES OF INTEREST (Feb. 1, 1980). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland on credit extended to the banks in the context of the quota facility) is 9 ¼%. The range of rates for other credits granted by the Bank of Finland is between 7 ½% and 10 ½%. Other credit institutions time deposits 5%; 6 month deposits 6 ¼%; 12 month deposits 7%; 24 month deposits 9%; 36 month deposits 9% + savings premium; 36 month deposits 9% + tax concession and sight deposits 2%. The highest lending rate 12 ½%.

PUBLIC FINANCE

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The reflationary economic policy line adopted two years earlier was maintained in Finland during 1979. Attempts were made to pave the way for a lasting reduction in unemployment by supporting in particular the financial position and competitiveness of companies. Furthermore, efforts were made to improve the structure of industrial production and its adaptability to changing conditions. The growth of household sector consumption was also encouraged. These efforts did not go unrewarded, for investment picked up and the growth of consumption accelerated. In addition to the revival in private demand, the expansion in exports was vigorous for the fourth consecutive year owing to improved competitiveness and the development of foreign demand favouring Finnish exports. For these reasons, the growth rate of Finland's total output, 6.5 per cent, was double the average for the OECD countries. As a consequence of the acceleration in economic growth, the number of unemployed fell by nearly a fifth in 1979 and the rate of unemployment amounted to about 6 per cent.

The persistent battle to curb inflation has also borne fruit in recent years. In 1979 the authorities managed to stem the rate of increase in consumer prices at the level prevailing in the previous year, 7.5 per cent, of which one-half could be ascribed to rises in import prices. Towards the end of the year, the rate of increase in domestic prices also accelerated, so that in 1980 the curbing of inflation has again become one of the major tasks of economic policy.

As a result of both a vigorous expansion in imports generated by the expansion in economic growth and the deterioration in the terms of trade, due in particular to rises in the

price of oil, the trade account and the current account moved into deficit during the latter half of the year.

CENTRAL GOVERNMENT FINANCE

THE BUDGET PROPOSAL

In the summer of 1978 when the budget proposal for 1979 was being prepared, it was estimated that economic growth in the market economies most important for Finnish exports would remain sluggish. The rate of inflation was not expected to accelerate to any notable extent from the previous year, which naturally was considered important for the maintenance of competitiveness. It was estimated that the rate of growth of domestic demand would become clearly faster and that private investment would pick up after having declined during the previous few years. In spite of a slight slow-down in export growth, the growth rate of GDP was forecast to rise to 3.5 per cent in 1979 and the external balance to remain unchanged.

Attempts were made to reduce unemployment by creating the prerequisites for enhancing companies' international price competitiveness and strengthening domestic demand. However, it was estimated that the improvement in employment prospects would be substantially hampered by a poor development of international demand.

In keeping with an established practice, the budget proposal for 1979 also contained proposals for the adjustment of income taxation to compensate for inflation in 1978. The pro-

posed 8 per cent average adjustment in income tax scales and major allowances slightly exceeded the actual price development in 1978. It was proposed that the tax prepayment rates would be lowered more than the adjustment for inflation would have called for, so as to bring tax prepayments more closely into line with the final assessment and, accordingly, to reduce tax rebates. The adjustments made in wealth tax scales were well over 8 per cent.

In the budget proposal, the sales tax rates were kept unchanged. It was proposed that the collection of employers' social security contributions at reduced rates would be continued in 1979.

In the parliamentary debate on the budget proposal, only minor changes were made, which decreased revenue but increased expenditure and borrowing.

Proposed expenditure totalled about 43 500 million marks, of which about 5 200 million marks was earmarked to be financed through borrowing. The 1979 budget contained appropriations for the continuation of major social reforms. Substantial additional funds were proposed for the development of public health, vocational training and children's day-care. On the other hand, certain measures to restrain the growth of public expenditure were suggested in the budget proposal. In order to reduce unemployment, tax concessions were to be granted so as to facilitate the improvement of companies' international price competitiveness and the strengthening of domestic demand.

ECONOMIC POLICY MEASURES IN 1979

With the extension of the impact of the deflationary measures implemented in 1978 into 1979 and the acceleration of economic growth, the need for new measures in 1979 was diminished. On the basis of the comprehensive incomes policy agreement, employers' child allowance contributions and the tax prepayments on earned income were reduced at the beginning of February 1979. At the same time, the collection of social security contributions of the insured at reduced rates was continued.

Attempts were made to promote the utilization of domestic fuels by granting special subsidies in the course of the year. Additional employment support was paid to companies. Furthermore, the liquidity position and employment prospects of municipalities were enhanced by increasing their employment subsidies. The temporary sales tax exemption for investment in industrial building, machinery and equipment was continued.

