



# BANK OF FINLAND

*Monthly Bulletin*

**Cash reserve agreement**

**The balance of payments and foreign  
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**Parliamentary elections of 1979**

**Supplementary budget**

**The new consumer price index, 1977=100**

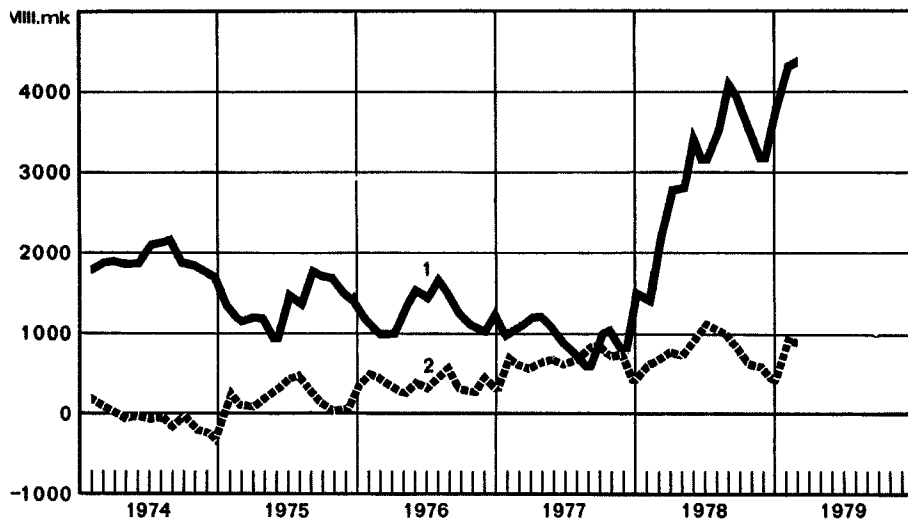
**New Fmk 5 current coin, type 1979**

**Board of Management of the Bank of  
Finland**

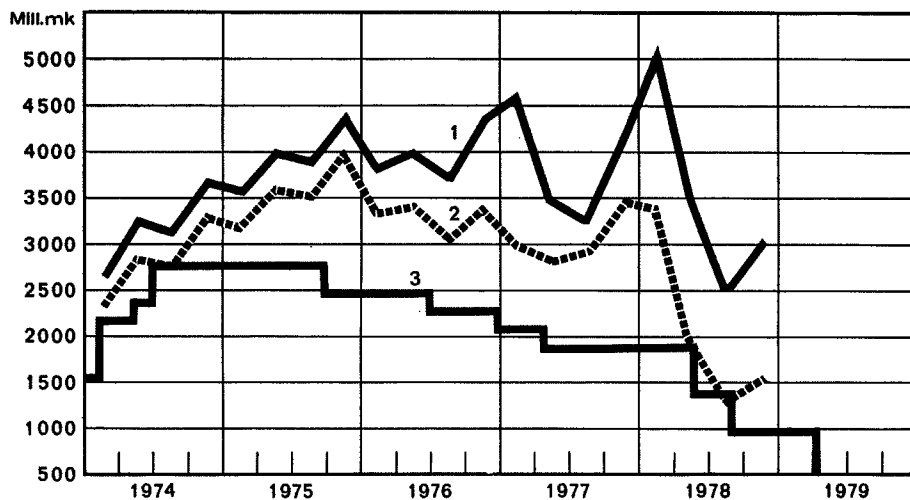
**APRIL 1979**

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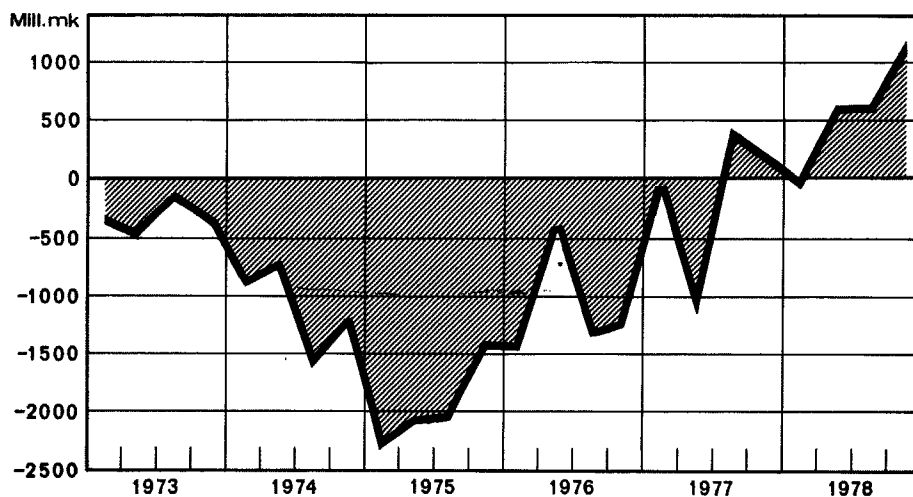
**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1974-79**



**COMMERCIAL BANKS' CENTRAL BANK FINANCING, 1974-79**



**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1973-78**



# CASH RESERVE AGREEMENT

A cash reserve agreement between the Bank of Finland and the deposit banks was signed in March 1979. According to the agreement the banks can be required to hold cash reserve deposits at the central bank.

This is the fourth time that such an agreement has been concluded. The previous cash reserve agreements were applied in 1955—56, 1961—62 and 1967—70. As in the past, the present agreement was reached voluntarily, and it was not necessary to make use of the act concerning the special deposits of banks at the Bank of Finland which dates from 1965.

Recent developments in the financial markets have been characterized by strong liquidity growth. A current account surplus and net imports of long-term capital especially by the government have substantially increased the Bank of Finland's net foreign assets. This has been reflected in a material decline in the central bank debt of the commercial banks. In line with this development, the Bank of Finland lowered the credit quotas of the commercial banks twice during 1978 and again at the beginning of April 1979.<sup>1</sup> The continuing build-up of liquidity in the financial markets has made it necessary to prepare further measures for neutralizing liquidity, and the cash reserve system has been negotiated for this purpose.

Current forecasts suggest that recent trends in the financial market will continue. The current account is expected to show a surplus and a net import of long-term capital is expected in 1979. The decline in the central bank debt of the commercial banks is also forecast to continue, which would imply the phasing out of

the credit quotas. A cash reserve system can be viewed as a continuation of the current strategy which aims at maintaining easy but orderly financial conditions. If investment demand remains low, rapid growth of bank lending might undermine price stability without contributing substantially to employment and economic growth. There is, however, no reason to use the cash reserve system to squeeze the financial market as long as present economic conditions prevail.

The stock of deposits at the end of each month will be used to calculate the cash reserve requirement. The cash reserves in question are to be deposited at the central bank before the end of the following month. The stock of deposits used to compute the cash reserve requirement includes both demand and time deposits. However, deposits of the central government, other monetary institutions, mortgage banks and Finnish Export Credit Ltd are excluded. Only half of residents' deposits denominated in foreign currency are included when calculating the cash reserve requirement. The credit institutions subject to the cash reserve deposit requirement are the commercial banks, the savings banks, the co-operative banks and Postipankki (post office bank).

The reserve requirement could have been set at the earliest using the stock of deposits at the end of March 1979. The initial cash reserve deposit coefficient cannot exceed 0.4 per cent. This maximum means that cash reserves cannot be much more than 200 million marks in the first month. Thereafter the reserve coefficient can be raised by at most 0.4 percentage points per month. The ceiling on the cash reserve coefficient is 5 per cent which, on the basis of the present stock of deposits, means that cash reserves would amount to about 2 500 million marks.

<sup>1</sup> Developments in the financial market are described in more detail in »Recent Developments», the front article of the January 1979 issue of this Bulletin.

The Bank of Finland will pay interest on the cash reserve deposits at an annual rate which is  $3/4$  percentage point lower than the discount rate. Given the present discount rate of  $7\ 1/4$  per cent this means that the rate on cash reserves will be  $6\ 1/2$  per cent. If a bank fails to place the full amount in its cash reserve

account, the Bank of Finland will charge a penal rate on the shortfall.

The current cash reserve agreement, unlike earlier agreements, does not set a date for the withdrawal of the deposits accumulated on cash reserve accounts.

March 22, 1979

## BANK OF FINLAND

Mill. mk

	1978		1979			
	March 31	Dec. 30	March 8	March 15	March 23	March 30
<b>Assets</b>						
Gold and foreign exchange receivables	3 700	4 339	5 504	5 456	5 433	5 276
Gold	133	169	169	169	169	169
Special drawing rights	187	316	458	458	458	458
IMF reserve tranche	—	243	243	243	243	243
Convertible currencies	2 534	3 126	3 811	3 791	3 812	3 638
Tied currencies	846	485	823	795	751	768
Other foreign receivables	2 142	1 968	2 187	2 240	2 268	2 288
Foreign bills <sup>1</sup>	551	—	—	—	—	—
Foreign bonds	663	872	1 090	1 143	1 171	1 191
Mark subscription to Finland's IMF quota	928	1 096	1 097	1 097	1 097	1 097
Receivables from financial institutions	4 865	3 695	3 601	3 986	3 480	3 062
Cheque accounts of the commercial banks	123	137	123	140	144	113
Discounted bills	2 454	970	926	913	903	829
Bonds	358	361	369	344	352	366
Call money market advances	1 894	2 213	2 154	2 558	2 064	1 735
Other financial institution receivables	36	14	29	31	17	19
Receivables from the public sector	405	633	807	813	818	821
Government promissory notes	—	188	346	346	346	346
Bonds	67	93	100	103	107	107
Total coinage	321	336	342	344	347	350
Other public sector receivables	17	16	19	20	18	18
Receivables from corporations	1 477	1 948	1 998	2 005	2 010	2 008
Financing of exports <sup>2</sup>	210	904	907	913	919	917
Financing of domestic deliveries	778	752	778	777	775	776
Bonds	200	207	200	202	202	201
Other corporate receivables	289	85	113	113	114	114
Other assets	60	64	67	66	66	67
<b>Total</b>	<b>12 649</b>	<b>12 647</b>	<b>14 164</b>	<b>14 566</b>	<b>14 075</b>	<b>13 522</b>
<b>Liabilities</b>						
Foreign exchange liabilities	64	60	54	50	44	53
Convertible accounts	40	46	42	37	31	39
Tied accounts	24	14	12	13	13	14
Other foreign liabilities	3 391	2 195	2 213	2 213	2 213	2 213
IMF mark accounts	1 838	1 881	1 759	1 759	1 759	1 759
Allocations of special drawing rights	300	314	454	454	454	454
Term liabilities	1 253	—	—	—	—	—
Notes and coins in circulation	3 333	2 822	4 130	3 910	3 766	3 740
Notes	3 046	3 509	3 822	3 602	3 458	3 431
Coins	287	313	308	308	308	309
Deposit certificates in circulation	0	1 090	1 568	1 568	2 068	2 068
Claims of financial institutions	2 341	2 520	3 272	3 889	3 035	2 500
Cheque account of Postipankki	0	1	0	0	0	0
Cheque accounts of the commercial banks	1	1	1	1	1	0
Call money market deposits	2 034	2 075	2 792	3 412	2 560	2 138
Capital import deposits	278	405	467	466	464	351
Other financial institution claims	28	38	12	10	10	11
Claims of the public sector	288	114	113	113	113	113
Cheque accounts	1	2	0	0	0	0
Counter-cyclical reserves	38	40	40	40	40	40
Capital import deposits	248	70	71	71	71	71
Other public sector claims	1	2	2	2	2	2
Claims of corporations	386	356	333	332	331	342
Deposits for investment and ship purchase	40	32	30	30	30	41
Capital import deposits	333	303	289	289	289	290
Import levy deposits	12	6	5	4	4	3
Other corporate claims	1	15	9	9	8	8
Other liabilities	13	12	14	13	13	12
Equalization accounts	730	350	312	320	331	317
Capital accounts	2 103	2 128	2 155	2 158	2 161	2 164
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	545	545	636	636	636	636
Undisposed profits	109	—	92	92	92	92
Net earnings	49	183	27	30	33	36
<b>Total</b>	<b>12 649</b>	<b>12 647</b>	<b>14 164</b>	<b>14 566</b>	<b>14 075</b>	<b>13 522</b>

