

BANK OF FINLAND

Monthly Bulletin

Economic situation

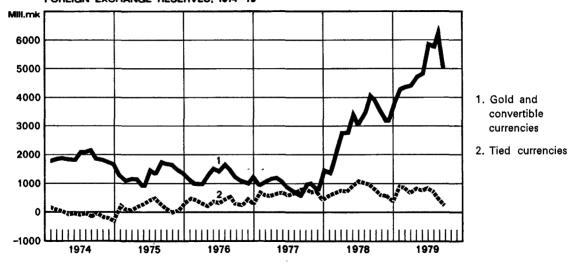
International competitiveness of Finnish industry

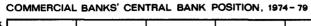
Finland adopts Article VIII status Finland's balance of payments January— June 1979

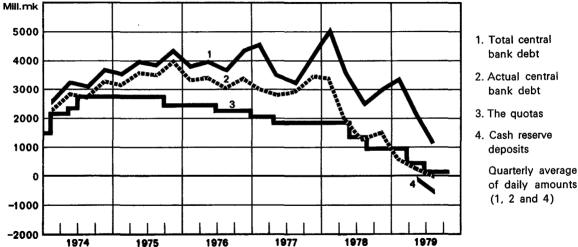
Trade between Finland and the U.S.S.R. in 1981—1985

NOVEMBER 1979 Vol. 53 No. 11

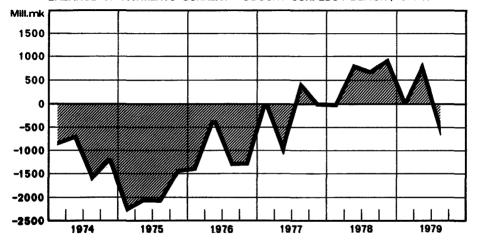
BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES. 1974-79







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



Seasonally adjusted quarterly figures

ECONOMIC SITUATION

In the current year economic developments have been very favourable in Finland. After three years of recession, output started to increase towards the end of 1978, and in the first half of this year GDP grew by 6 per cent compared with the corresponding period of last year. As a result of the strong pick-up in output, there has been a clear improvement in employment. Despite the acceleration of international inflation, the price performance has so far been favourable, and the rate of inflation is likely to remain clearly below the average for other industrialized countries. Likewise the current account has stayed in balance.

These favourable trends are mainly due to an unexpectedly strong growth in exports induced partly by a rapid expansion of world trade during the early part of the year, and partly by the policy measures of recent years aimed at reducing the rate of inflation and strengthening the competitiveness of the business sector. These, together with relatively easy financial conditions, have boosted an improvement in domestic demand, and, in particular, the revival of investment activity in the open sector.

The pick-up in international trade, which has been concentrated mainly in raw-materials and related goods weighing heavily in Finnish exports, has induced a 12 per cent increase in export volumes in the first half of the year compared with the corresponding period of last year. Since export prices rose by 10 per cent on average, the growth of export value amounted to almost one fourth. In particular, the exports of forest industry products have increased substantially, and despite an expected decline in ship deliveries, metal and engineering exports have also risen by 14 per cent in the first half of the year. The average annual growth in exports of goods and services is expected to be close to 10 per cent in the current year.

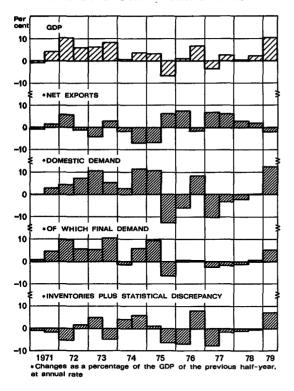
Because of a rather favourable export price performance, the terms of trade have deteriorated only slightly in spite of a considerable increase in the oil bill. As in 1974, the short-run deflationary effects of oil-price changes will thus not be felt in Finland to the same extent as in most OFCD countries.

Export price developments as well as higher capacity utilization rates have together with policy measures boosted the profitability and liquidity of firms. The improved financial position has stimulated investment activity, particularly in the forest-based industries. Owing to a slight fall in housing construction, the volume of fixed investments grew by no more than 3 ½ per cent at annual rate in the first half of the year as compared to the previous half-year. However, the growth is expected to accelerate rapidly towards the end of the year. So far, a large proportion of fixed investments has been directed to replacements of machinery. In the current year an up-turn in the stock-cycle has been a significant growth component vielding an even bigger contribution than fixed investments.

The improvement in the employment situation and the slowdown in the rate of inflation together with the decrease in the net tax rate have produced an increase in household real incomes. As a consequence, during the first part of this year consumer demand has grown at an annual rate of 6 per cent from the previous half-year. All in all, total domestic demand has become an important growth-sustaining factor.

As a result of the continued growth of exports and the pick-up in domestic demand, domestic output has accelerated during the first half of the year. The growth has been most vigorous in forestry and in the forest industry. These two sectors account for more than one third of the GDP growth, which is forecast to be

GDP BY GROWTH COMPONENTS



around 7 ½ per cent on average this year. The recovery in output as well as increased direct support to employment have produced a clear improvement in the labour market situation. In the first half of the year, the number of employed rose mainly in the metal and forestry industries and in the service sector. In public services the increase has consisted mostly of part-time workers. Some branches have already experienced local shortages of skilled labour. which have, among other things, activated participation in the labour force, especially by female workers. There has also been a clear fall in unemployment since the beginning of the year, and in August the seasonally adjusted rate was slightly below 6 per cent.

In the current year the rate of inflation as measured by the consumer price index is expected to be kept around 7½ per cent. A rapid increase in productivity has to some extent compensated for the cost pressure induced by higher energy prices. However, wholesale prices and building costs have been rising more rapidly than consumer prices, reflecting increasing inflationary pressures.

Despite the rapid growth in domestic demand. the current account remained in surplus during the first half of the year due mainly to the favourable export development but the result. too, of improved competitiveness in the home market. However, the acceleration of investment activity and an up-turn in the stock-cycle will increase imports towards the end of the year. As a consequence, the current account is likely to weaken to some extent, leading to a small deficit at the end of the year. The current account surplus as well as the net import of capital by the central government ensured that the financial conditions remained fairly easy in the first part of the current year. In the summer a further impetus to the import of short-term capital was given by revaluation expectations. However, the easing of the financial market is now coming to an end with the start of liquidity outflow.1

At present the economic situation in Finland is in many respects more favourable than in most other countries. However, the prospects are clouded by the imminent deterioration of demand in the western economies, although its effect will be alleviated by the increase in exports to the Soviet Union within the framework of the bilateral trade agreements. The lagged impact of the international inflation caused mainly by the substantial increases in the oil price is also bound to pose problems for the economy, and a short-run contradiction between employment and price stability targets may again arise in the near future. With the fairly easy financial position and improving employment, the rapid increase in domestic demand is likely to lead to an acceleration of domestic inflation and to a cyclical deterioration of the external balance. These prospects are also reflected in next year's budget proposal, which does not include any new stimulatory measures and aims at reducing inflationary pressures. In addition, the FMK was cautiously revalued by 2 per cent on 21st September. On the same occasion it was decided to raise interest rates by 1.25 percentage points as

(continued on page 32)

See the back article »Recent Financial Developments» in Bulletin 10/1979.

DAIK OF THEATE						tallii' ilik
		978			979	
	Oct. 31	Dec. 30	Oct, 8	Oct. 15	Oct. 23	Oct. 31
Assets						
Gold and foreign exchange receivables	4 301	4 3 3 9	4 862	4 923	4 694	4 301
Gold	133	169	169	169	169	169
Special drawing rights IMF reserve tranche	149	316	448	448	448	453
Convertible currencies	246 3 092	243 3126	236 3 899	236 3 864	236 3 738	236 3 337
Tied currencies	681	485	110	206	103	106
Other foreign receivables	2 551	1 968	3 060	3 021	3 010	2 966
Foreign bills 1	620	_				
Foreign bonds	821	872	1 954	1 915	1 904	1 860
Mark subscription to Finland's IMF quota	1 110	1 096	1 106	1 106	1 106	1 106
Receivables from financial institutions	3 578	3 695	2 912	3 669	3 397	3 554
Banks' cheque accounts	70	137	148	212	168	233
Discounted bills	1 113 2 013	970 2 213	2.051	2 022	2 795	2 894
Call money market advances Bonds	362	361	2 351 388	3 023 405	406	398
Other financial institution receivables	20	14	25	29	28	2,9
Receivables from the public sector	614	633	862	867	867	866
Government promissory notes	188	188	346	346	346	34,6
Bonds	93	93	144	147	148	149
Total coinage	332	336	369	369	370	370
Other public sector receivables	1 000	16	3	5	3 2 433	2 513
Receivables from corporations	1 298	1 948	2 285	2 345	1 165	1 244
Financing of exports ² Financing of domestic deliveries	250 758	904 752	1 077 872	1 111 897	931	929
Bonds	219	207	200	198	203	203
Other corporate receivables	71	85	136	139	134	137
Other assets	64	64	70	71	71	71
Total	12 406	12 647	14 051	14 896	14 472	14 271
Liabilities						
Foreign exchange liabilities	66	60	47	27	139	284
Convertible accounts	48	46	23	27	24	21
Tied accounts	18	14	24	0	115	263
Other foreign liabilities	2 729	2 195	1 899	1 899	1 899	1 899
IMF mark accounts	2 051	1 881	1 445	1 445	1 445	1 445
Allocations of special drawing rights	301	314	454	454	454	454
Term liabilities Notes and coins in circulation	377 3 431	3 822	3 956	3 964	3 905	3 963
Notes	3 1 3 2	3 509	3 619	3 627	3 568	3 625
Coins	299	313	337	337	337	338
Deposit certificates in circulation	1 359	1 090	2 390	2 390	2 390	2 390
Claims of financial institutions	1 883	2 520	2 516	3 355	2 836	2 434
Banks' cheque accounts	6	2 020	2 010	1	3	1
Call money market deposits	1 413	2 075	1 431	2 271	1 708	1 058
Cash reserve deposits		-	989	989	989	1 232
Capital import deposits	421	405	92	92	127	140
Other financial institution claims	43	38	2	2	9	3
Claims of the public sector	191	114	366	367	388	388
Cheque accounts	2	2	0	0	1	0
Counter-cyclical reserves	38	40	40	40	40	40
Capital import deposits Other public sector claims	150 1	70 2	325 1	327 0	347 0	348 0
•	344		495	495	496	490
Claims of corporations		356				130
Deposits for investment and ship purchase Capital import deposits	39 292	32 303	128 361	128 362	129 364	357
Import levy deposits	9	6	1	1	1	1
Other corporate claims	4	15	5	4	2	2
Other liabilities	16	12	15	14	13	13
Equalization accounts	336	350	224	253	284	307
	2 051	2 128	2 143	2 132	2 122	2 103
Capital accounts	1 400	1 400	1 400	1 400	1 400	1 400
Primary capital Reserve fund	1 400 545	545	636	636	636	636
Undisposed profits			92	92	92	92
Net earnings	106	183	15	4	6	25
Total	12 406	12 647	14 051	14 896	14 472	14 271

¹ From Dec. 31, 1978 included in Financing of exports. ² Until Dec. 31, 1978 New export bills.