ECONOMIC DEVELOPMENTS IN 1979

By the beginning of 1979, the economic outlook was clearly brighter than in the summer of 1978 when the budget proposal was being prepared. This was partly a result of the economic and incomes policy agreements concluded. However, the economic upswing proved even more vigorous than had been foreseen at the time.

All the demand components — exports, consumption and investment — grew at a much faster rate than forecast. The growth rate of GDP, 6.5 per cent, was the fastest among the market economies in 1979.

The strengthening in the private sector's consumption and investment demand was reflected above all in an increase in the labour employed by secondary and tertiary industries. Despite a rise in the labour participation rate, the unemployment rate fell from 7.5 per cent to 6.1 per cent. It is forecast that this downward trend in the unemployment rate will continue in 1980 as well.

With the growth of imports almost double that of exports and import prices rising faster than export prices, the forecast current account surplus turned into a deficit of about 1 100 million marks. Until June, the trade account still showed a surplus.

Partly as a result of the economic and incomes policy measures implemented, the consumer price index rose by only 7.5 per cent, as against a forecast 8.5 per cent. Only one percentage point of the rise in consumer prices could be

TABLE 1. STATE CASH REVENUE AND EXPENDITURE

Revenue	1978	1979
	Mill. mk	
Total taxes on income and wealth	9 548	9 774
Sales taxes	9 550	10 649
Customs duties and import charges	581	629
Excise duties	6 772	8 204
Other taxes and similar revenue	4 452	4 416
Other revenue	3 071	3 729
Redemptions of loans granted	563	750
	<hr/>	<hr/>
Total revenue	34 538	38 151
Borrowing	5 282	4 743
	<hr/>	<hr/>
Total	39 820	42 894
Expenditure		
Consumption expenditure	10 446	11 821
Transfer expenditure	18 917	22 759
Real investment	3 772	3 943
Interest on state debt and index compensations	623	974
Other expenditure ¹	—78	—148
Lending	2 806	2 952
Other financial investment	510	517
	<hr/>	<hr/>
Total expenditure	36 996	42 818
Redemptions	774	1 182
Deficit (—), Surplus (+)	2 050	—1 106
	<hr/>	<hr/>
Total	39 820	42 894

¹ Incl. net deficit of State enterprises.

ascribed to revisions in indirect taxes and state charges. However, towards the end of 1979, the rate of inflation again started to accelerate. The level of real earnings rose by nearly 4 per cent, as against a decline in the previous year, and household sector real disposable income increased by as much as 6 per cent.

Public sector revenue declined due to revisions in the schedules for income taxes and social security contributions. However, an adjustment for inflation smaller than the increase in earnings is likely to raise the final ratio of household sector income taxes to earnings. On the other hand, the acceleration in economic growth contributed to a widening in the tax revenue base. During 1979 the Government presented four supplementary budgets, which together increased state expenditure by about 3 600 million marks, or, as in the preceding two years, by 8 per cent of the total of the ordinary budget. In order to meet the increased borrowing requirement, the Council of State's authority to raise new loans was increased, in connection with the supplementary budgets, from 5 200 million marks to 6 200 million marks.

STATE REVENUE

In 1979 total state revenue (excluding borrowing) amounted to about 38 200 million marks, 10.5 per cent more than in 1978 (Table 1). The fact that the yield from income and wealth taxes grew by only 2 per cent was a result not only of the adjustments for inflation but also larger tax rebates than in previous years and reductions in tax prepayments. In order to bring tax prepayments more closely into line with the final assessment, the prepayment rates were lowered and prepayments were collected from the beginning of February according to a scale which was one penny below the scale indicated by prepayment codes. However, the final assessment will not be affected by these changes in prepayment rates.

The yield from sales taxes was up by 12 per cent on the previous year, although the increase in yield was slightly retarded by tax concessions for industrial investment projects. The marked

acceleration in the growth of imports caused an increase in the total accrual of indirect taxes paid on imports. The total yield from taxes on automobiles and motor-cycles increased by almost 40 per cent.

The total yield from excise duties was increased by rises in the prices of alcoholic beverages and by the extension of the incidence of the excise duty on certain foodstuffs which came into force in the autumn of 1978. Tax revenue was cut by reductions in customs duties and in employers' child allowance contributions. Taxes and similar revenue totalled about 33 700 million marks, which was 9 per cent more than in the previous year.

STATE EXPENDITURE

State expenditure (excluding redemptions of loans) totalled about 42 800 million marks, 16 per cent more than in 1978. Expenditure increased clearly faster than in the previous year,

which was partly attributable to the acceleration in price rises during the second half of the year. The volume of total expenditure also grew notably more than in 1978, or by 7 per cent. State subsidies to industries increased in particular. The 20 per cent increase in transfer expenditure could be ascribed partly to the postponement until 1979 of the payment of certain appropriations related to reflationary measures and partly to a sharp increase in the payment of price disparity compensations related to the price disparity equalization scheme. The price disparity compensations for foodstuffs were covered by increases in excise duties and the price disparity compensations for fuels paid by the Import Trade Fund mainly through transfers from the budget to the Import Trade Fund. The volume of consumption expenditure grew by only slightly more than 3 per cent, almost 2 percentage points less than in the previous year. The volume of both real and financial investment declined.