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

End of year or month	Foreign sector						Public sector			Deposit certificates in circulation	
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserves (1-2)	Tied exchange reserves	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities		Net liabilities (9-8)
	1	2	3	4	5	6	7	8	9	10	11
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	-126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	-388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977	1 602	53	1 549	496	1 959	3 447	557	391	328	- 63	200
1978	3 854	46	3 808	471	1 968	2 195	4 052	633	114	-519	1 090
1978											
March	2 854	40	2 814	822	2 142	3 391	2 387	405	288	-117	0
April	2 890	51	2 839	785	2 187	3 408	2 403	382	289	-93	—
May	3 596	38	3 558	995	2 636	3 914	3 275	382	229	-153	—
June	3 284	98	3 186	1 149	2 641	3 046	3 930	393	222	-171	400
July	3 583	40	3 543	1 084	2 659	3 038	4 248	404	203	-201	760
Aug.	4 237	43	4 194	1 019	2 407	2 786	4 834	453	202	-251	859
Sept.	4 039	53	3 986	842	2 428	2 756	4 500	464	199	-265	1 209
Oct.	3 620	48	3 572	663	2 551	2 729	4 057	614	191	-423	1 359
Nov.	3 252	31	3 221	622	2 553	2 197	4 199	624	138	-486	890
Dec.	3 854	46	3 808	471	1 968	2 195	4 052	633	114	-519	1 090
1979											
Jan.	4 364	38	4 326	983	2 061	2 335	5 035	791	114	-677	1 718
Feb.	4 446	44	4 402	920	2 120	2 213	5 229	798	114	-684	1 718
March	4 508	39	4 469	754	2 288	2 213	5 298	821	113	-708	2 068

## FOREIGN EXCHANGE SITUATION

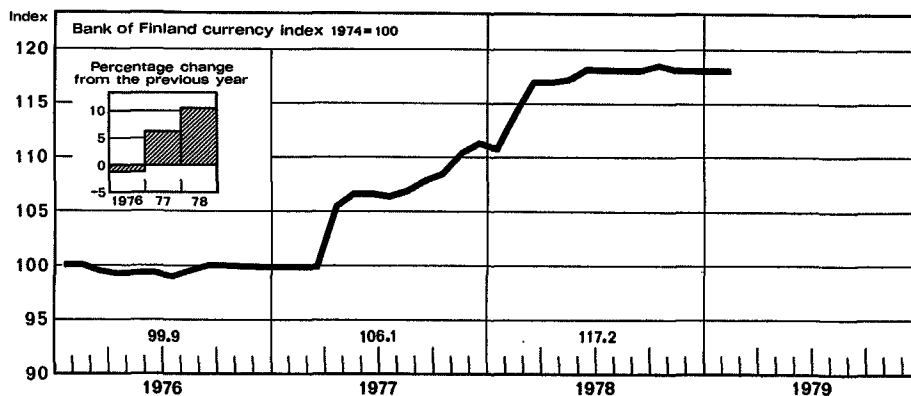
Mill. mk

	Net holdings, Dec. 31, 1978			Net holdings, Feb. 28, 1979			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Feb.	Jan.—Feb.
Gold	169	—	169	169	—	169	—	—
Special drawing rights	315	—	315	457	—	457	+ 2	+142
IMF reserve tranche	243	—	243	243	—	243	—	—
Convertible currencies	3 080	-2 072	1 008	3 533	-2 362	1 171	-287	+163
Total	3 807	-2 072	1 735	4 402	-2 362	2 040	-285	+305
Non-convertible currencies	471	152	623	920	152	1 072	- 60	+449
Grand total	4 278	-1 920	2 358	5 322	-2 210	3 112	-345	+754

End of year or month	Domestic financial sector					Corporate sector				Notes and coins in circulation
	Discounted and rediscounted bills	Cheque account receivables, net, commercial banks	Demand for call money by deposit banks	Supply of call money by deposit banks	Other liabilities, net	Net receivables (1+2+3-4-5)	Permanent special financing schemes	Liabilities, net	Net receivables (7-8)	
	1	2	3	4	5	6	7	8	9	10
1972	753	5	—	—	2	756	321	73	248	1 879
1973	2 556	61	—	—	2	2 615	372	259	113	2 082
1974	3 034	110	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	69	1 175	1 948	356	1 592	3 822

1978										
March	2 454	122	1 894	2 034	-88	2 524	1 477	386	1 091	3 333
April	2 346	154	1 444	1 653	-236	2 527	1 483	389	1 094	3 302
May	2 004	119	1 331	1 781	63	1 610	1 386	416	970	3 271
June	1 607	106	1 495	1 629	37	1 542	1 311	386	925	3 572
July	1 571	83	1 408	1 623	34	1 405	1 297	304	993	3 520
Aug.	1 320	80	1 229	1 628	108	893	1 288	505	783	3 414
Sept.	1 107	77	1 680	1 298	59	1 507	1 311	372	939	3 538
Oct.	1 113	69	2 013	1 413	87	1 695	1 298	344	954	3 431
Nov.	968	168	1 995	1 821	60	1 250	1 297	360	937	3 492
Dec.	970	136	2 213	2 075	69	1 175	1 656	64	1 592	3 822

1979										
Jan.	919	113	2 080	2 573	183	356	1 680	71	1 609	3 512
Feb.	891	168	2 431	3 135	95	260	1 669	37	1 632	3 653
March	829	113	1 735	2 138	-23	562	1 693	27	1 666	3 740



# 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	Bank of Finland placements in the call money market, mill. mk	Basic discount rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks <sup>1</sup> %
	1	2	3	4	5	6	7	8
1972	809	798	1 224		7.75		7.75	7.87
1973	2 042	1 819	1 333		8.50		9.99	8.65
1974	3 204	2 840	2 494		9.25		10.57	9.52
1975	4 000	3 611	2 725	239 <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

## 1978

March	4 822	2 821	1 900	— 36	8.25	13.08	8.31	8.82
April	3 950	2 325	1 900	—331	8.25	10.18	8.89	8.84
May	3 586	1 965	1 900	—337	7.25	9.12	7.51	7.99
June	3 110	1 611	1 400	— 28	7.25	9.43	7.05	7.99
July	2 700	1 452	1 400	—182	7.25	9.14	7.87	7.86
Aug.	2 552	1 260	1 400	—271	7.25	8.97	7.61	7.94
Sept.	2 373	1 253	1 000	100	7.25	9.18	7.90	7.88
Oct.	2 961	1 754	1 000	524	7.25	10.04	8.59	7.88
Nov.	3 105	1 573	1 000	421	7.25	9.85	8.31	7.86
Dec.	3 134	1 397	1 000	287	7.25	9.29	7.94	7.87

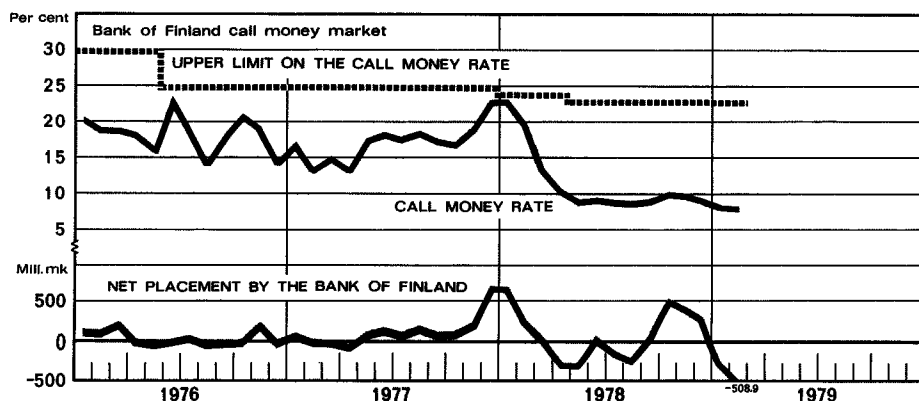
## 1979

Jan.	3 334	838	1 000	—243	7.25	8.48	7.68	7.83
Feb.	3 814	553	1 000	—509	7.25	8.40	7.59	..
March	3 138	455	1 000	—588	7.25	8.29	..	..

See explanations on page 22.

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

<sup>2</sup> 1. 9.—31. 12. 1975.





# FOREIGN EXCHANGE RATES

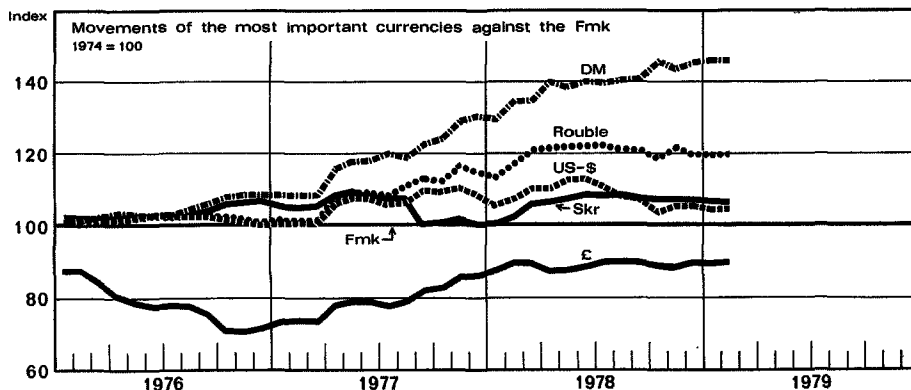
Average selling rates for foreign exchange, mk

Period	Average selling rates for foreign exchange, mk									Currency index 1974 = 100
	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1972	4.146	10.368	87.20	62.97	59.72	130.07	108.64	82.25	4.960	102.1
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2

1978										
Month	1	2	3	4	5	6	7	8	9	10
March	4.180	7.998	90.98	78.80	74.97	205.63	220.47	89.04	6.080	117.3
April	4.193	7.777	91.42	78.50	75.05	205.73	220.71	91.80	6.099	117.2
May	4.281	7.800	92.22	78.89	75.38	203.57	218.15	92.42	6.130	117.5
June	4.285	7.887	93.22	79.61	76.27	205.94	227.55	93.87	6.132	118.5
July	4.209	7.995	92.96	78.33	75.41	205.21	233.82	95.13	6.137	118.5
Aug.	4.113	8.005	92.96	78.57	75.15	206.32	247.18	94.93	6.079	118.5
Sept.	4.076	7.994	92.40	78.50	75.28	207.03	259.64	93.81	6.091	118.5
Oct.	3.939	7.919	92.07	80.23	77.20	214.03	256.37	93.81	5.988	118.7
Nov.	4.008	7.885	92.04	79.53	76.58	211.17	240.28	92.57	6.117	118.5
Dec.	4.012	7.988	91.88	79.16	76.88	213.79	239.61	93.30	6.002	118.5

1979										
Month	1	2	3	4	5	6	7	8	9	10
Jan.	3.967	7.970	91.55	78.66	77.65	214.91	237.78	93.88	6.018	118.5
Feb.	3.979	7.990	91.38	78.40	77.64	214.63	237.79	93.46	6.018	118.5
March	3.983	8.132	91.49	78.45	77.05	214.34	237.14	93.23	6.024	118.5

See explanations on page 22.