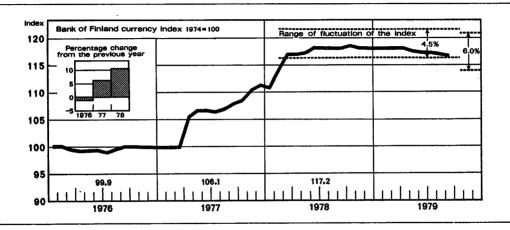
			Fore	eign sec	tor		_	Pub	lic sec	tor	
End of year or month	Gold and convert- ible ex- change receiv- ables	Convert- ible ex- change liabilities	Gold and convert- ible ex- change reserves (1-2)	Tied ex- change reserves	Other receiv- ables	Other liabilities	Net receiv- sbles (3+4+ 5—6)	Receiv- ables	Liabili- ties	Net liabil- ities (9—8)	Deposit certifi- cates in circula- tion
	1	2	3	4	5	6	7	8	9	10	11
1972	2 613	43	2 5 7 0	6	757	788	2 533	175	49	126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	-388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	_
1977	1 602	53	1 549	496	1 959	3 447	557	391	328	— 63	200
1978	3 854	46	3 808	471	1 968	2 195	4 052	633	114	 519	1 090
1978											
Oct.	3 620	48	3 572	663	2 551	2 729	4 057	614	191	<u>423</u>	1 359
Nov.	3 252	31	3 221	622	2 553	2 197	4 199	624	138	486	890
Dec.	3 854	46	3 808	471	1 968	2 195	4 052	633	114	<u>—519</u>	1 090
1979											
Jan.	4 364	38	4 326	983	2 061	2 335	5 035	791	114	<u>677</u>	1 718
Feb.	4 446	44	4 402	920	2 1 2 0	2 213	5 229	798	114	684	1 718
March	4 508	39	4 469	754	2 288	2 213	5 298	821	113	<u>708</u>	2 068
April	4 790	28	4 762	900	2 366	2 213	5 815	822	113	709	2 288
May	4 906	25	4 881	824	2 548	2 077	6 176	828	112	716	2 588
June	5 999	30	5 969	901	2 637	2 077	7 430	844	41	803	3 378
July	5 867	20	5 847	770	2 796	2 077	7 336	853	373	480	3 378
Aug.	6 523	26	6 497	504	2 971	1 899	8 073	848	374	<u>-474</u>	3 378
Sept.	5 054	20	5 034	186	3 107	1 899	6 428	859	364	<u>495</u>	2 390
Oct	4 1 9 5	21	4174	<u>—157</u>	2 966	1 899	5 084	866	388	4 78	2 390

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1978			Net ho	ding, Sept. :	Change		
	Bank of Finland	Other	Total	Eank of Finland	Other	Total	Sept.	Jan.—Sept.
Gold	169		169	169		169		
Special drawing rights	315		315	448	_	448		+133
IMF reserve tranche	243		243	236		236	_	 7
Convertible currencies	3 080	-2 072	1 008	4 182	—3 754	428	 525	580
Total	3 807	2 072	1 735	5 035	3 754	1 281	<u></u> 525	-454
Non-convertible currencies	471	152	623	186	136	322	-313	-301
Grand total	4 278	1 920	2 358	5 221	-3 618	1 603	838	 755

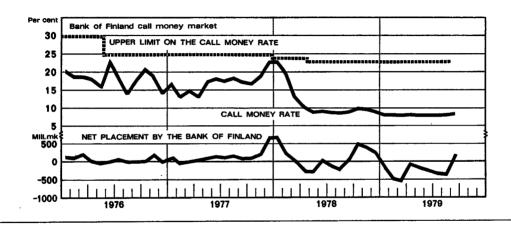
		D	omestic	financi	al sect	o r		Corp	orate se	ctor	_
End of year or month	Dis- counted and redis- counted bills	Cheque account receivables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receiv- ables (1+2+3— 4—5—6)	Permanent special financing schemes	Liabilities, net	Net receiv- ables (8—9)	Notes and coins in circu- lation
	1	2	3	4	5	6	7	8	9	10	11
1972	753	5				2	756	321	73	248	1 879
1973	2 556	61		_		2	2 615	372	259	113	2 082
1974	3 034	110			_	<u> </u>	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 1 6 7
1978	970	136	2 213	2 075		69	1 175	1 948	356	1 592	3 822
1978											
Oct.	1 113	69	2 013	1 413		87	1 695	1 298	344	954	3 431
Nov.	968	168	1 9 9 5	1 821	_	60	1 250	1 297	360	937	3 492
Dec.	970	136	2 213	2 075		69	1 175	1 656	64	1 592	3 822
1979											
Jan.	919	113	2 080	2 573		183	356	1 680	71	1 609	3 512
Feb.	891	168	2 431	3 1 3 5		95	260	1 669	37	1 632	3 653
March	829	113	1 735	2 138		23	562	1 693	27	1 666	3 740
April	349	176	1 808	2 078	_	<u>—116</u>	371	1 673	10	1 663	3 822
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	<u>—276</u>	 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 1 2 0	2 173	150	2 023	3 963



1 2 3 4 5 6 7 8 1972 809 798 1 224 — — — 7.75 — 1973 2 042 1 819 1 333 — — — 8.50 — 1974 3 204 2 840 2 494 — — 9.25 — 1975 4 000 3 611 2 725 — 239 2 9.25 26.80 2 1976 4 001 3 345 2 400 — 79 9.25 18.40 1977 3 914 3 094 1 967 — 149 9.00 17.20 1978 3 573 2 070 1 475 — 90 7.58 11.99 1978 Oct. 2 961 1 754 1 000 — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — — 421 7.25 9.85 Dec. 3 134 1 397 1 000 — — 287 7.25 9.29	Average cost of total central ank debt %	Average lending rate of the commercial banks 1 %
1973 2 042 1 819 1 333 — — 8.50 — 1974 3 204 2 840 2 494 — — 9.25 — 1975 4 000 3 611 2 725 — — 239 2 9.25 26.80 2 1976 4 001 3 345 2 400 — — 79 9.25 18.40 1977 3 914 3 094 1 967 — — 149 9.00 17.20 1978 3 573 2 070 1 475 — 90 7.58 11.99 1978 Oct. 2 961 1 754 1 000 — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — — 421 7.25 9.85	9	10
1974 3 204 2 840 2 494 — — 9.25 — 1975 4 000 3 611 2 725 — — 239 2 9.25 26.80 2 1976 4 001 3 345 2 400 — — 79 9.25 18.40 1977 3 914 3 094 1 967 — — 149 9.00 17.20 1978 3 573 2 070 1 475 — — 90 7.58 11.99 1978 Oct. 2 961 1 754 1 000 — — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — — 421 7.25 9.85	7.75	7.87
1975 4 000 3 611 2 725 — 239 2 9.25 26.80 2 1976 4 001 3 345 2 400 — — 79 9.25 18.40 1977 3 914 3 094 1 967 — — 149 9.00 17.20 1978 3 573 2 070 1 475 — — 90 7.58 11.99 1978 Oct. 2 961 1 754 1 000 — — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — — 421 7.25 9.85	9.99	8.65
1976 4 001 3 345 2 400 — — 79 9.25 18.40 1977 3 914 3 094 1 967 — — 149 9.00 17.20 1978 3 573 2 070 1 475 — — 90 7.58 11.99 1978 Oct. 2 961 1 754 1 000 — — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — — 421 7.25 9.85	10.57	9.52
1977 3 914 3 094 1 967 — — 149 9.00 17.20 1978 3 573 2 070 1 475 — — 90 7.58 11.99 1978 Oct. 2 961 1 754 1 000 — — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — — 421 7.25 9.85	12.10	9.65
1978 3 573 2 070 1 475 — 90 7.58 11.99 1978 Oct. 2 961 1 754 1 000 — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — 421 7.25 9.85	12.38	9.69
1978 Oct. 2 961 1 754 1 000 — — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — — 421 7.25 9.85	11.82	9.54
Oct. 2 961 1 754 1 000 — — 524 7.25 10.04 Nov. 3 105 1 573 1 000 — — 421 7.25 9.85	8.88	8.22
Dec 3 134 1 397 1 000 287 7 25 9 29	8.59 8.31	7.88 7.86
20, 7,20 0,20	7.94	7.87
1979 Jan. 3 334 838 1 000 — — —243 7.25 8.48	7.68	7.83
Feb. 3 814 553 1 000 — — — 509 7.25 8.40	7.59	7.83
March 3 138 455 1 000 — — — — 588 7.25 8.29	7.53	7.81
April 2 682 417 500 — — —143 7.25 8.42	7.76	7.82
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	
Oct. 2 905 +1 216 200 997 868 +1 018 7.25 9.13		, ,

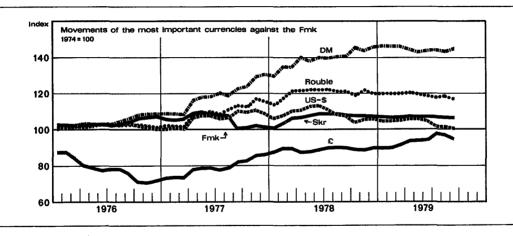
See explanations on page 22.

¹ End of period. ² 1. 9.—31. 12. 1975. ³ See Bulletin April,, 1979, page 1.

