



# BANK OF FINLAND

*Monthly Bulletin*

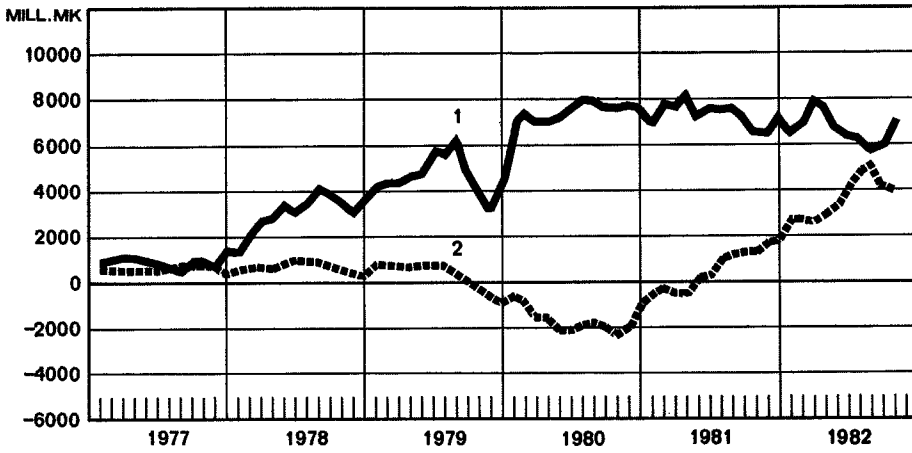
**Economic situation**

**Trends in the financing  
of investment**

**NOVEMBER 1982**

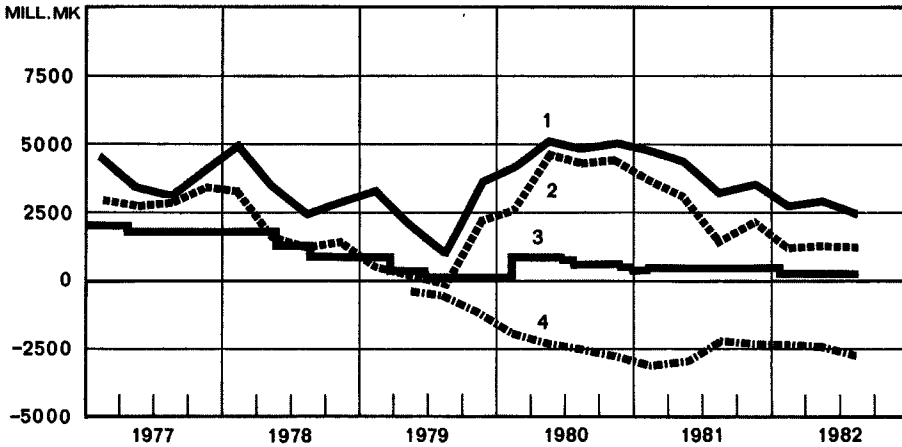
**Vol. 56 No. 11**

**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1977 - 1982**



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

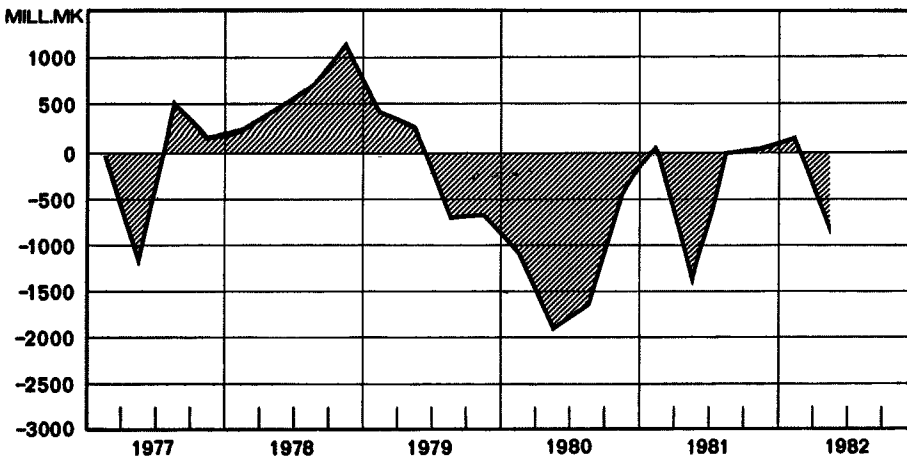
**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1977-1982**



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

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

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1977-82**



Seasonally adjusted quarterly figures

# ECONOMIC SITUATION

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The Finnish economy is experiencing its second successive year of virtual stagnation. This is primarily due to the international recession, which has lasted considerably longer than expected. Finnish export volumes to Western markets have been declining since the first half of 1980. Moreover, the growth of exports to the Soviet Union came to halt in the first half of the current year. Domestic demand, however, continues to show modest growth, partly because of the expansive economic policy stance pursued since the spring of 1981. Developments in Finland's current account have been favourable, with the account in approximate balance. The marked deceleration in international inflation has also been reflected in Finland, even though domestic costs have continued to rise somewhat more sharply than in the economies of Finland's major competitors. Weak economic activity has led to rising unemployment, and by late summer 1982 the seasonally-adjusted unemployment rate had climbed to about six per cent.

Despite the fairly satisfactory overall economic performance, the competitive position of the open sector has deteriorated since 1980, largely because of the strengthening of the Finnish mark against most European currencies.<sup>1</sup> To correct this unintended appreciation, the Bank of Finland decided to lower the external value of the mark by about four per cent in early October, the adjustment being made within the fluctuation limits of the index. When, soon after, the Swedish krona was devalued by 16 per cent, it became apparent

that — given the importance of trade between the two countries and the fact that Sweden is a major competitor in other markets — Finland had no option but to seek ways of preventing an excessive loss of competitiveness. Consequently, as part of an economic policy programme, the Finnish mark was devalued by a further six per cent (see items in the Bulletin 10/82). The effects of these measures will be felt in the Finnish economy with a lag, and the full impact not until 1984. In the meantime developments in the international environment will be the dominant factor determining the prospects for growth in Finland.

Exports, particularly those of forest products, have been hampered by the depressive effect of high real interest rates on both fixed investment and stockbuilding in Finland's Western export markets. The volume of total merchandise exports to Western countries is expected to decrease somewhat in 1982. Exports to Socialist countries will also decline, since the vigorous expansion of the past two years has led to an accumulation of Finnish receivables on the bilateral clearing accounts in excess of normal credit limits. Sluggish international demand has brought the rise in export prices to a halt, exacerbating still further the weakening profitability of the open sector.

Investment activity in the open sector has been sustained by the continuation of work on investment projects started earlier and the volume of fixed investment in the open sector in 1982 is expected to show a slight increase on the previous year. Capacity utilization and profitability have in general been somewhat higher in the sheltered corporate sector than in the open sector. As, moreover, discretionary

<sup>1</sup> The external value of the Finnish mark is expressed in terms of a currency index calculated as a trade-weighted average of a basket of foreign currencies. In the period from March 1980 to October 1982, the currency index was kept constant. The appreciation of the mark against the currencies of Finland's main European competitors was necessary to counter the depreciation of the mark vis-à-vis the US dollar and Russian rouble.

policy measures in force last year have led to the postponement of building starts in the service sector until the current year, investment activity in the sheltered corporate sector is likely to show moderate growth.

The real income of the household sector has been supported by a slight rise in the level of employment, a small decline in the net tax ratio, the slowdown in the inflation rate and an improvement in the terms of trade. As a result, the growth of households' real disposable income this year is expected to be a little higher than last year. The volume of private consumption expenditure in 1982 is forecast to expand marginally faster than last year. Given the prevailing ease of credit markets the main impetus to growth will come from consumer durables.

The growth of final domestic demand is expected to accelerate slightly in 1982. Hence the current year should witness a modest revival of production in certain sheltered sectors, such as construction and private services. This year's good harvest will also impart a positive contribution to GDP growth. On the other hand, the output of the open sector is expected to decline. Since the emphasis in growth is on the labour-intensive branches of production, the level of employment is likely to rise despite forecast GDP growth of only about one per cent. But the increased demand for labour has induced a relatively strong expansion in the labour supply, rising participation rates and hence also higher unemployment.

The substantial deceleration in the rate of increase of foreign trade prices and the sluggish growth of domestic demand have led to a rapid slowdown in the Finnish inflation rate. The rise in consumer prices this year is expected to amount to about 9 per cent on average, and will thus be broadly in line with the average for the European members of the

OECD. The devaluation will have no effect on the consumer price index in the current year because of the two-month price freeze introduced as part of the economic policy programme.

As a result of the improvement in the terms of trade and structural changes in demand, the current account deficit is expected to be fairly small this year. Despite a decline in the volume of exports, the ratio of the current account deficit to GDP will fall slightly. The visible trade account with both the Western and the Socialist countries is expected to be more or less in balance. Capital import by the central government together with the growth of tied currency reserves have been factors increasing liquidity in the economy. On the other hand, the differences between international and domestic interest rates, coupled with exchange rate expectations in the late summer, have led to capital outflows. The overall effects of capital movements on the domestic financial markets have been limited.

As there is unlikely to be any stronger stimulus to the economy from abroad in the immediate future, economic activity will probably continue sluggish in Finland next year. The recent devaluation of the Finnish mark and general fiscal policy measures designed to improve the competitiveness of the open sector will be slow to have an effect. However, it is possible that, given the present uncertainty about the prospects for the world economy, the incentives contained in the policy measures may not be fully reflected in firms' investment behaviour. If, as is generally assumed, an international upturn gets under way next year, the Finnish economy should also begin to recover in the second half of 1983. In view of the improved competitive position of Finnish industry, Finland should be well placed to exploit the opportunities offered by a revival in international demand.

October 26, 1982

|   | 1981          |               | 1982          |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Oct. 30       | Dec. 31       | Oct. 8        | Oct. 15       | Oct. 22       | Oct. 29       |
| <b>Assets</b>                             |               |               |               |               |               |               |
| Gold and foreign exchange receivables     | 8 183         | 9 463         | 9 782         | 11 365        | 11 280        | 11 258        |
| Gold                                      | 1 075         | 1 382         | 1 382         | 1 382         | 1 382         | 1 382         |
| Special drawing rights                    | 676           | 632           | 569           | 569           | 569           | 569           |
| IMF reserve tranche                       | 380           | 394           | 397           | 397           | 397           | 397           |
| Foreign bonds                             | 1 597         | 1 405         | 828           | 741           | 631           | 709           |
| Convertible currencies                    | 2 932         | 3 686         | 2 340         | 3 861         | 4 175         | 4 068         |
| Tied currencies                           | 1 523         | 1 964         | 4 266         | 4 415         | 4 126         | 4 133         |
| Other foreign receivables                 | 1 632         | 1 606         | 1 615         | 1 615         | 1 615         | 1 615         |
| Mark subscription to Finland's IMF quota  | 1 632         | 1 606         | 1 615         | 1 615         | 1 615         | 1 615         |
| Receivables from financial institutions   | 4 369         | 3 690         | 6 261         | 6 681         | 6 315         | 5 906         |
| Banks' cheque accounts                    | 562           | 495           | 462           | 498           | 399           | 330           |
| Call money market advances                | 2 443         | 1 796         | 4 099         | 4 500         | 4 203         | 3 867         |
| Till-money credits                        | 666           | 768           | 739           | 703           | 743           | 739           |
| Bonds                                     | 652           | 594           | 914           | 926           | 918           | 917           |
| Other financial institution receivables   | 46            | 37            | 47            | 54            | 52            | 53            |
| Receivables from the public sector        | 1 213         | 1 236         | 1 009         | 1 000         | 993           | 986           |
| Government promissory notes               | 354           | 354           | —             | —             | —             | —             |
| Bonds                                     | 380           | 386           | 448           | 441           | 433           | 424           |
| Total coinage                             | 478           | 483           | 546           | 547           | 549           | 551           |
| Other public sector receivables           | 1             | 13            | 15            | 12            | 11            | 11            |
| Receivables from corporations             | 4 081         | 4 549         | 4 890         | 5 030         | 5 111         | 5 117         |
| Financing of exports                      | 1 723         | 1 754         | 1 751         | 1 839         | 1 911         | 1 915         |
| Financing of domestic deliveries          | 2 063         | 2 111         | 2 440         | 2 490         | 2 498         | 2 500         |
| Bonds                                     | 189           | 187           | 165           | 165           | 166           | 166           |
| Other corporate receivables               | 106           | 497           | 534           | 536           | 536           | 536           |
| Other assets                              | 87            | 89            | 97            | 97            | 97            | 97            |
| <b>Total</b>                              | <b>19 565</b> | <b>20 633</b> | <b>23 654</b> | <b>25 788</b> | <b>25 411</b> | <b>24 979</b> |
| <b>Liabilities</b>                        |               |               |               |               |               |               |
| Foreign exchange liabilities              | 75            | 96            | 47            | 43            | 35            | 31            |
| Convertible accounts                      | 24            | 41            | 32            | 36            | 23            | 26            |
| Tied accounts                             | 51            | 55            | 15            | 7             | 12            | 5             |
| Other foreign liabilities                 | 2 639         | 2 597         | 4 739         | 6 014         | 6 011         | 6 042         |
| IMF mark accounts                         | 1 943         | 1 871         | 1 726         | 1 726         | 1 726         | 1 726         |
| Allocations of special drawing rights     | 696           | 726           | 726           | 726           | 726           | 726           |
| Term liabilities                          | —             | —             | 2 287         | 3 562         | 3 559         | 3 590         |
| Notes and coins in circulation            | 5 131         | 5 595         | 5 609         | 5 649         | 5 617         | 5 670         |
| Notes                                     | 4 709         | 5 152         | 5 140         | 5 179         | 5 146         | 5 199         |
| Coins                                     | 422           | 443           | 469           | 470           | 471           | 471           |
| Deposit certificates in circulation       | 750           | 1 600         | 2 300         | 2 600         | 2 600         | 2 000         |
| Claims of financial institutions          | 3 450         | 3 797         | 3 526         | 3 626         | 3 266         | 3 325         |
| Banks' cheque accounts                    | 1             | 0             | 1             | 1             | 0             | 2             |
| Call money market deposits                | 780           | 1 080         | 250           | 360           | —             | 39            |
| Cash reserve deposits                     | 2 469         | 2 492         | 3 095         | 3 086         | 3 085         | 3 105         |
| Capital import deposits                   | 180           | 201           | 160           | 162           | 161           | 160           |
| Other financial institution claims        | 20            | 24            | 20            | 17            | 20            | 19            |
| Claims of the public sector               | 698           | 578           | 109           | 112           | 113           | 112           |
| Cheque accounts                           | 0             | 1             | 1             | 0             | 1             | 0             |
| Counter-cyclical reserves                 | 545           | 433           | 64            | 64            | 64            | 64            |
| Counter-cyclical deposits                 | 145           | 143           | —             | —             | —             | —             |
| Capital import deposits                   | —             | —             | 44            | 48            | 48            | 48            |
| Other public sector claims                | 8             | 1             | 0             | 0             | 0             | 0             |
| Claims of corporations                    | 1 622         | 1 433         | 1 688         | 1 693         | 1 683         | 1 679         |
| Deposits for investment and ship purchase | 1 414         | 1 425         | 1 485         | 1 477         | 1 469         | 1 469         |
| Capital import deposits                   | —             | —             | 189           | 205           | 203           | 201           |
| Export deposits                           | 202           | 0             | —             | —             | —             | —             |
| Other corporate claims                    | 6             | 8             | 14            | 11            | 11            | 9             |
| Other liabilities                         | 14            | 15            | 18            | 17            | 18            | 18            |
| Equalization accounts                     | 2 705         | 609           | 1 307         | 1 714         | 1 738         | 1 762         |
| Capital accounts                          | 2 481         | 4 313         | 4 311         | 4 320         | 4 330         | 4 340         |
| Primary capital                           | 1 400         | 3 000         | 3 000         | 3 000         | 3 000         | 3 000         |
| Reserve fund                              | 750           | 750           | 1 032         | 1 032         | 1 032         | 1 032         |
| Undisposed profits                        | —             | —             | —             | —             | —             | —             |
| Net earnings                              | 331           | 563           | 279           | 288           | 298           | 308           |
| <b>Total</b>                              | <b>19 565</b> | <b>20 633</b> | <b>23 654</b> | <b>25 788</b> | <b>25 411</b> | <b>24 979</b> |

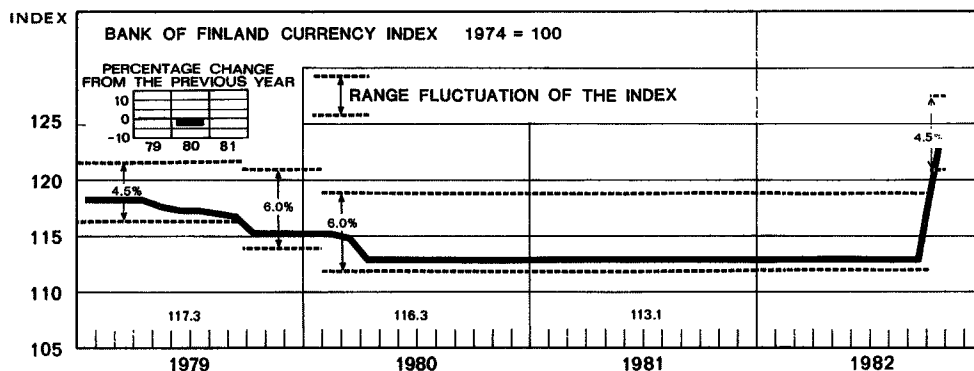
| End of year or month | Foreign sector                 |               |                             |                                    |                      |                        |                         | Public sector |             |                       |                                     |
|----------------------|--------------------------------|---------------|-----------------------------|------------------------------------|----------------------|------------------------|-------------------------|---------------|-------------|-----------------------|-------------------------------------|
|                      | Gold SDRs, IMF reserve tranche | Foreign bonds | Convertible currencies, net | Total convertible reserves (1+2+3) | Tied currencies, net | Other receivables, net | Net receivables (4+5+6) | Receivables   | Liabilities | Net liabilities (9-8) | Deposit certificates in circulation |
|                      | 1                              | 2             | 3                           | 4                                  | 5                    | 6                      | 7                       | 8             | 9           | 10                    | 11                                  |
| 1976                 | 357                            | 397           | 954                         | 1 708                              | 389                  | -660                   | 1 437                   | 447           | 1 133       | 686                   | —                                   |
| 1977                 | 337                            | 543           | 1 212                       | 2 092                              | 496                  | -2 031                 | 557                     | 391           | 328         | -63                   | 200                                 |
| 1978                 | 728                            | 872           | 3 080                       | 4 680                              | 471                  | -1 099                 | 4 052                   | 633           | 114         | -519                  | 1 090                               |
| 1979                 | 1 728                          | 1 749         | 2 964                       | 6 441                              | -678                 | -764                   | 4 999                   | 884           | 387         | -497                  | 1 700                               |
| 1980                 | 1 850                          | 2 125         | 3 823                       | 7 798                              | -757                 | -890                   | 6 151                   | 1 225         | 591         | -634                  | 1 900                               |
| 1981                 | 2 408                          | 1 405         | 3 645                       | 7 458                              | 1 909                | -991                   | 8 376                   | 1 236         | 578         | -658                  | 1 600                               |
| 1981                 |                                |               |                             |                                    |                      |                        |                         |               |             |                       |                                     |
| Oct.                 | 2 131                          | 1 597         | 2 908                       | 6 636                              | 1 472                | -1 007                 | 7 101                   | 1 213         | 698         | -515                  | 750                                 |
| Nov.                 | 2 090                          | 1 498         | 3 065                       | 6 653                              | 1 878                | -970                   | 7 561                   | 1 196         | 699         | -497                  | 1 550                               |
| Dec.                 | 2 408                          | 1 405         | 3 645                       | 7 458                              | 1 909                | -991                   | 8 376                   | 1 236         | 578         | -658                  | 1 600                               |
| 1982                 |                                |               |                             |                                    |                      |                        |                         |               |             |                       |                                     |
| Jan.                 | 2 408                          | 1 381         | 2 828                       | 6 617                              | 2 832                | -991                   | 8 458                   | 1 262         | 434         | -828                  | 1 000                               |
| Feb.                 | 2 371                          | 1 096         | 3 617                       | 7 084                              | 2 860                | -1 638                 | 8 306                   | 970           | 435         | -535                  | 400                                 |
| March                | 2 343                          | 1 125         | 4 597                       | 8 065                              | 2 718                | -1 627                 | 9 156                   | 971           | 211         | -760                  | 2 300                               |
| April                | 2 343                          | 1 117         | 4 267                       | 7 727                              | 3 084                | -1 612                 | 9 199                   | 965           | 195         | -770                  | 2 150                               |
| May                  | 2 305                          | 1 064         | 3 498                       | 6 867                              | 3 456                | -1 581                 | 8 742                   | 964           | 171         | -793                  | 2 000                               |
| June                 | 2 286                          | 910           | 3 335                       | 6 531                              | 4 314                | -1 583                 | 9 262                   | 977           | 143         | -834                  | 2 200                               |
| July                 | 2 286                          | 899           | 3 280                       | 6 465                              | 4 909                | -1 583                 | 9 791                   | 987           | 163         | -824                  | 2 000                               |
| Aug.                 | 2 348                          | 851           | 2 657                       | 5 856                              | 5 207                | -1 555                 | 9 508                   | 985           | 147         | -838                  | 1 600                               |
| Sept.                | 2 348                          | 857           | 2 920                       | 6 125                              | 4 306                | -2 537                 | 7 894                   | 973           | 107         | -866                  | 2 000                               |
| Oct.                 | 2 348                          | 709           | 4 042                       | 7 099                              | 4 128                | -4 427                 | 6 800                   | 986           | 112         | -874                  | 2 000                               |