# DEPOSITS BY THE PUBLIC<sup>1</sup>

Mill. mk

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	
1974	2 723	913	1 638	5 274	10 811	8 279	6 299	2 646	28 035	33 309
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359

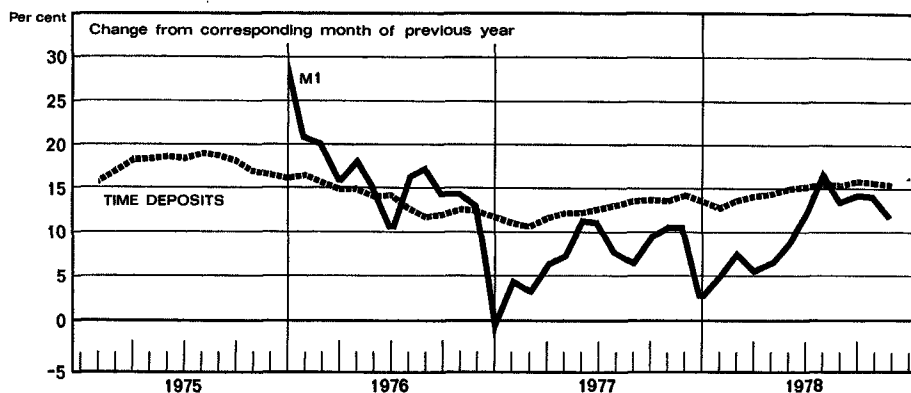
## 1977

July	3 031	1 407	2 131	6 569	13 828	11 995	9 330	3 954	39 107	45 676
Aug.	3 271	1 486	2 049	6 806	13 960	12 120	9 474	3 989	39 543	46 349
Sept.	3 042	1 431	2 053	6 526	13 966	12 101	9 471	3 978	39 516	46 042
Oct.	3 147	1 495	2 027	6 669	14 167	12 152	9 491	4 012	39 822	46 491
Nov.	3 342	1 508	2 027	6 877	14 382	12 350	9 697	4 066	40 495	47 372
Dec.	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359

## 1978

Jan.	3 096	1 351	2 330	6 777	14 890	12 747	9 903	4 203	41 743	48 520
Feb.	3 106	1 468	2 478	7 052	15 191	12 901	9 996	4 243	42 331	49 383
March	2 922	1 420	2 340	6 682	15 350	13 058	10 107	4 363	42 878	49 560
April	3 068	1 414	2 415	6 897	15 596	13 190	10 225	4 368	43 379	50 276
May	3 550	1 541	2 304	7 395	15 975	13 287	10 277	4 393	43 932	51 327
June	3 713	1 517	2 359	7 589	16 210	13 523	10 458	4 485	44 676	52 265
July	3 712	1 594	2 352	7 658	16 440	13 679	10 567	4 600	45 286	52 944
Aug.	3 716	1 718	2 237	7 671	16 323	13 956	10 796	4 681	45 756	53 427
Sept.	3 475	1 699	2 226	7 400	16 328	14 008	10 818	4 707	45 861	53 261
Oct.	3 792	1 756	2 106	7 654	16 484	14 081	10 890	4 696	46 151	53 805
Nov.	3 774	1 793	2 039	7 606	16 550	14 342	11 139	4 820	46 851	54 457

<sup>1</sup> New series. See explanations on page 18.

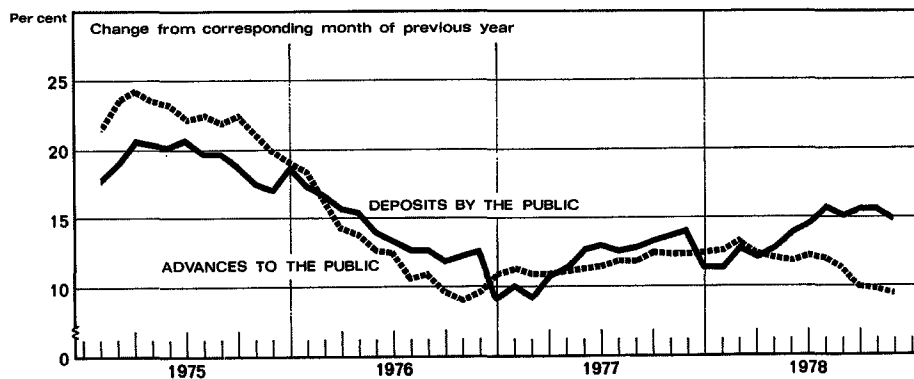


# ADVANCES TO THE PUBLIC<sup>1</sup> — MONEY SUPPLY<sup>1</sup>

Mill. mk

End of year and month	Advances granted by				Types of advances			Money Supply		
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	M <sub>1</sub>	M <sub>1</sub> +Quasi- Money
	1	2	3	4	5	6	7	8	9	10
1974	17 462	7 715	6 457	4 653	33 261	1 136	1 890	36 287	7 549	35 943
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1977										
July	23 475	11 263	9 668	6 312	44 229	1 575	4 914	50 718	9 651	49 509
Aug.	23 598	11 430	9 791	6 351	44 670	1 660	4 840	51 170	9 818	50 103
Sept.	24 063	11 640	9 962	6 476	45 328	1 659	5 154	52 141	9 670	50 258
Oct.	24 149	11 823	10 120	6 598	45 946	1 717	5 027	52 690	9 732	50 614
Nov.	24 440	12 004	10 283	6 676	46 592	1 723	5 088	53 403	9 933	51 436
Dec.	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978										
Jan.	24 843	12 421	10 575	6 852	47 794	1 763	5 134	54 691	9 875	52 716
Feb.	25 472	12 509	10 636	6 731	47 977	1 787	5 584	55 348	10 137	53 709
March	25 599	12 553	10 650	6 500	47 817	1 732	5 753	55 302	10 058	54 272
April	25 820	12 661	10 743	6 488	48 095	1 641	5 976	55 712	10 272	54 990
May	25 841	12 816	10 878	6 537	48 575	1 655	5 842	56 072	10 679	55 962
June	26 123	12 914	11 023	6 707	48 930	1 771	6 066	56 767	11 247	57 365
July	26 017	13 048	11 148	6 753	49 217	1 761	5 988	56 966	11 351	58 025
Aug.	25 771	13 241	11 367	6 650	49 649	1 659	5 721	57 029	11 177	58 501
Sept.	25 774	13 477	11 596	6 682	50 317	1 769	5 443	57 529	11 071	58 328
Oct.	25 862	13 658	11 755	6 670	51 022	1 772	5 151	57 945	11 129	58 611
Nov.	26 091	13 846	11 951	6 707	51 673	1 759	5 163	58 595	11 108	59 300

<sup>1</sup> New series. See explanations on page 22.



## STATE FINANCES

Mill. mk

Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1977	1978		1977	1978
Income and wealth tax (net)	9 300	8 279	Wages, salaries, pensions etc.	5 246	5 725
Gross receipts	(24 197)	(24 524)	Repair and maintenance	728	744
Refunds & local authorities	(-14 897)	(-16 245)	Other consumption expenditure	2 582	2 947
Other taxes on income and wealth	244	258	Total consumption expenditure	8 556	9 416
Employers' child allowance payments	1 101	977	State aid to local authorities	6 350	7 249
Sales tax	7 299	8 535	State aid to industries	4 324	4 378
Customs duties and import charges and levies	828	816	of which: agric. price subsidies	(2 430)	(2 256)
Excise duties <sup>1</sup>	5 083	5 910	Child allowances	1 050	1 138
Excise duty on alcoholic beverages <sup>1</sup>	1 605	1 811	Share in national pensions and sickness insurance schemes	273	295
Excise duty on tobacco	769	810	Other transfer expenditure	3 680	4 175
Excise duty on liquid fuel	1 721	2 075	Total transfer expenditure	15 677	17 235
Other excise duties <sup>1</sup>	988	1 214	Machinery and equipment	1 196	1 261
Tax on autom. and motor-cycles	811	802	Construction of buildings	572	656
Stamp duties	667	718	Land and waterway construction	1 345	1 387
Special diesel etc. vehicles tax	118	138	Total real investment	3 113	3 304
Other taxes and similar revenue <sup>1</sup>	770	773	Interest on State debt	367	469
<b>Total taxes</b>	<b>26 221</b>	<b>27 206</b>	Net deficit of State enterprises	— 63	—131
Miscellaneous revenue	1 707	1 968	Other expenditure	47	46
Interest, dividends etc.	558	693	Total other expenditure	351	384
Redemptions of loans granted	292	427	Increase in inventories	52	—131
<b>Total revenue</b>	<b>28 778</b>	<b>30 294</b>	Lending	2 721	2 548
Foreign borrowing	892	2 858	Other financial investment	582	448
Domestic borrowing	1 025	1 856	<b>Total expenditure</b>	<b>31 052</b>	<b>33 204</b>
<b>Total borrowing</b>	<b>1 917</b>	<b>4 714</b>	Redemption of foreign loans	108	270
<b>Deficit (+) or surplus (—)</b>	<b>+ 757</b>	<b>—1 058</b>	Redemption of domestic loans	292	476
			<b>Total redemptions</b>	<b>400</b>	<b>746</b>
<b>Total</b>	<b>31 452</b>	<b>33 950</b>	<b>Total</b>	<b>31 452</b>	<b>33 950</b>

<sup>1</sup> New series.

State debt	1976	1976	1977	1978		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
<b>Foreign debt</b>	<b>1 603</b>	<b>2 248</b>	<b>3 679</b>	<b>6 404</b>	<b>6 301</b>	<b>6 492</b>
Loans	1 645	2 175	2 963	3 853	4 116	4 158
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	175	312	317	251
Cash debt (net)	—242	—643	—669	—346	—660	—503
<b>Domestic debt</b>	<b>1 489</b>	<b>1 820</b>	<b>2 470</b>	<b>3 820</b>	<b>3 774</b>	<b>3 907</b>
<b>Total State debt</b>	<b>3 092</b>	<b>4 068</b>	<b>6 149</b>	<b>10 224</b>	<b>10 075</b>	<b>10 399</b>
Total debt mill \$	798	1 069	1 493	2 508	2 558	2 595

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223
1978*	35 209	32 322	+2 887

1977

Nov.	2 960	2 891	+ 69
Dec.	3 141	3 050	+91

1978\*

Jan.	2 511	2 631	-120
Feb.	2 524	2 188	+336
March	2 750	2 570	+180
April	2 894	2 426	+468
May	2 942	2 935	+7
June	2 823	2 668	+155
July	2 684	2 635	+49
Aug.	2 401	2 473	-72
Sept.	3 240	2 718	+522
Oct.	3 437	3 040	+397
Nov.	3 639	3 132	+507
Dec.	3 364	2 906	+458

1979 \*

Jan.	3 445	3 566	-121
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Indices of exports and imports 1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1974	121	100	85	
1975	100	100	100	100	100
1976	117	96	103	107	97
1977	129	88	119	124	96
1978*	138	84	126	138	92

1976

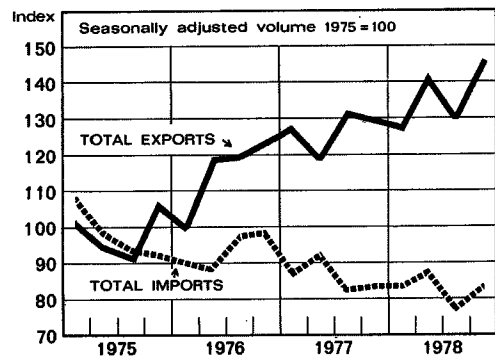
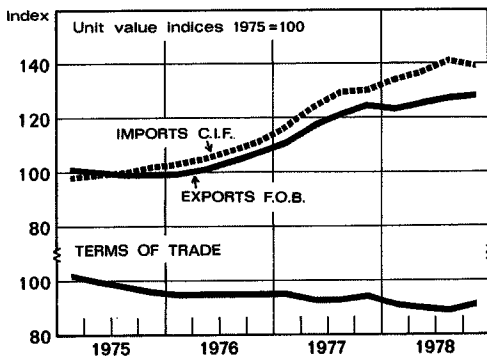
Jan.-March	99	87	100	104	96
Apr.-June	114	84	102	106	96
July-Sept.	116	98	105	109	96
Oct.-Dec.	136	107	108	112	96

1977

Jan.-March	123	83	112	117	96
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95

1978\*

Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	138	91
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92