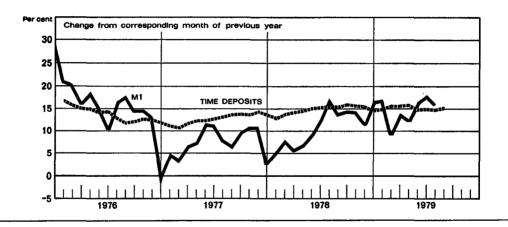


		Av	erage sel	ling rat	tes for fo	reign e	xchange	, mk		
Period	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	Currency index 1974 = 100
	1	2	3	4	5	6	7	8	9	10
1972	4.146	10.368	87.20	62.97	59.72	130.07	108.64	82.25	4.960	102.1
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
1978										
Oct.	3.939	7.919	92.07	80.23	77.20	214.03	256.37	93.81	5.988	118.7
Nov.	4.008	7.885	92.04	79.53	76.58	211.17	240.28	92.57	6.117	118.5
Dec.	4.012	7.988	91.88	79.16	76.88	213.79	239.61	93.30	6.002	118.5
1979										
Jan.	3.967	7.970	91.55	78.66	77.65	214.91	237.78	93.88	6.018	118.5
Feb.	3.979	7.990	91.38	78.40	77.64	214.63	237.79	93.46	6.018	118.5
March	3.983	8.132	91.49	78.45	77.05	214.34	237.14	93.23	6.024	118.5
April	4.012	8.332	91.65	78.33	76.40	212.10	234.14	92.55	6.055	118.5
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

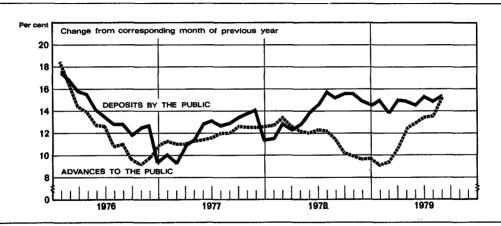
See explanations on page 22.



	E	emand o	deposits		Time deposits					
End of year and month	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	Total (4+9)
•	1	2	3	4	5	6	7	8	9	10
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
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
1978										
May	3 550	1 541	2 304	7 3 95	15 975	13287	10 277	4 393	43 932	51 327
June	3 713	1 517	2 359	7589	16 210	13 523	10 458	4 485	44 676	52 265
July	3 712	1 594	2 352	7 658	16 440	13 679	10 567	4 600	45 286	52 944
Aug.	3 716	1 718	2 237	7 671	16 323	13 956	10 796	4 681	45 756	53 427
Sept.	3 475	1 699	2 226	7 400	16 328	14 008	10818	4 707	45 861	53 261
Oct.	3 792	1 756	2 106	7 654	16 484	14 081	10 890	4 696	46 151	53 805
Nov.	3 774	1 793	2 039	7 606	16 550	14 342	11 139	4 820	46 851	54 457
Dec.	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979										
Jan.	4138	1 579	2 089	7 806	16 951	14720	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 1 1 2	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	5176	51 416	60 309
July	4 1 6 0	1 944	2 700	8 804	18 189	16153	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

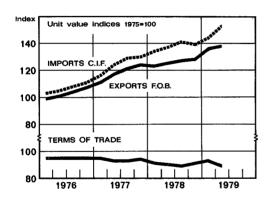


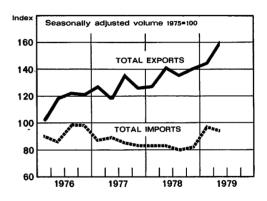
End of	Α.	dvances	granted	bу	Туре	s of adv	ances		Money	y Supply
End of year and month	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	Mı	M ₁ +Quasi- Money
	1	2	3	4	5	6	7	8	9	10
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 1 2 0	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
1978										
May	25 841	12816	10 878	6 537	48 575	1 655	5 842	56 072	10 679	55 962
June	26123	12 914	11 023	6 707	48 930	1 771	6066	56 767	11 247	57 365
July	26 017	13 048	11 148	6 753	49 217	1 761	5 988	56 966	11 351	58 025
Aug.	25 771	13 241	11 367	6 650	49 649	1 659	5 721	57 029	11 177	58 501
Sept.	25 774	13 477	11 596	6 682	50 317	1 769	5 443	57 529	11 071	58 328
Oct.	25 862	13 658	11 755	6 670	51 022	1 772	5 1 5 1	57 945	11 129	58 611
Nov.	26 091	13 846	11 951	6 707	51 673	1 759	5 163	58 595	11 108	59 300
Dec.	26 324	14 092	12 181	6 847	•52 517	1 723	5 204	59 444	11 496	60 682
1979										
Jan.	26 250	14214	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 61 6	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	14826	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	13124	7 603	56 256	1 839	6 614	64 709	13161	66 293
Aug.	29 072	15 489	13 372	7 803	57 002	1 798	6 936	65 736		



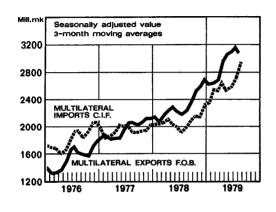
	Jan.	Aug.	Expenditu		Jan	—Aug.
Revenue	1978	1979			1978	1979
Income and wealth tax (net)	5 718	6 681	Wages, salaries, pensi	ons etc.	4 141	4 680
Gross receipts	(18 052)	(19 542)	Repair and maintenan	ce	542	614
Refunds & local authorities	(-12 334)	(-12 861)	Other consumption ex	penditure	2 066	2 499
Other taxes on income and			Total consumption ex	penditure	6 749	7 793
wealth	181	160	State aid to local au l	orities	5 447	5 629
Employers'child allowance			State aid to industries		3 097	4 059
payments	655	377	of which: agric, price	***************************************	(1 686)	(1 872)
Sales tax	6 074	6 784	Child allowances		851	917
Customs duties and import			Share in national pen	sions and		
charges and levies	577	723	sickness insurance s	schemes	213	221
Excise duties	4 000	5 110	Other transfer expend	iture	2 993	3 488
Excise duty on alcoholic			Total transfer expendite	ıra	12 601	14 314
beverages	1 281	1 574	Machinery and equipr		864	927
Excise duty on tobacco	549	587	Construction of buildi		449	487
Excise duty on liquid fuel	1 430	1 574	Land and waterway c		961	1 014
Other excise duties	740	1 375	· · · · · · · · · · · · · · · · · · ·			
Tax on autom. and motor-cycles	568	895	Total real investment		2 274	2 428
Stamp duties	520	569	Interest on State debt		352	498
Special diesel etc. vehicles tax	100	98	Net deficit of State er	nterprises	<u>—14</u>	<u>250</u>
Other taxes and similar revenue Total taxes	524 18 917	629 22 026	Other expenditure		32 370	35 283
TOTAL TAXES			Total other expenditur	е		
Miscellaneous revenue	1 403	1 659	Increase in inventories	<u> </u>	<u>—114</u>	-106
Interest, dividends etc.	526	558	Lending		1 698	1 858
Redemptions of loans granted	323	396	Other financial investr	nent	387	357
Total revenue	21 169	24 639	Total expenditure		23 965	26 927
Foreign borrowing	2 086	2 121	Redemption of foreign	loans	144	160
Domestic borrowing	1 396	1 660	Redemption of domes	tic loans	340	672
Total borrowing	3 482	3 781	Total redemptions		484	832
Deficit (+) or surplus ()	—202	<u>—661</u>				
Total	24 449	27 759		lotal	24 449	27 759
	1976	1977	1978		1979	
State debt	Dec.	Dec.	Dec.	June	July	Aug.
Foreign debt	2 248	3 679	7 360	7 967	8 285	8 478
Loans	2 175	2 963	4 607	5 1 6 2	5,191	5 431
Compensatory obligations	1	1	1	1	1	1
Short-term credit	287	175	259	129	129	117
Cash debt (net)	 643	669	 735	4 06	<u>—231</u>	217
Domestic debt	1 820	2 470	4 132	4 886	5 090	5 766
Total State debt	4 068	6 149	11 492	12 853	13 375	14 244
Total debt mill \$	1 069	1 493	2 859	3 238	3 474	3 705

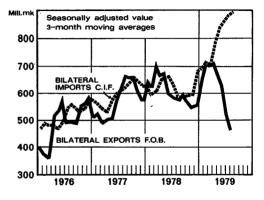
	•	ue mill. mk			Indices of exports and imports 1975 = 100						
Period	Exports	Imports c. i, f.	Surplus of exports (+) or imports	Period	Vol	u m e	Unit	value	Terms of		
	f. o. b.	G. 1. 1.	(—)		Exports	Imports	Exports	t value s imports 92 100 107 124 138 117 125 130 131 135 139 142 140	trade		
1974	20 687	25 666	4 979	1974	121	100	85	92	92		
1975	20 247	28 002	—7 755	1975	100	100	100	100	100		
1976	24 505	28 555	4 050	1976	117	96	103	107	96		
1977	30 931	30 708	+223	1977	129	88	119	124	96		
1978	35 206	32 338	+2 868	1978	138	84	126	138	91		
1978											
Aug.	2 401	2 473	<u>—72</u>								
Sept.	3 240	2 718	+522	1977							
Oct.	3 437	3 040	+397	JanMarch	123	83	112	117	96		
Nov.	3 636	3 1 4 0	+496	AprJune	115	88	118	125	94		
Dec.	3 364	2 906	+458	July-Sept.	129	84	122		94		
				OctDec.	143	93	125	131	95		
1979*											
Jan.	3 438	3 564	—126								
Feb.	2 813	2 389	+424	1978							
March	3 459	3 163	+296	JanMarch	124	78	124	135	92		
April	3 375	3 1 5 9	+216	AprJune	136	83	126	139	91		
May	4 008	3 657	+351	July-Sept.	128	79	128	142	90		
June	3 495	3 316	+179	OctDec.	160	93	129	140	92		
July	3 523	3 791	<u>—268</u>								
Aug.	3 362	3 813	<u>451</u>								
				1979*							
JanAug.				JanMarch	140	90	137	145	94		
1978	21 519	20 528	+991	AprJune	154	94	139	154	90		
1979*	27 473	26 852	+621								





		E	xports, f. c	b.			lmp	orts, c.i.f		
Period	Agri- cultural and other	Wood industry	Paper industry	Metal, en- gineering	Other	Raw materials and	Fuels and	Finished	i goods	Other
	primary products	products	products	industry products	goods	producer goods	lubricants	investment goods	Consumer goods	goods
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
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
1978										
Aug.	33	330	750	553	735	1 558	215	328	370	2
Sept.	36	421	948	887	948	1 715	200	396	389	18
Oct.	36	454	1 002	987	958	1 942	195	448	453	2
Nov.	50	498	918	1 122	1 048	2 069	197	408	462	4
Dec.	248	421	936	1 021	738	1 908	260	374	361	3
1979*										
Jan.	266	458	918	794	1 002	2 249	235	539	539	2
Feb.	16	337	890	725	845	1 623	83	315	367	1
March	258	327	1 128	797	949	1 964	64	529	604	2
April	17	441	1 107	896	914	1 950	110	585	511	3
May	187	590	1 148	923	1 1 6 0	2 335	275	434	612	1
June	47	599	1 010	815	1 024	2 188	319	366	433	10
July	59	557	1 034	891	982	2 322	523	463	467	16
Aug.	58	514	1 151	639	1 000	2 487	425	426	471	4
JanAug.										
1978	596	2 847	6 598	5 568	5 910	12 791	1 372	3 1 7 5	3 1 6 5	25
1979*	908	3 823	8 386	6 480	7 876	17118	2 034	3 657	4 004	39