## FOREIGN EXCHANGE POSITION

Mill. mk

|                        | Net holdings, Dec. 31, 1981 |        |        | Net holdings Sept. 30, 1982 |        |        | Change |            |
|------------------------|-----------------------------|--------|--------|-----------------------------|--------|--------|--------|------------|
|                        | Bank of Finland             | Other  | Total  | Bank of Finland             | Other  | Total  | Sept.  | Jan.-Sept. |
| Gold                   | 1 382                       | —      | 1 382  | 1 382                       | —      | 1 382  | —      | —          |
| Special drawing rights | 632                         | —      | 632    | 569                         | —      | 569    | —      | -63        |
| IMF reserve tranche    | 394                         | —      | 394    | 397                         | —      | 397    | +1     | +3         |
| Foreign bonds          | 1 405                       | —      | 1 405  | 857                         | —      | 857    | +6     | -548       |
| Convertible currencies | 3 646                       | -7 748 | -4 102 | 2 920                       | -6 014 | -3 094 | +671   | +1 008     |
| Total                  | 7 459                       | -7 748 | -289   | 6 125                       | -6 014 | 111    | +678   | +400       |
| Tied currencies        | 1 909                       | -122   | 1 787  | 4 306                       | -201   | 4 105  | -902   | +2 318     |
| Grand total            | 9 368                       | -7 870 | 1 498  | 10 431                      | -6 215 | 4 216  | -224   | +2 718     |

| End of year or month | Domestic financial sector         |                                 |  |                                       |                       |                        |                               | Corporate sector                    |                  |                       | Notes and coins in circulation |
|----------------------|-----------------------------------|---------------------------------|--|---------------------------------------|-----------------------|------------------------|-------------------------------|-------------------------------------|------------------|-----------------------|--------------------------------|
|                      | Discounted and rediscounted 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 receivables (1+2+3-4-5-6) | Permanent special financing schemes | Liabilities, net | Net receivables (8-9) |                                |
|                      | 1                                 | 2                               | 3                                      | 4                                     | 5                     | 6                      | 7                             | 8                                   | 9                | 10                    | 11                             |
| 1976                 | 2 920                             | 172                             | 1 204                                  | 1 137                                 | —                     | -372                   | 3 531                         | 1 400                               | 308              | 1 092                 | 2 885                          |
| 1977                 | 3 091                             | 107                             | 1 804                                  | 850                                   | —                     | -74                    | 4 226                         | 1 416                               | 242              | 1 174                 | 3 167                          |
| 1978                 | 970                               | 136                             | 2 213                                  | 2 075                                 | —                     | 69                     | 1 175                         | 1 948                               | 356              | 1 592                 | 3 822                          |
| 1979                 | —                                 | 229                             | 3 870                                  | 1 131                                 | 1 764                 | -291                   | 1 495                         | 2 182                               | 65               | 2 117                 | 4 375                          |
| 1980                 | —                                 | 480                             | 3 674                                  | 290                                   | 3 317                 | -1 064                 | 1 611                         | 3 063                               | 642              | 2 421                 | 4 954                          |
| 1981                 | —                                 | 495                             | 1 796                                  | 1 080                                 | 2 492                 | -1 174                 | -107                          | 3 865                               | 749              | 3 116                 | 5 595                          |
| 1981                 |                                   |                                 |  |                                       |                       |                        |                               |                                     |                  |                       |                                |
| Oct.                 | —                                 | 561                             | 2 443                                  | 780                                   | 2 469                 | -1 164                 | 919                           | 3 786                               | 1 327            | 2 459                 | 5 131                          |
| Nov.                 | —                                 | 607                             | 3 218                                  | 1 430                                 | 2 476                 | -1 226                 | 1 145                         | 3 829                               | 1 124            | 2 705                 | 5 201                          |
| Dec.                 | —                                 | 495                             | 1 796                                  | 1 080                                 | 2 492                 | -1 174                 | -107                          | 3 865                               | 749              | 3 116                 | 5 595                          |
| 1982                 |                                   |                                 |  |                                       |                       |                        |                               |                                     |                  |                       |                                |
| Jan.                 | —                                 | 521                             | 979                                    | 1 380                                 | 2 605                 | -1 119                 | -1 366                        | 3 927                               | 703              | 3 224                 | 5 257                          |
| Feb.                 | —                                 | 388                             | 1 972                                  | 2 020                                 | 2 638                 | -1 071                 | -1 227                        | 3 928                               | 868              | 3 060                 | 5 272                          |
| March                | —                                 | 379                             | 2 032                                  | 1 590                                 | 2 644                 | -1 161                 | -662                          | 3 989                               | 719              | 3 270                 | 5 175                          |
| April                | —                                 | 305                             | 2 069                                  | 1 600                                 | 2 644                 | -1 360                 | -510                          | 3 955                               | 752              | 3 203                 | 5 383                          |
| May                  | —                                 | 511                             | 1 888                                  | 1 420                                 | 2 707                 | -1 510                 | -218                          | 4 058                               | 684              | 3 374                 | 5 534                          |
| June                 | —                                 | 429                             | 2 006                                  | 1 640                                 | 2 732                 | -1 568                 | -369                          | 4 118                               | 929              | 3 189                 | 5 752                          |
| July                 | —                                 | 290                             | 1 223                                  | 1 042                                 | 2 777                 | -1 467                 | -839                          | 4 084                               | 1 136            | 2 948                 | 5 706                          |
| Aug.                 | —                                 | 435                             | 929                                    | 1 260                                 | 2 783                 | -1 461                 | -1 218                        | 4 117                               | 983              | 3 134                 | 5 557                          |
| Sept.                | —                                 | 351                             | 2 409                                  | 290                                   | 3 095                 | -1 537                 | 912                           | 4 156                               | 982              | 3 174                 | 5 616                          |
| Oct.                 | —                                 | 328                             | 3 867                                  | 39                                    | 3 105                 | -1 530                 | 2 581                         | 4 415                               | 977              | 3 438                 | 5 670                          |



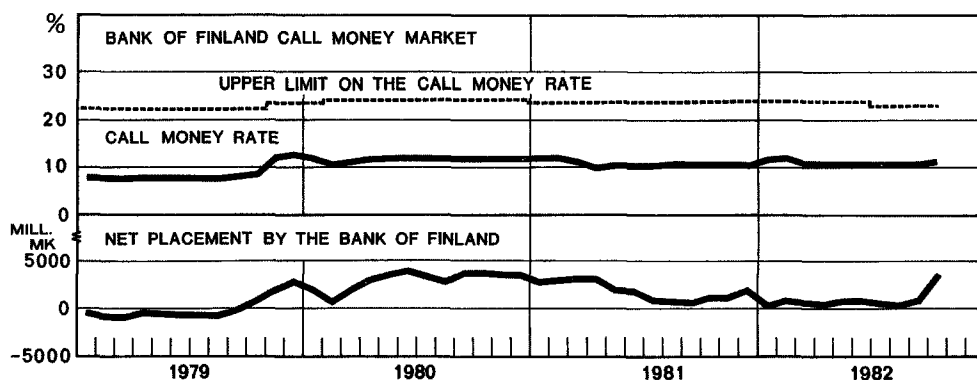
# MONETARY POLICY INDICATORS

| Average for period | Total central bank debt of the commercial banks, mill. mk | Actual central bank debt of the commercial banks, mill. mk | Credit quotas of the commercial banks at the Bank of Finland, mill. mk | Cash reserve deposits of the deposit banks mill. mk | Cash reserve deposits of the commercial banks mill. mk | Bank of Finland placements in the call money market, mill. mk | Base rate % | Call money interest rate % | Average cost of total central bank debt % | Average lending rate of the commercial banks <sup>1</sup> % |
|--------------------|---|--|--|---|--|---|-------------|----------------------------|---|---|
|                    | 1   | 2  | 3  | 4   | 5  | 6   | 7           | 8                          | 9   | 10  |
| 1975               | 4 000   | 3 611  | 2 725  | —   | —  | 239 <sup>2</sup>  | 9.25        | 26.80 <sup>2</sup>         | 12.10                                     | 9.65  |
| 1976               | 4 001   | 3 345  | 2 400  | —   | —  | 79  | 9.25        | 18.40                      | 12.38                                     | 9.69  |
| 1977               | 3 914   | 3 094  | 1 967  | —   | —  | 149   | 9.00        | 17.20                      | 11.82                                     | 9.54  |
| 1978               | 3 573   | 2 070  | 1 475  | —   | —  | 90  | 7.58        | 11.99                      | 8.88                                      | 8.22  |
| 1979               | 2 629   | 820  | 475  | 447   | 389  | 321   | 7.46        | 9.74                       | 8.99                                      | 8.03  |
| 1980               | 4 963   | 4 097  | 783  | 2 542   | 2 220  | 3 313   | 9.20        | 12.38                      | 12.37                                     | 9.77  |
| 1981               | 4 087   | 2 754  | 595  | 2 795   | 2 442  | 2 161   | 9.25        | 11.48                      | 11.61                                     | 9.84  |
| 1981               |   |  |  |   |  |   |             |                            |   |   |
| Oct.               | 3 544   | 2 032  | 600  | 2 459   | 2 151  | 1 434   | 9.25        | 11.50                      | 11.37                                     | 9.81  |
| Nov.               | 3 533   | 2 092  | 600  | 2 465   | 2 157  | 1 494   | 9.25        | 11.50                      | 11.26                                     | 9.82  |
| Dec.               | 3 941   | 2 850  | 600  | 2 473   | 2 164  | 2 253   | 9.25        | 11.30                      | 11.74                                     | 9.84  |
| 1982               |   |  |  |   |  |   |             |                            |   |   |
| Jan.               | 2 526   | 1 163  | 600  | 2 502   | 2 194  | 567   | 9.25        | 12.30                      | 10.90                                     | 9.84  |
| Feb.               | 2 760   | 1 518  | 400  | 2 603   | 2 286  | 1 121   | 9.25        | 12.45                      | 11.95                                     | 9.84  |
| March              | 3 059   | 1 305  | 400  | 2 630   | 2 290  | 906   | 9.25        | 11.56                      | 11.72                                     | 9.79  |
| April              | 3 049   | 1 062  | 400  | 2 637   | 2 299  | 664   | 9.25        | 11.50                      | 11.51                                     | 9.78  |
| May                | 2 908   | 1 429  | 400  | 2 645   | 2 313  | 1 034   | 9.25        | 11.50                      | 11.64                                     | 9.77  |
| June               | 3 090   | 1 528  | 400  | 2 706   | 2 356  | 1 134   | 8.50        | 11.50                      | 11.42                                     | 9.06  |
| July               | 2 684   | 1 213  | 400  | 2 731   | 2 386  | 814   | 8.50        | 11.50                      | 11.09                                     | 9.04  |
| Aug.               | 2 312   | 1 010  | 400  | 2 771   | 2 418  | 611   | 8.50        | 11.50                      | 10.63                                     | 8.99  |
| Sept.              | 2 703   | 1 597  | 400  | 2 794   | 2 439  | 1 198   | 8.50        | 11.45                      | 11.25                                     | ..  |
| Oct.               | 4 412   | 4 148  | 400  | 3 091   | 2 699  | 3 750   | 8.50        | 11.70                      | ..  | ..  |

See explanations on page 24.

<sup>1</sup> End of period.

<sup>2</sup> 1. 9.—31. 12. 1975.

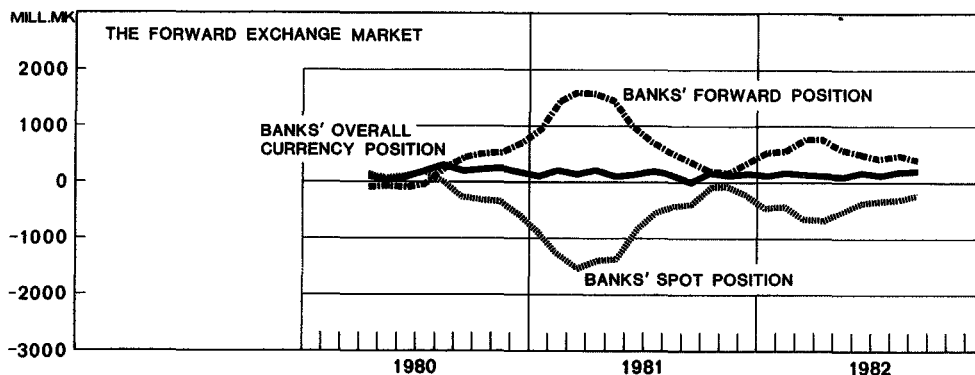




# FORWARD EXCHANGE MARKETS IN FINLAND

| Period | Banks' Forward Positions in mill. mk with |             |         |               |                 |         | Banks' Forward Selling Rates for USD         |          |          |
|--------|---|-------------|---------|---------------|-----------------|---------|--|----------|----------|
|        | Domestic Firms                            |             |         | Foreign Banks | Bank of Finland | Overall | Deviation from spot rate, per cent per annum |          |          |
|        | Assets                                    | Liabilities | Net     | Net           | Net             | Net     | 1 month                                      | 3 months | 6 months |
|        | 1   | 2           | 3       | 4             | 5               | 6       | 7  | 8        | 9        |
| 1981   | 5 183.0                                   | 1 619.8     | 3 563.2 | -581.0        | -2 346.3        | 583.5   | -4.4   | -4.1     | -3.6     |
| 1981   |   |             |         |               |                 |         |  |          |          |
| March  | 3 708.9                                   | 1 292.4     | 2 416.5 | -221.3        | -728.3          | 1 312.1 | -4.6   | -3.8     | -3.7     |
| April  | 3 583.1                                   | 1 120.5     | 2 462.6 | -272.7        | -589.3          | 1 507.5 | -4.9   | -4.9     | -4.4     |
| May    | 3 639.6                                   | 1 345.6     | 2 294.0 | -288.0        | -895.1          | 1 212.6 | -8.2   | -8.2     | -6.9     |
| June   | 3 536.1                                   | 1 464.8     | 2 071.3 | -400.1        | -872.8          | 760.8   | -7.6   | -6.5     | -5.5     |
| July   | 3 481.8                                   | 1 609.9     | 1 871.9 | -352.4        | -883.7          | 686.1   | -5.6   | -5.0     | -3.9     |
| Aug.   | 3 637.9                                   | 1 493.6     | 2 144.4 | -473.2        | -1 171.7        | 424.6   | -6.3   | -5.7     | -5.2     |
| Sept.  | 5 012.2                                   | 1 905.0     | 3 107.2 | -546.0        | -2 030.9        | 380.9   | -4.1   | -4.6     | -4.4     |
| Oct.   | 4 776.6                                   | 1 847.5     | 2 929.1 | -723.4        | -1 812.7        | 301.7   | -2.2   | -2.2     | -2.5     |
| Nov.   | 5 267.6                                   | 1 788.5     | 3 479.2 | -698.6        | -2 424.4        | 291.7   | -0.8   | -0.7     | -0.7     |
| Dec.   | 5 183.0                                   | 1 619.8     | 3 563.2 | -581.0        | -2 346.3        | 583.5   | 0.1  | 0.3      | -0.1     |
| 1982   |   |             |         |               |                 |         |  |          |          |
| Jan.   | 4 984.2                                   | 1 581.2     | 3 402.9 | -666.0        | -2 242.9        | 607.4   | -1.3   | -0.7     | -1.0     |
| Feb.   | 5 054.0                                   | 1 666.4     | 3 387.6 | -660.0        | -2 081.1        | 666.8   | -2.6   | -2.3     | -2.4     |
| March  | 5 596.8                                   | 1 693.5     | 3 903.3 | -522.1        | -2 262.1        | 1 292.4 | -1.3   | -1.5     | -1.7     |
| April  | 5 936.4                                   | 1 596.8     | 4 339.6 | -671.8        | -2 879.4        | 666.5   | -1.9   | -1.9     | -2.0     |
| May    | 6 035.1                                   | 1 950.0     | 4 085.1 | -486.4        | -2 953.6        | 559.9   | -1.3   | -1.1     | -1.1     |
| June   | 5 942.0                                   | 1 703.4     | 4 238.6 | -704.5        | -2 797.7        | 637.3   | -1.7   | -1.7     | -1.6     |
| July   | 5 781.5                                   | 1 653.2     | 4 128.3 | -871.0        | -3 004.6        | 322.1   | -0.6   | -0.9     | -1.3     |
| Aug.   | 7 045.1                                   | 1 679.3     | 5 365.8 | -854.4        | -4 114.5        | 309.8   | 2.4  | 1.8      | 1.0      |
| Sept.  | 6 618.6                                   | 2 282.4     | 4 336.1 | -711.3        | -3 947.8        | -306.9  | 2.6  | 2.6      | 2.3      |

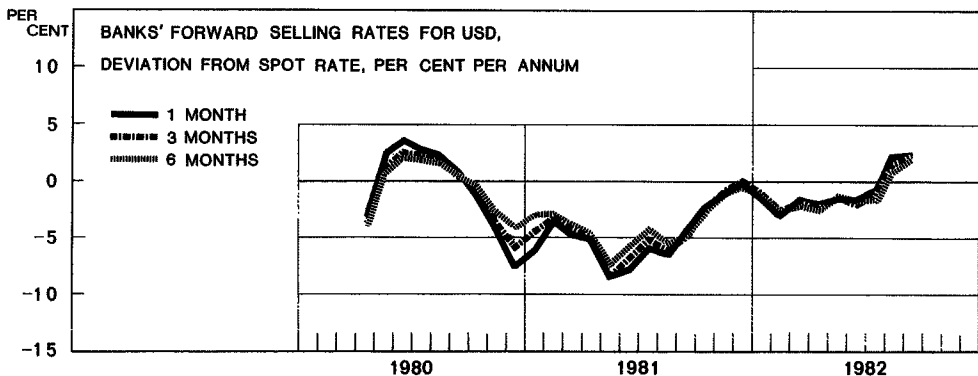
See explanations on page 24.