CENTRAL GOVERNMENT BORROWING REQUIREMENT

In 1979 the growth rates of central government revenue and expenditure doubled from the previous year. As the growth rate of revenue was slower than that of expenditure, the central government borrowing requirement almost doubled from the previous year, amounting to about 4 700 million marks. If the redemptions of loans, about 1 200 million marks, are included, the gross borrowing requirement amounted to more than 5 800 million marks. Drawings of new long-term loans totalled about 4 700 million marks in 1979, which was about 500 million marks less than in the previous year. Of this amount, foreign loans accounted for about 2 600 million marks and domestic loans for about 2 200 million marks. Of domestic borrowing, about 1 600 million marks was raised mainly by 5 to 10 year bonds intended for public subscription. Of the 700 million mark credit facility granted by the Bank of Finland in 1978, 158 million marks was drawn. The other loans were mainly bonds sold to insurance companies and pension institutions. As a result of the increased bor-

rowing in recent years, redemptions continued to grow at a rapid rate: they were up by 50 per cent on the previous year.

The state's net long-term borrowing declined by a fifth from the previous year's exceptionally high level and amounted to about 3 600 million marks, of which net foreign borrowing accounted for about 2 300 million marks. As a consequence of changes in exchange rates, foreign debt grew less than net borrowing. At the end of 1979, the state's total debt, of which almost two thirds was external, amounted to about 14 600 million marks. At about one third of annual state revenue, this was still fairly low by international standards.

Owing to the decline in net borrowing, state expenditure (including redemptions) exceeded state revenue (including borrowing) by about 1 100 million marks. Since the deficit has been affected by certain factors related to the recording of revenue at the turn of the year 1979/1980, it does not fully reflect the development of the state's liquidity position. In fact, the state's financial reserves were still fairly large at the end of 1979 and at the beginning of 1980.

LOCAL GOVERNMENT

Since 1975, the outlines of the development of local government finance have been regulated by agreements concluded between the central government and the central municipal organizations. The agreement followed at present covers the period 1977—1980. The aim of this agreement is to restrain the expansion of total public sector expenditure and the growth of the tax burden. The current objectives for local government finance include the restriction of the real annual growth of consumption expenditure to 3 ¼ per cent, that of administrative investment to 2 per cent and the average annual increase in the local tax rate to 0.1 per cent per unit. In recent years, the objectives set in the agreement have been reached with a fair amount of success, and the financial position of municipalities has remained rather easy. At

the end of 1978, the ratio of local government debt to GDP was lower than ever before in the 1970s. The good liquidity position of municipalities was also reflected in the stock of deposits held by municipalities.

Municipalities' estimates of the growth of tax revenue in 1979 were very cautious. In local government budgets, the average growth in the yield from local taxes was estimated to be only 3 per cent. It was expected that a tax reform would sharply reduce the growth of local tax revenue in the year of transition. Under the revised system of tax collection, macroeconomic changes will be more rapidly reflected in local government finance. The actual growth of output and the tax base was considerably higher than expected, and, according to preliminary estimates, the yield from local taxes increased by 15 per cent. State subsidies are another important financial source for municipalities; the growth of these was expected to decelerate due to a decline in certain duties financed by state subsidies.

In addition to the revenue estimates and long-term growth objectives, local government expenditure in 1979 was affected by central government measures. The central government aimed at promoting employment by increasing its employment support to municipalities. It also encouraged municipalities to bring forward some of their investment projects by paying them special additional investment subsidies and by arranging opportunities for them to raise more loans than budgeted.

Last year, the growth rate of local government consumption expenditure fell to 3.5 per cent, which almost accorded with the objective set in the agreement. This fall in the rate was attributable particularly to the negligible increase in local government expenditure on comprehensive schooling which was due to a decline in the size of age groups reaching school-going age. The growth of consumption expenditure was maintained mainly by the development of social security and social services. Employment-promoting measures also contributed to an increase in consumption expenditure, although

only about half of the number of new vacancies set as a target was created by means of local government employment support.

Because of the sluggishness of investment and the scarcity of budgeted investment plans, the central government's support measures and the improvement in credit facilities in the course of the year still did not suffice to bring about an upturn in local government investment in 1979. The volume of local government investment declined, although not quite as much as originally budgeted. This decline could be mainly ascribed to a fall in investment in the construction of hospitals, roads, streets and bridges, and in electricity supply. According to preliminary estimates, a slight growth was recorded in the construction of health centres and sports facilities. Although attempts were made to speed up the construction of district-heating networks by means of state support, their expansion was deferred mainly until 1980.