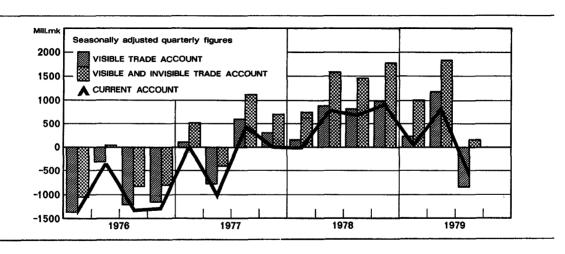




		Export	s, f. o. b.			lmpor	ts, c.i.f.	
		January	-August			January-	-August	
Area and country		1978		1979*		1978		1979*
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	62.1	13 372	66.3	18 210	58.9	12083	58.4	15 697
Austria	0.7	148	0.7	184	1.3	277	1.3	353
Belgium and Luxembourg	1.9	408	1.5	404	1.8	375	2.0	525
Denmark	4.2	903	4.0	1 089	2.7	545	2.6	^{::} \707
France	3.8	825	4.6	1 275	3.4	689	3.7	986
Federal Republic of Germany	10.4	2 243	11.2	3 090	13.7	2814	13.6	3 665
Italy	1.7	356	2.1	577	2.4	490	2.6	687
Netherlands	3.8	813	4.1	1 1 3 3	2.8	573	2.8	743
Norway	4.5	972	4.6	1 251	2.8	585	2.3	630
Portugal	0.2	38	0.2	52	0.4	75	0.5	144
Spain	0.8	175	1.0	272	0.9	186	0.9	239
Sweden	14.1	3 0 3 9	14.9	4092	14.5	2 974	14.3	3 846
Switzerland	1.7	368	1.8	500	2.1	428	2.0	527
United Kingdom	12.9	2 774	13.2	3 637	9.5	1 948	9.3	2 504
Other	1.4	310	2.4	654	0.6	124	0.5	141
OECD countries outside Europe	6.7	1 433	7.5	2 049	8.5	1 737	9.0	2 413
Canada	0.6	119	0.6	154	0.4	79	0,7	193
Japan	0.9	191	1.3	349	2.8	570	3.0	799
United States	4.2	902	4.7	1 303	5.0	1 036	5,1	1 362
Other	1.0	221	0.9	243	0.3	52	0,2	59
CMEA countries	21.4	4 601	16.5	4 538	23.4	4 801	23.2	6 21 9
Czechoslovakia	0.5	102	0.3	80	0.5	106	0.5	141
German Democratic Republic	0.7	156	0.8	225	0.6	127	0.6	161
Poland	0.7	139	0.5	127	2.4	485	1.8	490
Soviet Union	18.4	3 964	14.0	3 853	19.0	3 894	19.4	5 21 5
Other	1.1	240	0.9	253	0.9	189	0.8	212
Latin America	2.5	546	1.8	488	3.7	771	3.3	881
Argentina	0.2	43	0.3	73	0.3	51	0.3	90
Brazil	0.5	101	0.5	128	0.7	151	0.8	206
Colombia	0.1	25	0.1	38	1.2	253	0.9	234
Other	1.7	377	0.9	249	1.5	316	1.3	351
Other	7.3	1 567	7.9	2188	5.5	1136	6.1	1 642
GRAND TOTAL	100.0	21 519	100.0	27 473	100.0	20 528	100.0	26 852
of which								
EFTA countries	21.4	4 599	22.3	6117	21.4	4 386	20.6	5 537
EEC countries	39.4	8 477	41.6	11 420	36.4	7 473	36.8	9 873
OECD countries	68.8	14 805	73.8	20 259	67.4	13820	67.4	18110

¹ New series. See explanations on page 22.

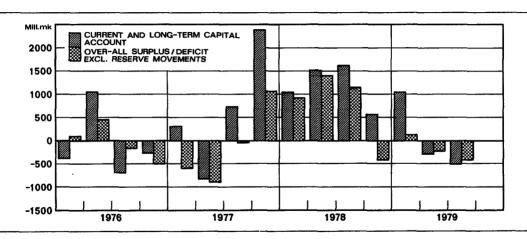
Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
									· · · · · · · · · · · · · · · · · · ·	
1975	20 181	27 939	—7 758	+ 984	+105	+217	—6 452	-1 414	—108	 7 974
1976	24 372	28 472	—4 100	+1193	+ 22	+245	-2 640	— 1 749	<u>_118</u>	-4 507
1977	30 766	30 625	+ 141	+1 392	— 3	+411	+1 941	2 434	-147	— 640
1978 *	35 024	32 243	+2 781	+1 683	+166	+958	+5 588	2 853	211	+2 524
1976										
OctDec.	7 423	8 426	<u>—1 003</u>	+324	39	+ 44	<u> </u>	483	<u>–40</u>	<u>—1 197</u>
1977 Jan -Marci		6 765	+ 212	+ 331	<u> </u>	+ 82	+ 545	<u> </u>	46	_ 7
AprJune	6 817	7 689	 872	+ 299	+ 10	+ 49	<u> </u>	<u> </u>	<u>—12</u>	<u>—1 252</u>
July-Sept.	7 931	7 671	+ 260	+ 377	+118	+180	+ 935	- 532	<u>—30</u>	+ 373
OctDec.	9 041	8 500	+ 541	+ 385	51	+100	+ 975	- 670	59	+ 246
1978*										
JanMarch		7 357	+ 388	+ 378	<u> </u>	+210	+ 910	<u> </u>	<u>—80</u>	+ 217
AprJune	8 614	8 004	+ 610	+ 403	+ 11	+252	+1 276	<u> </u>	<u>40</u>	+ 416
July-Sept.	8 271	7 816	+ 455	+ 415	+222	+175	+1 267	<u> </u>	<u>-42</u>	+ 581
OctDec.	10 394	9 066	+1 328	+ 487	1_	+321	+2 135	- 776	49	+1 310
1979*	. 0.674	9 069	+ 605	± 404	105	+335	+1 316	— 685	— 193	± 420
Jan,-Marci Apr,-June		10 088	+ 605 + 729	+ 481 + 621	+ 21	+335 8	+1 363	<u>— 685</u> —1 002	— 80	+ 438
AprJune	10017	10 008	7 /29	+ 021	T 21	8	T1 303	-1 002	60	T 201



Drawings	Amortiza-	Long-	Miscella- neous	_	Current	Short- term import	Short- term export	Miscella- neous	Over-ail surplus/	Reserve r	novements
of long-term loans	tions of long-term loans	term export credits net	long-term capital items. net 1	Long-term capital account	and long-term capital account	credits	credits and prepay- ments, net	short-term capital items, incl. errors and omissions	deficit excl. reserve move- ments	Bank of Finland	Other foreign exchange holders
+6 729	—1 44 5	_214	+ 62	+5 132	—2 842	+ 638	+1 449	+ 8	— 747	_ 444	+1191
+6 130	<u>1 785</u>	<u></u> 191	+ 48		— 305		-1 288		- 128	+ 78	
+6 454	—2 745	241	-229	+3 239				—1 071	489	170	+ 659
+9 007		<u>-774</u>	-229	+2 261	+4 785	+ 130	—2 188	+ 313	+3 040	2 339	— 701
+1 391	<u> </u>	<u> </u>	+ 69	+ 921	276	+ 359	<u> </u>	+ 169	<u> 511</u>	- 73	+ 584
+1 022	<u> </u>	<u>—127</u>	<u> </u>	+ 321	+ 314	— 799	+ 149	— 269	- 605	- 140	+ 745
+1 273	857	+ 35	37	+ 414	<u> </u>	333	+ 149	+ 116	- 906	+ 358	+ 548
+1 252	<u> </u>	<u>—156</u>	<u> </u>	+ 360	+ 733	+ 227	<u> </u>	<u> </u>	55	<u> </u>	+ 374
+2 907	<u> </u>	+ 7	<u> </u>	+2144	+2 390	<u> </u>	<u> </u>	<u> </u>	+1 077	 69	<u>—1 008</u>
	<u> </u>		<u> </u>	+ 839				+ 749	+ 924		+ 632
+2 900	<u>—1 733</u>	<u> </u>	<u>— 51</u>	+1115	+1 531		<u> </u>			<u>- 687</u>	
+2 265	<u>—1 089</u>	<u>— 96</u>	<u>— 39</u>	+1 041	+1 622	+ 20			+1 144		<u> </u>
		<u>—511</u>	—122	<u> </u>	+ 576	+ 261		573	 428	+ 511	<u> </u>
+2 202	<u>—1 626</u>	8	+ 50	+ 618	+1 056				+ 127		+ 786
+1 267	-1 453	-218	<u>175</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	+ 154	236	<u>1 760</u>	+1 996

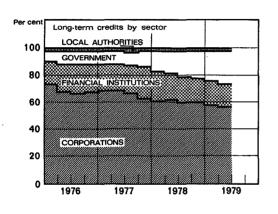
Assets: increase —, decrease+. Liabilities: increas.e+, decrease —

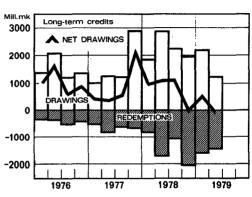
1 Including Direct investment, net.
2 Including Allocations of special drawing rights 139 million.