# FOREIGN EXCHANGE RATES

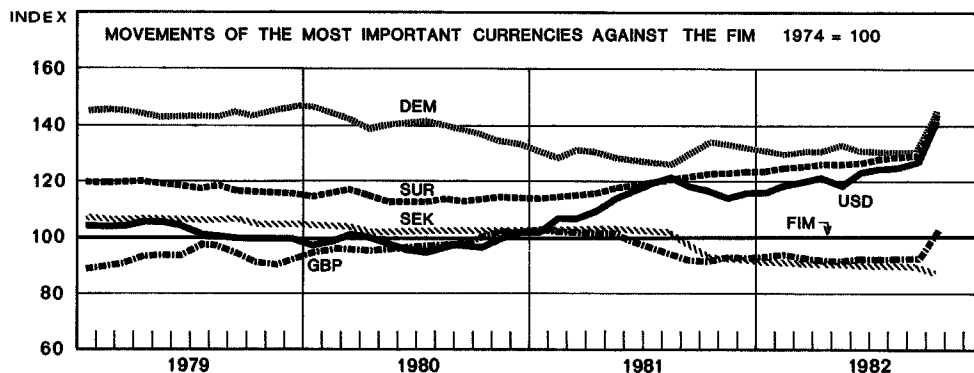
Average selling rates for foreign exchange, mk

| Period | New York<br>1 US \$<br>USD | Montreal<br>1 C \$<br>CAD | London<br>1 £<br>GBP | Dublin<br>1 Ir£<br>IEP | Stockholm<br>100 Skr<br>SEK | Oslo<br>100 Nkr<br>NOK | Copenhagen<br>100 Dkr<br>DKK | Frankfurt<br>100 DM<br>DEM | Amsterdam<br>100 Hfl<br>NLG | Brussels<br>100 FB<br>BEC | BEL    |
|--------|----------------------------|---------------------------|----------------------|------------------------|-----------------------------|------------------------|------------------------------|----------------------------|-----------------------------|---------------------------|--------|
|        | 1                          | 2                         | 3                    | 4                      | 5                           | 6                      | 7                            | 8                          | 9                           | 10                        | 11     |
| 1975   | 3.679                      | 3.618                     | 8.155                |                        | 88.80                       | 70.59                  | 64.21                        | 149.80                     | 145.73                      | 10.033                    | 9.764  |
| 1976   | 3.864                      | 3.922                     | 6.983                |                        | 88.86                       | 70.95                  | 64.04                        | 153.78                     | 146.42                      | 10.030                    | 9.812  |
| 1977   | 4.029                      | 3.791                     | 7.042                |                        | 90.21                       | 75.83                  | 67.23                        | 174.15                     | 164.59                      | 11.277                    | 11.267 |
| 1978   | 4.117                      | 3.617                     | 7.917                |                        | 91.43                       | 78.93                  | 75.06                        | 205.53                     | 190.77                      | 13.152                    | 12.959 |
| 1979   | 3.896                      | 3.330                     | 8.275                |                        | 91.12                       | 77.22                  | 74.38                        | 212.75                     | 194.43                      | 13.338                    | 12.979 |
| 1980   | 3.730                      | 3.194                     | 8.691                | 7.689                  | 88.43                       | 75.81                  | 66.53                        | 205.58                     | 188.02                      | 12.818                    | 12.635 |
| 1981   | 4.315                      | 3.602                     | 8.731                | 6.976                  | 85.74                       | 75.54                  | 60.96                        | 191.31                     | 173.43                      | 11.688                    | 11.095 |
| 1981   |                            |                           |                      |                        |                             |                        |                              |                            |                             |                           |        |
| Aug.   | 4.629                      | 3.787                     | 8.445                | 6.792                  | 87.59                       | 75.24                  | 59.23                        | 185.36                     | 167.01                      | 11.381                    | 10.553 |
| Sept.  | 4.504                      | 3.756                     | 8.197                | 6.988                  | 83.48                       | 75.79                  | 61.25                        | 191.31                     | 172.51                      | 11.729                    | 10.762 |
| Oct.   | 4.424                      | 3.682                     | 8.173                | 7.009                  | 80.19                       | 75.19                  | 61.61                        | 196.84                     | 178.23                      | 11.830                    | 10.803 |
| Nov.   | 4.354                      | 3.667                     | 8.301                | 6.959                  | 79.70                       | 75.18                  | 61.11                        | 195.91                     | 178.69                      | 11.714                    | 10.548 |
| Dec.   | 4.375                      | 3.697                     | 8.368                | 6.909                  | 79.24                       | 75.96                  | 60.07                        | 194.01                     | 177.21                      | 11.498                    | 10.258 |
| 1982   |                            |                           |                      |                        |                             |                        |                              |                            |                             |                           |        |
| Jan.   | 4.409                      | 3.701                     | 8.339                | 6.824                  | 78.84                       | 75.55                  | 59.24                        | 192.69                     | 175.83                      | 11.361                    | 10.214 |
| Feb.   | 4.515                      | 3.726                     | 8.352                | 6.739                  | 78.49                       | 75.76                  | 58.02                        | 191.07                     | 174.23                      | 11.024                    | 10.014 |
| March  | 4.574                      | 3.751                     | 8.275                | 6.751                  | 78.51                       | 76.01                  | 57.01                        | 192.48                     | 174.93                      | 10.334                    | 9.346  |
| April  | 4.613                      | 3.772                     | 8.179                | 6.675                  | 78.12                       | 75.94                  | 56.66                        | 192.74                     | 173.74                      | 10.214                    | 9.228  |
| May    | 4.512                      | 3.664                     | 8.180                | 6.767                  | 78.12                       | 75.72                  | 57.60                        | 195.56                     | 176.05                      | 10.361                    | 9.477  |
| June   | 4.678                      | 3.681                     | 8.237                | 6.669                  | 77.88                       | 75.76                  | 56.23                        | 193.17                     | 174.76                      | 10.164                    | 9.271  |
| July   | 4.735                      | 3.729                     | 8.224                | 6.624                  | 77.56                       | 74.65                  | 55.57                        | 192.36                     | 174.14                      | 10.086                    | 9.376  |
| Aug.   | 4.757                      | 3.824                     | 8.225                | 6.618                  | 77.60                       | 71.36                  | 55.20                        | 192.25                     | 174.70                      | 10.050                    | 9.507  |
| Sept.  | 4.806                      | 3.897                     | 8.247                | 6.595                  | 77.34                       | 69.80                  | 54.73                        | 192.36                     | 175.57                      | 9.993                     | 9.602  |
| Oct.   | 5.358                      | 4.362                     | 9.104                | 7.223                  | 75.18                       | 74.80                  | 60.21                        | 212.11                     | 194.50                      | 10.952                    | 10.472 |



## Average selling rates for foreign exchange, mk

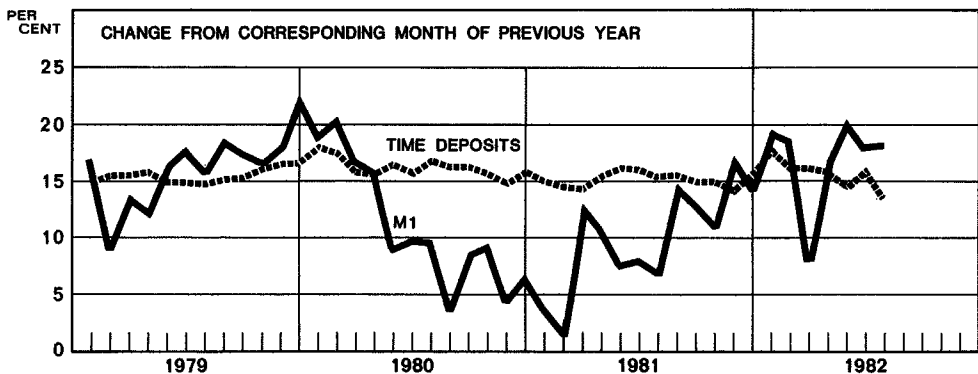
| Zurich<br>100 Sfr<br>CHF | Paris<br>100 FF<br>FRF | Rome<br>100 Lit<br>ITL | Vienna<br>100 OS<br>ATS | Lisbon<br>100 Esc<br>PTE | Reykjavik<br>100 Iskr<br>ISK | Madrid<br>100 Ptas<br>ESP | Tokyo<br>100 Y<br>JPY | Moscow<br>1 Cl Rbl<br>SUR | I special<br>drawing<br>right<br>SDR | Currency<br>index<br>1974 = 100 |
|--------------------------|------------------------|------------------------|-------------------------|--------------------------|------------------------------|---------------------------|-----------------------|---------------------------|--------------------------------------|---------------------------------|
| 12                       | 13                     | 14                     | 15                      | 16                       | 17                           | 18                        | 19                    | 20                        | 21                                   | 22                              |
| 142.64                   | 86.00                  | 0.565                  | 21.18                   | 14.52                    | 2.43                         | 6.43                      | 1.244                 | 5.093                     | 4.452 30                             | 101.1                           |
| 154.86                   | 81.09                  | 0.468                  | 21.59                   | 12.89                    | 2.14                         | 5.80                      | 1.307                 | 5.125                     | 4.450 99                             | 99.9                            |
| 168.70                   | 82.16                  | 0.459                  | 24.47                   | 10.65                    | 2.04                         | 5.37                      | 1.512                 | 5.475                     | 4.695 56                             | 106.1                           |
| 231.83                   | 91.77                  | 0.489                  | 28.45                   | 9.55                     | 1.57                         | 5.42                      | 1.983                 | 6.037                     | 5.136 33                             | 117.2                           |
| 234.36                   | 91.88                  | 0.473                  | 29.19                   | 8.13                     | 1.14                         | 5.84                      | 1.797                 | 5.941                     | 5.016 78                             | 117.3                           |
| 222.87                   | 88.65                  | 0.440                  | 28.90                   | 7.60                     | 0.81                         | 5.25                      | 1.662                 | 5.741                     | 4.842 55                             | 113.6                           |
| 220.34                   | 79.92                  | 0.385                  | 27.17                   | 7.17                     | 60.35                        | 4.72                      | 1.967                 | 5.986                     | 5.071 40                             | 113.1                           |
| 213.77                   | 77.77                  | 0.377                  | 26.42                   | 7.11                     | 61.06                        | 4.67                      | 1.992                 | 6.078                     | 5.185 00                             | 113.1                           |
| 222.42                   | 80.18                  | 0.384                  | 27.26                   | 7.04                     | 58.14                        | 4.73                      | 1.972                 | 6.127                     | 5.139 41                             | 113.1                           |
| 234.86                   | 79.05                  | 0.376                  | 28.11                   | 7.02                     | 57.81                        | 4.66                      | 1.922                 | 6.165                     | 5.094 12                             | 113.1                           |
| 244.06                   | 77.98                  | 0.371                  | 27.94                   | 6.93                     | 55.05                        | 4.61                      | 1.959                 | 6.188                     | 5.065 32                             | 113.1                           |
| 241.26                   | 76.96                  | 0.367                  | 27.67                   | 6.87                     | 53.60                        | 4.56                      | 2.010                 | 6.207                     | 5.083 06                             | 113.1                           |
| 239.40                   | 76.09                  | 0.364                  | 27.52                   | 6.79                     | 50.06                        | 4.53                      | 1.974                 | 6.215                     | 5.074 63                             | 113.1                           |
| 239.02                   | 75.25                  | 0.358                  | 27.27                   | 6.58                     | 47.75                        | 4.50                      | 1.922                 | 6.265                     | 5.106 00                             | 113.1                           |
| 242.70                   | 74.70                  | 0.355                  | 27.43                   | 6.53                     | 45.94                        | 4.40                      | 1.904                 | 6.307                     | 5.129 23                             | 113.1                           |
| 235.81                   | 74.09                  | 0.351                  | 27.45                   | 6.42                     | 44.99                        | 4.37                      | 1.896                 | 6.378                     | 5.138 80                             | 113.1                           |
| 231.86                   | 75.17                  | 0.353                  | 27.79                   | 6.44                     | 42.99                        | 4.39                      | 1.910                 | 6.353                     | 5.107 78                             | 113.1                           |
| 225.93                   | 71.66                  | 0.347                  | 27.44                   | 6.07                     | 42.20                        | 4.31                      | 1.870                 | 6.397                     | 5.147 87                             | 113.1                           |
| 226.29                   | 69.30                  | 0.344                  | 27.36                   | 5.66                     | 40.60                        | 4.26                      | 1.862                 | 6.458                     | 5.159 48                             | 113.1                           |
| 226.15                   | 68.97                  | 0.344                  | 27.38                   | 5.59                     | 36.89                        | 4.26                      | 1.844                 | 6.498                     | 5.160 27                             | 113.1                           |
| 225.33                   | 68.26                  | 0.343                  | 27.40                   | 5.53                     | 33.51                        | 4.27                      | 1.834                 | 6.522                     | 5.179 44                             | 113.1                           |
| 247.28                   | 75.17                  | 0.374                  | 30.21                   | 6.02                     | 35.48                        | 4.67                      | 1.983                 | 7.219                     | 5.724 37                             | 122.8                           |



# DEPOSITS BY THE PUBLIC

Mill. mk

| End of year and month | Demand deposits  |                              |              |                   | Time deposits    |               |              |              |                   | Total (4+9) |
|-----------------------|------------------|------------------------------|--------------|-------------------|------------------|---------------|--------------|--------------|-------------------|-------------|
|                       | Commercial banks | Savings banks & Co-op. banks | Posti-pankki | All deposit banks | Commercial banks | Savings banks | Co-op. banks | Posti-pankki | All deposit banks |             |
|                       | 1                | 2                            | 3            | 4                 | 5                | 6             | 7            | 8            | 9                 |             |
| 1978                  | 3 887            | 1 676                        | 2 052        | 7 615             | 17 035           | 14 641        | 11 286       | 4 900        | 47 862            | 55 477      |
| 1979                  | 4 697            | 2 255                        | 2 714        | 9 666             | 19 794           | 17 177        | 13 348       | 5 599        | 55 918            | 65 584      |
| 1980                  | 5 459            | 2 285                        | 2 531        | 10 275            | 22 591           | 20 009        | 15 950       | 6 355        | 64 905            | 75 180      |
| 1981                  | 5 791            | 2 879                        | 2 952        | 11 622            | 26 094           | 22 937        | 18 598       | 7 448        | 75 077            | 86 699      |
| <b>1981</b>           |                  |                              |              |                   |                  |               |              |              |                   |             |
| April                 | 4 552            | 2 189                        | 3 366        | 10 107            | 23 119           | 20 851        | 16 673       | 6 732        | 67 375            | 77 482      |
| May                   | 4 334            | 2 391                        | 3 035        | 9 760             | 23 800           | 21 177        | 16 919       | 6 769        | 68 665            | 78 425      |
| June                  | 5 424            | 2 434                        | 2 956        | 10 814            | 23 803           | 21 451        | 17 094       | 6 863        | 69 211            | 80 025      |
| July                  | 4 728            | 2 577                        | 3 102        | 10 407            | 24 316           | 21 818        | 17 485       | 6 957        | 70 576            | 80 983      |
| Aug.                  | 5 076            | 2 716                        | 3 194        | 10 986            | 24 554           | 22 012        | 17 596       | 7 053        | 71 215            | 82 201      |
| Sept.                 | 5 070            | 2 804                        | 3 226        | 11 100            | 24 239           | 22 056        | 17 723       | 7 058        | 71 076            | 82 176      |
| Oct.                  | 4 964            | 2 689                        | 3 245        | 10 898            | 24 706           | 22 221        | 17 749       | 7 060        | 71 736            | 82 634      |
| Nov.                  | 5 386            | 2 689                        | 3 115        | 11 190            | 24 732           | 22 280        | 17 892       | 7 080        | 71 984            | 83 174      |
| Dec.                  | 5 791            | 2 879                        | 2 952        | 11 622            | 26 094           | 22 937        | 18 598       | 7 448        | 75 077            | 86 699      |
| <b>1982*</b>          |                  |                              |              |                   |                  |               |              |              |                   |             |
| Jan.                  | 5 103            | 2 641                        | 3 734        | 11 478            | 26 143           | 24 721        | 18 870       | 7 651        | 77 385            | 88 863      |
| Feb.                  | 4 614            | 2 544                        | 3 527        | 10 685            | 26 472           | 23 673        | 19 275       | 7 779        | 77 199            | 87 884      |
| March                 | 5 156            | 2 617                        | 3 443        | 11 216            | 26 601           | 23 537        | 19 176       | 7 604        | 76 918            | 88 134      |
| April                 | 5 098            | 2 768                        | 4 023        | 11 889            | 27 175           | 23 891        | 19 511       | 7 678        | 78 255            | 90 144      |
| May                   | 5 528            | 2 933                        | 3 593        | 12 054            | 27 129           | 24 095        | 19 700       | 7 961        | 78 885            | 90 939      |
| June                  | 5 992            | 3 208                        | 3 786        | 12 986            | 27 406           | 24 403        | 19 858       | 8 057        | 79 724            | 92 710      |
| July                  | 5 573            | 3 252                        | 3 668        | 12 493            | 27 395           | 24 709        | 20 058       | 8 096        | 80 258            | 92 751      |



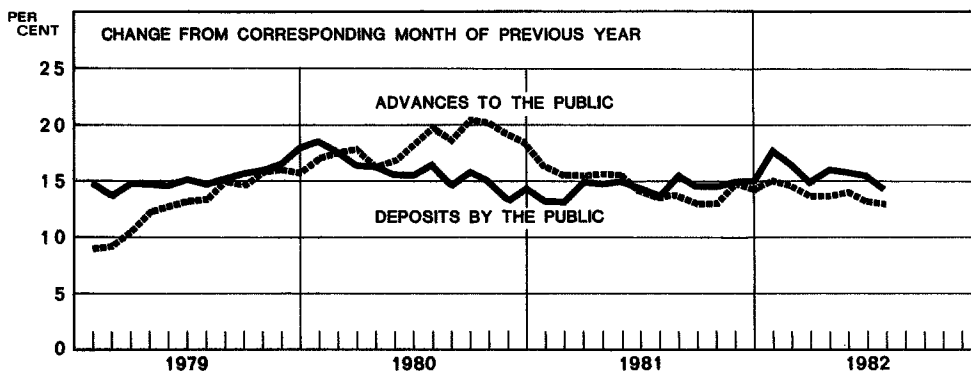
# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

| End of year and month | Advances granted by |               |              |              | Types of advances                  |                |                                      | Total (1 to 4) (5 to 7) | Money Supply   |                             |
|-----------------------|---------------------|---------------|--------------|--------------|------------------------------------|----------------|--------------------------------------|-------------------------|----------------|-----------------------------|
|                       | Commercial banks    | Savings banks | Co-op. banks | Posti-pankki | Loans & bills in domestic currency | Cheque credits | Domestic credits in foreign currency |                         | M <sub>1</sub> | M <sub>1</sub> +Quasi-Money |
|                       | 1                   | 2             | 3            | 4            | 5                                  | 6              | 7                                    |                         | 8              | 9                           |
| 1978                  | 26 324              | 14 092        | 12 181       | 6 847        | 52 517                             | 1 723          | 5 204                                | 59 444                  | 11 496         | 60 682                      |
| 1979                  | 29 844              | 16 535        | 14 258       | 8 299        | 60 971                             | 1 955          | 6 010                                | 68 936                  | 14 087         | 71 157                      |
| 1980                  | 35 994              | 19 097        | 16 760       | 9 973        | 70 466                             | 2 347          | 9 011                                | 81 824                  | 14 979         | 81 601                      |
| 1981                  | 40 462              | 22 009        | 20 059       | 11 135       | 80 817                             | 2 877          | 9 971                                | 93 665                  | 17 186         | 94 577                      |

| 1981  | 1      | 2      | 3      | 4      | 5      | 6     | 7     | 8      | 9      | 10     |
|-------|--------|--------|--------|--------|--------|-------|-------|--------|--------|--------|
| April | 37 444 | 19 751 | 17 421 | 10 120 | 73 015 | 2 884 | 8 837 | 84 736 | 14 852 | 84 105 |
| May   | 38 034 | 20 004 | 17 704 | 10 149 | 73 769 | 2 912 | 9 210 | 85 891 | 14 634 | 85 186 |
| June  | 38 541 | 20 278 | 18 039 | 10 502 | 74 629 | 3 044 | 9 687 | 87 360 | 15 763 | 87 304 |
| July  | 38 494 | 20 570 | 18 358 | 10 876 | 75 599 | 2 940 | 9 759 | 88 298 | 15 465 | 88 405 |
| Aug.  | 39 011 | 20 845 | 18 686 | 10 474 | 76 295 | 2 948 | 9 773 | 89 016 | 15 856 | 89 507 |
| Sept. | 39 325 | 21 199 | 19 079 | 10 773 | 77 556 | 3 128 | 9 692 | 90 376 | 16 045 | 89 787 |
| Oct.  | 40 172 | 21 466 | 19 363 | 10 797 | 78 871 | 3 168 | 9 759 | 91 798 | 15 876 | 90 234 |
| Nov.  | 41 040 | 21 732 | 19 730 | 11 129 | 80 208 | 3 495 | 9 928 | 93 631 | 16 128 | 90 514 |
| Dec.  | 40 462 | 22 009 | 20 059 | 11 135 | 80 817 | 2 877 | 9 971 | 93 665 | 17 186 | 94 577 |

| 1982* | 1      | 2      | 3      | 4      | 5      | 6     | 7     | 8       | 9      | 10      |
|-------|--------|--------|--------|--------|--------|-------|-------|---------|--------|---------|
| Jan.  | 40 501 | 22 278 | 20 279 | 11 064 | 81 630 | 3 140 | 9 352 | 94 122  | 17 114 | 95 468  |
| Feb.  | 40 908 | 22 451 | 20 436 | 10 966 | 82 174 | 3 483 | 9 104 | 94 761  | 16 205 | 95 993  |
| March | 41 214 | 22 698 | 20 636 | 10 761 | 82 807 | 3 762 | 8 740 | 95 309  | 16 353 | 95 919  |
| April | 41 818 | 22 974 | 20 916 | 10 835 | 83 816 | 3 821 | 8 906 | 96 543  | 17 340 | 98 004  |
| May   | 42 625 | 23 297 | 21 293 | 10 905 | 85 079 | 3 851 | 9 190 | 98 120  | 17 615 | 98 886  |
| June  | 42 925 | 23 586 | 21 628 | 11 125 | 86 150 | 3 548 | 9 566 | 99 264  | 18 664 | 100 998 |
| July  | 43 078 | 23 861 | 21 935 | 11 290 | 86 835 | 3 763 | 9 566 | 100 164 | 18 339 | 101 351 |