The local government financial surplus increased in 1979 and the financial position of municipalities was easy at the end of the year. Indebtedness declined further and bank deposits increased. The good financial position is likely to be eroded in part by increasing investment during 1980.

SOCIAL SECURITY FUNDS ¹

As in other countries, social security contributions and benefits have increased rapidly in Finland. In 1977—1978, temporary reductions in social security contributions were used as deflationary policy instruments as means of reducing corporate sector cost pressures. However, the payment of social security benefits is

¹ In connection with the revision of Finnish national accounting in 1979, social security funds were separated from the rest of general government. Of these, the Social Insurance Institution was previously included in the central government sector, while the Central Pension Security Institute, the Seamen's Pension Fund, the Farmers' Pensions Institution, the Employment Pensions Fund, unemployment funds, the Central Unemployment Fund, the Support Fund for Unemployment Funds, and the Redundancy Payments Fund were included in the private sector. Common to all of them is the fact that they provide the social security prescribed by general government and that they are independent in their disposal of funds. In the Revised National Accounts, activities governed by the Employees' Pensions Act and the Self-Employed Persons' Pensions Act related to the employment pensions scheme continue to be included in the private sector (financial institutions). On the other hand, child allowances and child allowance contributions are included in central government accounts.

tioned to earlier agreements, which meant that the financial position of social security funds weakened in these years.

The growth rate of the yield from contributions to social security funds rose sharply in 1979. Apart from an increase in the compensation of employees, this was attributable to a slight rise in certain contribution schedules (the sickness insurance contribution of the insured and employers, and the temporary employees' pension contribution). However, the reductions made in the contribution schedules in previous years were not yet fully abolished. The social security benefits paid by social security funds increased only slightly in 1979. This was the result of a vigorous growth in the employment pensions paid under the private sector employment pensions scheme, and consequently this caused a decline in the income-linked components of national pension. The employment pensions paid by social security funds, i.e. the temporary employees' pensions and farmers' pensions, also grew in real terms, but these were much smaller than national pensions.

The social security funds showed a small financial deficit for 1978. According to preliminary figures, there was a financial surplus of about 700 million marks for 1979. Since the employment pensions scheme is partly concerned with funding, the schedules for social security contributions need to be raised, if the social security funds are to meet their obligations in the future.

PUBLIC FINANCE AND THE OVERALL ECONOMIC DEVELOPMENT¹

The long period of sluggish growth, which started in Finland in late 1974, came to an end during the last quarter of 1978. The growth of production continued at a vigorous rate in 1979 and further during 1980. The strength of the upswing and its continuation are largely attributable to the reflationary policy adopted in 1977. The measures decided then and at a later stage contributed to a significant improve-

ment in the competitive position of Finnish companies and, moreover, to an increase in household sector disposable income.

These measures did not boost domestic demand immediately. Owing to improved competitiveness, however, exports were able to expand vigorously. Even so, the expansion of exports began from a low level, so that the previous peak level of 1973—1974 in the total volume of exports was not attained until 1977, and, for example, in the paper industry not until 1979.

At first, companies used their improved internal financing mainly for improving their capital structure, and hence foreign indebtedness was sharply reduced. Investment declined because for a long time capacity utilization remained low. For several years, the conclusion of moderate incomes agreements was only achieved with the aid of tax concessions granted by the public sector. As a result, the increase in the disposable income of the household sector was clearly more rapid than that in earned income, although employment was reduced. However, real disposable income did not increase until 1978, so that the growth of private consumption remained modest.

In the main, the reflationary measures were still continued in 1979, and partly owing to these, the corporate sector's internal financing improved further. The growth of household sector disposable income also accelerated as a result of the measures taken by the public sector. The gross tax burden fell by one percentage point to 34.8 per cent of GDP, more than 4 percentage points less than the maximum so far achieved in 1976.

The expansion in exports continued vigorously in 1979. The improved development of household sector income also strengthened the growth of private consumption from late 1978 onwards. Consumption demand had been pent up for a number of years before, and the growth rate for last year came to 5.5 per cent. The sharpest increase was recorded for purchases of consumer durables, in which imports ac-

¹ See the back article »The Finnish economy in 1979 and the current outlook« in Bulletin 5/1980.