# 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	
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978*	968	4 641	10 402	9 593	9 605	20 415	2 224	4 801	4 830	52

1977\*

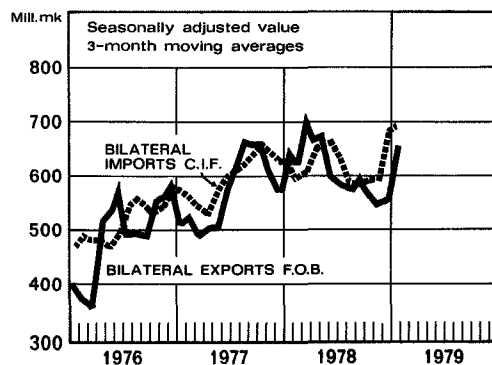
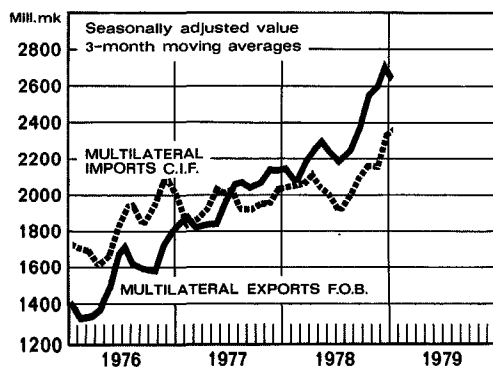
Nov.	44	417	896	802	801	1 729	198	511	453	0
Dec.	143	346	836	963	853	1 876	230	526	415	3

1978\*

Jan.	160	322	721	656	652	1 567	193	493	376	2
Feb.	34	266	821	727	676	1 395	124	327	340	2
March	153	322	901	546	828	1 569	89	475	436	1
April	19	348	907	799	821	1 445	123	402	455	1
May	113	431	850	729	819	1 823	199	412	501	0
June	40	414	873	810	686	1 732	196	376	362	2
July	44	414	775	756	695	1 700	233	362	325	15
Aug.	33	330	750	553	735	1 558	215	328	370	2
Sept.	36	421	948	887	948	1 715	200	396	389	18
Oct.	36	454	1 002	987	958	1 942	195	448	453	2
Nov.	52	498	918	1 122	1 049	2 061	197	408	462	4
Dec.	248	421	936	1 021	738	1 908	260	374	361	3

1979\*

Jan.	266	458	919	796	1 006	2 251	235	538	539	3
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FOREIGN TRADE BY COUNTRIES<sup>1</sup>

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1978*		1979*		1978*		1979*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	62.5	1 569	65.6	2 258	62.8	1 653	60.1	2 144
Austria	0.7	17	0.8	27	1.4	37	1.3	48
Belgium and Luxembourg	2.2	56	1.5	53	2.0	52	1.8	66
Denmark	3.9	97	3.5	119	3.1	83	3.0	108
France	4.6	115	4.5	154	3.3	86	3.8	134
Federal Republic of Germany	10.4	262	13.7	472	14.0	369	14.5	516
Italy	1.9	48	2.5	86	2.4	62	2.2	79
Netherlands	2.8	70	3.4	117	3.2	84	2.9	102
Norway	4.4	111	3.7	128	2.0	53	1.9	67
Portugal	0.3	8	0.4	12	0.4	10	0.4	14
Spain	0.8	21	0.9	30	0.7	19	1.0	34
Sweden	13.7	343	15.6	537	17.4	459	15.6	558
Switzerland	2.8	69	2.6	91	2.2	59	2.2	80
United Kingdom	12.4	311	11.0	379	10.1	265	8.7	310
Other	1.6	41	1.5	53	0.6	15	0.8	28
<b>OECD countries outside Europe</b>	7.8	195	8.6	297	8.4	221	9.8	350
Canada	0.6	14	0.6	20	0.5	13	0.9	32
Japan	0.9	23	2.0	71	2.5	66	3.0	107
United States	4.7	119	5.2	179	5.2	138	5.7	204
Other	1.6	39	0.8	27	0.2	4	0.2	7
<b>CMEA countries</b>	17.8	447	16.0	552	21.4	564	21.5	764
Czechoslovakia	0.3	7	0.4	13	0.5	13	0.4	15
German Democratic Republic	0.6	14	0.6	23	1.2	30	0.6	20
Poland	0.7	19	0.6	20	2.1	56	1.0	35
Soviet Union	15.3	385	13.4	461	16.0	422	18.7	667
Other	0.9	22	1.0	35	1.6	43	0.8	27
<b>Latin America</b>	4.7	119	1.6	54	2.5	65	4.0	143
Argentina	0.2	5	0.2	8	0.0	1	0.1	4
Brazil	0.4	10	0.5	16	0.2	5	1.4	51
Colombia	0.1	4	0.2	5	2.0	51	1.1	38
Other	4.0	100	0.7	25	0.3	8	1.4	50
<b>Other</b>	7.2	181	8.2	284	4.9	128	4.6	165
<b>GRAND TOTAL</b>	100.0	2 511	100.0	3 445	100.0	2 631	100.0	3 566
<i>of which</i>								
<b>EFTA countries</b>	21.9	551	23.2	799	23.8	625	21.7	774
<b>EEC countries</b>	38.9	977	40.7	1 404	38.2	1 005	37.0	1 321
<b>OECD countries</b>	70.3	1 764	74.2	2 555	71.2	1 874	69.9	2 494

<sup>1</sup> New series. See explanations on page 22

# BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507
1977	30 766	30 625	+ 141	+1 392	- 3	+411	+1 941	-2 434	-147	- 640
1978 *	35 027	32 225	+2 802	+1 656	+173	+735	+5 366	-2 852	-139	+2 375

## 1976

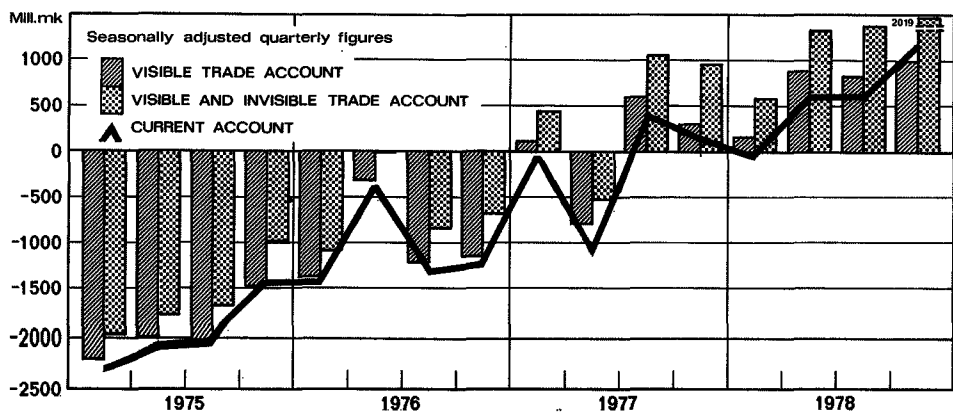
Jan.-March	4 987	6 307	-1 320	+252	- 50	+ 65	-1 053	-347	-35	-1 435
Apr.-June	5 864	6 224	- 360	+252	+ 49	+ 26	- 33	-485	-26	- 544
July-Sept.	6 098	7 515	-1 417	+365	+ 62	+110	- 880	-434	-17	-1 331
Oct.-Dec.	7 423	8 426	-1 003	+324	- 39	+ 44	- 674	-483	-40	-1 197

## 1977

Jan.-March	6 977	6 765	+ 212	+ 331	- 80	+ 82	+ 545	- 506	-46	- 7
Apr.-June	6 817	7 689	- 872	+ 299	+ 10	+ 49	- 514	- 726	-12	-1 252
July-Sept.	7 931	7 671	+ 260	+ 377	+118	+180	+ 935	- 532	-30	+ 373
Oct.-Dec.	9 041	8 500	+ 541	+ 385	- 51	+100	+ 975	- 670	-59	+ 246

## 1978\*

Jan.-March	7 744	7 354	+ 390	+ 374	- 66	+165	+ 863	- 613	-61	+ 189
Apr.-June	8 614	8 013	+ 601	+ 399	+ 11	+212	+1 223	- 821	-20	+ 382
July-Sept.	8 272	7 806	+ 466	+ 415	+223	+104	+1 208	- 644	-23	+ 541
Oct.-Dec.	10 397	9 052	+1 345	+ 468	+ 5	+254	+2 072	- 774	-35	+1 263



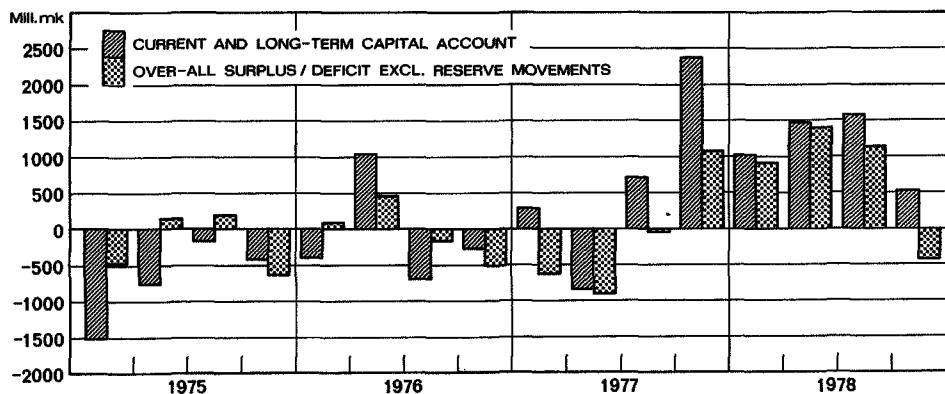


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+ 638	+1 449	+ 8	- 747	- 444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+ 138	-1 288	+1 327	- 128	+ 78	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 599	-1 547	- 470	-1 071	- 489	- 170	+ 659
+9 007	-5 743	-774	-229	+2 261	+4 636	+ 130	-2 188	+ 462	+3 040	-2 339	- 701
+1 404	- 374	+ 5	+ 11	+1 046	- 389	- 628	+ 119	+ 996	+ 98	+ 373	- 471
+2 096	- 394	- 95	- 7	+1 600	+1 056	- 158	+ 120	- 560	+ 458	- 485	+ 27
+1 239	- 568	- 11	- 25	+ 635	- 696	+ 565	- 764	+ 722	- 173	+ 263	- 90
+1 391	- 449	- 90	+ 69	+ 921	- 276	+ 359	- 763	+ 169	- 511	- 73	+ 584
+1 022	- 550	-127	- 24	+ 321	+ 314	- 799	+ 149	- 269	- 605	- 140	+ 745
+1 273	- 857	+ 35	- 37	+ 414	- 838	- 333	+ 149	+ 116	- 906	+ 358	+ 548
+1 252	- 647	-156	- 89	+ 360	+ 733	+ 227	- 384	- 631	- 55	- 319	+ 374
+2 907	- 691	+ 7	- 79	+2 144	+2 390	- 642	- 384	- 287	+1 077	- 69	-1 008
+1 876	- 854	-166	- 17	+ 839	+1 028	- 479	- 402	+ 777	+ 924	-1 556	+ 632
+2 900	-1 733	- 1	- 51	+1 115	+1 497	+ 328	- 402	- 23	+1 400	- 687	- 713
+2 265	-1 089	- 96	- 40	+1 040	+1 581	+ 20	- 692	+ 235	+1 144	- 607	- 537
+1 966	-2 067	-511	-121	- 733	+ 530	+ 261	- 692	- 527	- 428	+ 511	- 83

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

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

<sup>2</sup> Including Allocations of special drawing rights: 88 million in 1970, 85 million in 1971 and 85 million in 1972.