# STATE FINANCES

Mill. mk

| Revenue                                      | Jan.-Aug.     |               | Expenditure   | Jan.-Aug.     |               |
|--|---------------|---------------|---|---------------|---------------|
|  | 1981          | 1982          |   | 1981          | 1982          |
| Income and wealth tax (net)                  | 10 489        | 10 074        | Wages, salaries, pensions etc.                            | 6 047         | 6 955         |
| Gross receipts                               | (27 255)      | (28 042)      | Repair and maintenance                                    | 802           | 853           |
| Refunds & local authorities                  | (-16 766)     | (-17 968)     | Other consumption expenditure                             | 3 467         | 4 184         |
| Other taxes on income and wealth             | 168           | 217           | Total consumption expenditure                             | 10 316        | 11 992        |
| Employers' child allowance payments          | 57            | 1             | State aid to local authorities                            | 7 628         | 8 722         |
| Sales tax                                    | 9 022         | 9 954         | State aid to industries                                   | 5 341         | 6 250         |
| Customs duties and import charges and levies | 938           | 1 095         | of which: agric. price subsidies                          | (2 379)       | (2 766)       |
| Excise duties                                | 6 365         | 7 313         | Child allowances  | 1 227         | 1 311         |
| Excise duty on alcoholic beverages           | 1 949         | 2 153         | Share in national pensions and sickness insurance schemes | 362           | 558           |
| Excise duty on tobacco                       | 755           | 886           | Other transfer expenditure                                | 4 550         | 5 354         |
| Excise duty on liquid fuel                   | 1 938         | 2 257         | Total transfer expenditure                                | 19 108        | 22 195        |
| Other excise duties                          | 1 723         | 2 017         | Machinery and equipment                                   | 1 047         | 1 087         |
| Tax on autom. and motor-cycles               | 1 115         | 1 291         | Construction of buildings                                 | 478           | 524           |
| Stamp duties                                 | 757           | 899           | Land and waterway construction                            | 1 243         | 1 389         |
| Special diesel etc. vehicles tax             | 130           | 146           | Total real investment                                     | 2 768         | 3 000         |
| Other taxes and similar revenue              | 781           | 886           | Interest on State debt                                    | 941           | 1 516         |
| <b>Total taxes</b>                           | <b>29 822</b> | <b>31 876</b> | Net deficit of State enterprises                          | 41            | 104           |
| Miscellaneous revenue                        | 2 145         | 2 507         | Other expenditure   | 23            | 15            |
| Interest, dividends etc.                     | 717           | 1 106         | Total other expenditure                                   | 1 005         | 1 635         |
| Redemptions of loans granted                 | 572           | 636           | Increase in inventories                                   | -155          | -357          |
| <b>Total revenue</b>                         | <b>33 256</b> | <b>36 125</b> | Lending   | 2 102         | 2 466         |
| Foreign borrowing                            | 1 513         | 2 833         | Other financial investment                                | 328           | 384           |
| Domestic borrowing                           | 1 577         | 2 740         | <b>Total expenditure</b>                                  | <b>35 472</b> | <b>41 315</b> |
| <b>Total borrowing</b>                       | <b>3 090</b>  | <b>5 573</b>  | Redemption of foreign loans                               | 237           | 521           |
| <b>Deficit (+) or surplus (-)</b>            | <b>440</b>    | <b>1 693</b>  | Redemption of domestic loans                              | 1 077         | 1 555         |
| <b>Total</b>                                 | <b>36 786</b> | <b>43 391</b> | <b>Total redemptions</b>                                  | <b>1 314</b>  | <b>2 076</b>  |
|  |               |               | <b>Total</b>  | <b>36 786</b> | <b>43 391</b> |

| State debt              | 1979          | 1980          | 1981 <sup>1</sup> | 1982          |               |               |
|-------------------------|---------------|---------------|-------------------|---------------|---------------|---------------|
|                         | Dec.          | Dec.          | Dec.              | June          | Aug.          | Sept.         |
| <b>Foreign debt</b>     | 8 964         | 10 341        | 13 331            | 15 441        | 15 893        | 16 331        |
| Long-term debt          | 6 051         | 7 585         | 8 762             | 9 390         | 9 826         | 9 955         |
| Short-term credit       | 174           | 40            | 9                 | 37            | 59            | 62            |
| <b>Domestic debt</b>    | 6 225         | 7 625         | 8 771             | 9 427         | 9 885         | 10 017        |
| <b>Total State debt</b> | <b>15 189</b> | <b>17 966</b> | <b>22 102</b>     | <b>24 868</b> | <b>25 778</b> | <b>26 348</b> |
| Total debt mill. \$     | 4 061         | 4 642         | 5 052             | 5 316         | 5 419         | 5 482         |

<sup>1</sup> Since December 1981 State debt has been expressed in gross terms. As a result cash assets are no longer deducted from domestic debt; foreign debt is unaffected by the change. The short-term debt of the State Granary is excluded from the figures.

# FOREIGN TRADE

Mill. mk

Value, mill. mk

| Period | Value, mill. mk     |                     |  |
|--------|---------------------|---------------------|--|
|        | Exports<br>f. o. b. | Imports<br>c. i. f. | Surplus of<br>exports (+)<br>or imports<br>(-) |
| 1976   | 24 505              | 28 555              | -4 050   |
| 1977   | 30 931              | 30 708              | +223   |
| 1978   | 35 206              | 32 338              | +2 868   |
| 1979   | 43 430              | 44 222              | -792   |
| 1980   | 52 795              | 58 250              | -5 455   |
| 1981   | 60 308              | 61 269              | -961   |

1981

|      |       |       |      |
|------|-------|-------|------|
| Oct. | 5 626 | 5 217 | +409 |
| Nov. | 5 645 | 5 504 | +141 |
| Dec. | 4 944 | 5 712 | -768 |

1982\*

|       |       |       |        |
|-------|-------|-------|--------|
| Jan.  | 5 330 | 5 004 | +326   |
| Feb.  | 5 472 | 4 786 | +686   |
| March | 5 297 | 4 983 | +314   |
| April | 5 079 | 5 379 | -300   |
| May   | 5 118 | 4 918 | +200   |
| June  | 5 417 | 4 982 | +435   |
| July  | 4 285 | 4 851 | -566   |
| Aug.  | 4 264 | 5 460 | -1 196 |

Jan.-Aug.

|       |        |        |      |
|-------|--------|--------|------|
| 1981  | 38 996 | 39 554 | -558 |
| 1982* | 40 262 | 40 363 | -101 |

Indices of exports and imports  
1980 = 100

| Period | Volume  |         | Unit value |         | Terms of<br>trade |
|--------|---------|---------|------------|---------|-------------------|
|        | Exports | Imports | Exports    | Imports |                   |
|        | 1976    | 71      | 86         | 65      |                   |
| 1977   | 78      | 79      | 75         | 67      | 113               |
| 1978   | 84      | 75      | 80         | 74      | 108               |
| 1979   | 92      | 89      | 90         | 86      | 105               |
| 1980   | 100     | 100     | 100        | 100     | 100               |
| 1981   | 103     | 94      | 111        | 112     | 99                |

1980

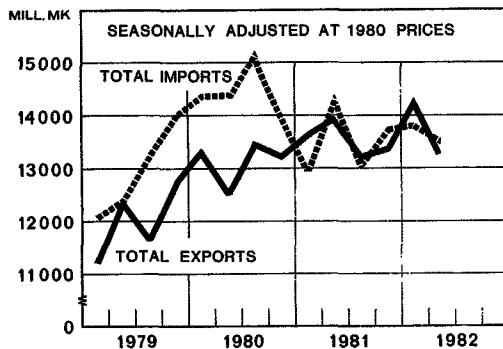
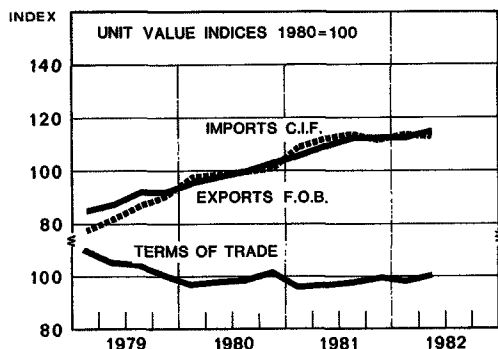
|            |     |     |     |     |     |
|------------|-----|-----|-----|-----|-----|
| Apr.-June  | 95  | 96  | 99  | 100 | 99  |
| July-Sept. | 97  | 107 | 100 | 100 | 100 |
| Oct.-Dec.  | 107 | 101 | 104 | 102 | 102 |

1981

|            |     |     |     |     |     |
|------------|-----|-----|-----|-----|-----|
| Jan.-March | 102 | 84  | 107 | 110 | 97  |
| Apr.-June  | 106 | 95  | 110 | 113 | 98  |
| July-Sept. | 95  | 94  | 113 | 115 | 99  |
| Oct.-Dec.  | 108 | 100 | 114 | 113 | 100 |

1982\*

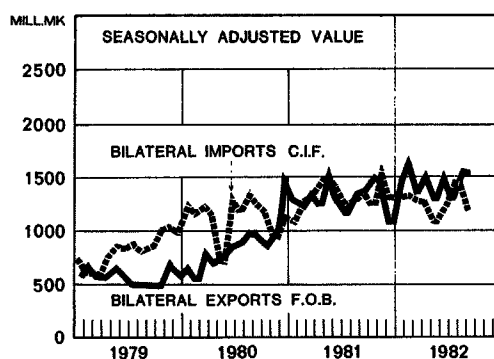
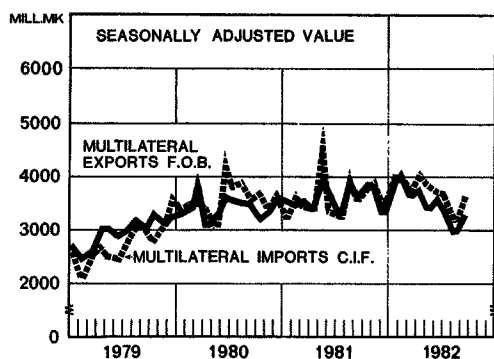
|            |     |    |     |     |     |
|------------|-----|----|-----|-----|-----|
| Jan.-March | 106 | 88 | 114 | 115 | 99  |
| Apr.-June  | 103 | 92 | 115 | 114 | 101 |



## FOREIGN TRADE BY MAIN GROUPS

Mill. mk

| Period    | Exports, f.o.b.                         |                        |                         |                                      |             | Imports, c.i.f.                  |                      |                  |                |             |
|-----------|---|------------------------|-------------------------|--------------------------------------|-------------|----------------------------------|----------------------|------------------|----------------|-------------|
|           | Agricultural and other primary products | Wood industry products | Paper industry products | Metal, engineering industry products | Other goods | Raw materials and producer goods | Fuels and lubricants | Finished goods   |                | Other goods |
|           |   |                        |                         |                                      |             |                                  |                      | Investment goods | Consumer goods |             |
| 1976      | 804                                     | 2 892                  | 7 860                   | 6 891                                | 6 058       | 17 828                           | 1 581                | 4 966            | 4 103          | 77          |
| 1977      | 1 087                                   | 3 854                  | 8 798                   | 9 184                                | 8 008       | 19 128                           | 2 066                | 4 828            | 4 603          | 83          |
| 1978      | 966                                     | 4 641                  | 10 402                  | 9 593                                | 9 604       | 20 431                           | 2 224                | 4 801            | 4 830          | 52          |
| 1979      | 1 366                                   | 6 073                  | 12 992                  | 10 342                               | 12 657      | 28 878                           | 3 401                | 5 719            | 6 133          | 91          |
| 1980      | 1 403                                   | 7 742                  | 15 751                  | 11 546                               | 16 353      | 38 622                           | 4 088                | 7 989            | 7 440          | 111         |
| 1981      | 2 036                                   | 6 852                  | 17 127                  | 14 858                               | 19 435      | 39 156                           | 5 115                | 8 877            | 8 015          | 106         |
| 1981      |   |                        |                         |                                      |             |                                  |                      |                  |                |             |
| Oct.      | 82                                      | 574                    | 1 589                   | 1 511                                | 1 870       | 3 223                            | 454                  | 777              | 759            | 4           |
| Nov.      | 70                                      | 579                    | 1 514                   | 1 513                                | 1 969       | 3 614                            | 474                  | 705              | 707            | 4           |
| Dec.      | 325                                     | 538                    | 1 400                   | 1 217                                | 1 464       | 3 818                            | 426                  | 825              | 632            | 11          |
| 1982*     |   |                        |                         |                                      |             |                                  |                      |                  |                |             |
| Jan.      | 60                                      | 460                    | 1 546                   | 1 427                                | 1 837       | 3 153                            | 224                  | 991              | 631            | 5           |
| Feb.      | 352                                     | 457                    | 1 438                   | 1 398                                | 1 827       | 3 089                            | 267                  | 648              | 779            | 3           |
| March     | 356                                     | 461                    | 1 622                   | 1 240                                | 1 618       | 3 190                            | 231                  | 736              | 823            | 3           |
| April     | 57                                      | 569                    | 1 453                   | 1 266                                | 1 734       | 3 492                            | 265                  | 777              | 843            | 2           |
| May       | 220                                     | 536                    | 1 469                   | 1 280                                | 1 613       | 3 249                            | 272                  | 696              | 682            | 19          |
| June      | 80                                      | 583                    | 1 446                   | 1 789                                | 1 519       | 3 229                            | 469                  | 640              | 638            | 6           |
| July      | 45                                      | 421                    | 1 293                   | 1 571                                | 955         | 3 043                            | 457                  | 713              | 611            | 27          |
| Aug.      | 58                                      | 481                    | 1 398                   | 1 029                                | 1 298       | 3 580                            | 499                  | 627              | 728            | 26          |
| Jan.-Aug. |   |                        |                         |                                      |             |                                  |                      |                  |                |             |
| 1981      | 1 456                                   | 4 625                  | 11 064                  | 9 589                                | 12 262      | 25 046                           | 3 200                | 5 982            | 5 243          | 83          |
| 1982*     | 1 228                                   | 3 968                  | 11 665                  | 11 000                               | 12 401      | 26 025                           | 2 684                | 5 828            | 5 735          | 91          |





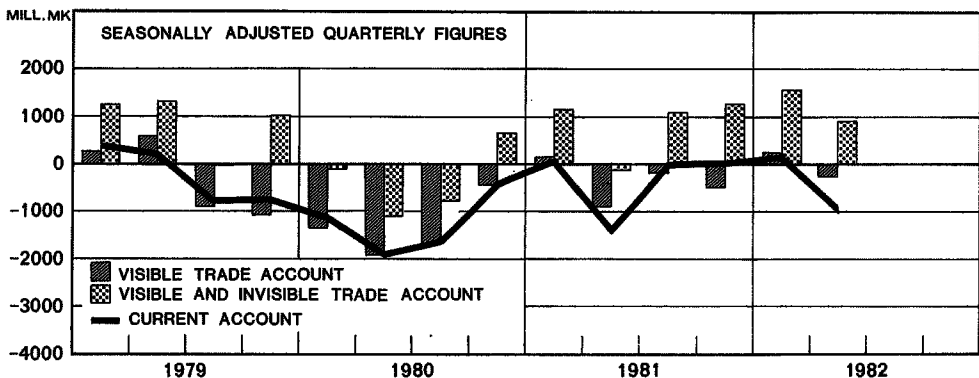
## FOREIGN TRADE BY COUNTRIES

Mill. mk

| Area and country                     | Exports, f.o.b. |          |       |          | Imports, c.i.f. |          |       |          |
|--------------------------------------|-----------------|----------|-------|----------|-----------------|----------|-------|----------|
|                                      | January—August  |          |       |          | January—August  |          |       |          |
|                                      | 1981*           |          | 1982* |          | 1981*           |          | 1982* |          |
|                                      | %               | Mill. mk | %     | Mill. mk | %               | Mill. mk | %     | Mill. mk |
| <b>OECD countries in Europe</b>      | 56.5            | 22 039   | 55.6  | 22 388   | 50.4            | 19 949   | 53.2  | 21 468   |
| Austria                              | 0.6             | 219      | 0.7   | 269      | 1.2             | 464      | 1.3   | 531      |
| Belgium and Luxembourg               | 1.3             | 526      | 1.4   | 570      | 1.7             | 679      | 1.8   | 711      |
| Denmark                              | 3.2             | 1 236    | 4.0   | 1 621    | 2.2             | 878      | 2.3   | 939      |
| France                               | 4.0             | 1 579    | 4.2   | 1 682    | 3.3             | 1 319    | 3.4   | 1 359    |
| Federal Republic of Germany          | 9.4             | 3 662    | 9.5   | 3 843    | 12.0            | 4 743    | 13.4  | 5 412    |
| Italy                                | 1.9             | 743      | 2.0   | 793      | 2.4             | 935      | 2.7   | 1 110    |
| Netherlands                          | 3.6             | 1 385    | 3.1   | 1 246    | 2.6             | 1 048    | 2.7   | 1 072    |
| Norway                               | 4.4             | 1 729    | 4.1   | 1 646    | 2.6             | 1 017    | 2.1   | 853      |
| Portugal                             | 0.3             | 100      | 0.2   | 93       | 0.5             | 197      | 0.6   | 255      |
| Spain                                | 0.8             | 302      | 0.8   | 321      | 0.6             | 224      | 0.7   | 268      |
| Sweden                               | 13.0            | 5 087    | 12.0  | 4 825    | 10.9            | 4 296    | 12.5  | 5 053    |
| Switzerland                          | 1.4             | 565      | 1.4   | 553      | 1.7             | 658      | 1.7   | 693      |
| United Kingdom                       | 10.8            | 4 194    | 10.5  | 4 220    | 8.2             | 3 240    | 7.4   | 2 980    |
| Other                                | 1.8             | 712      | 1.7   | 706      | 0.5             | 251      | 0.6   | 232      |
| <b>OECD countries outside Europe</b> | 5.9             | 2 288    | 5.8   | 2 336    | 12.4            | 4 898    | 11.8  | 4 743    |
| Canada                               | 0.7             | 261      | 0.8   | 331      | 0.6             | 258      | 0.9   | 347      |
| Japan                                | 0.8             | 310      | 1.2   | 485      | 3.8             | 1 500    | 4.1   | 1 651    |
| United States                        | 3.5             | 1 381    | 2.8   | 1 109    | 7.7             | 3 036    | 6.5   | 2 618    |
| Other                                | 0.9             | 336      | 1.0   | 411      | 0.3             | 104      | 0.3   | 127      |
| <b>CMEA countries</b>                | 26.4            | 10 299   | 28.7  | 11 562   | 27.0            | 10 674   | 26.4  | 10 654   |
| Czechoslovakia                       | 0.3             | 95       | 0.4   | 154      | 0.6             | 251      | 0.6   | 236      |
| German Democratic Republic           | 0.6             | 248      | 0.5   | 214      | 0.6             | 250      | 0.6   | 256      |
| Poland                               | 0.1             | 57       | 0.1   | 56       | 1.5             | 590      | 1.5   | 617      |
| Soviet Union                         | 24.7            | 9 611    | 26.4  | 10 637   | 23.2            | 9 177    | 22.7  | 9 157    |
| Other                                | 0.7             | 288      | 1.3   | 501      | 1.1             | 406      | 1.0   | 388      |
| <b>Latin America</b>                 | 2.3             | 904      | 1.1   | 459      | 2.0             | 799      | 2.4   | 984      |
| Argentina                            | 0.4             | 158      | 0.1   | 60       | 0.2             | 57       | 0.2   | 69       |
| Brazil                               | 0.3             | 114      | 0.3   | 122      | 0.6             | 246      | 0.8   | 320      |
| Colombia                             | 0.1             | 47       | 0.1   | 49       | 0.4             | 173      | 0.5   | 222      |
| Other                                | 1.5             | 585      | 0.6   | 228      | 0.8             | 323      | 0.9   | 373      |
| <b>Other</b>                         | 8.9             | 3 466    | 8.8   | 3 517    | 8.2             | 3 234    | 6.2   | 2 514    |
| <b>GRAND TOTAL</b>                   | 100.0           | 38 996   | 100.0 | 40 262   | 100.0           | 39 554   | 100.0 | 40 363   |
| of which                             |                 |          |       |          |                 |          |       |          |
| <b>EFTA countries</b>                | 19.9            | 7 747    | 18.5  | 7 447    | 16.9            | 6 697    | 18.4  | 7 443    |
| <b>EEC countries</b>                 | 35.5            | 13 858   | 36.1  | 14 520   | 32.9            | 13 025   | 34.1  | 13 768   |
| <b>OECD countries</b>                | 62.4            | 24 327   | 61.4  | 24 724   | 62.8            | 24 847   | 64.9  | 26 211   |