End of year and month	9 9 18 902 9 23 721 9 30 356	Net long-term liabilities (9-4) 10 15 443 19 931
1 2 3 4 5 6 7 8 1975	9 18 902 9 23 721 9 30 356	15 443
1976 1 969 1 342 479 3 790 17 484 4 571 1 497 16 1977 2 269 1 596 750 4 615 22 695 5 775 1 717 16 1978* 2 978 1 850 956 5 784 27 716 5 612 1 885 23 1976 June 1 878 1 259 392 3 529 16 690 3 901 1 216 13 Sept. 1 910 1 310 425 3 645 17 045 4 321 1 273 18 Dec. 1 969 1 342 479 3 790 17 484 4 571 1 497 16 1977 March 2 094 1 312 489 3 895 17 598 4 974 1 632 16 June 2 175 1 404 508 4 087 19 150 5 483 1 708 18 Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 18	9 23 721 9 30 356	
1977	9 30 356	19 931
1978* 2 978 1 850 956 5 784 27 716 5 612 1 885 23 1976 June 1 878 1 259 392 3 529 16 690 3 901 1 216 13 Sept. 1 910 1 310 425 3 645 17 045 4 321 1 273 18 Dec. 1 969 1 342 479 3 790 17 484 4 571 1 497 16 1977 March 2 094 1 312 489 3 895 17 598 4 974 1 632 16 June 2 175 1 404 508 4 087 19 150 5 483 1 708 11 Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 18		
1976 June	35 444	25 741
June 1 878 1 259 392 3 529 16 690 3 901 1 216 13 Sept. 1 910 1 310 425 3 645 17 045 4 321 1 273 18 Dec. 1 969 1 342 479 3 790 17 484 4 571 1 497 16 1977 March 2 094 1 312 489 3 895 17 598 4 974 1 632 10 June 2 175 1 404 508 4 087 19 150 5 483 1 708 18 Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 18		29 660
Sept. 1 910 1 310 425 3 645 17 045 4 321 1 273 18 Dec. 1 969 1 342 479 3 790 17 484 4 571 1 497 10 1977 March 2 094 1 312 489 3 895 17 598 4 974 1 632 10 June 2 175 1 404 508 4 087 19 150 5 483 1 708 18 Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 18		
Dec. 1 969 1 342 479 3 790 17 484 4 571 1 497 10 1977 March 2 094 1 312 489 3 895 17 598 4 974 1 632 10 June 2 175 1 404 508 4 087 19 150 5 483 1 708 11 Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 18	80 21 937	18 408
1977 March 2 094 1 312 489 3 895 17 598 4 974 1 632 10 June 2 175 1 404 508 4 087 19 150 5 483 1 708 19 Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 19	5 22 794	19 149
March 2 094 1 312 489 3 895 17 598 4 974 1 632 10 June 2 175 1 404 508 4 087 19 150 5 483 1 708 11 Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 11	9 23 721	19 931
June 2 175 1 404 508 4 087 19 150 5 483 1 708 11 Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 11		
Sept. 2 238 1 499 713 4 450 20 364 5 509 1 700 1	33 24 367	20 472
	6 26 497	22 410
Dec. 2 269 1 596 750 4 615 22 695 5 775 1 717 1	6 27 729	23 279
	30 356	25 741
1978*		
March 2 499 1 673 840 5 012 25 107 6 068 1 774 1	9 33 108	28 096
June 2 517 1 759 862 5 138 26 769 6 134 1 865 1	9 34 927	29 789
Sept. 2 548 1 785 885 5 218 28 212 5 812 1 885 1	37 36 096	30 878
Dec. 2 978 1 850 956 5 784 27 716 5 612 1 885 2	35 444	29 660
1979*		
March 3 001 1 972 1 008 5 981 28 214 5 584 1 924 2	21 35 943	29 962
June 3 179 2 089 1 029 6 297 27 763 5 172 1 923 2	26 35 084	28 787

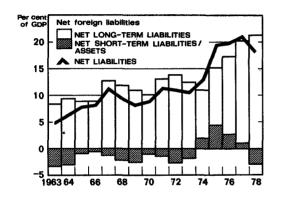
See explanations on page 22.

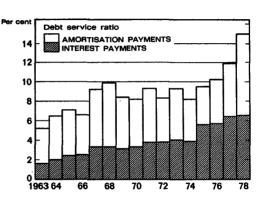




Bank of Finland	Authorized banks and other foreign exchange holders	Cor- porate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Cor- porate sector	Total (15 to 17	Net short-term liabilities) (18—14)	Net liabilities (10 + 19)	Debt service, flow	Of which amortisation payments, flow
11	12	13	14	15	16	17	18	19	20	21	22
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	2 414	996
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	8170	19 332	1 478	6 379	7 302	15159	-4173	25 487	6 622	3 769
3 610	3 095	4 949	11 654	1 201	4 215	9 377	14 793	3 139	21 547	763	278
3 517 3 630	3 307 3 087	5 313 5 676	12 137 12 393	1 298 1 201	4 379 4 812	9 497 9 486	15 174 15 499	3 037 3 106	22 186 23 037	882 819	448 336
3 030	3 007	3 070	12 000	1 201	4012	3 700	10 400	3 100	20 007	010	
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	13102	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	16133	1 293	6 594	7 5 5 9	15 446	<u>—687</u>	27 409	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 751	16133	<u>—2 168</u>	27 621	1 493	673
7 003	4 412	7 779	19 194	1 483	6 264	7 419	15 166	<u>-4 028</u>	26 850	1 628	984
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15159	<u>—4 173</u>	25 487	2 109	1 333
7 804	4 072	8 281	20 157	1 611	6 692	7 305	15 608	4 549	25 413	1 969	1 284
9 871	3 939	8 466	22 276	1 604	8 404	7 376	17 384	-4 892	23 895	2 084	1 082

See explanations on page 22.





		Bas	ic price i	ndexford	lomestic s	upply 197	5 = 100 1	Bu	ilding	costs
	Wholesale		Ori	gin		Purpose		1973 = 100		
Period	price index 1949 = 100	Total	Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods	Total	Wages in building trade	Building materials
1977	692	119.2	119.7	117.3	114.1	132.7	121,3	171.4	154.0	175.9
1978	727	125.8	124.1	131.8	119.2	140.3	129.5	180.8	161.0	186.0
1978					٠					
Nov.	744	128.7	127.1	134.0	121.9	144.4	131.8	185.1	167.9	189.3
Dec.	747	129.0	127.1	135.4	122.3	143.3	132.9	185.4	168.3	189.4
1979										
Jan.	752	130.4_	128.5	137.1	123.9	145.4	133.5	188.1	169.5	192.6
Feb.	760	131.7	129.7	138.8	125.4	146.6	134.4	189.0	170.5	194.6
March	763	133.3	130.8	142.3	127.6	147.1	135.4	193.0	177.4	195.7
April	770	134.0	131.6	142.4	128.1	147.6	136.8	195.0	179.1	197.8
May	772	134.9	132.4	143.7	129.0	148.5	137.6	197.1	179.1	200.8
June	783	136.8	133.6	148.0	131.9	148.9	138.5	199.2	179,1	203.7
July	800	139.1	135.9	150.3	134.4	150.5	140.5	199.7	179,1	204.3
August	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

¹ New series, see item Bulletin 10/1979.

				С	onsume	rprices	1977 = 10	00 1			
Period	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	House- hold goods and services	Health and medical services	Transport and communi- cation	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
1978											
Nov.	110.6	106.1	118.4	111.4	107.4	107.2	108.0	119.8	114.0	111.8	113.0
Nec.	110.4	105.0	118.4	111.5	107.4	107.3	108.4	119.8	114.6	111.9	112.7
1979											
Jan.	111.3	104.6	129.0	109.6	107.4	107.3	109.4	122.6	114.4	112.6	114.8
Feb.	112.6	106.6	129.4	110.4	111.4	107.2	109.8	122.8	114.6	112.9	115.4
March	113.4	107.5	129.4	111.7	111.4	109.0	110.2	122.8	116.4	112.8	115.9
April	114.4	107.8	129.4	115.5	111.4	108.9	112.6	123.4	118.1	115.1	116.8
May	114.8	107.9	129.4	116.0	113.0	108.9	112.9	123.4	117.8	115.5	117.4
June	115.6	108.1	129.4	116.0	113.0	114.3	113.5	123.4	120.4	115.7	117.9
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

¹ New series.

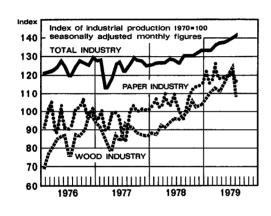
			l n d	ex of sala	ry and w	age earn	ings 1964	= 100		
		By in	dustries		Вуі	nstitutional s	ectors			
Period		Vage earne	rs in	Employ-	State	Munic-	Employ-	All salary	All wage	All employ-
	Agri- culture	Industry	Con- struction	ees in services	employ- ees	ipal employ- ees	ees in private sector	earners	earners	968
1977	671	484	457	386	387	378	453	373	479	433
1978*	763	521	481	413	408	394	488	398	513	463
1977										
July-Sept.	672	493	462	389	390	382	461	377	488	440
OctDec.	708	499	468	398	394	382	468	385	492	445
1978*										
JanMarch	731	502	472	399	396	385	471	386_	496	448
AprJune	754	516	476	404	399	388	483	391	509	457
July-Sept.	764	522	477	417	411	395	493	402	518	467
OctDec.	792	544	499	432	427	408	506	416	531	481
1979*										
JanMarch	810	559	507	453	437	423	523	433	545	496
AprJune	862	567	514	464	449	432	535	442	559	508

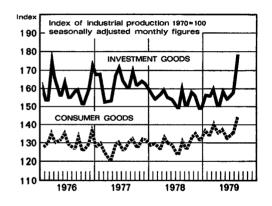
PRODUCTION

	Volume indices of production 1975 = 100													
Period `	Gross domestic product	Indus- trial pro- duction	Agri- culture	For- estry	Construc- tion of buildings	Land and waterway construc- tion	Transport and com- munica- tion	Commerce	Public sector services	Others				
1977														
JanMarch	99	105	80	115	80	90	90	83	110	102				
AprJune	100	102	87	118	76	90	93	94	110	104				
July-Sept.	98	88	163	66	99	87	102	95	111	101				
OctDec.	106	107	72	123	112	92	109	100	112	108				
1978 *														
JanMarch	100	106	70	122	77	87	91	83	115	104				
AprJune	102	107	80	110	79	90	101	92	115	108				
July-Sept,	97	90	148	62	99	86	102	91	115	104				
OctDec.	109	111	71	149	104	88	112	101	117	109				
1979 *														
JanMarch	105	116	73	144	71	85	100	88	119	106				
AprJune	109	114	79	169	69	90	112	99	118	112				

Index of	industrial	production	1970 = 100

Period						Spec	ial indices	of manufa	cturing		Total, adjusted
	Total	Invest- ment goods	Other producer goods	Consumer goods	Food industry	Wood industry	Paper industry	Chemical industries	Non- metallic mineral industry	Metal industry	for seasonal varia- tions
1975	122	178	110	130	113	76	95	143	128	150	122
1976	125	162	116	132	110	85	99	153	121	150	125
1977	125	165	117	129	108	89	98	149	122	149	126
1978*	130	156	125	131	115	97	108	159	123	146	129
1978*											
July	67	58	67	69	102	42	69	95	51	50	127
Aug.	134	159	128	139	125	94	108	170	124	152	131
Sept.	138	162	134	136	114	104	124	175	136	156	131
Oct.	146	176	141	146	137	116	128	191	140	165	131
Nov.	147	177	141	150	142	112	127	166	130	167	133
Dec.	129	145	125	131	114	87	105	154	109	142	134
1979 *											
Jan.	145	172	142	142	113	104	128	190	118	164	134
Feb.	136	161	133	132	103	107	118	181	113	152	134
March	153	177	149	151	117	133	135	202	135	168	137
April	136	151	132	137	117	123	112	176	125	148	138
May	153	180	149	150	129	153	131	197	141	173	138
June	130	162	124	133	118	132	97	145	140	152	140
July	84	71	88	79	108	62	105	125	79	66	141
Aug.	146	175	139	152	129	105	130	185	142	164	143