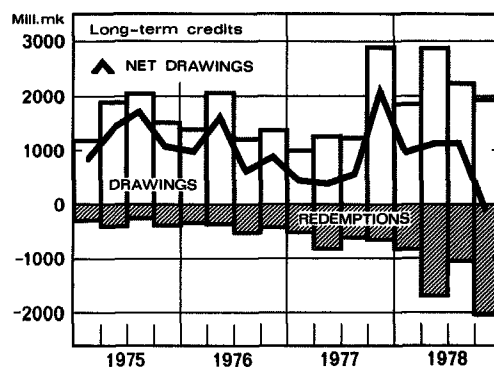
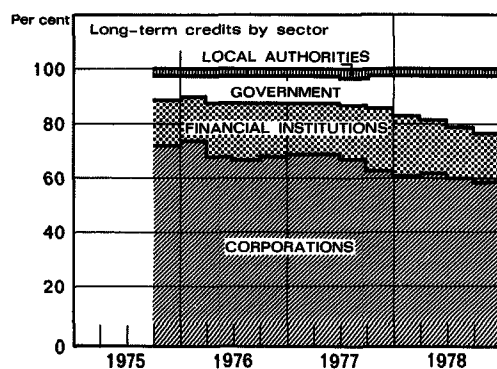


## FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (9-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other	Total (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1975	1 871	1 224	364	3 459	14 295	3 373	1 125	109	18 902	15 443
1976	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978*	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1975										
Sept.	1 699	1 184	320	3 203	13 488	3 228	1 066	88	17 870	14 667
Dec.	1 871	1 224	364	3 459	14 295	3 373	1 125	109	18 902	15 443
1976										
March	1 813	1 250	369	3 432	14 915	3 786	1 165	106	19 972	16 540
June	1 878	1 259	392	3 529	16 690	3 901	1 216	130	21 937	18 408
Sept.	1 910	1 310	425	3 645	17 045	4 321	1 273	155	22 794	19 149
Dec.	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977										
March	2 094	1 312	489	3 895	17 598	4 974	1 632	163	24 367	20 472
June	2 175	1 404	508	4 087	19 150	5 483	1 708	156	26 497	22 410
Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978*										
March	2 499	1 673	837	5 009	25 107	6 068	1 774	159	33 108	28 099
June	2 517	1 759	859	5 135	26 769	6 134	1 865	159	34 927	29 792
Sept.	2 548	1 785	863	5 196	28 212	5 812	1 885	187	36 096	30 900
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660

See explanations on page 22.

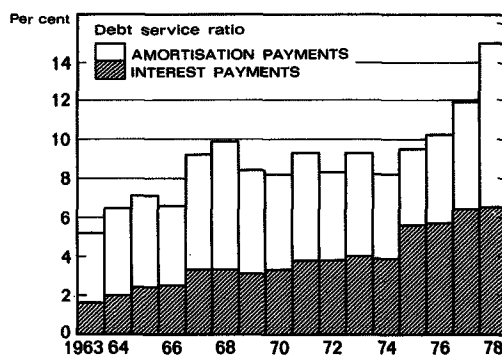
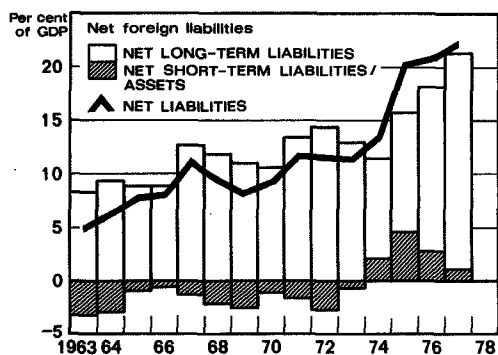


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service flow	Of which amortisation payments flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	2 414	996
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
6 545	4 568	8 161	19 274	1 478	6 365	7 302	15 145	-4 129	25 531	6 621	3 769
3 569	2 853	4 767	11 189	1 275	4 272	9 360	14 907	3 718	18 385	496	187
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	645	235
3 187	3 061	4 817	11 065	1 301	4 519	9 293	15 113	4 048	20 588	639	292
3 610	3 095	4 949	11 654	1 201	4 215	9 377	14 793	3 139	21 547	763	278
3 517	3 307	5 313	12 137	1 298	4 379	9 497	15 174	3 037	22 186	882	448
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	819	336
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
5 491	3 409	7 233	16 133	1 293	6 594	7 559	15 446	- 687	27 412	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 752	16 134	-2 167	27 625	1 494	673
6 757	4 412	7 774	18 943	1 483	6 264	7 419	15 166	-3 777	27 123	1 628	984
6 545	4 568	8 161	19 274	1 478	6 365	7 302	15 145	-4 129	25 531	2 107	1 333

See explanations on page 22.



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1973 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domestic goods	Im-ported goods	Pro-ducer goods	Machinery & transport equipm.	Con-sumer goods	Raw materials and com-modities	Simply pro-cessed goods	More elab-orately processed goods			
1977	692	713	610	667	804	695	728	654	695	171	154	176
1978	727	740	675	691	890	732	743	678	749	181	161	186
1978												
April	717	733	658	683	869	725	740	669	736	178	156	185
May	721	734	669	687	877	726	737	675	741	180	160	185
June	721	734	674	687	884	725	737	673	743	180	160	185
July	730	742	685	691	902	739	752	677	752	180	160	186
Aug.	730	742	686	690	905	739	745	679	756	180	160	186
Sept.	735	747	688	696	909	743	744	681	765	184	168	188
Oct.	741	752	697	704	920	744	748	691	769	185	168	189
Nov.	744	756	700	710	918	744	753	695	771	185	168	189
Dec.	747	758	704	712	925	747	758	696	774	185	168	189
1979												
Jan.	752	764	707	717	932	753	757	702	783	188	170	193
Feb.	760	774	709	721	938	767	772	708	788	190	171	195

Period	Consumer prices 1977 = 100 <sup>1</sup>										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	House-hold goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1978											
April	106.2	104.4	109.5	104.6	104.9	106.2	104.6	107.9	108.9	106.5	106.4
May	107.8	104.4	118.4	104.8	106.7	105.7	104.6	109.1	111.7	107.0	107.9
June	107.8	103.7	118.4	104.8	106.7	105.7	104.5	109.1	111.9	107.3	109.1
July	108.1	104.2	118.4	102.4	106.7	106.5	104.6	115.2	112.6	107.4	109.5
Aug.	108.6	103.9	118.3	105.1	106.9	106.8	104.9	116.0	112.9	110.2	109.9
Sept.	109.3	105.4	118.4	106.9	106.9	106.7	105.1	116.0	112.6	110.7	112.1
Oct.	110.0	106.8	118.4	110.1	106.9	106.9	106.7	117.4	112.1	111.3	113.0
Nov.	110.6	106.1	118.4	111.4	107.4	107.2	108.0	119.8	114.0	111.8	113.0
Dec.	110.4	105.0	118.4	111.5	107.4	107.3	108.4	119.8	114.6	111.9	112.7
1979											
Jan.	111.3	104.6	129.0	109.6	107.4	107.3	109.4	122.6	114.4	112.6	114.8
Feb.	112.6	106.6	129.4	110.4	111.4	107.2	109.8	122.8	114.6	112.9	115.4

<sup>1</sup> New series. See item on page 31.

# WAGES

## Index of salary and wage earnings 1984 = 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							
1977	671	484	457	386	387	378	453	373	479	433
1978*	747	523	482	411	406	394	489	397	513	462
1977*										
Jan.-March	652	457	440	372	373	365	428	357	453	411
Apr.-June	666	488	456	386	390	382	457	374	485	437
July-Sept.	672	493	462	389	390	382	461	377	488	440
Oct.-Dec.	708	499	468	398	394	382	468	385	492	445
1978*										
Jan.-March	728	501	471	398	396	383	471	385	496	448
Apr.-June	736	516	477	403	401	386	482	390	508	456
July-Sept.	744	528	483	413	407	396	495	399	520	467
Oct.-Dec.	777	547	498	429	420	411	508	413	532	480

# PRODUCTION

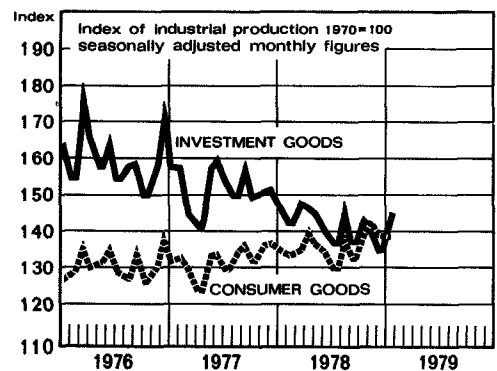
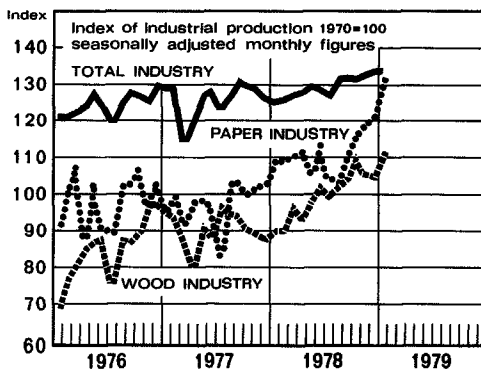
## Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce	Public sector services	Others
1976*										
Apr.-June	100	103	89	108	70	102	99	100	105	102
July-Sept.	100	89	192	64	92	93	101	100	106	98
Oct.-Dec.	108	110	75	121	107	98	114	111	108	104
1977*										
Jan.-March	98	106	71	110	78	96	94	84	111	101
Apr.-June	100	103	87	112	74	95	97	95	110	103
July-Sept.	100	90	153	63	94	90	106	96	111	100
Oct.-Dec.	108	110	75	110	105	93	114	101	113	106
1978*										
Jan.-March	99	107	71	115	74	92	97	84	116	102
Apr.-June	104	109	89	104	76	95	107	93	115	104
July-Sept.	101	92	154	60	94	90	110	94	117	102

# PRODUCTION

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1975	122	178	110	130	113	76	95	143	128	150	122
1976	125	162	116	132	110	85	99	153	121	150	125
1977*	127	153	119	133	108	91	98	153	119	151	128
1978*	130	143	125	137	114	100	112	165	117	145	130
1977*											
Nov.	142	173	133	149	127	99	112	166	127	172	129
Dec.	129	149	122	135	111	84	94	164	108	152	127
1978*											
Jan.	136	159	130	139	103	88	111	175	122	158	126
Feb.	128	147	123	134	94	87	113	164	118	146	127
March	136	156	130	141	104	104	107	183	121	156	128
April	134	148	129	140	106	114	115	179	128	149	128
May	140	159	134	147	119	126	112	165	127	161	130
June	124	146	116	136	114	111	97	126	129	146	129
July	67	53	67	72	101	43	72	98	49	50	128
Aug.	135	145	128	146	124	97	112	177	117	150	132
Sept.	138	148	134	142	114	107	129	182	129	154	132
Oct.	147	161	142	152	137	120	133	199	133	163	132
Nov.	148	162	141	157	141	116	131	173	124	165	133
Dec.	129	132	125	137	113	90	109	160	104	140	134
1979*											
Jan.	144	157	142	143	112	109	133	186	118	162	134



# 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	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978*	3 578	2 253	2 084	169	7.5	29 021	..	..
1978*								
March	3 572	2 195	2 007	188	8.5	3 641	105	123
April	3 576	2 172	2 004	168	7.7	3 443	107	120
May	3 575	2 228	2 073	155	7.0	2 436	112	124
June	3 576	2 420	2 241	179	7.4	1 379	111	120
July	3 579	2 418	2 243	175	7.2	613	109	95
Aug.	3 579	2 326	2 171	155	6.7	1 080	113	127
Sept.	3 580	2 233	2 086	147	6.6	1 829	110	126
Oct.	3 584	2 219	2 066	153	6.9	2 559	111	131
Nov.	3 583	2 224	2 061	163	7.3	3 046	109	125
Dec.	3 586	2 211	2 047	164	7.4	3 294	..	..
1979*								
Jan.	3 587	2 210	2 025	185	8.4	3 335	..	..