# BALANCE OF PAYMENTS

| Period       | Visible exports f.o.b. | Visible imports c.i.f. | Visible trade account | Transport, net | Travel, net | Other services, net | Visible and invisible trade account | Investment income net | Unrequited transfers net | Other, net | Current account |
|--------------|------------------------|------------------------|-----------------------|----------------|-------------|---------------------|-------------------------------------|-----------------------|--------------------------|------------|-----------------|
| 1978         | 35 068                 | 32 600                 | +2 468                | +2 024         | +141        | +803                | +5 436                              | -2 713                | -211                     | +94        | +2 606          |
| 1979         | 43 302                 | 44 430                 | -1 128                | +3 010         | +157        | +359                | +2 398                              | -2 840                | -430                     | +111       | -761            |
| 1980         | 52 860                 | 58 315                 | -5 455                | +3 064         | +320        | +587                | -1 484                              | -3 308                | -454                     | +91        | -5 155          |
| 1981*        | 60 254                 | 61 690                 | -1 436                | +3 356         | +406        | +1 055              | +3 381                              | -4 400                | -447                     | +149       | -1 317          |
| <b>1979</b>  |                        |                        |                       |                |             |                     |                                     |                       |                          |            |                 |
| Jan.-March   | 9 683                  | 9 168                  | +515                  | +652           | -112        | +318                | +1 373                              | -656                  | -204                     | +24        | +537            |
| Apr.-June    | 10 847                 | 10 193                 | +654                  | +745           | +13         | -71                 | +1 341                              | -963                  | -91                      | +25        | +312            |
| July-Sept.   | 10 210                 | 11 573                 | -1 363                | +792           | +251        | +76                 | -244                                | -671                  | -51                      | +33        | -933            |
| Oct.-Dec.    | 12 562                 | 13 496                 | -934                  | +821           | +5          | +36                 | -72                                 | -550                  | -84                      | +29        | -677            |
| <b>1980</b>  |                        |                        |                       |                |             |                     |                                     |                       |                          |            |                 |
| Jan.-March   | 12 788                 | 13 608                 | -820                  | +878           | -103        | +338                | +293                                | -787                  | -169                     | -5         | -668            |
| Apr.-June    | 12 470                 | 14 029                 | -1 559                | +567           | +80         | +83                 | -829                                | -723                  | -100                     | +55        | -1 597          |
| July-Sept.   | 12 864                 | 15 643                 | -2 779                | +855           | +298        | +100                | -1 526                              | -765                  | -102                     | +34        | -2 359          |
| Oct.-Dec.    | 14 738                 | 15 035                 | -297                  | +764           | +45         | +66                 | +578                                | -1 033                | -83                      | +7         | -531            |
| <b>1981*</b> |                        |                        |                       |                |             |                     |                                     |                       |                          |            |                 |
| Jan.-March   | 14 468                 | 13 622                 | +846                  | +879           | -87         | +92                 | +1 730                              | -993                  | -117                     | +10        | +630            |
| Apr.-June    | 15 487                 | 15 804                 | -317                  | +822           | +78         | -163                | +420                                | -1 260                | -114                     | +57        | -897            |
| July-Sept.   | 14 099                 | 15 738                 | -1 639                | +864           | +443        | +405                | +73                                 | -1 031                | -96                      | +61        | -993            |
| Oct.-Dec.    | 16 200                 | 16 526                 | -326                  | +791           | -28         | +721                | +1 158                              | -1 116                | -120                     | +21        | -57             |
| <b>1982*</b> |                        |                        |                       |                |             |                     |                                     |                       |                          |            |                 |
| Jan.-March   | 16 000                 | 14 892                 | +1 108                | +935           | -158        | +374                | +2 259                              | -1 104                | -213                     | -2         | +940            |
| Apr.-June    | 15 597                 | 15 393                 | +204                  | +988           | -98         | +211                | +1 305                              | -1 633                | -191                     | +61        | -458            |



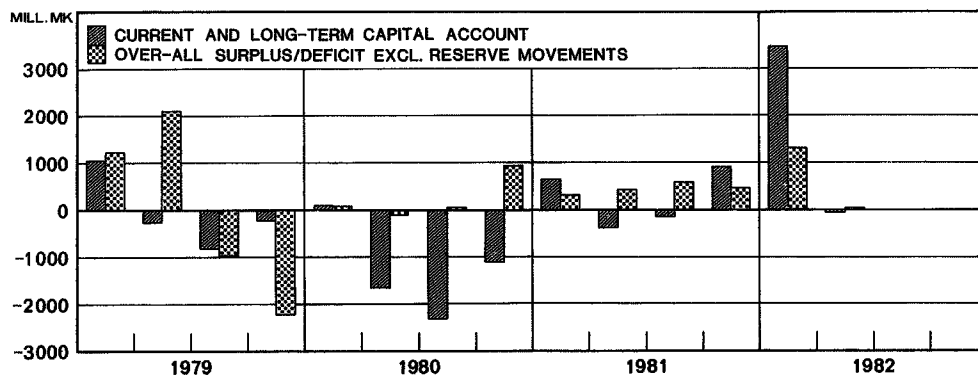
| Drawings of long-term loans | Amortizations of long-term loans | Long-term export credits, net | Miscellaneous long-term capital items, net <sup>1</sup> | Long-term capital account | Current and long-term capital account | Short-term import credits and prepayments, net | Short-term export credits and prepayments, net | Short-term capital of authorized banks, net <sup>2</sup> | Miscellaneous, short-term capital terms, incl. errors and omissions <sup>2</sup> | Over-all surplus deficit excl. reserve movements <sup>2</sup> | Bank of Finland foreign exchange reserves |
|-----------------------------|----------------------------------|-------------------------------|---|---------------------------|---------------------------------------|--|--|--|--|---|---|
| +9 007                      | -5 743                           | -774                          | -225  | +2 265                    | +4 871                                | +130   | -2 188   | -703   | +479   | +2 589  | -2 589                                    |
| +6 230                      | -4 843                           | -541                          | -337  | +509                      | -252                                  | +831   | -834   | +1 211   | -834   | +122  | -122                                      |
| +5 183                      | -4 140                           | -433                          | -428  | +182                      | -4 973                                | +3 255   | -967   | +3 930   | -250   | +995  | -995                                      |
| +8 312                      | -4 643                           | -518                          | -826  | +2 325                    | +1 008                                | -1 040   | +437   | -406   | +1 804   | +1 803  | -1 803                                    |
| +2 202                      | -1 626                           | -8                            | -46   | +522                      | +1 059                                | -19  | -63  | +819   | -564 <sup>3</sup>  | +1 232  | -1 232                                    |
| +1 267                      | -1 453                           | -218                          | -174  | -578                      | -266                                  | +39  | -62  | +1 966   | +423   | +2 100  | -2 100                                    |
| +1 258                      | -892                             | -336                          | +70   | +100                      | -833                                  | +422   | -354   | -1 100   | +880   | -985  | +985                                      |
| +1 503                      | -872                             | +21                           | -187  | +465                      | -212                                  | +389   | -355   | -474   | -1 573   | -2 225  | +2 225                                    |
| +2 108                      | -1 113                           | -171                          | -65   | +759                      | +91                                   | +302   | -31  | +518   | -797 <sup>3</sup>  | +83   | -83                                       |
| +1 076                      | -997                             | -39                           | -86   | -46                       | -1 643                                | +1 498   | -32  | +1 666   | -1 584   | -95   | +95                                       |
| +1 126                      | -913                             | -36                           | -146  | +31                       | -2 328                                | +711   | -452   | +1 189   | +934   | +54   | -54                                       |
| +873                        | -1 117                           | -187                          | -131  | -562                      | -1 093                                | +744   | -452   | +557   | +1 197   | +953  | -953                                      |
| +1 404                      | -955                             | -227                          | -235  | -13                       | +617                                  | -473   | +789   | -163   | -461 <sup>3</sup>  | +309  | -309                                      |
| +1 948                      | -1 213                           | +11                           | -233  | +513                      | -384                                  | +867   | +790   | -21  | -822   | +430  | -430                                      |
| +1 932                      | -797                             | -91                           | -200  | +844                      | -149                                  | +95  | -571   | -822   | +2 034   | +587  | -587                                      |
| +3 028                      | -1 678                           | -211                          | -158  | +981                      | +924                                  | -1 529   | -571   | +600   | +1 053   | +477  | -477                                      |
| +3 637                      | -806                             | -114                          | -166  | +2 551                    | +3 491                                | -974   | +278   | -1 509   | +26  | +1 312  | -1 312                                    |
| +2 332                      | -1 555                           | -60                           | -320  | +397                      | -61                                   | -60  | +169   | +56  | -59  | +45   | -45                                       |

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

<sup>1</sup> Including direct investment, net.

<sup>2</sup> Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

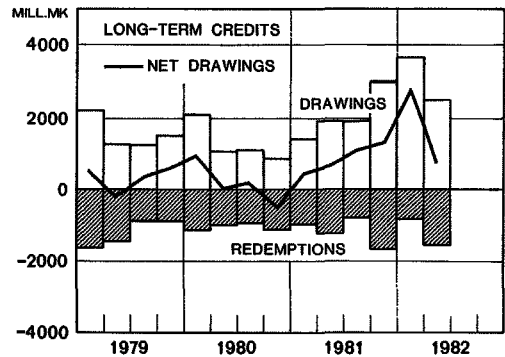
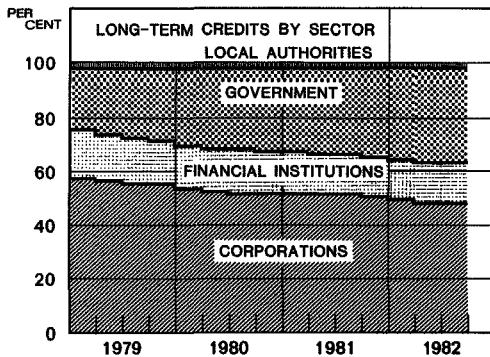
<sup>3</sup> Including allocations of special drawing rights: 139 million in 1979, 133 million in 1980 and 131 million in 1981.



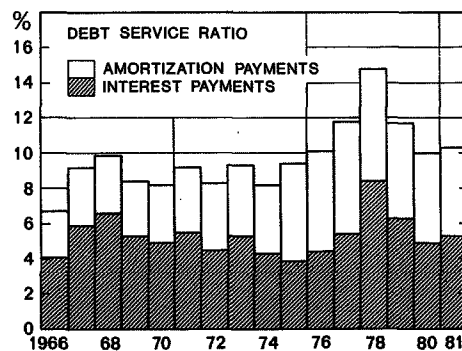
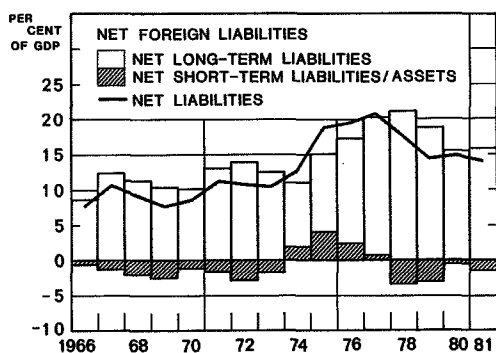
# FINLAND'S FOREIGN ASSETS AND LIABILITIES

| End of year and month | Long-term assets |                   |       |                | Long-term liabilities |                |                   |       |                | Net long-term liabilities (9-4) |
|-----------------------|------------------|-------------------|-------|----------------|-----------------------|----------------|-------------------|-------|----------------|---------------------------------|
|                       | Export credits   | Direct investment | Other | Total (1 to 3) | Financial loans       | Import credits | Direct investment | Other | Total (5 to 8) |                                 |
|                       | 1                | 2                 | 3     | 4              | 5                     | 6              | 7                 | 8     | 9              |                                 |
| 1978                  | 2 978            | 1 850             | 956   | 5 784          | 27 716                | 5 612          | 1 885             | 231   | 35 444         | 29 660                          |
| 1979                  | 3 389            | 2 324             | 983   | 6 696          | 28 194                | 4 898          | 1 979             | 300   | 35 371         | 28 675                          |
| 1980                  | 3 872            | 2 806             | 1 051 | 7 729          | 29 730                | 4 377          | 2 075             | 340   | 36 522         | 28 793                          |
| 1981*                 | 4 673            | 3 426             | 1 317 | 9 416          | 35 536                | 4 444          | 2 183             | 391   | 42 554         | 33 138                          |
| 1979                  |                  |                   |       |                |                       |                |                   |       |                |                                 |
| June                  | 3 179            | 2 089             | 1 029 | 6 297          | 27 763                | 5 172          | 1 923             | 226   | 35 084         | 28 787                          |
| Sept.                 | 3 419            | 2 226             | 1 066 | 6 711          | 27 724                | 4 956          | 1 930             | 232   | 34 842         | 28 131                          |
| Dec.                  | 3 389            | 2 324             | 983   | 6 696          | 28 194                | 4 898          | 1 979             | 300   | 35 371         | 28 675                          |
| 1980                  |                  |                   |       |                |                       |                |                   |       |                |                                 |
| March                 | 3 625            | 2 456             | 932   | 7 013          | 29 122                | 4 692          | 1 971             | 288   | 36 073         | 29 060                          |
| June                  | 3 534            | 2 539             | 967   | 7 040          | 28 887                | 4 517          | 1 990             | 268   | 35 662         | 28 622                          |
| Sept.                 | 3 594            | 2 649             | 972   | 7 215          | 29 251                | 4 482          | 2 029             | 278   | 36 040         | 28 825                          |
| Dec.                  | 3 872            | 2 806             | 1 051 | 7 729          | 29 730                | 4 377          | 2 075             | 340   | 36 522         | 28 793                          |
| 1981*                 |                  |                   |       |                |                       |                |                   |       |                |                                 |
| March                 | 4 254            | 2 945             | 1 229 | 8 428          | 30 523                | 4 455          | 2 138             | 442   | 37 558         | 29 130                          |
| June                  | 4 473            | 3 161             | 1 278 | 8 912          | 32 814                | 4 467          | 2 180             | 406   | 39 867         | 30 955                          |
| Sept.                 | 4 559            | 3 329             | 1 282 | 9 170          | 34 414                | 4 377          | 2 168             | 392   | 41 351         | 32 181                          |
| Dec.                  | 4 673            | 3 426             | 1 317 | 9 416          | 35 536                | 4 444          | 2 183             | 391   | 42 554         | 33 138                          |
| 1982*                 |                  |                   |       |                |                       |                |                   |       |                |                                 |
| March                 | 4 960            | 3 616             | 1 415 | 9 991          | 38 669                | 4 623          | 2 263             | 709   | 46 264         | 36 273                          |
| June                  | 5 361            | 3 741             | 1 471 | 10 573         | 39 847                | 4 456          | 2 313             | 696   | 47 312         | 36 739                          |

See explanations on page 24.



| Short-term assets |   |                  |                  | Short-term liabilities |   |                  |                  | Net short-term liabilities (18-14) | Net liabilities (10+19) | Debt service, flow | Of which amortization payments, flow |
|-------------------|---|------------------|------------------|------------------------|---|------------------|------------------|------------------------------------|-------------------------|--------------------|--------------------------------------|
| Bank of Finland   | Authorized banks and other foreign exchange holders | Corporate sector | Total (11 to 13) | Bank of Finland        | Authorized banks and other foreign exchange holders | Corporate sector | Total (15 to 17) |                                    |                         |                    |                                      |
| 11                | 12  | 13               | 14               | 15                     | 16  | 17               | 18               | 19                                 | 20                      | 21                 | 22                                   |
| 6 545             | 4 731   | 8 698            | 19 974           | 1 478                  | 6 379   | 7 309            | 15 166           | -4 808                             | 24 852                  | 6 623              | 3 769                                |
| 7 918             | 6 579   | 9 970            | 24 467           | 2 340                  | 9 333   | 7 816            | 19 489           | -4 978                             | 23 697                  | 6 457              | 3 472                                |
| 9 895             | 9 560   | 12 532           | 31 987           | 3 089                  | 16 240  | 11 849           | 31 178           | -809                               | 27 984                  | 6 716              | 3 274                                |
| 11 362            | 13 732  | 14 176           | 39 270           | 2 427                  | 20 218  | 13 565           | 36 210           | -3 060                             | 30 078                  | 7 971              | 3 494                                |
| 9 871             | 4 053   | 9 131            | 23 055           | 1 604                  | 8 404   | 7 476            | 17 484           | -5 571                             | 23 216                  | 2 085              | 1 082                                |
| 8 601             | 4 205   | 9 508            | 22 314           | 1 579                  | 7 620   | 7 808            | 17 007           | -5 307                             | 22 824                  | 1 315              | 604                                  |
| 7 918             | 6 579   | 9 970            | 24 467           | 2 340                  | 9 333   | 7 816            | 19 489           | -4 978                             | 23 697                  | 1 087              | 502                                  |
| 8 708             | 6 936   | 10 224           | 25 868           | 3 113                  | 10 179  | 7 865            | 21 157           | -4 711                             | 24 349                  | 1 756              | 937                                  |
| 9 279             | 7 133   | 10 509           | 26 921           | 3 727                  | 11 970  | 9 545            | 25 242           | -1 679                             | 26 943                  | 1 518              | 730                                  |
| 9 250             | 7 478   | 11 469           | 28 197           | 3 605                  | 13 539  | 10 567           | 27 711           | -486                               | 28 339                  | 1 554              | 761                                  |
| 9 895             | 9 560   | 12 532           | 31 987           | 3 089                  | 16 240  | 11 849           | 31 178           | -809                               | 27 984                  | 1 888              | 846                                  |
| 9 701             | 10 149  | 12 357           | 32 207           | 2 680                  | 16 543  | 12 409           | 31 632           | -575                               | 28 555                  | 1 744              | 732                                  |
| 10 125            | 11 464  | 12 299           | 33 888           | 2 437                  | 18 080  | 14 102           | 34 619           | 731                                | 31 686                  | 2 178              | 897                                  |
| 10 817            | 12 627  | 13 152           | 36 596           | 2 403                  | 18 487  | 14 690           | 35 580           | -1 016                             | 31 165                  | 1 646              | 595                                  |
| 11 362            | 13 732  | 14 176           | 39 270           | 2 427                  | 20 218  | 13 565           | 36 210           | -3 060                             | 30 078                  | 2 403              | 1 270                                |
| 12 795            | 13 597  | 13 950           | 40 342           | 3 074                  | 18 592  | 12 418           | 34 084           | -6 258                             | 30 015                  | 1 783              | 600                                  |
| 12 846            | 14 301  | 13 850           | 40 997           | 3 077                  | 19 341  | 12 736           | 35 154           | -5 843                             | 30 896                  | 2 658              | 994                                  |