Period	age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un- employed, 1 000 persons	Unemploy- ment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Whole- salers' volume index 1972 = 100
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976	3 547	2 254	2 1 6 3	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	109	120
1978								
Oct.	3 584	2 219	2 066	153	6.9	2 559	111	131
Nov.	3 583	2 224	2 061	163	7.3	3 046	109	125
Dec.	3 586	2 211	2 047	164	7.4	3 294	139	137
1979*								
Jan.	3 587	2 210	2 025	185	8.4	3.335	• •	
Feb.	3 590	2 210	2 029	181	8.2	3 968		
March	3 590	2 210	2 048	162	7.3	4 352		
April	3 592	2 201	2 052	149	6.8	4 828		
May	3 593	2 246	2 111	135	6.0	4 536		
June	3 591	2 439	2 304	135	5.5	2 760		
July	3 594	2 441	2 300	141	5.8	- [984	••	
Aug.	3 592	2 347	2 227	120	5.1	1 368	4.	• •

CONSTRUCTION OF BUILDINGS

	E	Building	permits	grante	d		Buildi	ngs com	pleted		Building-
Period	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	works under con- struction
					Millio	n cubic	metres				
1976	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
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
1978*											
JanMarch	10.21	3.72	1.02	4.06	0.92	9.06	3.93	0.67	3.34	0.77	44.63
AprJune	12.92	6.51	2.17	2.59	0.69	10.12	4.43	0.60	3.62	0.94	47.46
July-Sept.	11.07	4.12	1,04	4.33	0.85	9.57	3.58	1.10	2.95	1.07	49.12
OctDec.	7.79	3.54	0.74	1.74	1.21	13.07	6.02	1.29	3.44	1.38	42.78
1979*											
JanMarch	7.75	3.32	1.23	1.95	0.77	7.38	3.37	0.69	2.42	0.62	39.45
AprJune	19.16	7.45	2.77	7.22	0.68	6.99	3.24	0.45	2.16	0.79	47.04

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

The balance sheet of the Bank of Finland was revised on Dec. 31, 1974 and further revised from Dec. 31, 1978, when foreign bills were included in corporate sector receivables not in receivables from the foreign sector as earlier

Page 4. Foreign sector: Gold and convertible exchange receivables = Gold + Special drawing rights + IMF reserve tranche + Convertible currencies.

vertible currencies.

Gold and convertible exchange reserve = Gold and convertible exchange receivables — Liabilities in convertible currencies.

Non-convertible exchange reserve = Receivables in tied currencies

Liabilities in tied currencies.

Other receivables = Foreign bonds + Mark subscription to Fin-

Other receivables = Foreign bonds + Mark subscription to Fin-land's quota in the IMF.

Other liabilities = IMF mark accounts + Allocations of special drawing rights + Term liabilities.

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 Coppraise sector. retrinaient 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 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

the sum of individual quotas specifying the amount each bank eligible for central bank credit can borrow at the discount rate. 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. — 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 Postipankki's advances do 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. M₁ = 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 EINANCES

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.

FORFIGN 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 1978 imports by countries of origin exports by countries of consumption.

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 smugaling.

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

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 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 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 8 and Liberal Party 4

INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1956, IDA 1960, EFTA 1961, ADB 1966, OECD 1969, 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 (1977): 4.7 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.0 million.

DENSITY OF POPULATION (1977): In South Finland 46.4, in East and Central Finland 13.9, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1977): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 487 519 inhabitants, Tampere (Tammerfors) 166 118, Turku (Abo) 165 215.

EMPLOYMENT (1977): Agriculture and forestry 13 %, industry and construction 35 %, commerce 15 %, transport and communication 7 %, services 30 %.

LANGUAGE (1977): Finnish speaking 93.4 %, Swedish speaking 6.4 %, others 0.2 %.

EDUCATION (1978): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1977): births 13.9 $^{\circ}$ / $_{00}$, deaths 9.4 $^{\circ}$ / $_{00}$, change + 2.2 $^{\circ}$ / $_{00}$, net emigration — 2.2 $^{\circ}$ / $_{00}$. Deaths in Frence 10.1 $^{\circ}$ / $_{00}$ and Great Britain 11.7 $^{\circ}$ / $_{00}$.

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 %), cownership of dwellings 4 401 (4 %), services 19 164 (16 %) total 116 547. Index of real domestic product 166 (1964 = 100).

FOREST RESOURCES (1977): The growing stock comprised of 1520 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, 637 million m³ was up to the standard required for logs, 56 % of these being pine. The annual growth was 57.4 million m³ and the total removal, calculated on the basis of roundwood consumption, was 40.7 million m³

AGRICULTURE (1977): Cultivated land 2.3 million hectares. Number of holdings 237 700 of which 162 000 are of more than 5 ha. Measure of self-sufficiency in bread cereals 125 %.

INDUSTRY (1977): Gross value of industrial production 103 579 mill. marks, number of workers 400 287, salaried employees 135 280, motive power (1977) 7.2 mill. kW. Index of industrial production 125 for 1977 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1979); Length 6 063 km.

MERCHANT FLEET (Sept. 30, 1979): Passenger vessels 131 (204 642 gross reg. tons), tankers 41 (1193 557 gross reg. tons), dry cargo vessels 213 (1013 202 gross reg. tons), other vessels 79 (10 451 gross reg. tons), total 464 (2 421 852 gross reg. tons),

MOTOR VEHICLES (Dec. 31 1978): Passenger cars 1 115 300, lorries and vans 139 100, buses 8 800, others 7 600, total 1 270 800.

FINNISH AIRLINES (March 31, 1979): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9, 7 DC-9-51, 2 DC-10-30 and 4 Convair Metropolitans, Companies have scheduled traffic outside of Finland to 30 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 tradeweighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 19.1, Skr 17.5, £ 13.9, DM 13.4, \$ 9.2, other currencies 26.9. The permissible range of fluctuation is about 3 per cent on either side of the arithmetic mean. The fluctuation limits are 121.0 and 114.0.

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, 1978). There are two big and five small commercial banks with in all 858 offices, 280 savings banks, 374 co-operative banks, six mortgage banks. Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-seven private insurance companies also grant credits.

RATES OF INTEREST (Nov. 1, 1979). 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 8 ½ %. The range of rates for other credits granted by the Bank of Finland is between 6 % % and 9 % %. Other credit institutions time deposits 4 %%; 6 month deposits 5 ½ %; 12 month deposits 7 %; 24 month deposits 8 ½ %; 36 month deposits 9 % + savings premium; 36 month deposits 9 % + tax concession. The highest lending rate 11 % %.

INTERNATIONAL COMPETITIVENESS OF FINNISH INDUSTRY

by Tapio Peura, M.Sc. (Econ.)
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Bank of Finland

INTRODUCTION

The question of external competitiveness has received increasing attention in the seventies. Large differences in inflation rates between countries and major disequilibria in balance-ofpayments patterns have, together with the breakdown of the fixed exchange rate system. led to increasingly volatile foreign exchange markets, and sharp movements in exchange rates have become common. In these circumstances, correct assessment of the competitive strength of the economy has become important for policy-makers. This is also true for Finland. where, in addition, marked structural changes in the sixties and seventies involving the increased openness of the economy have necessitated a thoroughgoing examination of the competitive position.

Basically, competitiveness is a microeconomic concept which is related to the success of a single firm or even a product which competes with similar products in the marketplace. At the macroeconomic level, a sufficient degree of competitive strength is a necessary prerequisite for internal and external balance to be mutually compatible targets.

A comparison of Finland's economic performance with that of other countries with respect to central economic targets provides, perhaps, an appropriate background for the study of the development of Finland's international competitive position (Chart. 1). In the period 1960—1978, the annual economic growth rate in Finland has been on average 1.2 percentage points higher than in the most important export countries. On the other hand, the rate of inflation has exceeded the average

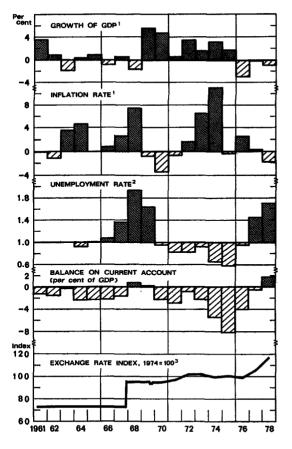
rate in the main markets by 1.7 percentage points, and at times the differences have been considerable. These developments indicate the priority accorded to the labour market situation, the aim being to keep unemployment at a low level. This has also been reflected in the external balance, which has mostly been in deficit

PROBLEMS IN ASSESSING THE COMPETITIVE POSITION

The basis for a country's external competitiveness is to be found in the resource endowment. industrial tradition and development, the level of education as well as living and working customs. These factors have also largely determined Finland's position among western industrial countries: the forest-based industries have traditionally accounted for the major part of exports while other branches have emerged as important producers and exporters only in the period following the war. Both the fact that industrialization on a wider basis has been a fairly recent phenomenon in Finland and the relative scarcity of capital are reflected in the relatively low capital intensity of the production process as compared to many competing countries. In fact, the level of labour productivity in manufacturing is only some 60 per cent of that in Sweden, and the cost of labour stands in the same relation.

In practice, the competitive position of an economy can be thought to consist of a host of different factors: the relative cost position, marketing, research and development, capacity for innovation, managerial and other skills, delivery capacity of enterprises, ability to

CHART 1. FINLAND'S ECONOMIC PERFORMANCE IN RELATION TO COMPETING COUNTRIES



- 1 Finland minus countries important for Finnish exports.
- Finland/countries important for Finnish exports.
 Trade-weighted selling rates for foreign exchange.

respond quickly to new market demands, etc. Accordingly, the competitive position of a country is a complex concept, and it therefore becomes exceedingly difficult to express the competitive position with the aid of one single indicator. For example, the foreign balance, relative export prices, relative production costs or part of them, the relation between export prices and production costs, relative productivity, relative profitability and market shares at home and/or abroad can all be considered to reflect different aspects of the competitive position and have all been used in various studies. In addition, different kinds of qualitative methods have sometimes been employed, especially when assessing the non-price factors of competitiveness.