TABLE 2. THE RATIO OF TAXES TO GDP AND THE GROWTH OF PUBLIC EXPENDITURE, PER CENT¹

	1976	1977	1978 ²	1979 ²
Total tax revenue as a percentage of GDP	39.1	38.3	35.9	34.8
Net tax revenue as a percentage of GDP	26.6	25.5	23.1	22.0
Real growth of public expenditure	3.6	3.5	4.4	2 ¾
Central government	-0.3	-0.8	4.9	3
Local government	6.1	6.2	4.2	2 ½
Real growth of GDP	0.3	0.4	1.4	6 ½

¹ Because of the revision of Finnish national accounting in 1979, figures differ from those published before.

² Preliminary figures.

count for a large share; nevertheless, the majority of the growth in consumption was covered by domestic production.

The growth of exports had already stopped the decline in capacity utilization during the first half of 1978. With exports growing at a rapid rate, full capacity utilization was reached in several sectors at the end of 1979; this was also attributable to the strengthening in domestic demand. Investment picked up towards the end of the year, but the expansion will not reach its peak until the current year.

The reduction of the ratio of taxes to GDP, which was designed to stimulate private demand and enhance industry's international competitiveness, constituted the core of the reflationary policy pursued until 1979. However, as this alone was unable to affect the severe employment situation immediately, the public sector's direct and selective employment measures were necessary.

Before 1979, public expenditure grew clearly faster than GDP and hence had an expansionary impact. In 1979, the growth of public expenditure slowed down at the same time as the growth of private demand accelerated. In this respect, public finance had a slightly stabilizing impact on the upswing.

As the ratio of taxes to GDP has been reduced and public expenditure has grown faster than GDP, the financial position of general government has deteriorated substantially since 1976.

Part of this deterioration can be ascribed to a slow-down in the growth of production and the tax base and to an increase in employment expenses caused by unemployment. However, an active effort to curb the growth of taxes has played a more significant role in the development of financial surpluses or deficits of the central government and the social security funds. In 1979, vigorous economic development caused an increase in the financial surpluses of local government and the social security funds, while the central government financial position weakened by more than 2 000 million marks. This weakening was mainly the consequence of the special factors curtailing the yield from income and wealth taxes, the reduction in child allowance contributions and the sharp increase in state subsidies.

While the financial position of general government weakened in 1979, the financial surplus of the household sector increased. The propensity to consume fell slightly, as households were wary — after several years of slow income developments — of adjusting their consumption plans to match the growth of income. The financial deficit of the corporate sector grew as a result of an upturn in both fixed and inventory investment which followed several years' decline. The weakening in the current account last year could be mainly ascribed to the growth in the financial deficit of the corporate sector. However, the expansion in investment resulted largely from the public sector's consistent policy aimed at improving the private sector's operating prospects.

Although the public sector's impact on aggregate demand was expansionary in 1979, it was

TABLE 3. THE FINANCIAL SURPLUSES OF GENERAL GOVERNMENT IN 1975—1979

Year	Central government, mill. mk	Local government, mill. mk	Social security funds, mill. mk	Overall surplus, per cent of GDP
1975	850	1 132	1 056	3.0
1976	3 977	1 143	919	5.3
1977	2 698	1 043	714	3.5
1978 ¹	1 023	811	-53	1.3
1979 ¹	-1 135	1 155	740	0.5

¹ Preliminary figures.

TABLE 4. CENTRAL GOVERNMENT REVENUE SURPLUS AND ITS USE ON A CASH BASIS, MILL. MK

	1976	1977	1978	1979
Central government revenue surplus ¹	2 908	1 651	295	-1 947
— Financial placements of the central government, net	3 129	3 263	2 753	2 719
+ Long-term borrowing, net	1 103	1 533	4 508	3 561
= Cash deficit (+)	-882	79	-2 050	1 105

¹ Revenue (excl. redemptions of loans granted and borrowing) — Expenditure (excl. financial placements and redemptions).

less expansionary than in the previous year, if the lagged effects are not taken into account. According to estimates made with the aid of the econometric models of the Ministry of Finance, the impact of fiscal policy on the growth of GDP was 0.6 per cent in 1979, as against 2.6 per cent in the previous year. These estimates include the effects of both automatic changes and discretionary measures.

The central government revenue deficit, calculated on a cash basis, amounted to about 1 900 million marks in 1979. Central government lending and other long-term financial placements, less the redemptions of loans granted, almost reached the previous year's level. Because of the decline in the revenue surplus, the borrowing requirement increased by more than 2 000 million marks. However, the actual borrowing requirement proved smaller than originally forecast, and hence the Council of State's authority to raise new loans was not fully utilized. The unexpected vigour of the economic upswing, which widened the tax base, and the postponement of the payment of certain expenses contributed to the decline in the borrowing requirement.

The central government borrowing requirement exceeded net borrowing by about 1 100 million marks. Central government cash reserves,

which mainly consist of short-term deposits in the Bank of Finland and Postipankki, declined, however, by only about 200 million marks. Postipankki deposited its short-term cash receipts from the central government in the Bank of Finland.