# PRICE INDICES

| Period | Wholesale price index 1949 = 100 | Basic price index for domestic supply 1975 = 100 |                |                |               |                |                  | Building costs 1980 = 100 |                         |                    |
|--------|----------------------------------|--|----------------|----------------|---------------|----------------|------------------|---------------------------|-------------------------|--------------------|
|        |                                  | Total  | Origin         |                | Purpose       |                |                  | Total                     | Wages in building trade | Building materials |
|        |                                  |  | Domestic goods | Imported goods | Raw materials | Consumer goods | Investment goods |                           |                         |                    |
| 1979   | 791                              | 138.0  | 135.0          | 148.7          | 133.1         | 150.7          | 139.2            |                           |                         |                    |
| 1980   | 919                              | 160.7  | 156.6          | 175.0          | 160.1         | 167.7          | 155.9            | 100.0                     | 100.0                   | 100.0              |
| 1981   | 1 044                            | 182.4  | 178.6          | 196.0          | 185.3         | 185.3          | 173.3            | 110.1                     | 109.6                   | 110.0              |
| 1982   |                                  |  |                |                |               |                |                  |                           |                         |                    |
| Jan.   | 1 095                            | 191.4  | 189.3          | 198.7          | 195.3         | 194.2          | 179.8            | 113.9                     | 113.0                   | 113.8              |
| Feb.   | 1 103                            | 192.8  | 190.7          | 200.2          | 196.8         | 195.4          | 181.1            | 114.1                     | 113.0                   | 114.0              |
| March  | 1 103                            | 192.8  | 192.0          | 195.7          | 195.4         | 198.0          | 182.2            | 115.7                     | 116.8                   | 115.0              |
| April  | 1 106                            | 193.3  | 192.5          | 195.9          | 194.7         | 200.3          | 184.0            | 116.8                     | 117.1                   | 116.4              |
| May    | 1 110                            | 193.9  | 193.4          | 195.7          | 194.8         | 201.2          | 185.9            | 117.0                     | 116.1                   | 117.0              |
| June   | 1 120                            | 195.6  | 194.4          | 199.9          | 197.5         | 201.9          | 186.1            | 117.5                     | 116.1                   | 117.5              |
| July   | 1 120                            | 195.8  | 194.4          | 200.7          | 196.8         | 203.7          | 186.8            | 117.4                     | 116.1                   | 117.7              |
| Aug.   | 1 118                            | 195.4  | 194.1          | 200.2          | 195.6         | 204.3          | 187.7            | 118.1                     | 116.1                   | 118.6              |
| Sept.  | 1 124                            | 196.4  | 194.9          | 201.6          | 196.5         | 205.6          | 188.6            | 118.6                     | 116.1                   | 119.2              |

## Consumer prices 1977 = 100

| Period | Total | Food  | Beverages and tobacco | Clothing and footwear | Rent  | Heating and lighting | Household goods and services | Health and medical services | Transport and communication | Education and recreation | Other goods and services |
|--------|-------|-------|-----------------------|-----------------------|-------|----------------------|------------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|
| 1979   | 115.9 | 108.8 | 129.4                 | 116.3                 | 113.1 | 114.4                | 114.4                        | 124.1                       | 120.2                       | 115.5                    | 118.4                    |
| 1980   | 129.3 | 122.8 | 140.9                 | 131.9                 | 122.4 | 141.1                | 127.4                        | 137.6                       | 136.4                       | 123.4                    | 132.6                    |
| 1981   | 144.8 | 138.9 | 157.4                 | 146.6                 | 140.4 | 168.1                | 138.0                        | 150.1                       | 148.9                       | 136.3                    | 150.8                    |
| 1982   |       |       |                       |                       |       |                      |                              |                             |                             |                          |                          |
| Jan.   | 152.4 | 146.2 | 176.4                 | 148.4                 | 147.2 | 181.6                | 142.3                        | 159.4                       | 155.7                       | 141.6                    | 158.8                    |
| Feb.   | 153.1 | 147.5 | 176.4                 | 151.1                 | 147.2 | 182.7                | 142.9                        | 161.2                       | 156.2                       | 141.8                    | 159.5                    |
| March  | 155.0 | 152.4 | 176.5                 | 152.9                 | 148.5 | 183.3                | 143.4                        | 163.0                       | 157.8                       | 141.8                    | 160.6                    |
| April  | 156.1 | 155.3 | 176.5                 | 154.8                 | 148.5 | 178.2                | 145.5                        | 163.1                       | 156.6                       | 144.8                    | 164.0                    |
| May    | 158.6 | 156.7 | 176.5                 | 155.3                 | 159.2 | 178.4                | 146.0                        | 165.5                       | 157.9                       | 145.4                    | 164.8                    |
| June   | 158.9 | 157.3 | 176.4                 | 156.0                 | 159.2 | 178.4                | 146.4                        | 167.1                       | 157.6                       | 145.8                    | 164.9                    |
| July   | 160.1 | 161.1 | 176.5                 | 154.7                 | 159.2 | 178.4                | 148.7                        | 167.1                       | 158.9                       | 146.1                    | 166.1                    |
| Aug.   | 159.7 | 157.6 | 176.4                 | 156.2                 | 159.2 | 178.8                | 148.3                        | 166.3                       | 158.5                       | 148.2                    | 167.7                    |
| Sept.  | 160.1 | 158.0 | 176.6                 | 159.4                 | 158.3 | 179.4                | 148.8                        | 166.3                       | 158.8                       | 149.0                    | 167.9                    |

## WAGES

Index of wage and salary earnings 1975 = 100

| Period     | By industries   |          |              |                       | By institutional sectors |                     |                             | All salary earners | All wage earners | All employees |
|------------|-----------------|----------|--------------|-----------------------|--------------------------|---------------------|-----------------------------|--------------------|------------------|---------------|
|            | Wage earners in |          |              | Employees in services | State employees          | Municipal employees | Employees in private sector |                    |                  |               |
|            | Agriculture     | Industry | Construction |                       |                          |                     |                             |                    |                  |               |
| 1980       | 179.3           | 170.4    | 146.3        | 166.0                 | 161.9                    | 156.8               | 169.8                       | 166.3              | 167.5            | 166.8         |
| 1981*      | 201.3           | 192.4    | 165.6        | 186.1                 | 182.2                    | 174.9               | 191.8                       | 187.4              | 188.7            | 188.0         |
| 1981*      |                 |          |              |                       |                          |                     |                             |                    |                  |               |
| Apr.-June  | 199.5           | 194.3    | 163.7        | 185.1                 | 182.0                    | 174.1               | 192.0                       | 186.9              | 189.2            | 188.0         |
| July-Sept. | 201.0           | 193.7    | 166.9        | 187.7                 | 183.6                    | 175.8               | 193.9                       | 189.3              | 190.5            | 189.9         |
| Oct.-Dec.  | 210.9           | 198.5    | 173.6        | 192.3                 | 186.7                    | 179.3               | 198.5                       | 193.5              | 195.8            | 194.1         |
| 1982*      |                 |          |              |                       |                          |                     |                             |                    |                  |               |
| Jan.-March | 215.3           | 205.9    | 176.7        | 196.7                 | 191.9                    | 183.9               | 203.7                       | 197.9              | 200.6            | 199.2         |
| Apr.-June  | 224.0           | 214.7    | 180.3        | 205.5                 | 199.9                    | 192.9               | 211.4                       | 206.0              | 208.2            | 207.1         |

## PRODUCTION

Volume indices of production 1975 = 100

| Period     | Gross domestic product | Industrial production | Agriculture | Forestry | Construction of buildings | Land and waterway construction | Transport and communication | Commerce | Public sector services | Others |
|------------|------------------------|-----------------------|-------------|----------|---------------------------|--------------------------------|-----------------------------|----------|------------------------|--------|
| 1980*      |                        |                       |             |          |                           |                                |                             |          |                        |        |
| Apr.-June  | 114                    | 126                   | 84          | 146      | 79                        | 91                             | 112                         | 104      | 123                    | 117    |
| July-Sept. | 117                    | 116                   | 193         | 96       | 111                       | 90                             | 123                         | 107      | 125                    | 114    |
| Oct.-Dec.  | 126                    | 136                   | 83          | 168      | 121                       | 92                             | 131                         | 114      | 127                    | 120    |
| 1981*      |                        |                       |             |          |                           |                                |                             |          |                        |        |
| Jan.-March | 114                    | 130                   | 73          | 143      | 79                        | 89                             | 111                         | 95       | 128                    | 116    |
| Apr.-June  | 118                    | 132                   | 89          | 155      | 76                        | 93                             | 119                         | 107      | 128                    | 122    |
| July-Sept. | 116                    | 119                   | 157         | 80       | 100                       | 91                             | 124                         | 108      | 130                    | 117    |
| Oct.-Dec.  | 128                    | 141                   | 78          | 149      | 122                       | 97                             | 134                         | 116      | 132                    | 124    |
| 1982*      |                        |                       |             |          |                           |                                |                             |          |                        |        |
| Jan.-March | 114                    | 129                   | 69          | 135      | 74                        | 88                             | 113                         | 96       | 133                    | 119    |
| Apr.-June  | 119                    | 131                   | 79          | 138      | 73                        | 92                             | 122                         | 108      | 133                    | 125    |

# PRODUCTION

Index of industrial production 1975 = 100

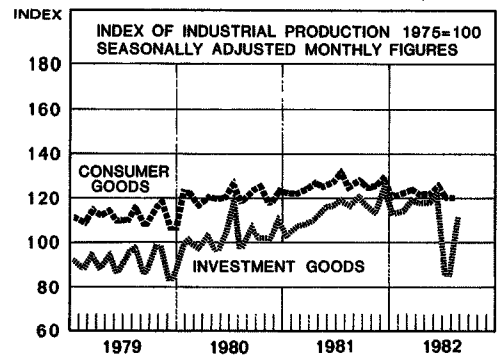
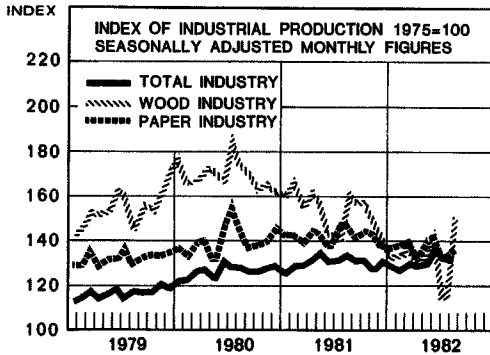
| Period | Total | Investment goods | Consumer goods | Other producer goods | Special indices of manufacturing |               |                |                     |                               |                | Total adjusted for seasonal variations |
|--------|-------|------------------|----------------|----------------------|----------------------------------|---------------|----------------|---------------------|-------------------------------|----------------|--|
|        |       |                  |                |                      | Food industry                    | Wood industry | Paper industry | Chemical industries | Non-metallic mineral industry | Metal industry |  |
| 1978   | 107.0 | 85.6             | 108.1          | 111.9                | 103.9                            | 130.3         | 118.2          | 109.6               | 93.5                          | 99.6           | 108.2                                  |
| 1979   | 118.3 | 93.7             | 113.7          | 127.0                | 110.8                            | 155.6         | 134.0          | 123.7               | 102.3                         | 110.3          | 119.0                                  |
| 1980   | 127.5 | 105.0            | 122.9          | 135.7                | 117.2                            | 170.6         | 142.6          | 135.3               | 117.6                         | 123.3          | 127.8                                  |
| 1981*  | 131.6 | 115.9            | 127.1          | 138.0                | 123.3                            | 154.8         | 144.4          | 144.2               | 117.8                         | 131.6          | 131.9                                  |

## 1981\*

|       |       |       |       |       |       |       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| July  | 90.3  | 61.8  | 82.5  | 101.8 | 115.6 | 70.6  | 148.6 | 102.2 | 80.3  | 69.1  | 132.7 |
| Aug.  | 132.3 | 114.9 | 127.8 | 139.2 | 120.8 | 143.8 | 158.8 | 154.9 | 115.6 | 126.6 | 135.1 |
| Sept. | 141.3 | 130.3 | 134.7 | 147.4 | 133.8 | 172.9 | 146.4 | 150.4 | 130.9 | 147.2 | 132.5 |
| Oct.  | 146.1 | 130.9 | 142.5 | 152.0 | 149.0 | 166.7 | 158.9 | 146.2 | 127.4 | 147.3 | 132.5 |
| Nov.  | 139.1 | 126.4 | 135.6 | 144.3 | 138.5 | 151.9 | 152.0 | 132.5 | 120.7 | 144.4 | 128.4 |
| Dec.  | 134.4 | 132.8 | 132.7 | 135.6 | 125.8 | 133.1 | 130.7 | 124.4 | 108.9 | 146.3 | 132.1 |

## 1982\*

|       |       |       |       |       |       |       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Jan.  | 130.7 | 115.8 | 125.6 | 137.3 | 108.1 | 120.6 | 145.8 | 134.8 | 98.2  | 134.5 | 130.1 |
| Feb.  | 125.6 | 117.3 | 119.9 | 130.5 | 100.9 | 129.2 | 135.2 | 129.6 | 96.5  | 133.5 | 128.5 |
| March | 142.9 | 128.6 | 136.9 | 149.7 | 122.8 | 167.3 | 150.4 | 155.7 | 118.0 | 147.4 | 131.0 |
| April | 128.0 | 117.4 | 123.5 | 133.0 | 113.0 | 146.8 | 120.6 | 146.9 | 109.8 | 136.2 | 130.4 |
| May   | 135.8 | 124.6 | 127.5 | 142.8 | 119.8 | 164.4 | 139.6 | 149.8 | 117.5 | 145.2 | 131.0 |
| June  | 134.6 | 130.9 | 123.1 | 141.0 | 122.4 | 156.6 | 124.9 | 129.4 | 119.1 | 144.6 | 139.5 |
| July  | 88.0  | 50.6  | 75.9  | 104.0 | 108.8 | 56.5  | 137.1 | 81.1  | 71.6  | 55.0  | 134.0 |
| Aug.  | 133.3 | 107.4 | 121.4 | 146.0 | 121.4 | 138.2 | 147.3 | 136.5 | 128.5 | 124.6 | 132.7 |





# LABOUR—TIMBER FELLINGS—INTERNAL TRADE

| Period | Population of working age, 1 000 persons | Total labour force, 1 000 persons | Employed, 1 000 persons | Un-employed, 1 000 persons | Unemployment, % of total labour force | Commercial timber fellings, 1 000 solid cu. m | Retail sales volume index 1972 = 100 | Wholesale volume index 1972 = 100 |
|--------|--|-----------------------------------|-------------------------|----------------------------|---------------------------------------|---|--------------------------------------|-----------------------------------|
| 1978   | 3 578                                    | 2 253                             | 2 084                   | 169                        | 7.5                                   | 32 280 <sup>r</sup>                           | 110                                  | 120                               |
| 1979   | 3 593                                    | 2 223                             | 2 134                   | 139                        | 6.1                                   | 44 020 <sup>r</sup>                           | 117                                  | 135                               |
| 1980   | 3 606                                    | 2 315                             | 2 203                   | 112                        | 4.8                                   | 47 840 <sup>r</sup>                           | 119                                  | 141                               |
| 1981   | 3 629                                    | 2 369                             | 2 244                   | 125                        | 5.3                                   | 44 360 <sup>r</sup>                           | 125                                  | 141                               |
| 1981   |  |                                   |                         |                            |                                       |   |                                      |                                   |
| Nov.   | 3 642                                    | 2 349                             | 2 223                   | 126                        | 5.4                                   | 3 679   | 122                                  | 142                               |
| Dec.   | 3 644                                    | 2 337                             | 2 205                   | 132                        | 5.6                                   | 4 370   | 160                                  | 159                               |
| 1982*  |  |                                   |                         |                            |                                       |   |                                      |                                   |
| Jan.   | 3 648                                    | 2 376                             | 2 204                   | 172                        | 7.2                                   | 3 278   | 108                                  | 115                               |
| Feb.   | 3 649                                    | 2 378                             | 2 219                   | 159                        | 6.9                                   | 4 260   | 107                                  | 126                               |
| March  | 3 654                                    | 2 335                             | 2 175                   | 160                        | 6.9                                   | 5 781   | 120                                  | 148                               |
| April  | 3 656                                    | 2 363                             | 2 201                   | 162                        | 6.8                                   | 5 243   | 125                                  | 142                               |
| May    | 3 655                                    | 2 406                             | 2 276                   | 130                        | 5.4                                   | 3 564   | 125                                  | 142                               |
| June   | 3 659                                    | 2 574                             | 2 436                   | 138                        | 5.4                                   | 2 582   | 131                                  | 144                               |
| July   | 3 659                                    | 2 586                             | 2 441                   | 145                        | 5.6                                   | 1 167   | 136                                  | 123                               |
| Aug.   | 3 659                                    | 2 512                             | 2 368                   | 144                        | 5.8                                   | 1 383   | ..                                   | ..                                |

## CONSTRUCTION OF BUILDINGS<sup>1</sup>

| Period               | Building permits granted |                       |                |                                   |                  | Buildings completed |                       |                |                                   |                  | Building-works under construction |
|----------------------|--------------------------|-----------------------|----------------|-----------------------------------|------------------|---------------------|-----------------------|----------------|-----------------------------------|------------------|-----------------------------------|
|                      | Total                    | Residential buildings | Farm buildings | Industrial and business buildings | Public buildings | Total               | Residential buildings | Farm buildings | Industrial and business buildings | Public buildings |                                   |
| Million cubic metres |                          |                       |                |                                   |                  |                     |                       |                |                                   |                  |                                   |
| 1979                 | 48.64                    | 19.83                 | 6.34           | 16.46                             | 3.46             | 38.30               | 17.49                 | 4.39           | 11.76                             | 2.75             | 47.62                             |
| 1980                 | 50.53                    | 20.71                 | 5.49           | 17.69                             | 3.55             | 42.11               | 18.04                 | 4.82           | 13.94                             | 3.26             | 49.57                             |
| 1981*                | 44.92                    | 18.76                 | 5.78           | 14.65                             | 2.75             | 41.08               | 17.20                 | 4.39           | 14.35                             | 3.01             | 47.14                             |
| 1981*                |                          |                       |                |                                   |                  |                     |                       |                |                                   |                  |                                   |
| Jan.-March           | 7.25                     | 3.07                  | 0.94           | 2.31                              | 0.46             | 8.65                | 3.82                  | 0.58           | 3.06                              | 0.80             | 44.44                             |
| Apr.-June            | 16.95                    | 7.85                  | 2.79           | 4.74                              | 0.65             | 8.04                | 3.91                  | 0.58           | 2.64                              | 0.52             | 50.83                             |
| July-Sept.           | 10.77                    | 4.64                  | 1.16           | 3.37                              | 0.72             | 9.50                | 3.69                  | 1.40           | 2.93                              | 0.82             | 53.71                             |
| Oct.-Dec.            | 9.95                     | 3.20                  | 0.89           | 4.23                              | 0.92             | 14.89               | 5.78                  | 1.83           | 5.72                              | 0.87             | 47.14                             |
| 1982*                |                          |                       |                |                                   |                  |                     |                       |                |                                   |                  |                                   |
| Jan.-March           | 8.53                     | 3.16                  | 1.27           | 3.01                              | 0.69             | 6.80                | 3.11                  | 0.59           | 2.45                              | 0.27             | 46.13                             |
| Apr.-June            | 18.46                    | 7.66                  | 3.09           | 5.78                              | 0.74             | 8.45                | 3.71                  | 0.60           | 2.91                              | 0.74             | 50.72                             |

<sup>1</sup> New series calculated by the Central Statistical Office.

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

Page 4. *Public sector*: Receivables = Government promissory notes + Bonds + Total coinage + Other public sector receivables. Liabilities = Cheque accounts + Counter-cyclical reserves + Counter-cyclical deposits + 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 — Till-money credits — Bonds — Other financial institution receivables.

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

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

## MONETARY POLICY INDICATORS

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

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

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

Credit quotas of the commercial banks at the Bank of Finland are the sum of individual quotas specifying the amount each bank eligible for central bank credit can borrow at the base 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 1.3 times the quota. The interest on this borrowing is the base rate.