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
1977*	41.62	18.82	4.23	11.90	3.72	43.12	17.89	3.01	16.57	3.28	48.38
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.43	3.59	0.47	4.51	0.57	47.95
Apr.-June	13.22	7.00	1.71	2.69	0.80	8.76	4.16	0.38	2.76	0.99	51.52
July-Sept.	11.41	4.72	1.06	3.85	0.91	10.92	4.04	1.05	4.02	0.99	52.69
Oct.—Dec.	10.47	4.23	0.80	3.60	1.18	14.01	6.10	1.11	5.28	0.73	48.38
1978*											
Jan.-March	10.21	3.72	1.02	4.06	0.92	8.36	3.81	0.66	2.80	0.75	45.37
Apr.-June	12.92	6.51	2.17	2.59	0.69	9.54	4.21	0.54	3.38	0.91	47.13
July-Sept.	11.07	4.12	1.04	4.33	0.85	9.57	3.58	1.10	2.95	1.07	49.12

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

The balance sheet of the Bank of Finland was revised on Dec. 31, 1974 in connection with the revision of accounting legislation. New series have been built according to the revision. The balance sheet was re-organized from Dec. 31, 1978. Foreign bills were included in corporate sector receivables rather than in receivables from the foreign sector as was the case before. Changes in the domestic financial sector and the corporate sector are explained below. When the figures are not fully comparable to the previous ones, the series is broken by a line.

Page 4. *Foreign sector:* Gold and convertible exchange receivables = Gold + Special drawing rights + IMF reserve tranche + Convertible currencies.  
Gold and convertible exchange reserve = Gold and convertible exchange receivables — Liabilities in convertible currencies.  
Non-convertible exchange reserve = Receivables in tied currencies — Liabilities in tied currencies.  
Other receivables = Foreign bonds + Currency subscription to Finland's quota in the IMF.  
Other liabilities = IMF mark accounts + Allocations of special drawing rights + Term liabilities.

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

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

*Corporate sector:* Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers credits.  
Liabilities, net = Deposits for investment and ship purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Other corporate claims — Bonds — Other corporate receivables.

## MONETARY POLICY INDICATORS

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

Total central bank debt of the commercial banks = Discounted and rediscounted bills + net cheque account receivables from the commercial banks + call money debt + bond transactions with repurchase obligations — call money deposits by the commercial banks.

Actual central bank debt of the commercial banks = Total central bank debt — Postipankki's call money placements. 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 is the sum of individual quotas specifying the amount each bank eligible for central bank credit can borrow at the discount rate. A progressively rising interest rate is charged on credit in excess of the quota. There is an absolute ceiling on quota-related debt, which is currently 170 per cent of the quota. Bank of Finland placements in the call money market = Demand for call money by the deposit banks — Supply of call money by the deposit banks.  
Average cost of the total central bank debt of the commercial banks: Net costs paid to the Bank of Finland by the commercial banks, as a percentage of their total central bank debt, per annum.

## FOREIGN EXCHANGE RATES

Page 7. *Exchange rates* are annual and monthly averages of the Bank of Finland's daily quotations. *Currency index* is annual and monthly average of daily index numbers.

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

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

Page 8. *Deposits by the public.* The central government and the financial institutions are mainly excluded from the public. From 1974 deposits include domestic deposits denominated in foreign currency.

Page 9. *Advances to the public.* The central government and the financial institutions are not included in the public. Postipankki's (Post Office Bank's) advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

*Money Supply.*  $M_1$  = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland) Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).  
Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

## STATE FINANCES

Page 10. Official figures computed by the Economic Department of the Ministry of Finance. First date of publication: Bulletin No. 8, 1968. 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. Index-tied bond loans are taken at nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to Postipankki less cash holdings (net) of State departments and funds.

## FOREIGN TRADE

Pages 11—13. Figures supplied by the Board of Customs. *Indices* (p. 11): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade:* the ratio of export indices to import indices.  
*Foreign trade by countries:* (p. 13): from January 1978 imports by countries of origin exports by countries of consumption.

## BALANCE OF PAYMENTS

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

## FOREIGN ASSETS AND LIABILITIES

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

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

Columns 21 and 22 during the year and the quarter.

Chart Long-term credits by sector: Quarterly figures available since 1976. Chart Debt service ratio: Debt service as a per cent of current account earnings. 1978 Debt service does not include amortisation of the Bank of Finland credit facilities.

## PRICE INDICES

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

## WAGES — PRODUCTION

Pages 19—20. Figures supplied by the Central Statistical Office.  
Page 20. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: Investment goods weight 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 311-2) 8.0, manufacture of paper and paper products (SIC 341) 15.2, manufacture of industrial chemicals (SIC 351-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.6, and metal industry (SIC 37—38) 25.9.

## LABOUR — TIMBER FELLINGS — INTERNATIONAL TRADE — TRAFFIC — CONSTRUCTION OF BUILDINGS

Page 21. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Ministry of Labour. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

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



# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. Mr. Urho Kekkonen has been President since 1956 and he was re-elected for the period March 1, 1978, to March 1, 1984.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1979 is as follows: Social Democratic Party of Finland 52, National Coalition Party 47, Centre Party 36, Democratic League of the People of Finland 35, Swedish Party 10, Christian League of Finland 9, Finnish Rural Party 7 and Liberal Party 4.

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

NUMBER OF INHABITANTS (1977): 4.7 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.0 million.

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

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

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

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

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

CHANGE OF POPULATION (1977): births 13.9‰, deaths 9.4‰, change + 2.2‰, net emigration - 2.2‰. Deaths in France 10.1‰ and Great Britain 11.7‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1977, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 308 (6%), forestry and fishing 5 345 (5%), manufacturing 33 593 (30%), construction 9 979 (9%), transport and communication 11 604 (11%), commerce, banking and insurance 14 903 (14%), public administration 5 956 (5%), ownership of dwellings 4 030 (4%), services 17 543 (16%), total 109 261. Index of real domestic product 163 (1964 = 100).

FOREST RESOURCES (1977): The growing stock comprised of 1 520 million m<sup>3</sup> (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 637 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 57.4 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 40.7 million m<sup>3</sup>.

AGRICULTURE (1976): Cultivated land 2.3 million hectares. Number of holdings 242 700 of which 164 600 are of more than 5 ha. Measure of self-sufficiency in bread cereals 150% in the crop year 1976/77.

INDUSTRY (1976): Gross value of industrial production 95 790 mill. marks, number of workers 412 718, salaried employees 136 890, motive power (1976) 6.8 mill. kW. Index of industrial production 125 for 1976 (1970 = 100).

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

MERCHANT FLEET (Dec. 31, 1978): Passenger vessels 121 (192 505 gross reg. tons), tankers 47 (1 112 323 gross reg. tons), dry cargo vessels 212 (998 901 gross reg. tons), other vessels 79 (10 509 gross reg. tons), total 459 (2 314 236 gross reg. tons).

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

FINNISH AIRLINES (March 31, 1979): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9s, 7 DC-9-51s, 2 DC-10-30 and 4 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 30 airports and to 20 domestic airports.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 20.3, Skr 17.1, £ 13.7, DM 13.2, \$ 9.7, other currencies 26.0. The permissible range of fluctuation is 2.25 per cent on either side of the arithmetic mean. The fluctuation limits are 121.7 and 116.4.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1978). There are two big and five small commercial banks with in all 858 offices, 280 savings banks, 374 co-operative banks, six mortgage banks, Posti-pankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-seven private insurance companies also grant credits.

RATES OF INTEREST (May 1, 1978). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 7 ½%. The range of rates for other credits granted by the Bank of Finland is between 5 ½% and 8 ½%. Other credit institutions time deposits 3 ¼%; 6 month deposits 4 ¼%; 12 month deposits 5 ½%; 24 month deposits 6 ½%; 36 month deposits 7 ¼% + savings premium; 36 month deposits 7 ¼% + tax concession. The highest lending rate 10 ½%.

# THE BALANCE OF PAYMENTS AND FOREIGN EXCHANGE POLICY IN 1978

by Tom Nordman, M.Sc. (Econ.)  
and Timo Taivalaho, M.Pol.Sc.

Bank of Finland

The improvement in the Finnish external balance continued on a significant scale in 1978, with more positive flows of commodity trade reflected in the first current account surplus since 1969. At the same time net imports of long-term capital were still quite substantial and despite some outflow of short-term capital towards the end of the year there was a marked increase in foreign exchange reserves during 1978.

The strengthening in the current account of the balance of payments was primarily based on broad changes in demand and relative prices. A slower recovery of domestic demand in Finland than in her most important trading partners moved trade flows towards a surplus. Furthermore, the depreciation of the Finnish mark by 16 per cent in 1977—1978, together with a marked deceleration of domestic inflation, improved significantly the competitiveness of Finnish products. This permitted an increase in market shares both domestically and abroad. In addition, certain special factors were at work. The accumulation of stocks of exportable goods in Scandinavia in the mid-1970s came to an end in 1977, and after the devaluations, destocking occurred. This also boosted markets for Finnish products, especially on the raw-material side. Imports were curbed not only by the level but also by the structure of domestic demand, which tended to favour domestic production. In spite of these transitory factors it is clear that the underlying external balance strengthened last year.

## COMMODITY EXPORTS

Finland continued to suffer from unfavourable growth of markets last year. At some 2 per cent

the growth of imports in the main western markets was substantially below the growth of world trade. Last year's 10 per cent growth in the volume of western exports thus relied principally on increased overall market shares though the structure of trade to some extent favoured Finnish exports. Improved competitiveness helped increase market shares, but the profit situation in the export sector indicates that exporters sacrificed profitability in order to secure volume gains in sales. As the volume of bilateral exports to CMEA countries was virtually unchanged, the increase in total commodity exports amounted to 7 per cent. However, having progressed steadily for three years, the volume of exports last year was not more than 14 per cent above the peak 1973—1974 levels.

On an industrial basis, greatest expansion was experienced in the raw-materials sector. Exports of forest industry products increased by 16 per cent in 1978 and exports of the basic metal industry, largely due to iron and steel, expanded by 18 per cent.

The growth of forest industry exports involved a marked gain in market shares, which was facilitated by strong domestic demand in the United States. There was also further significant growth in chemical industry exports but only a small gain by the textile and clothing industry. On the other hand, there was a slight decline in the exports of the engineering industry, which to some extent suffered from a slowdown in bilateral trade, since the largest deliveries in the current five-year agreement with the Soviet Union were scheduled early in the agreement period.

Structurally, these developments imply an increase in the share of the forest industry to

**TABLE 1. FOREIGN TRADE BY COUNTRIES, MILLION MARKS AND AS A PERCENTAGE OF TOTAL TRADE**

Area	Exports, f.o.b.				Change 78/77	Imports, c.i.f.				Change 78/77
	1977		1978			1977		1978		
	Mill. mk	%	Mill. mk	%		Mill. mk	%	Mill. mk	%	
EEC	11 211	36.2	13 439	38.2	19.9	10 581	34.5	11 535	35.7	9.0
EFTA	7 424	24.0	7 873	22.4	6.0	6 417	20.9	6 821	21.1	6.3
CMEA (Eur.)	6 889	22.3	7 207	20.5	4.6	7 233	23.6	7 373	22.8	1.9
Other	5 407	17.5	6 690	18.9	23.7	6 477	21.0	6 593	20.4	1.8
<b>Total</b>	<b>30 931</b>	<b>100.0</b>	<b>35 209</b>	<b>100.0</b>	<b>13.8</b>	<b>30 708</b>	<b>100.0</b>	<b>32 322</b>	<b>100.0</b>	<b>5.3</b>

Exports: by country of consumption  
Imports: by country of origin

43 per cent of total commodity exports and a decline in the share of the metal and engineering industry to 34 per cent. With its 8 per cent share the chemical industry is now a marginally larger exporter than the textile and clothing industry.