Of the central government net long-term borrowing, about 2 000 million marks was from abroad, nearly 200 million marks from the Bank of Finland and about 1 100 million marks from other domestic sources. Borrowing from abroad and from the central bank together with the decline in cash reserves caused an increase of about 2 700 million marks in the total supply of money. Other domestic central government borrowing last year, most of which was from the public, declined from 1978 in net terms.

Last year, central government finance caused a marked easing in the financial market, which enhanced the efficiency of the expansionary economic policy. The financial market became extremely easy in the summer when revaluation expectations induced a speculative inflow of capital. In the autumn, after the current account had turned into deficit and speculative capital returned abroad, the financial market tightened again. The rapid rise in the international level of interest rates also encouraged the outflow of capital.

As a result of the economic policy decisions already made, the central government borrowing requirement in 1980 is expected to be almost the same as last year. Accordingly, the policy line of promoting economic growth and employment will still be pursued in public finance, although the growth of production is forecast to continue at a vigorous rate for other reasons as well. However, in meeting the borrowing requirement, efforts will be made to rely less heavily on foreign loans. The foreign loans drawn during the first quarter have been almost entirely tied up in cash reserves, so that central government finance has so far avoided an expansion in the supply of money.

ITEMS

Finland's gross long-term foreign debt in January—March 1980. At the end of March 1980, Finland's gross long-term foreign debt amounted to the equivalent of 36 073 million marks. The net inflow of long-term capital in January—March totalled 985 million marks, as against 603 million marks in the corresponding period last year.

Gross drawings of long-term foreign capital amounted to 2 133 million marks or 6 per cent less than in the first quarter of 1979. Redemptions of long-term foreign liabilities totalled 1 148 million marks, whereas redemptions in the same period last year reached 1 661 million marks. Interest expenses (including commissions and dividends) were 23 per cent up on January—March 1979.

FINLAND'S GROSS LONG-TERM FOREIGN DEBT BY TYPE OF CREDIT IN JANUARY—MARCH 1980, MILL. MK

	Debt ¹ Dec. 31, 1979	Drawings ¹	Redemp- tions ¹	Net drawings	Impact of exchange rates	Debt ¹ March 31, 1980	Interest expenses, com- missions, dividends and bonus issues
Financial loans	28 194	2 049	880	+ 1 169	—241	29 122	689
Individual financial loans	12 608	802	622	+ 180	+ 255	13 043	363
Bonds and debentures	15 586	1 247	258	+ 989	—496	16 079	326
Bond issues	10 054	780	134	+ 646	—284	10 416	244
Debenture issues	331	—	—	—	+ 3	334	6
Certificates of deposit	—	190	—	+ 190	+ 5	195	—
Private placement loans	4 943	277	111	+ 166	—216	4 893	73
Loans from the World Bank	258	—	13	— 13	— 4	241	3
Import credit	4 898	59	226	— 167	— 39	4 692	106
Ship and aircraft credits	1 968	36	110	— 74	— 14	1 880	42
Other import credits	2 930	23	116	— 93	— 25	2 812	64
Leasing credits	116	—	7	— 7	+ 5	114	3
LONG-TERM CREDIT	33 208	2 108	1 113	+ 995	—275	33 928	798
Direct investments	1 979	24	24	—	— 8	1 971	36
Equity capital ³	1 484	21	6	+ 15	—	1 499	30
Loans to subsidiaries	495	3	18	— 15	— 8	472	6
Subscriptions ¹	184	1	11	— 10	—	174	—
LONG-TERM GROSS DEBT	35 371	2 133	1 148	+ 985	—283	36 073	834

¹ Subscriptions paid in the form of promissory notes to international financial institutions.

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

³ The balance outstanding of equity capital of direct investments is calculated as the net value of investments by active companies.

In a breakdown of drawings by type of credit, financial loans accounted for 96 per cent, import loans for 3 per cent and direct investments for 1 per cent.

Drawings by the central government amounted to 1 146 million marks or 54 per cent of total drawings, while those by enterprises totalled 658 million marks or 31 per cent, and those by financial institutions accounted for 304 million marks or 15 per cent.

Three Finnish bond issues, together worth 780 million marks, were floated abroad in January—March 1980.

Foreign direct investment in Finland and Finnish direct investment abroad in 1979.

The net outflow of investment capital grew considerably in 1979, while the net inflow of investment capital continued to decline. The overall balance, allowing for the payment of dividends and interest expenses in addition to investment flows proper, showed a deficit for 1979.

Direct investment abroad by Finnish firms amounted to 2 324 million marks, whereas corresponding investment in Finland by foreign firms totalled 1 979 million marks. Of the latter sum, 495 million marks represented loans to subsidiaries.