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

## FORWARD EXCHANGE MARKETS IN FINLAND

Page 7. The figures for columns 1—6 are calculated by the Bank of Finland on the basis of monthly reports from the banks on their outstanding forward exchange positions at the end of each month. The figures for columns 7—9 are based on monthly averages of daily representative quotations, as reported by the banks to the Bank of Finland.

The banks' foreign currency positions shown in the chart at the bottom of page 7 are monthly averages of daily spot and forward positions vis-à-vis the Finnish mark as reported by the commercial banks to the Bank of Finland. The spot position includes all foreign currency-denominated assets and liabilities of the banks, excluding their outstanding forward contracts.

## FOREIGN EXCHANGE RATES

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

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

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

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

Page 11. *Advances to the public*. The central government and the financial institutions are not included in the public. Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

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

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

## STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations.

## FOREIGN TRADE

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

## BALANCE OF PAYMENTS

Pages 16—17. Figures are calculated by the Bank of Finland. In the current account, the figures for visible and invisible trade have been revised from 1970 so that they are in accordance with the revised System of National Accounts. In addition to the Board of Customs figures, exports include fuel for carriers but exclude stevedoring expenses and imports include seamen's duty-free imports, fuel for carriers and adjusted allowance for smuggling.

On Jan. 1, 1980, foreign bonds were included in the convertible foreign exchange reserves of the Bank of Finland and not in the short-term capital account as earlier. The figures for other years have also been revised accordingly.

## FOREIGN ASSETS AND LIABILITIES

Pages 18—19. Figures calculated by the Bank of Finland. Long-term assets: Other = financial loans development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: 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 payment of long-term foreign assets and liabilities, excl. amortisation payments of the Bank of Finland's reserves and oil credits.

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 and 1979 debt service does not include amortisation of the Bank of Finland's reserve and oil credits.

## PRICE INDICES

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

## WAGES — PRODUCTION

Pages 21—22. Figures supplied by the Central Statistical Office. Page 22. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II.

## LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

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

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

# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

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

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1979 is as follows: Social Democratic Party of Finland 52, National Coalition Party 47, Centre Party 36, Democratic League of the People of Finland 36, Swedish Party 10, Christian League of Finland 10, Finnish Rural Party 6 and Liberal Party 4.

## INTERNATIONAL ORGANIZATIONS

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

## LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1980) 2.5 mill. ha (8.2%) are cultivated and 19.7 mill. ha (64.5%) are covered by forests.

OWNERSHIP OF LAND (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 (1980): 4.8 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1980): In South Finland 46.8, in East and Central Finland 14.0, in North Finland 4.1 and in the whole country an average of 15.7 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1980): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital, 483 036 inhabitants, Tampere (Tammerfors) 166 228, Turku (Åbo) 163 680.

EMPLOYMENT (1981): Agriculture and forestry 11%, industry and construction 35%, commerce 14%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 26%.

LANGUAGE (1980): Finnish speaking 93.5%, Swedish speaking 6.3%, others 0.2%.

EDUCATION (1981): 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 (1980): births 13.2‰, deaths 9.3‰, change + 2.8‰, net immigration — 0.3‰. Deaths in France 10.1‰ and Great Britain 11.8‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1981), in million marks: Gross domestic product at factor cost by industrial origin: agriculture 6 758 (4%) forestry and fishing 9 590 (5%), manufacturing 60 991 (33%), construction 13 447 (7%), trade, restaurants and hotels 21 508 (11%), transport and communication 15 358 (8%), banking and insurance 7 816 (4%), ownership of dwellings 13 066 (7%), other services 40 280 (21%), total 188 814. Index of real domestic product 121 (1975 = 100).

FOREST RESOURCES (1980). The growing stock comprised of 1 631 million m<sup>3</sup> (solid volume with bark) of which 44% was pine and 38% spruce the remaining 18% being broad-leaved trees chiefly birch. Of the growing stock 690 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 65 million m<sup>3</sup> and the total drain calculated on the basis of roundwood consumption was 59 million m<sup>3</sup>.

AGRICULTURE (1980). Cultivated land 2.3 million hectares. Number of holdings 224 721 of which 155 277 are of more than 5 ha. Measure of self-sufficiency in bread cereals 70%.

INDUSTRY (1981). Gross value of industrial production 193 314 mill. marks number of workers 419 443, salaried employees 144 692, motive power 8.0 mill. kW. Index of industrial production 132 for 1981 (1975 = 100).

STATE RAILWAYS (Dec. 31, 1981): Length 6 976 km.

MERCHANT FLEET (Sept. 30, 1982): Passenger vessels 154 (261 828 gross reg. tons), tankers 45 (1 093 633 gross reg. tons), dry cargo vessels 186 (850 088 gross reg. tons), other vessels 97 (15 101 gross reg. tons), total 482 (2 220 650 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1981): Passenger cars 1 279 192, lorries and vans 155 001, buses 9 054, others 9 384, total 1 452 631.

FINNISH AIRLINES (April 1, 1982): Finnair and Kar-Air have in use 2 DC-8, 1 DC-6-3T, 3 Super Caravelles, 9 DC-9-14/15, 5 DC-9-41, 12 DC-9-51, 3 DC-10-30, 2 Fokker F-27 and 2 Embraer Bandeirante. Companies have scheduled traffic outside of Finland to 38 airports and to 20 domestic airports.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 23.2, Skr 16.7, £ 13.2, DM 13.1, \$ 10.0, other currencies 23.8. The permissible range of fluctuation is about 2.25 per cent of either side of the arithmetic mean. The fluctuation limits are 127.5 and 121.9.

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, 1981). There are two big and five small commercial banks with in all 891 offices, 274 savings banks, 371 co-operative banks, five mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-five private insurance companies also grant credits.

RATES OF INTEREST (June 1, 1982). The base 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 11%. Other credit institutions: time deposits 4 ¼%; 6 month deposits 5 ½%; 12 month deposits 7%; 24 month deposits 8 ¼% and sight deposits 1 ¼%. The highest lending rate 12 ½%.

# TRENDS IN THE FINANCING OF INVESTMENT

by Tapio Korhonen, M. Pol.Sc.,  
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Finland's investment ratio has long been one of the highest in the industrialized world. A high investment ratio has enabled rapid structural changes in the economy and a fairly satisfactory growth of total output. With a gross investment ratio averaging over a quarter of GDP over the past two or three decades, Finland has achieved an average growth rate of approximately 4 per cent per annum. Highly growth-oriented economic policies have served to support investment activity in the private sector. The need for the intensive development of the economy was, of course, self-evident in view of the modest capital base which Finland possessed in the immediate post-war period.

By far the major part of total investment has been financed by domestic saving.<sup>1</sup> Although also quite high, domestic saving has not been sufficient to finance the rate of investment thought desirable from a structural point of view. Consequently, foreign sources of finance have been tapped so as to enable the realization of the desired rate of growth. Admittedly, given the openness and cyclical sensitivity of the Finnish economy, foreign borrowing cannot be said to have always been intentional or even desirable. The tendency for domestic demand to peak at times when exports are declining has occasionally resulted in current account deficits of such proportions that remedial policy action has become necessary. In recent years, however, Finland's external indebtedness has declined appreciably and at present the financial balance of the economy

cannot be regarded as either a problem or a constraint for economic policy.

In the following we review the principal trends of saving and investment in Finland by way of sectoral analysis. In this context the channelling of finance and the operation of the financial markets are touched upon only lightly.<sup>1</sup> Analysis by sectors stresses the independence of saving and investment decisions in the four sectors examined — corporations, households, the public sector and financial institutions. This approach was deemed appropriate for the present study, even if it is acknowledged that in reality the behaviour of the different sectors in respect of various assets and liabilities is intertwined in many ways. It could even be assumed, as is often done, that all the assets and liabilities of the economy ultimately belong to households. Given the institutional setup in Finland, especially as regards various constraints in the transmission of finance due to tax regulations, market deficiencies, investment habits, etc., it would be extremely difficult to examine saving and investment trends in the light of theories which assume perfect markets and market information.

## OVERALL TRENDS, 1961—1981

Given the high priority accorded to industry, investment in this sector has usually accounted for roughly a third of total investment. About a half has been devoted to infrastructural needs, with housing claiming a large proportion of the available resources. Examined on a sectoral

<sup>1</sup> Specific measures designed to encourage saving are described in the Appendix to this article.

<sup>1</sup> For a discussion of these issues see the December 1981 and August 1982 issues of the Bulletin.

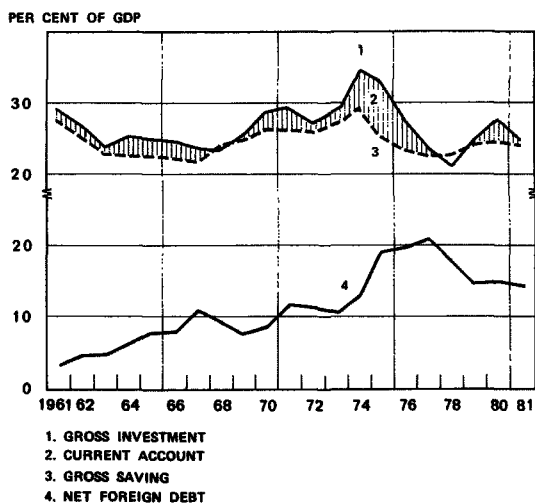
basis, corporations have traditionally accounted for roughly a half of all investment, whereas the share of households has been about a third. During the past two decades, the period studied in this article, the share of the public sector in total investment has been quite stable at about 15 per cent.<sup>1</sup>

A sectoral breakdown of saving reveals a quite different picture, since about a third of total gross saving has been government-determined saving (this includes not only saving by central and local government, but also the increase in the funds of the statutory insurance schemes, mostly the funds of privately-operated schemes). Households have accounted for approximately another third of gross domestic saving and firms for the remainder. With respect to net saving, the share of the public sector, as broadly defined above, has been as high as two thirds.

It is perhaps worth briefly noting how the sectoral pattern of saving necessary to ensure an adequate rate of investment varies internationally. The distribution of saving in a country is largely determined by the existing institutional setting. This helps to explain, for instance, the prominent role of public sector saving in Finland and the Nordic region in general. Saving by the household sector, which is of prime importance in so many countries, has been of only limited significance in the Nordic area.<sup>2</sup> By international standards, corporate income, especially in relation to corporate investment, has been fairly low in Finland.

Chart 1 summarizes the overall developments in saving and investment described above. Because of the strong external shocks of the mid-1970s, no general trend can be observed for the two decades taken as a whole. It is possible, however, to discern a rising trend in savings and investment ratios up till 1974. The first decade and a half covered in the chart illustrate the most expansive period in the post-war Finnish economy, involving not only

**CHART 1. SAVING, INVESTMENT AND NET FOREIGN DEBT**



high investment and growth rates but also the increasing openness of the economy both with respect to foreign trade and Finland's improved access to international capital markets. The latter half of the 1970s was characterized by the adjustment of the economy to a changed international environment and the efforts made to correct both external and internal imbalances.

Calculated at current prices, the investment and savings ratios illustrated in Chart 1 average about 27 and 25 per cent, respectively, over the two decades. As the current account deficit has, as on average, been slightly under 2 per cent of GDP, this means that well over nine tenths of total investment has been financed by domestic saving.

There have been marked differences in the importance of foreign finance to the various sectors of the economy. Traditionally, the bulk of imported foreign capital has been channelled directly to firms for the financing of productive investments. However, in more recent years, when the total external indebtedness of the economy has been on the decline, the significance of government borrowing has increased. It may be noted here that Finland's debt ratio is approximately the same as that of Sweden — whose foreign debt is of fairly recent origins — but well below that of other Nordic countries.

<sup>1</sup> The structure of investment will be examined more closely in an article appearing in the December 1982 issue of the Bulletin.

<sup>2</sup> See the back article of the October 1982 Bulletin.

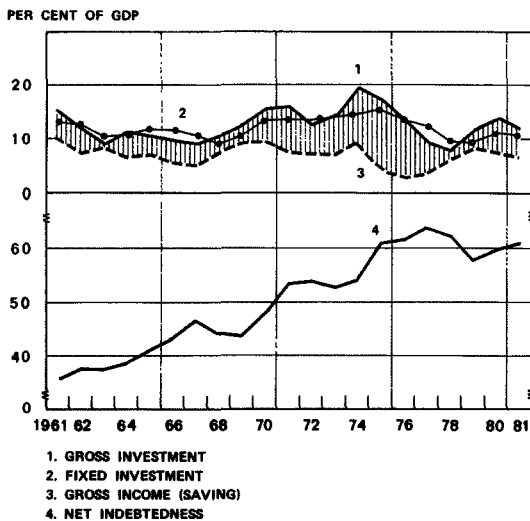
## THE CORPORATE SECTOR

The sharp fluctuations of corporate income and the even more pronounced variations in corporate investment have been largely responsible for the swings in the financial equilibrium of the Finnish economy (Chart 2). In general, corporate investment behaviour has followed developments in profits, but the use of foreign finance appears to have increased the amplitude of fluctuations in corporate investment.

The profitability of firms has tended to weaken sharply in recessions, when losses in international competitiveness have coincided with reduced demand from abroad. Since the late 1970s the government has made efforts to curb the growth of corporate costs and provide incentives to investment through sales tax concessions on investment goods<sup>1</sup> and reductions in social security contributions. Initially, these measures were undertaken for counter-cyclical policy purposes but some of them have subsequently become more or less permanent. However, the most significant improvements in corporate profitability have been those

<sup>1</sup> Unlike most other European countries Finland does not have a value-added tax system.

**CHART 2. FINANCING OF THE CORPORATE SECTOR**



stemming from exchange rate changes. There were substantial devaluations of the Finnish mark in 1957 and 1967, and more moderate ones in 1977—1978 and 1982. The mark was revalued in small steps in 1979—1980 so as to ward off imported inflation. Since 1977, the government has regularly adjusted income and wealth tax scales downwards for inflation as an incomes policy measure designed to promote moderation in pay claims.

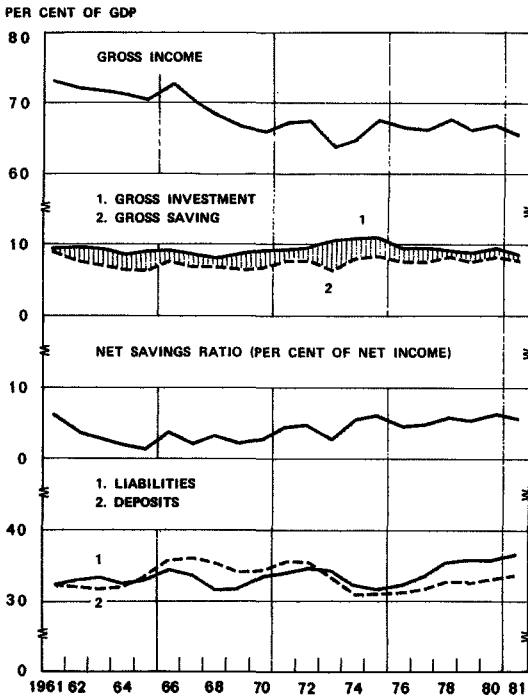
The corporate sector has been in continuous financial deficit. Internal financing has generally covered only half of the financing requirements of corporate investment, resulting in a cumulative growth of indebtedness. The low level of domestic interest rates has encouraged borrowing in inflationary conditions. By the mid-1970s, the net debt of the corporate sector had risen to over 60 per cent of GDP, and it declined only moderately in the latter half of the 1970s despite a marked slowdown in investment activity. Finnish firms were heavy borrowers on international capital markets up to the mid-1970s, but have subsequently cut down markedly on this form of borrowing — which in recent years has been both expensive and subject to exchange rate risks — and resorted increasingly to domestic credits.

## HOUSEHOLDS

The share of household income in GDP has decreased by nearly 10 percentage points during the past twenty years (Chart 3). In addition to the change in income distribution between the different sectors of the economy — notably an increase in the tax ratio up till 1976 — there has been a shift within the household sector away from entrepreneurial income towards wages and salaries. The share of household saving in GDP has, nevertheless, remained nearly constant because the household propensity to save has been rising since the mid-1960s.

The explanation for the higher propensity to save of Finnish households lies in the increase

**CHART 3. FINANCING OF HOUSEHOLDS**



born in the »baby boom» of the immediate post-war years, has also been a factor contributing to the increase in housing investment and the saving associated with it in the 1970s.

Although the rising trend of household investment was reversed in the latter half of the 1970s, there has not been a corresponding decline in the savings ratio. The marked expansion of the stock of real wealth up to the mid-1970s has increased the financial deficit of the household sector, leading to a growth in indebtedness. The maintenance of the ratio of debts to income at the desired level has required some refraining from consumption in order to maintain liquidity. The channelling of tied savings to the banking system also partly explains why bank deposits have increased briskly even in inflationary times. In fact, the real stock of deposits only decreased in the mid-1970s when the rate of inflation was approaching 20 per cent.

of what is known as »tied saving». Scarcity of rented dwellings has induced households to buy their own homes. Given the limited availability of long-term housing loans from the State, most families in medium and upper-income categories have relied on bank loans for financing their purchases. One of the conditions for obtaining a mortgage has been a fairly large downpayment financed out of personal savings. Furthermore, repayment periods have been relatively short, often less than 10 years. Cross-section studies of household saving behaviour all stress the importance of home-ownership as the primary saving motive.<sup>1</sup>

The rapid increase in housing investment up to the mid-1970s was mainly due to demographic factors. Internal migration saw the share of the population living in urban areas rise from under 40 per cent in the early 1960s to nearly 60 per cent by the mid-1970s. The changing age composition of the population, and in particular the coming of age of the generation

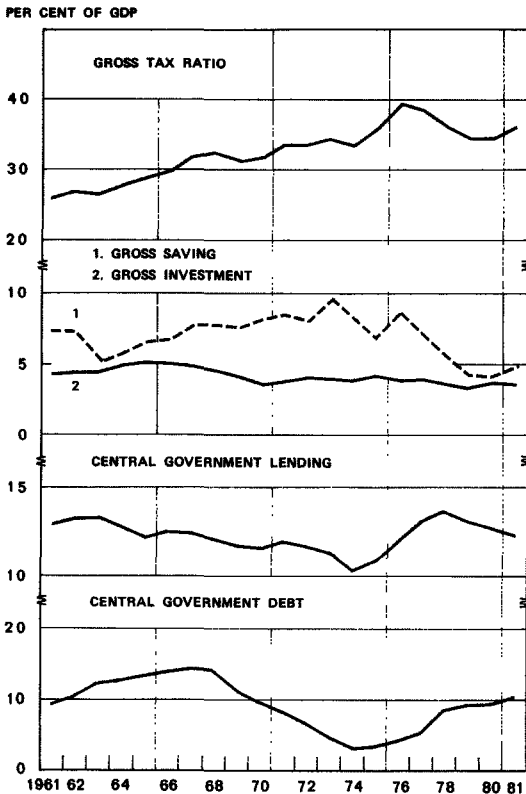
### THE PUBLIC SECTOR

The public sector savings ratio has traditionally been high in Finland, even if statutory insurance saving, which is discussed in the following section, is excluded. The picture has, however, changed somewhat since the late 1970s because of the lowering of the tax ratio (Chart 4). In particular, the formerly stable financial position of the central government has weakened, even though it is still reasonably satisfactory when compared to most other countries: the gross state debt is currently only 10 per cent of GDP. Saving by central and local government has in recent years amounted to some 3—4 per cent of GDP, whereas it was still twice as high in the mid-1970s. This expansionary fiscal policy has coincided with the virtual disappearance of Finland's current account deficit: the conscious increase in the deficit of the public sector can be regarded as justified in view of the deflationary pressures which were prevalent in the economy.

The high savings ratio of the public sector has

<sup>1</sup> See the front article of the September 1982 Bulletin.

**CHART 4. PUBLIC FINANCE**



not accentuated the position of the central government on Finnish financial markets; rather, the opposite has been true. The financial surplus of the State has been used to finance the central government's own investment as well as to cover the major part of direct central government lending to the private sector. Domestic borrowing by the central government has been on a fairly limited scale. When central government deficits have grown, it has not been possible to increase the sale of bonds to a corresponding degree. The household sector has been unwilling to purchase large quantities of government bonds, and there are no arrangements in Finland for obliging banks to buy government paper, as is the case in many other countries. Nor is it customary in Finland for the central bank to lend to the government.