However, when it comes to the practical choice of indicators of international competitiveness. certain requirements must be kept in mind: a) Market conditions. Since it seems evident that market conditions (perfect imperfect competition) vary widely for different products and industries, an assessment of the competitive position of the economy should be carried out at an appropriate level of industry. This will also affect the choice of indicators to be used. b) Predictive ability. The indicators used should help to explain changes in foreign trade patterns, c) Availability of statistics. The usefulness of a particular indicator is highly dependent on the availability of internationally comparable statistics.

Finland's exports and domestic production competing with imports consist of widely differing products, which come up against foreign competition under the most varied of market conditions. On the import side, about three-quarters compete with domestic production, but under varying market conditions. On the export side, a significant proportion is made up of homogeneous bulk products, e.g., most of the products of the wood, paper and basic metal industries. These products compete in markets where there are many competitors, and Finnish producers supply a minor part of world production. Normally, these products are priced on the world market, and Finnish producers are largely price-takers. By contrast, many manufactured products are sold in markets where imperfect competition prevails. In these markets the seller has a greater influence on price developments, but there is a clear link between the price and the volume of sales. In the case of some engineering industry products. Finnish producers are in a strong market position. Thus Finnish export products can be roughly divided into two categories: products whose export price is determined on world markets according to overall supply and demand conditions, and products whose export price is mainly determined by domestic pricing decisions. According to various studies, the first group accounts for some 50-80 per cent of total merchandise exports.

These characteristics of Finland's foreign trade have much bearing on the measurement of the competitive strength of the economy. Relative export and import prices can be expected to be significant indicators only for products which are sold in imperfectly competitive markets. However, price comparisons are often difficult to make, because of the lack of reliability and comparability of international statistics. Furthermore, relative prices do not give any information about the development of the competitive position of products sold under conditions of heavy price dependence. As a consequence, it would seem appropriate to use relative cost developments when judging the competitive position. Also, if the export price is determined on the international market, but domestic production costs rise faster than those in the competing countries, profitability will decline in both absolute and relative terms. This will have an immediate effect on the operational ability of the firms concerned and, particularly in capital-intensive production, the weakening of profitability may have serious long-run effects on investment, further depressing the development of productivity and exacerbating the cost problem.

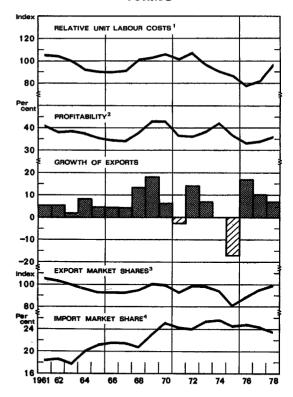
A more general indicator of the competitive position is offered by the development of market shares, which, at least in an ex post sense, reflects the combined effect of all elements of competitiveness, both price and non-price. Moreover, when employed in a long-run context this indicator is equally relevant for all market conditions.

These considerations would suggest that relative production costs, profitability and developments of market shares should together give a broad picture of what is happening to Finland's competitive position.

DEVELOPMENT OF COMPETITIVENESS

These indicators show that during the last two decades Finland's international competitive position has varied greatly both over time as well as between the major industrial sectors.

CHART 2. COMPETITIVENESS IN MANUFAC-TURING



- Countries important for Finnish exports/Finland, 1963 = 100. (Value added minus labour costs)/Value added. Finnish exports/imports of countries most important for Finnish exports, volume, 1970 = 100.
- Imports/total domestic demand, volume, per cent.

All indicators point to a weak performance in the period 1961-1967; the relative cost position and profitability weakened, export market shares declined, and an increase in the share of imported goods on the domestic market was recorded (Chart 2). These trends were reversed only after the large devaluation of the Finnmark in late 1967. This was followed by a marked improvement in the relative cost position accompanied by a strengthening in profitability and gains in market shares. However, most of this period was also marked by the continued expansion of the import shares, a reflection of the increased openness of the economy.

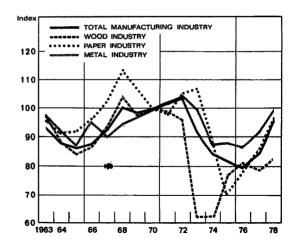
In 1973 the relative cost position started to deteriorate again, but owing to the rise in export prices, mainly in the basic industries, profitability in the manufacturing sector as a whole still improved in 1974. In 1975, when the cost position deteriorated further, profitability also started to weaken. At the same time the volume of exports declined by almost a fifth. However, the sharp fall in exports can be largely attributed to the unfavourable structure of exports, since the weakening in the cost position can hardly be expected to be reflected immediately in the export performance. In fact, the decline was largely confined to bulk products, such as forest-based goods and basic metals, which faced extremely low international demand at this time

The large differences in performance and behaviour between sectors were highlighted in the export developments of 1975—1978. In spite of a cost position which was still weak even if slowly improving. Finnish export volumes advanced by almost 40 per cent at the same time as overall imports rose by 12 per cent in the main markets. Given the lags involved, the improvement in the cost position in 1977-1978 had only a limited effect on export deliveries in these years. The strong performance was largely due to the demand for forest industry products, which gradually recovered after the abrupt fall-off in 1975. A closer look at the various indicators reveals that in the period 1973-1978 the picture was by no means uniform and there have been some large differences between sectors.

RELATIVE COST POSITION

Because of the problems involved in international comparisons of prices of individual production inputs (raw material, energy, labour, capital input), unit labour costs and producer prices are used separately as indicators of the cost position. In spite of differences in concept and coverage, they seem to convey a quite similar picture of relative cost developments; the relative cost position of the Finnish manufacturing sector weakened in 1973—1976 by some 20—25 per cent from the level prevailing in the beginning of the seventies. The weakening of cost-competitiveness was more pronounced in the wood and paper

CHART 3. COST COMPETITIVENESS. PRO-DUCER PRICES IN MOST IMPORTANT COM-PETITOR COUNTRIES/FINLAND, 1970 = 100



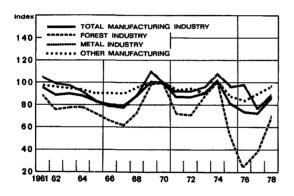
industries than in the metal and other manufacturing industries (Chart 3). In 1973—1976 labour costs per man-hour as measured in terms of a common currency rose 35 per cent faster in Finland than in her most important competing countries. At the same time labour productivity increased at a slower pace. But most important for the forest-based industry was the fact that the factory price of wood climbed considerably faster in Finland than in other Scandinavian and North-American competitor countries.

In 1977—1978 there was a clear improvement in Finland's cost position again as a result of the sharp reduction in the rate of growth of unit labour costs, which increased by less than 3 per cent in 1978. But the three devaluations of the Finnmark, which together reduced the external value of the currency by 16 per cent, were also instrumental in improving the cost position, especially in the forest industries.

PROFITABILITY

Statistical problems severely limit the possibilities of making international comparisons of profitability, and the assessment has therefore to be based on domestic information. Given the dependence on international pricing in the majority of the export industries, the increase

CHART 4. INDICATORS OF PROFITABILITY.
THE CAPITAL-INCOME SHARE OF VALUE
ADDED, INDEX 1970 = 100



in relative costs and the simultaneous slump in activity led to a considerable fall in profitability and a deterioration in balance sheets in 1976—1977. In these years profitability in manufacturing as a whole fell to its lowest level in the post-1960 period. (Chart 4.). The weakening was sharpest in the forest industries, which, however, were already experiencing some improvement in 1977. In the other main sectors the deterioration has been milder, although the metal industry did not record a turn for the better until 1978.

MARKET SHARE DEVELOPMENTS

Ideally, market shares should be studied on a product basis in order to avoid the effect of differences in trade structures between countries. This is particularly true for Finland, whose exports have traditionally been concentrated in slowly expanding commodities. Even marked changes in the cost position (e.g., in 1967) have brought about only temporary gains in market shares when measured on the basis of total Finnish exports and total imports of market countries (Chart 2.).

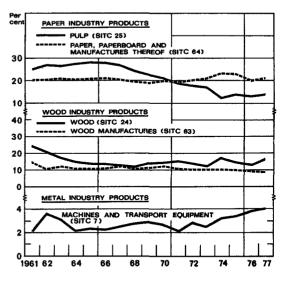
A look at the market shares of some of the most important industries reveals that in spite

of marked changes in relative costs and profitability, these industries have performed fairly well in international markets during the last few years, keeping their market shares practically unchanged (Chart 5). Furthermore, the rising trend of imports in domestic supply, which, of course, largely reflects the increased openness of the economy, seems to have been broken in the 1970s.

CURRENT SITUATION

For the current year, the various indicators point to a further improvement in the competitive position of Finnish industry; the relative cost position is estimated to further improve as a result of moderate increases in labour costs coupled with a sharp rise in labour productivity, profitability in manufacturing is approaching levels recorded in the early seventies and market shares seem to have been gained.

CHART 5. DEVELOPMENT OF MARKET SHARES¹



¹ Finland's exports/imports of most important market countries, per cent.

ITEMS

Finland adopts Article VIII status. On September 25, 1979, Finland notified the International Monetary Fund that it has accepted the Article VIII obligations of the Fund's Articles of Agreements.

Article VIII deals with the general obligations of Fund members. Members accepting the obligations of Article VIII undertake to avoid imposing restrictions on payments and transfers for current international transactions. Nor will they engage in any discriminatory currency arrangements or multiple exchange rate practices.

Finland became the fortyninth member of the Fund to assume Article VIII status, thereby joining a group of countries including, among others, all the industrial countries.

Finland's balance of payments January—June 1979. According to the Bank of Finland's preliminary figures, the current account showed a surplus of 719 million marks for the first half of this year, as against a surplus of 633 million marks in the corresponding period of 1978. The net inflow of long-term capital amounted to 39 million marks and the short-term foreign debt declined by 1 006 million marks. The foreign exchange reserves of the Bank of Finland increased by 2 673 million marks.