In a breakdown of Finnish subsidiaries abroad by type of activity, no significant change took place in the 1970s. The majority of subsidiaries (63 per cent) were sales firms, while 15 per cent were manufacturing firms and the remainder mainly service sector firms. Nor did the distribution of subsidiaries between industrial countries and developing countries change during the past decade: one tenth of the subsidiaries was still located in developing countries.

The net inflow of investment capital in 1979 amounted to 106 million marks. This comprised direct investment in the form of equity capital (including bonus issues) of 211 million marks,

less the repatriation of investment capital of 25 million marks, and drawings of loans by foreign firms to subsidiaries in Finland of 59 million marks, less redemptions on these of 139 million marks. Although direct investment in the form of equity capital increased slightly, the net inflow of investment capital as a whole decreased by 35 million marks, as against 141 million marks in the previous year, owing to a decline in net drawings of loans to subsidiaries in Finland. Changes in the items compared were considerably affected by the conversion of 74 million marks of loans to subsidiaries into share capital.

Of the net inflow of investment capital, 32 million marks was invested in manufacturing firms and 77 million marks in sales firms. Among the rest of the firms, the repatriation of capital exceeded new investment by 3 million marks. Foreign firms established a total of 84 new subsidiaries in Finland in 1979, while 80 firms ceased their activities. At the end of the year, there were 891 firms in Finland which were over 20 per cent foreign-owned. Of these, 535 were sales firms and 194 industrial firms.

The foreign subsidiaries in Finland transferred 163 million marks in dividends to their parent companies and paid 30 million marks in interest on loans granted by their parent companies.

The net outflow of investment capital amounted to 487 million marks. Finnish direct investment in foreign countries in the form of equity capital (including bonus issues) totalled 440 million marks. Loans granted to subsidiaries exceeded their redemptions of earlier loans by 48 million marks.

Of the net outflow of investment capital, 257 million marks was invested in manufacturing firms, 89 million marks in sales firms and 141 million marks in other firms.

A total of 145 permits were granted for the establishment of new subsidiaries abroad. At the end of last year, there were 975 subsidiaries abroad in which more than 20 per cent of the share capital was Finnish-owned. Of these, 614

TABLE 1. FOREIGN DIRECT INVESTMENT IN FINLAND, AND FINNISH PAYMENTS OF DIVIDENDS AND INTEREST, MILL. MK

	Equity capital ¹	Repatriation	Equity capital, net	Loans to subsidiaries, net	Total	Payments of dividends	Bonus issues	Interest expenses	Grand total
1970	66	5	61	13	74	32	19	3	20
1971	101	5	96	7	103	48	10	3	42
1972	119	5	113	18	131	79	5	2	45
1973	67	70	-3	63	60	69	1	5	-15
1974	116	15	101	55	156	67	19	9	61
1975	160	16	144	107	251	96	7	11	137
1976	156	3	153	70	223	115	34	16	58
1977	122	14	108	80	188	188	3	31	-34
1978	155	29	126	15	141	130	15	29	-33
1979	211	25	186	-80	106	163	45	30	-132

¹ Including bonus issues.

TABLE 2. FINNISH DIRECT INVESTMENT ABROAD, AND DIVIDEND AND INTEREST EARNINGS RECEIVED IN FINLAND, MILL. MK

	Equity capital ¹	Repatriation	Equity capital, net	Loans to subsidiaries, net	Total	Dividend earnings ²	Bonus issues	Interest earnings	Grand total
1970	115	0	115	191	-306	0	—	0	306
1971	72	0	72	115	187	0	0	0	187
1972	156	0	156	117	273	1	0	0	272
1973	106	81	25	63	88	1	0	0	87
1974	59	9	50	32	82	3	0	0	79
1975	159	3	156	-60	96	13	0	0	81
1976	110	11	99	19	118	4	7	—	107
1977	459	2	457	-164	293	3	2	3	285
1978	243	2	241	16	257	14	22	1	220
1979	440	1	439	48	487	4	16	3	464

¹ Including bonus issues.

² The figures are imprecise as transfers of dividends and interest to Finland do not require a permit from the Bank of Finland.

were sales firms and 144 manufacturing firms, while 217 firms were involved in some other kind of activity.

Of the net outflow of investment capital, 46 per cent went to the EEC countries and 19 per cent each to the EFTA countries and North America.