Although fiscal policy in Finland has traditionally involved relatively small discretionary changes in public sector income and expenditure, over the years the government has

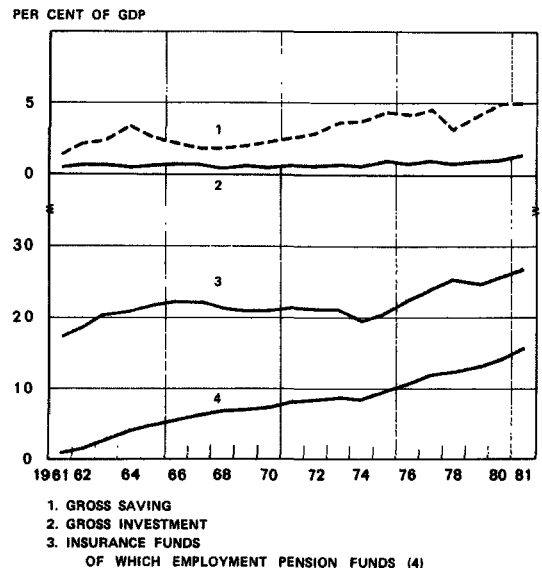
become increasingly active in making policy adjustments. Public investment has been fairly stable, so that the government has influenced the income, saving and investment behaviour of the private sector through a more active involvement on the income side of public finances.

**FINANCIAL INSTITUTIONS**

Saving by financial institutions consists mainly of the growth of the funds of statutory insurance schemes and particularly those of pension insurance; saving by financial institutions proper accounts for but a minor proportion of total saving in this sector (Chart 5). Only a small part of social insurance saving is administered by public social security funds, the bulk of the funds being managed by private insurance companies, which also determine how the funds are invested. Employers contributing to the schemes may borrow back more or less automatically a considerable part of the funds at fairly favourable terms.

From the above it can be seen that the central government's share in the lending of social insurance funds has been relatively small. The

**CHART 5. SAVING AND INVESTMENT BY FINANCIAL INSTITUTIONS**





central government does, however, regulate the accumulation of all funds by setting the rates of social security contributions. The temporary lowering of rates has often been used as an instrument of counter-cyclical policy to support corporate income developments during recessions. Although this has slowed the accumulation of funds, the relative share of social insurance saving has nonetheless been constantly increasing. The insurance funds, whose assets account at present for over a quarter of GDP, are an important source of finance for firms on domestic financial markets.

## PROSPECTS

Viewed from today's perspective, it seems unlikely that the financial balance of the Finnish economy will be subjected to any major strains in the 1980s. The past two decades have witnessed the completion of large-scale investments in infrastructure. Much undoubtedly remains to be done to secure and enhance the productive potential of the economy, but domestic saving should go a long way towards satisfying these needs. Compared with the more mature industrial countries, Finland still has a relatively small capital stock. On the other hand, the emphasis in industrial investment would appear to be shifting towards less capital-intensive, albeit high-technology, projects. The maintenance of a sufficiently high investment ratio is closely connected with the problems of finding the most efficient capital projects.

Should the fall in investment ratios in the industrialized world prove persistent, the pressures for preserving a high investment ratio in Finland will naturally subside. But the issue has, of course, to be viewed against the overall growth targets of domestic economic policy — specifically, whether these can be set higher than warranted by developments in the international environment — and traced further to the provision of adequate employment opportunities. A higher growth rate would

most likely generate a current account deficit, but in a growing economy a certain level of deficit can be sustained without any increase in the relative size of external debt (which, as can be seen in Chart 1, has actually been declining in Finland).

Turning to the sources of domestic saving, the first concern must be with the outlook for public finance, traditionally such an important source of saving in Finland. A recent government review of economic prospects over the next five years did not foresee any dramatic changes in state finances. If the central government continues its policy of endeavouring to restrain expenditure, it should not unduly burden domestic financial markets.

Saving in the form of statutory insurance schemes is likely to remain a rather stable element, even if it, too, is dependent on policy action. Growing expenditure on pensions will necessitate an increase in the contribution rates if saving by pension insurance funds is to retain its share in total saving at the present level.

It has long been assumed that the household propensity to save would decline along with improved social security, a more equitable income distribution, a decline in the number of self-employed persons, etc. So far the household savings ratio has not fallen. The main reason has been the central importance of personal savings for the acquisition of dwellings, although more recently the poor outlook for employment and other uncertainties may have become additional factors. When, in due course, the demand for new housing falls off, the household sector could well become a net lender in the economy. The possibility of an increased propensity to consume should not, however, be ruled out, as so many households have been refraining from consumption in order to pay for their homes. The channelling of these potential funds from households to the corporate sector would undoubtedly call for a re-evaluation of various forms of household assets, their tax treatment, etc.

The measures accompanying the October 1982 devaluation<sup>1</sup> will help to improve the financial position of Finnish companies. Certain structural weaknesses nevertheless remain, not least being the high indebtedness ratio. Tax considerations and the relatively low cost of domestic finance have meant that the share

of equity capital has remained low in the balance sheets of many firms. The greater vulnerability which attaches to high indebtedness understandably diminishes the willingness to invest, especially when the prospects for international demand are poor. In addition to improvements in productivity and profitability, the long-term soundness of Finnish firms will also depend on an improved capital structure.

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<sup>1</sup> For information on the measures see the October 1982 issue of the Bulletin and the appendix to this article.

## APPENDIX<sup>1</sup>

### 1. MEASURES AFFECTING CORPORATE SAVING

#### 1.1. CORPORATE TAXATION AND DEPRECIATION ALLOWANCES

Central government corporate income tax rates have been unchanged since the late 1960s. Corporate wealth taxation was reintroduced in 1976. The sales tax rate has been 14 per cent since 1977; however, industrial building investments have been totally exempt and new industrial machinery and equipment partially exempt from sales tax. Free depreciation has also been allowed for industrial building investments. In addition, since June 1978 special grants have been available from the government for purchases of industrial machinery and equipment (generally up to 7.5 per cent of the acquisition cost). The various exemptions described here have been temporary and have been extended by separate decisions. The following table summarizes the major tax rates applied in 1974—1982.

| Year | Corpo-<br>rate<br>income<br>tax<br>rate | Wealth<br>tax<br>rate | Sales<br>tax<br>rate | Sales tax rates<br>on industrial<br>investments | Depreciation<br>rights<br>(Industrial<br>buildings) | Free deprecia-<br>tion,<br>1976—1978 <sup>3</sup> | Free deprecia-<br>tion,<br>1978—1982 <sup>4</sup> |
|------|---|-----------------------|----------------------|---|---|---|---|
| 1974 | 43                                      | —                     | 11                   |   |   |   |   |
| 1975 | 43                                      | —                     | 11                   |   |   |   |   |
| 1976 | 43                                      | 1.5                   | 11                   |   |   |   |   |
| 1977 | 43                                      | 1                     | 14                   | 0 <sup>1</sup>                                  |   |   |   |
| 1978 | 43                                      | 1                     | 14                   | 0   | 7 <sup>2</sup>                                      |   |   |
| 1979 | 43                                      | 1                     | 14                   | 0   | 7   |   |   |
| 1980 | 43                                      | 1                     | 14                   | 0   | 9.24  |   |   |
| 1981 | 43                                      | 1                     | 14                   | 0   | 9.24  |   |   |
| 1982 | 43                                      | 1                     | 14                   | 0   | 9.24  |   |   |
|      |   |                       |                      |   | (2.80 as from Nov. 1,<br>1982)                      |   |   |

N.B. Corporations also pay local government income tax, in most cases at a rate of 15—16 per cent.

<sup>1</sup> The act on the sales tax exemption of industrial buildings came into force on November 1, 1977 for a limited period, but has subsequently been extended on several occasions.

<sup>2</sup> The special act allowing deductions of 50 per cent in sales tax on industrial machinery and equipment investments originally applied to investments started between April 1, 1978 and June 30, 1979, but the qualifying period was subsequently extended until the end of 1979. For the period 1980 to October 1982, the deductible amount was lowered to one-third of the acquisition cost.

<sup>3</sup> In June 1976, it was decided to grant free depreciation on new industrial buildings brought into use before August 31, 1976 and an additional investment deduction of three per cent for 1976—1979. In December 1976, the tax relief was extended to cover machinery purchased for the above-mentioned buildings.

<sup>4</sup> Included in the taxation for the years 1978—1982 are allowances for acquisition cost reserves (which allow depreciation to begin already in the year in which the order is made) and free depreciation.

As part of the programme of measures announced in connection with the devaluation of the mark in October 1982, it was decided to raise the sales tax rate by two percentage points to 16 per cent as from July 1, 1983. The sales tax concession on industrial machinery and equipment investments will be raised from 33.3 per cent to 80 per cent as from November 1, 1982; both it and the total exemption from sales tax of new industrial buildings will become permanent.

<sup>1</sup> This appendix is a supplement to the list of measures published in the December 1974 issue of the Bulletin. Counter-cyclical policy legislation was examined in the November 1976 issue of the Bulletin, when some of the acts were still at the bill stage.

### 1.2 SOCIAL SECURITY CONTRIBUTIONS

Since the mid-1970s, social security contributions have been revised frequently as a means of influencing corporate cost developments. The table below shows the rates for certain major contributions in 1961—1982.

| Years | Employers' social<br>security contribution<br>rates | Employment<br>pension<br>contribution<br>rate | Unemploy-<br>ment<br>insurance<br>contribution<br>rate |
|-------|---|---|--|
| 1961  | 4.5   |   |  |
| 1962  | 4.75  | 5   |  |
| 1963  | 5   | 5   |  |
| 1964  | approx. 5.35  | 5   |  |
| 1965  | 5.5   | 5   |  |
| 1966  | approx. 5.8   | 5   |  |
| 1967  | 6.5   | 5   |  |
| 1968  | 6.5   | 5   |  |
| 1969  | 6.5   | 5.15  |  |
| 1970  | 6.75  | 5.15  |  |
| 1971  | 7.25  | 5.65  |  |
| 1972  | 7.25  | 6.1   |  |
| 1973  | approx. 7.5   | 6.4   |  |
| 1974  | 8   | 6.9   |  |
| 1975  | approx. 8.5   | 7.9   | 0.3  |
| 1976  | 8.875   | 9.9   | 0.3  |
| 1977  | approx. 8.5   | 12.0  | 0.5  |
| 1978  | » 8.215   | 10.0  | 1.0  |
| 1979  | » 7.0   | 11.7  | 1.0  |
| 1980  | » 6.5   | 13.3  | 0.9  |
| 1981  | » 6.42  | 13.3  | 0.4  |
| 1982  | » 6.52  | 12.5  | 0.4  |

### 1.3. THE USE OF COUNTER-CYCLICAL DEPOSITS

In recent years, three schemes have been utilized. Starting in June 1980, export deposits totalling about 200 million marks were collected from forest industry companies. The rate of deposit was 4 per cent of the export price for sawngoods exports and 3 per cent for pulp exports. These deposits were released earlier than originally scheduled in October 1981.

Counter-cyclical deposits were collected from enterprises as from October 1980. Prior to their release in January 1982, these deposits totalled 140 million marks.

The terms applied to the voluntary investment reserve scheme were made more attractive from the beginning of December 1979. The upper limit on investment reserve transfers was raised to 70 per cent of the net profits for the accounting year. At least 50 per cent of the reserve was to be deposited at the Bank of Finland, which, at the same time, decided to raise the rate of interest paid on these deposits from 4.25 per cent to 7 per cent. The Bank of Finland received a total of nearly 1 500 million marks in investment deposits. In December 1981, the government decided to activate investment reserves by making the major part of investment deposits disposable, subject to certain conditions, as from the beginning of 1982.

### 1.4. SPECIAL DEPOSITS IN BANKS

In recent years, deposit banks have, to an increasing extent, accepted deposits from corporations at terms different from those applied to ordinary deposits from the public. June 1, 1982, saw the entry into force of

an agreement concluded between the banking institutions on the acquisition of short-term corporate funds. The main forms of short-term money are corporate deposit accounts, funds intermediated by banks' trust departments, corporate certificates of deposit, other obligations, and bond repurchase transactions. Unlike the case of households, all enterprises' deposits and interest earnings on them are liable to tax.

The minimum deposit which can be made on a corporate deposit account is 300 000 marks and the rate of interest is 5.25—0.25 percentage points below the Bank of Finland's base rate, depending on the period of deposit (from two to twelve months). The rate of interest payable on funds intermediated by banks' trust departments can be fixed freely. The minimum amount which can be placed is 300 000 marks and the placement period not less than three months. (In the case of sums exceeding 5 million marks, it can be even less). The rate of interest on corporate certificates of deposit can also be fixed freely, the minimum deposit being 1 million marks and the deposit period between one and twelve months. The same lower limit and the right to freely fix the rate of interest are also applied to other obligations and bond repurchase transactions. The agreement concluded between the deposit banks does not apply to deals between the banks and the finance companies owned by them.

The agreement concluded in the spring of 1982 will facilitate the monitoring of changes in the stock of short-term funds. At present, it is estimated that the total stock of short-term funds (which are mostly reported in the balance sheets of banks' finance companies and which also include funds solely intermediated by banks' trust departments) is equivalent to less than one-tenth of the banks' deposits. Although the rate of interest seems to have followed to some extent movements in the marginal cost of central bank financing, it has also been influenced by international interest rate developments.

## 2. MEASURES AFFECTING HOUSEHOLD SAVING

### 2.1. RATES OF INTEREST AND TYPES OF ACCOUNT

Rates of interest paid on deposits in Finland have been fairly low and have varied only little despite sharp fluctuations in the rate of inflation. In order to reduce the impact of high inflation, the structure of deposit rates was altered in 1977 and 1979 by increasing the differential between the rates paid on long-term deposits and those paid on ordinary deposits.

Changes in the rates of interest on ordinary deposits and 24-month term deposits in 1973—1982

| Date of change   | Rates paid on ordinary deposits, per cent | Rates paid on 24-month term deposits, per cent |
|------------------|---|--|
| July 1, 1973     | 5.75                                      | 7.75   |
| October 1, 1977  | 4.25                                      | 7.50   |
| May 1, 1978      | 3.25                                      | 6.50   |
| November 1, 1979 | 4.25                                      | 8.25   |
| February 1, 1980 | 5.00                                      | 9.00   |
| June 1, 1982     | 4.25                                      | 8.25   |

At the beginning of 1975, two new term deposit accounts were introduced, 36-month savings premium deposit and tax concession deposit accounts. The

income from these accounts consists of interest paid plus an interest premium of about one per cent in the case of savings premium deposit accounts and a tax concession of similar magnitude in the case of tax concession deposit accounts.

Housing savings premium deposits were introduced in 1981. Interest paid comprises interest paid on ordinary deposit accounts, supplementary interest of 1.25 per cent paid by the banking institution and a housing savings premium of 1.75 per cent paid by the central government.

### 2.2. INTEREST SUBSIDIES AND PREMIUMS ON DEPOSITS AND TAXATION

Holders of tax concession deposits accounts — introduced in 1975 (see 2.1) — were entitled to tax concessions in central government taxation for the years 1977—1979.

The central government pays supplementary interest on housing savings premium deposits (see 2.1).

Deposits made by physical persons are tax-exempt, provided that they are made on accounts normally used in banking for depositing.

### 2.3. OTHER TAX MEASURES

Interest and capital on bonds are, as a rule, tax-exempt.

Dividend income is subject to tax; however, shareholders are entitled to a special dividend income deduction. The deductions have been increased from time to time and in 1982 households may deduct up to 2 500 marks per family member for dividend and certain other capital income in taxation.

At the beginning of 1975, a new act limiting the right to deduct interest expenses on housing loans came into force. It allowed deductions of up to 15 000 marks for interest expenses on housing loans and up to 10 000 marks for other interest expenses.

The act was amended in 1980 to allow deductions of up to 25 000 marks for interest expenses on housing loans. This amount may include other interest expenses up to 10 000 marks.

The following adjustments for inflation have been made in income tax scales since 1977:

| Year | Per cent |
|------|----------|
| 1977 | 16       |
| 1978 | 13       |
| 1979 | about 8  |
| 1980 | about 8  |
| 1981 | 11       |
| 1982 | 12       |

### 2.4. CENTRAL GOVERNMENT SUPPORT FOR HOUSEHOLD INVESTMENT

The central government supports the acquisition and renovation of dwellings by granting long-term low-interest loans. The law was revised in 1981, so that a uniform loan period of 18 years was applied to all loans; the rate of interest was changed so that it rises in the

course of the loan period from zero to the current rate. The regulations concerning the sale of dwellings co-financed by the state were revised, so that a dwelling can only be sold to a buyer nominated by the municipality at a price set in accordance with principles laid down in law. The restrictions on the sale of a dwelling apply for 27 years.

Loans and subsidies are granted to farmers for purchases of additional land, the buying up of shares in estates, construction and housing. The rate of interest applied varies between 2 and 6 per cent, depending on the location of the farm, and the repayment period for loans is between 5 and 25 years.

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# BANK OF FINLAND

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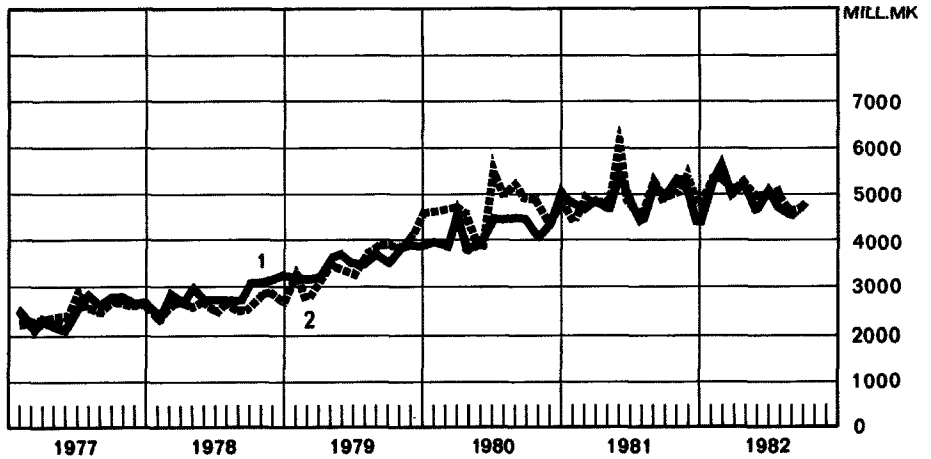
Erkki Vehkamäki

*Data Processing*

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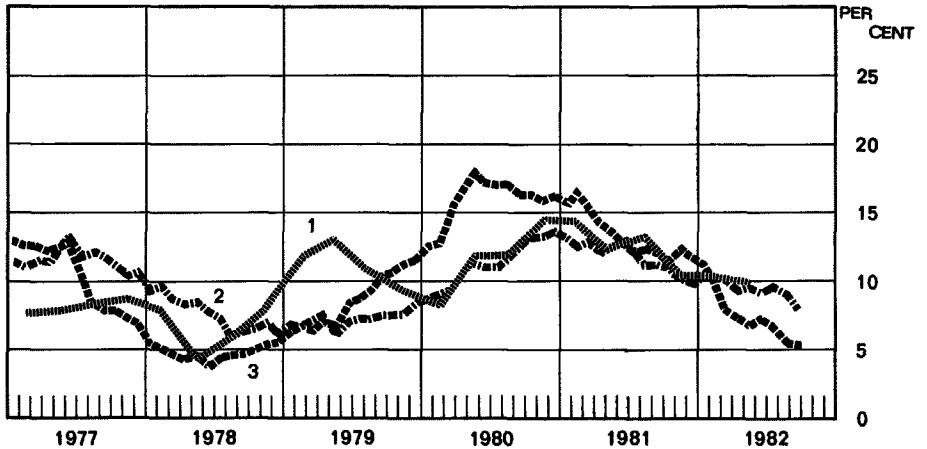
### FOREIGN TRADE, 1977-82

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



### PRICES AND WAGES, 1977 - 1982

- 1. Index of wage and salary earnings 1975 = 100, quarterly figures
  - 2. Consumer price index 1977 = 100, monthly figures
  - 3. Basic price index for domestic supply 1975 = 100, monthly figures
- Percentage change on previous year



### PRODUCTION, 1977-82

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