The visible trade account showed a surplus of 1 334 million marks for January—June, well over 300 million marks more than in the same period of 1978. The value of both visible exports and visible imports increased by 25 per cent. The export volume grew by 13 per cent, while export prices were 10 per cent higher than in January—June 1978. The export of both the forest industries and the metal and machine industries were up by 14 per cent on the first half of last year. The volume of imports grew by 14 per cent and import prices rose by 9 per cent. The growth

MAJOR BALANCE OF PAYMENTS ITEMS, JANUARY—JUNE 1979, MILL, MK ¹

Visible trade (exports	Receipts	Expendi- ture	Net
f.o.b., imports c.i.f.)	20 582	19 225	1 357
Adjustment items	<u>91</u>	68	23
Visible trade account	20 491	19 157	1 334
Transport (c.i.f.)	1 946	844	1 102
Travel	808	892	84
Other services	1 919	1 592	327
Invisible trade account	4 673	3 328	1 345
VISIBLE AND INVISIBLE	4 070	0 020	1 340
TRADE ACCOUNT	25 164	22 485	2 679
Investment income, net	461	2 1 4 8	—1 687
Transfer payments	90	363	 273
A. CURRENT ACCOUNT	25 715	24 996	719
	Change in receiv- ables	Change in liabilities	Net
Long-term financial loans			
and suppliers'			
credits: drawings	<u>618</u>	3 469	2 851
redemptions		-3 079	
Direct investment	240	39	201
Other long-term capital	89	—13	76
B. LONG-TERM CAPITAL ACCOUNT	— 377	416	39
	0,,	110	
BASIC BALANCE (A+B)			758
Prepayments and liabilities related to imports Prepayments and receivabl		80	80
related to exports	308	191	—117
Errors and omissions			286
Other short-term capital			<u>—1 095</u>
C. SHORT-TERM CAPITAL ACCOUNT —1 006			
D. Allocations of SDRs			139
OVERALL BALANCE (A+B	+C+D)		109
Change in the foreign exchange reserves of the Bank of Finland Change in the net short-term foreign receivables of other foreign exchanging holders	·		—2 673 2 782
Bassiushlest increases decrees			
Receivables: increase —, decrease Liabilities: increase +, decrease —	- -		

¹ Preliminary figures

of import volume was centred on raw materials and consumer goods, whereas the highest increase in import prices can clearly be attributed to fuels and lubricants.

The surplus on the invisible trade account increased by 150 million marks to 1 345 million marks from the corresponding period in 1978. Travel expenditure grew by 15 per cent or somewhat faster than travel receipts, resulting in a larger deficit on the travel account than in the corresponding period last year. The surplus on the transport account was up by 300 million on the first half of last year, whereas that of the 'other services' account declined.

Interest expenses on borrowing abroad increased noticeably, mainly as a result of a rise in the rates of interest applied to loans with a variable interest rate, and although interest earnings from foreign receivables grew at the same time, the investment income deficit was 250 million marks more than in January—June 1978, totalling 1 687 million marks. Transfer payments expenditure increased by 153 million marks, net.

In January—June 1979, the net inflow of long-term foreign capital amounted to 39 million marks, as against almost 2 000 million marks in the first half of 1978. Drawings of long-term loans totalled 3 469 million marks or 1 300 million marks less than in the same period last year; amortizations reached 3 079 million marks. The improvement in the financial position of firms and the ease in the domestic financial market due to the cyclical upswing have together with persistently low investment activity lessened the need for foreign financing. The Government's net drawings of long-term loans amounted to 1 300 million marks, the same amount as in the corresponding period last year. Long-term export credits granted to foreign customers totalled 618 million marks, while redemption of outstanding export credits reached 392 million marks. Finnish direct investment abroad amounted to 240 million marks and foreign direct investment in Finland to 39 million marks.

The short-term net foreign debt (incl. errors and omissions) declined by 1 006 million marks. Short-term liabilities related to imports decreased by 80 million marks, whereas short-term prepayments and receivables related to exports grew by 117 million marks, net.

The overall balance showed a deficit of 109 million marks for January-June. The convertible foreign exchange reserves of the Bank of Finland grew by 2 233 million marks and receivables in tied currencies by 440 million marks. The net foreign exchange debt of other foreign exchange holders increased by 2 782 million marks. Changes in the mark value of the reserves caused by changes in exchange rates have not been taken into account in these figures. Allowing for the changes in exchange rates, the convertible foreign exchange reserves of the Bank of Finland amounted to 5 969 million marks and the tied foreign exchange reserves to 901 million marks at the end of June.

Trade between Finland and the U.S.S.R. in 1981—1985. The seventh successive five-year agreement on the exchange of goods and payments between Finland and the Soviet Union in the period 1981—1985 was signed in Moscow on September 25, 1979.

The new five-year agreement has been drawn up in the traditional manner on a bilateral basis, with payments being made in accordance with the clearing systems. Under the new agreement the exchange of goods will be largely in keeping with the structure of trade between the countries up till now.

According to the new five-year agreement, it is estimated that the value of commercial transactions between Finland and the Soviet Union will amount to approximately 14 000 million roubles or approximately 84 000 million marks. In the present five-year period, 1976—1980, the value of trade is likely to exceed 10 000 million roubles or 60 000 million marks. Thus the agreement just signed involves an increase of well over a third in the volume of trade. The Long-Term Programme on economic

co-operation signed between Finland and the Soviet Union in 1977 estimated that in the five-year period 1981—1985 the value of trade would amount to 12 000 million roubles.

With regard to Finnish exports, the traditional predominance of metal industry products is also retained in the new agreement. Exports of ships and ship equipment will amount to 1 500—1 700 million roubles or approximately 9 000-10 200 million marks. The value of deliveries of machinery and equipment has been set at approximately 1 300 million roubles or approximately 7 800 million marks. These sums may even be exceeded in certain cases. As in the present five-year agreement, the largest individual quotas in this group will be deliveries of machines and equipment for the mechanical and chemical wood-processing industries, lifting and transport equipment, machines for the mining and metallurgical industry, products for the electrotechnical and electronics industries and machines for the cable industry. In addition, the quota for other unspecified machinery and equipment will be between 200 and 250 million roubles. Among other metal industry products, special mention should be made of cable products, the export of which will increase from the present level.

The aggregate value of forest industry products, the second main component of Finland's exports, amounts to approximately 1 600 million roubles or approximately 9 600 million marks. The main forestry industry exports are various grades of paper and other converted paper and board products.

Under the agreement, the export of agricultural products will amount to approximately 240 million roubles, which represents an increase of approximately 30 million roubles on the present five-year agreement. For the first time, quotas have been allocated for agricultural products according to the main features of the export trade actually carried out to date. The major export items are dairy products, meat and meat products and eggs.

Exports of consumer goods from Finland to the Soviet Union during the period covered by the agreement will amount to 550 million roubles, which compares with 350 million roubles under the present agreement. The main items are leather footwear, garments and knitted goods. The export of furniture will also increase from its present level.

Finnish imports from the Soviet Union will centre, as before, on deliveries of energy. As the Long-Term Programme signed between the countries in 1977 mentions, during the coming five-year period the Soviet Union will continue to supply Finland with crude oil and oil products, coal, natural gas and electricity and fuel for nuclear power plants.

In the new agreement the crude oil quotas are 7—7.5 million tons per annum for the first two years, rising to 7.5—8 million tons per annum in 1978. This means a considerable addition to present deliveries of crude oil, which have been about 7 million tons per annum in recent years.

Under the agreement, 1.5—2 million tons of diesel oil per annum will be delivered. The quotas for heavy fuel oil are 1.5 million tons per annum in the beginning of the period, later dropping to 1.2 million tons annually.

The annual quotas for natural gas are 1 400 million cubic metres, but they could be exceeded in the period 1983—1985. Among other energy deliveries from the Soviet Union, mention should be made of the import of electricity and fuel for nuclear power plants.

The total value of Finnish imports of machinery and equipment from the Soviet Union has been set at approximately 520 million roubles. Major imports include machine tools, pressing machines for metal and wood working, passenger cars, as well as machines and equipment to be agreed on by the Parties at a later date. In addition, a considerable amount of machines and equipment for ships will be imported.

Other import goods worth mentioning are timber, various chemical products, fertilizers and metals including both raw materials and alloys for the metallurgical industry.

In addition to the actual exchange of goods, construction projects and other forms of project co-operation will continue during the period covered by the agreement in accordance with separate contracts to be concluded by the Parties concerned. Also, the border trade will continue between the two countries as before.

(continued from page 2)

from 1st November in order to encourage financial saving and diminish the differences between foreign and domestic lending rates, thus strengthening foreign exchange reserves. All these measures aim at stifling inflation expectations and thus ensuring competitiveness in the long run.

October 22, 1979

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor, absent as Prime Minister

Ahti Karjalainen

Deputy Governor, Acting Governor

Pentti Uusivirta

Rolf Kullberg

Deputy Governor, ed int.

Ele Alenius

Harri Holkeri

Seppo Lindblom

Directors

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Senior officials

Pertti Kukkonen

Director ADP-planning

Director ADP-planning

Raimo Hyvärinen

Domestic Financial Operations

Raine Panula Foreign Exchange

Antti Saarlo
Special Eastern Affairs

J. Ojala
Foreign Exchange Control

Heikki Koskenkylä

H. T. Hämäläinen

Administration and Legal Affairs

U. Levo International Legal Affairs

Anton Mäkelä

Ralf Pauli
Deputy, Monetary Policy

Kari Pekonen

Kari Holopainen
Eastern Trade

Pekka Tukiainen

Sirkka Hämäläinen Deputy, Economics Dept.

Markku Pietinen
Information and Publications

Timo Männistö

Internal Audit

Erkki Vehkamäki

Automatic Data Processing

Stig G Björklund

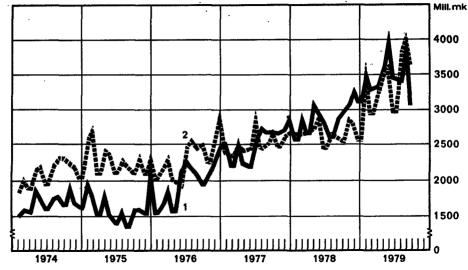
Banking Services

Reijo Mäkinen Cesh

See the front article »Recent Economic Decisions» in Bulletin 10/1979.



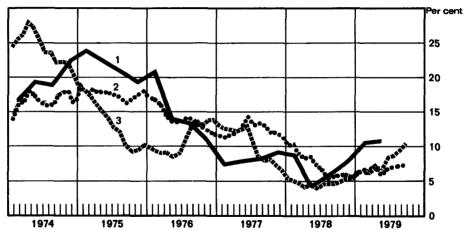
- 1. Exports f.o.b.
- Imports c.i.f.
 Seasonally
 adjusted monthly
 figures



PRICES AND WAGES, 1974-79

- 1. Index of salary and wage earnings 1964 = 100, quarterly figures
- 2. Consumer price index 1977 = 100, monthly figures
- 3. Wholesale price index 1949=100, monthly figures

 Percentage change over previous year



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