Viewed regionally, exports shifted somewhat towards the EEC, as economic growth in the neighbouring Nordic countries was slack. The share of socialist countries declined, but exports to non-European markets again grew faster than total exports, though growth rates were not quite as high as in 1977.

### COMMODITY IMPORTS

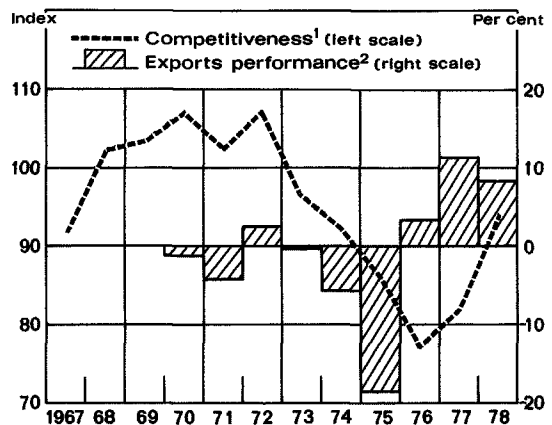
The volume of imports continued on a downward trend and was 5 per cent below the 1977 level, and as much as 15 per cent below the peak of 1975. No doubt the relative slack in the economy largely explains these developments, but also the structure of demand has favoured domestic production to a greater extent than in earlier years. Output growth was largest in the forest industry which, in addition to raw materials, also acquires most of its capital equipment from domestic sources. The improved competitiveness of Finnish industry also brought about gains in market shares in the domestic market.

These factors were clearly reflected in the development of different import categories. Imports of investment goods were down by nearly a fifth with a particularly marked fall in deliveries of transport equipment. Also imports of con-

sumer goods were below the 1977 level, but imports of raw materials and production necessities increased in volume by about one per cent (excl. oil). Imports of crude oil were nearly 10 per cent below the level of the previous year, while imports of fuels and lubricants were more or less unchanged.

As a result, the share of raw material and production necessities increased further to 63 per cent of the total value of imports, with crude oil imports accounting for 13 per cent. Fuels and lubricants marginally raised their share to 7 per cent, while investment goods came down to 15 per cent and consumer goods to 15 per cent of total commodity imports. There were no major shifts in the regional distribution of imports. Lower oil deliveries reduced the shares of CMEA countries and OPEC slightly while

**CHART 1. COMPETITIVENESS AND EXPORT PERFORMANCE**



<sup>1</sup> Relative unit labour costs, countries important for Finnish exports/Finland, in common currency, 1963 = 100.  
<sup>2</sup> Volume growth of western exports minus volume growth of imports of countries important for Finnish exports.

the shares of EEC, EFTA and other countries increased correspondingly.

## FOREIGN TRADE PRICES AND THE TERMS OF TRADE

As already noted the competition for market shares was reflected in the development of prices. In terms of Finnish marks, export prices rose by 6 per cent but as exchange rates were on average 10.5 per cent higher than in the previous year, foreign currency prices declined on average by some 4 per cent. However, towards the end of the year there was some stabilisation in the prices of forest products as well as metals, although this was not yet widely manifested in 1978 deliveries.

Import prices, in terms of Finnish marks, rose by 10.8 per cent, which almost exactly corresponds to the rise in exchange rates. This was due to a moderate 8 per cent increase in the prices of raw materials and production necessities, which implies a fall in foreign currency prices. On the other hand the prices of finished goods increased by nearly a fifth in mark terms and by some 7 per cent in foreign currency.

As a result, Finland's terms of trade deteriorated in 1978 nearly 4 per cent on the previous year, largely reflecting changes in relative prices after the 1977—1978 devaluations. However, the declining trend was reversed in the fourth quarter of 1978.

## INVISIBLE TRANSACTIONS AND THE CURRENT ACCOUNT

Invisible trade was buoyant in 1978; services receipts increased by 24 per cent while expenditure expanded by 18 per cent. The strong increase in income owed much to the rapid expansion of Finnish construction work abroad and to the successful marketing of Finnish know-how. Together these elements grew by as much as 30 per cent. Transport and travel also recorded comfortable increases in receipts at about 20 per cent; the first resulting from higher freight rates as well as larger export

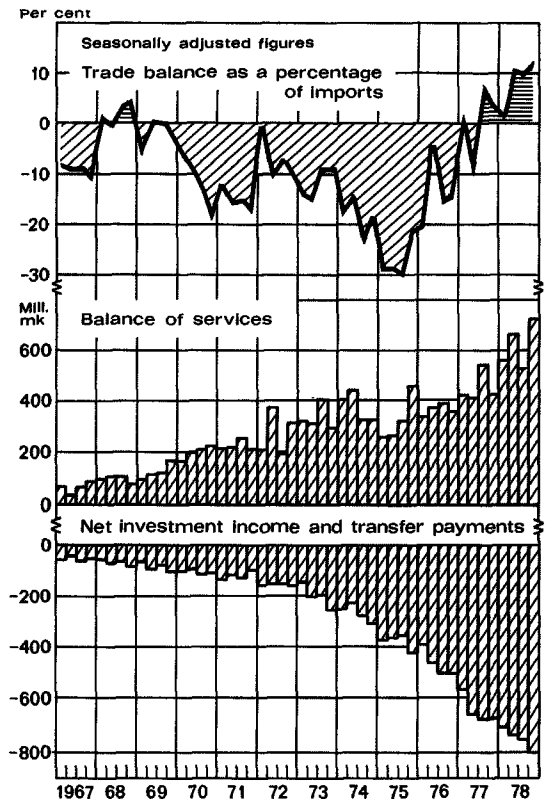
**TABLE 2. BALANCE OF PAYMENTS, MILLION MARKS**

	1976	1977	1978 <sup>1</sup>
Commodity exports <sup>2</sup>	24 372	30 766	35 027
Commodity imports <sup>2</sup>	28 472	30 625	32 225
TRADE BALANCE	— 4 100	141	2 802
Services, net	1 460	1 800	2 566
<b>BALANCE ON GOODS AND SERVICES</b>	<b>— 2 640</b>	<b>1 941</b>	<b>5 368</b>
Investment income & transfer payments	— 1 867	— 2 581	— 2 993
<b>CURRENT ACCOUNT</b>	<b>— 4 507</b>	<b>— 640</b>	<b>2 375</b>
Long-term capital, net	4 202	3 239	2 261
<b>BASIC BALANCE</b>	<b>— 305</b>	<b>2 599</b>	<b>4 636</b>
Short-term capital, net	177	— 3 088	— 1 596
<b>OVERALL BALANCE</b>	<b>— 128</b>	<b>— 489</b>	<b>3 040</b>
Reserve movements (increase —):			
Bank of Finland	78	— 170	— 2 339
Other holders	50	659	— 701

<sup>1</sup> Preliminary. Final figures will be available in July 1979. For details, see pages 14 and 15.

<sup>2</sup> Balance-of payments basis. See Table 1 for customs figures.

**CHART 2. PRINCIPAL CURRENT ACCOUNT COMPONENTS**



shipments, the other from the fact that Finland has again managed to increase her competitiveness in the tourist sector. As a result, the travel account turned again into a slight surplus and the surplus on the transport account amounted to 1 660 million marks, thus making up two thirds of the total net income of 2 560 million marks from services.

The strengthening in the trade and services accounts was to some extent offset by a further deterioration in other invisible transactions. The external debt, which had increased sharply in the middle of the decade, gave rise to further growth in interest payments largely as a result of exchange rate changes. Consequently the investment income deficit rose from 2 430 million marks in 1977 to 2 850 million marks last year. The net outflow of transfer payments remained unchanged at 140 million marks. The deficit on all invisible transactions declined from 780 million marks in 1977 to 430 million marks in 1978.

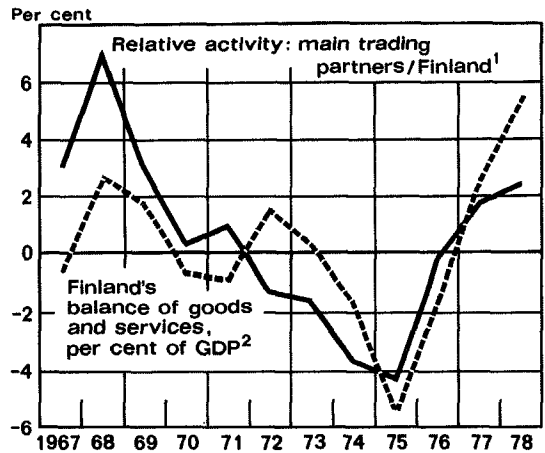
Thus, the current account registered a surplus of 2 350 million marks or 1.8 per cent of GDP compared with a deficit of 8.1 per cent in 1975, 4.1 per cent in 1976 and still 0.6 per cent in 1977. As Chart 3 illustrates, the strengthening in the external balance has largely followed movements in the relative cyclical position of Finland as compared with her major trading partners. At the same time, however, the improvement in Finland's competitive position (Chart 1) during the past two years has improved the apparent trade-off between the relative level of activity and the external balance.

## CAPITAL FLOWS

Although the current account moved into surplus, net imports of long-term capital were still substantial at 2 260 million marks. However, in contrast with previous years, the net inflow was due almost entirely to the Government sector, which imported close to Fmk 3 000 million net.<sup>1</sup> Altogether drawings of long-term

<sup>1</sup> The figure for net flows in the non-Government sector is largely affected by amortizations by the Bank of Finland of the IMF oil facility drawn in 1975 and 1976 (176 million marks) as well as the repaying of private credit facilities drawn in 1977 (1 258 million marks).

**CHART 3. CYCLICAL POSITION AND EXTERNAL BALANCE**



<sup>1</sup> Index of GDP deviation from trend in Finland's main trading partners divided by corresponding index for Finland.

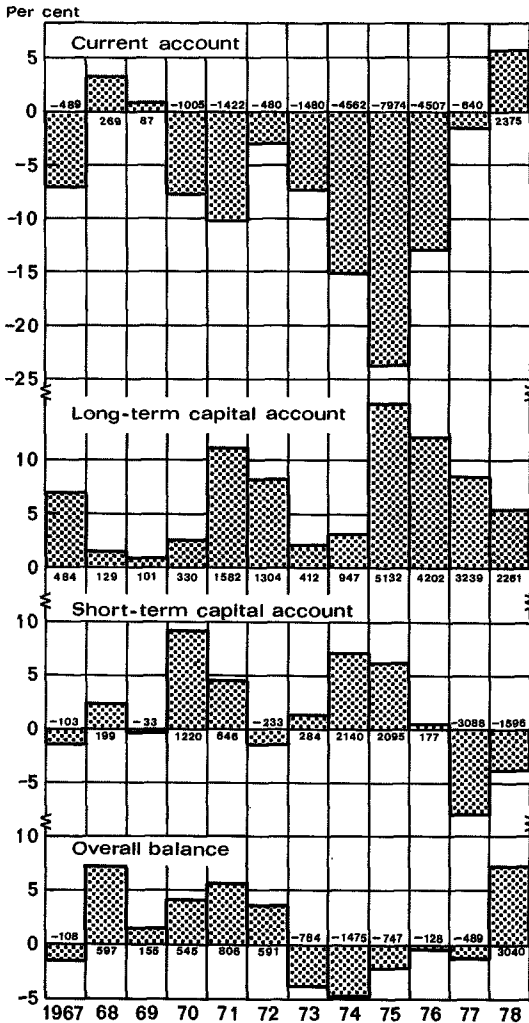
<sup>2</sup> In fixed (1964) prices.

loans in 1978 amounted to 9 010 million marks, which was 40 per cent more than in the previous year. Amortizations amounted to 5 740 million marks, as against 2 740 million marks in the year before.

The demand for foreign loans for financing investments was quite low in the corporate sector reflecting an exceptional financial surplus in this sector. But Finnish borrowers made use of the ample supply of loans in the international financial markets to improve the maturity structure. Consequently, drawings of foreign loans by the corporate sector increased by 37 per cent to 4 690 million marks and amortizations by 59 per cent to 3 520 million marks.