The majority of Finnish subsidiaries abroad and foreign subsidiaries in Finland were sales firms. Just under a third of last year's inflow of investment capital went to manufacturing firms, whereas manufacturing firms accounted for the major share in the net outflow of investment capital.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor, absent as Prime Minister

Ahti Karjalainen <i>Deputy Governor, Acting Governor</i>	Pentti Uusivirta
Rolf Kullberg <i>Deputy Governor, ad int.</i>	Ele Alenius
Harri Holkeri	Seppo Lindblom <i>ad int.</i>

Directors

Markku Puntila	Seppo Lindblom
Eino Helenius	Pentti Koivikko
Kari Nars	Antti Lehtinen

Senior officials

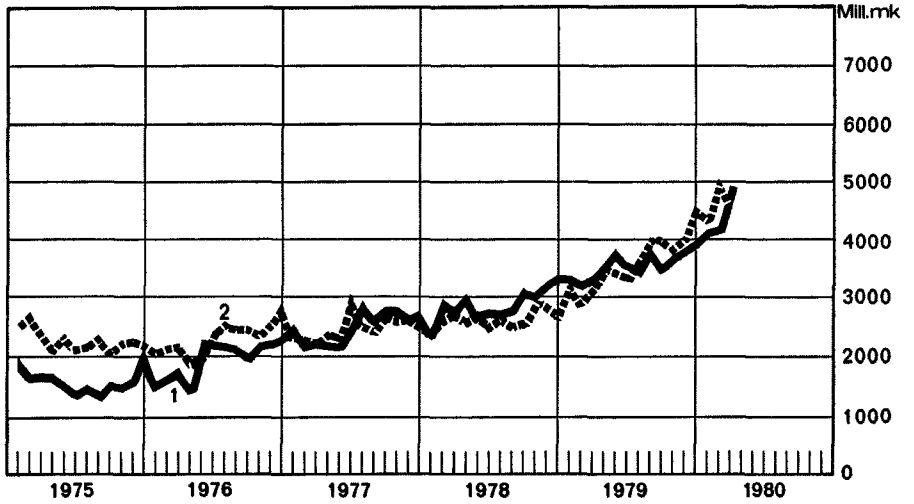
Pertti Kukkonen <i>Director, ADP-planning</i>	Ralf Pauli <i>Deputy, Monetary Policy</i>
Raimo Hyvärinen <i>Domestic Financing</i>	Kari Pekonen <i>Exchange Policy</i>
Osmo Soikkeli <i>Deputy, Foreign Exchange</i>	Kari Holopainen <i>Bilateral Trade</i>
Antti Saarlo <i>Special Bilateral Affairs</i>	Pekka Tukiainen <i>Foreign Financing</i>
J. Ojala <i>Exchange Control</i>	Sirkka Hämäläinen <i>Deputy, Economics Dept.</i>
Heikki Koskenkylä <i>Research Dept.</i>	Markku Pietinen <i>Information</i>
H. T. Hämäläinen <i>Administration</i>	Timo Männistö <i>Internal Audit</i>
U. Levo <i>International Legal Affairs</i>	Erkki Vehkamäki <i>Data Processing</i>
Anton Mäkelä <i>Personnel</i>	Stig G Björklund <i>Payments</i>

Reijo Mäkinen

Cash

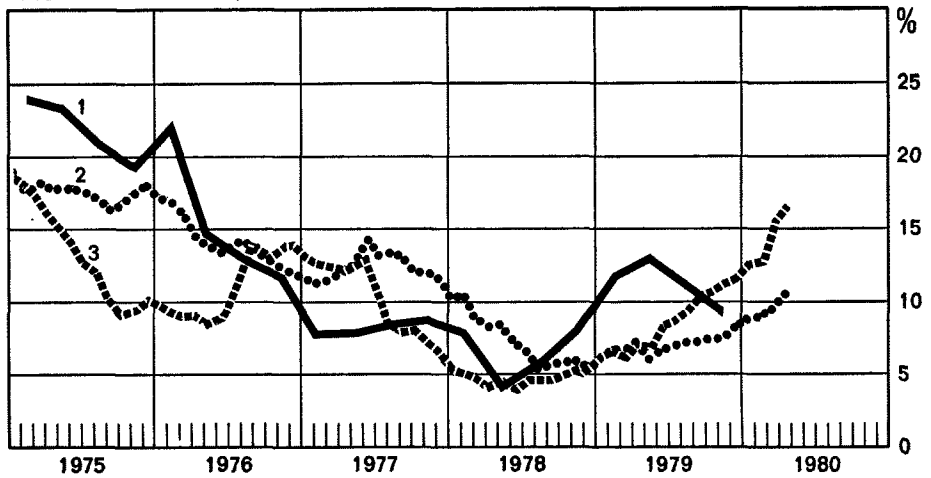
FOREIGN TRADE, 1975-80

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



PRICES AND WAGES, 1975-80

- 1. Index of wage and salary earnings 1975 = 100, quarterly figures
 - 2. Consumer price index 1977 = 100, monthly figures
 - 3. Wholesale price index 1949=100, monthly figures
- Percentage change over previous year



PRODUCTION, 1975-80

- 1. Total index of industrial production 1975 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1970 = 100, seasonally adjusted quarterly figures