Foreign loans were drawn to cover a major part of the Government's increased borrowing requirement, partly reflecting institutional rigidities, and partly an aim to bolster foreign exchange reserves. Drawings of long-term loans were 3 280 million marks and, as amortizations amounted to only 290 million marks, the Government was a significant net importer. In 1977 the Government had borrowed 750 million marks in net terms from abroad. Financial institutions borrowed 1 040 million marks of long-term capital while amortizations (ex-

**CHART 4. PRINCIPAL BALANCE OF PAYMENTS COMPONENTS AS A PERCENTAGE OF CURRENT PAYMENTS AND IN MILLIONS OF MARKS**



cluding the Bank of Finland, see footnote 1) were 490 million marks.

Direct investment flows were slightly down on the 1977 figures. Foreign direct investment in Finland amounted to 140 million marks and investment abroad by Finnish companies to 260 million marks, in net terms. Due to large deliveries of ships and heavy machinery, long-term export credits rose 76 per cent to 1 380 million while amortizations only edged up slightly to 610 million.

As in the previous year, 1978 saw a considerable outflow of short-term capital. However,

last year the movements were due largely to developments in commodity trade, and nearly all of the outflow of 1 600 million marks occurred in the second half of the year when the surplus on the trade account was up sharply. Export credits increased substantially, and as the value of imports grew only modestly, there was little change in short-term import credits, other than that produced by the relaxation of the cash payment requirement for certain imports (see page 30). Altogether changes in short-term trade credits resulted in a net outflow of 2 050 million marks. Also, in addition to the change in trade flows, easier domestic financial conditions together with the changes in relative interest rates probably enhanced the outflow of short-term capital. Miscellaneous short-term capital items accounted for an outflow of 490 million marks while errors and omissions indicated an inflow of 950 million marks.

#### EXTERNAL LIQUIDITY AND FOREIGN DEBT

The surplus of 3 040 million marks in the overall balance was mainly reflected in a strengthening of Finland's official reserves. Convertible reserves of the Bank of Finland increased by 2 339 million marks to 3 808 million in the course of the year, and the liabilities of other foreign exchange holders were reduced by 701 million marks. At the end of the year convertible reserves corresponded to nearly 8 weeks' imports as against only 3 weeks' imports at the beginning of the year. Tied currencies decreased by 25 million marks to 471 million marks.

The 2 375 million mark surplus in the current account reduced Finland's net foreign debt correspondingly, but on account of exchange rate changes the mark value of the debt fell slightly less, by 1 600 million to 25 500 million marks. In relation to GDP, net foreign debt decreased from 22.3 per cent to 19.5 per cent of GDP. Servicing costs<sup>1</sup> on Finland's external debt increased from 11.9 per cent of current

<sup>1</sup> Servicing costs include net investment income from short-term and long-term assets and liabilities and net amortization payments on long-term foreign assets and liabilities. See figure, p. 17.

receipts in 1977 to 18.2 per cent last year (to 15.0 per cent excluding amortizations by the Bank of Finland). Last year was of course exceptional in that in addition to the amortizations by the Bank of Finland of its credit facilities, it also included substantial premature payments by corporations. The improved structure of the external debt implies significantly lower servicing costs in future.

## FOREIGN EXCHANGE POLICY

During 1978 the international foreign exchange markets were quite volatile. The U.S. dollar weakened in relation to the major currencies. In preparation for the transfer to a new European Monetary System in 1979 there was a realignment of snake currencies late in the year, as the D-mark was revalued by 4 per cent in relation to the Norwegian and Danish crowns and by 2 per cent in relation to the other snake currencies.

The two devaluations of the Finnish mark in 1977 had not restored confidence in its external value. At the beginning of 1978 convertible foreign exchange reserves were low, in spite of drawings late in 1977 by the Bank of Finland of \$ 300 million on credit facilities with private bank consortia. The devaluation of the Norwegian crown in February was expected to increase pressures further against the mark. As a result of this and in order to improve the competitiveness of Finnish industry, it was decided to devalue the Finnish mark as of February 17 by 8 per cent. The new fluctuation limits established for the currency index were 116.4 and 121.7, compared with the old limits of 107.1 and 112.0.

The Bank of Finland currency index rose on average by some 10.5 per cent in 1978. After the devaluation the effective value of the mark has remained quite stable, as shown by the chart on page 5. However, the exchange rates of the currencies most important in Finland's foreign trade changed markedly during the year due to both the devaluation and develop-

ments in international foreign exchange markets, as illustrated by the chart on page 7.

The devaluation clearly restored confidence in the external value of the Finnish mark. In the spring and summer there was a partial reversal of leads and lags, which together with the increasing surplus in the trade account and large capital imports by the government led to a rapid increase in convertible exchange reserves. There was a corresponding easing of domestic monetary conditions most clearly evidenced by the fall in the call money rate from 23 per cent in January to just over 9 per cent in May.

The change in expectations was also evident in the forward market, where massive purchases of forward currencies early in the year were substituted by substantial sales of forward currencies. At the same time forward rates have declined in line with the reduction in domestic interest rates.

In the fall of 1978 there was a temporary decline in exchange reserves. This was brought about by the improvement in the availability of domestic funds and a fall in the relative interest rate level in Finland, and to a great extent also by uncertainties regarding the value of the U.S. dollar in the international foreign exchange markets. However, towards the end of the year there was a resumption in the growth of reserves. (See chart inside front cover.)

At the beginning of 1978 the Bank of Finland had at its disposal a total of 400 million U.S. dollars in the form of credit line facilities, available at short notice. Reserves at the beginning of 1978 also contained 300 million dollars of such funds drawn at the end of 1977. In February and May 1978 the Bank of Finland concluded two new agreements concerning credit line facilities with international bank consortia, totalling 300 million dollars.

The rapid rise in reserves following the devaluation of the mark made it possible to repay the funds drawn in 1977. The Bank of Finland thus had at its disposal at the end of 1978 a

total of 1 000 million dollars or about 4 000 million marks of credit line facilities. The Bank of Finland also repaid SDR 34 million out of the total of SDR 186 million drawn from the IMF under the oil facility in 1975 and 1976.

The cash payment requirement covering imports of certain commodities has been used by the Bank of Finland as a selective monetary policy measure. The improvement in the trade balance

together with restored confidence in the external value of the mark has facilitated a more expansionary monetary policy, and, in support of this the Bank of Finland reduced the coverage of the cash payment system twice during 1978. In May the coverage of the system was reduced from about one third to about one quarter of imports, and in November it was reduced further, after which its coverage was some 18 per cent of commodity imports.<sup>1</sup>

<sup>1</sup> The system has been completely abolished as of March 1, 1979.

## ITEMS

**Parliamentary elections of 1979.** Parliamentary elections were held on March 18th and 19th 1979. Of the 3 859 000 persons eligible to vote 81.4 per cent cast ballots (79.7 per cent in the last election in 1975). If the Finns living abroad, about 307 000, are included the turn-out was 75.1 per cent. The following table shows the percentage distribution of votes in 1979 and 1975.

	1979	1975
Social Democratic Party of Finland	24.0	24.9
National Coalition Party	21.7	18.4
Democratic League of the People of Finland	18.0	18.9
Centre Party	17.4	17.6
Swedish People's Party	4.3	4.6
Christian League of Finland	4.8	3.3
Finnish Rural Party	4.6	3.6
Liberal Party	3.7	4.3
Others	1.5	4.4
Total	100.0	100.0

The seats in Parliament were divided as follows:

	1979	1975
Social Democratic Party of Finland	52	54
National Coalition Party	47	35
Centre Party	36	39
Democratic League of the People of Finland	35	40
Swedish People's Party	10	10
Christian League of Finland	9	9
Finnish Rural Party	7	2
Liberal Party	4	9
Others	—	2
Total	200	200

The new Parliament will assemble for its first session on April 4.

**Supplementary budget.** The first supplementary budget for 1979 was approved by Parliament in February. It involved a 664 million mark or 1.5 per cent addition to the budgeted state expenditure of 43 530 million marks. Besides adding to expenditure, Parliament decided on measures which would cause a 1 000 million mark reduction in the budgeted state revenue for this year. According to common praxis, reductions in revenue were not explicitly shown in the additional budget. To finance expenditure Parliament increased the Council of State's authority to take out new loans by 1 000 million marks. It is now authorised to take out loans in 1979 amounting to 6 800 million marks.

The changes in expenditure and revenue involved in the first supplementary budget for this year, can be ascribed almost completely to government measures related to the income policy agreement concluded in January. In order to pave the way for moderation in wage agreements and other income agreements the Government decided to implement measures aiming to reduce firms' production costs and support growth in real income of households.

The reflationary package approved by the Government in January included a further reduction



of 1.5 percentage points in employers' social security contributions and provided that the rebates in force until the end of 1978 would be continued until the end of the present income agreement in February 1980. Tax prepayments to be withheld from income in 1979 were reduced by 1 percentage point; this reduction does not, however, affect tax liability in 1979 which will be finally assessed in 1980.

The outlays involved in the supplementary budget are mainly due to employment measures. In order to lower the extremely high unemployment among young people the central government has increased the municipalities' appropriations for providing part-time jobs for young people. Appropriations were also set aside for firms creating permanent jobs for unemployed during the spring of 1979, and additional funds were earmarked for financing job creation through public investment.

In its explanatory statement on the supplementary budget the Government estimated an output growth of 4.5 per cent in 1979. The more rapid growth rate together with the employment measures are expected to bring about a decrease in unemployment in 1979, to an average level below 7 per cent.

**The new consumer price index, 1977 = 100.** On March 15, 1979 the Central Statistical Office of Finland published a new consumer price index, 1977 = 100.

As consumption patterns and the supply of goods and services have changed since 1972, when the previous consumer price index was introduced, the purpose of the new consumer price index is to reflect the present patterns more accurately. The revision of the relative weights of different expenditure categories in the index is based on the information obtained from the household budget survey made in 1976 by the Central Statistical Office. This inquiry revealed, for example, that food constitutes a smaller share of total consumption than before, whereas the share of transport and communication has increased.

The new consumer price index comprises 378 items as against 352 in the old index. Almost 80 new items, some of them completely new, are included, such as bank lending rates, various membership fees, stamp duties on certain documents, and fines.

The quality specifications of all items included have been checked and revised where necessary. The calculation method for the index has not, however, been changed.

In the compilation of the new index, daily and weekend offers are now taken into account. Under the old index, an offer had to last for at least a week in order to be included. This change is expected to have little or no effect on the index. In view of the abundance of information on food products, special offers are unlikely to cause distortions in the index.

The consumer price index 1977 = 100 includes 10 major categories. One of these, 'Health and medical services' is new. The weights of the major categories according to the new index and the old index are shown below.

	CPI 1977 = 100 <sup>1</sup> Weight %/oo	CPI 1972 = 100 Weight %/oo
Food	216.3	241.2
Beverages and tobacco	70.6	78.7
Clothing and footwear	72.2	76.7
Rent	163.1	165.5
Heating and lighting	34.6	26.5
Household goods and services	61.2	62.2
Health and medical services	19.4 <sup>2</sup>	—
Transport and communication	177.5	153.7
Education and recreation	90.0	79.7
Other goods and services	95.1	115.8
<b>TOTAL</b>	<b>1 000.0</b>	<b>1 000.0</b>

<sup>1</sup> When comparing weights, it should be noted that some of the changes in the weight structure may be ascribed to a widening in the concept of private consumption. As mentioned above, the index now incorporates bank lending rates, membership fees, stamp duties and fines.

<sup>2</sup> In the category 'Health and medical services', only net expenses for medical treatment (medicine, doctor's fees, examination charges and hospital fees) have been taken account of. In other words, the weights are based on that part of costs not covered by sickness insurance, which falls directly on the consumer.

Until the end of this year, the new and the old consumer price indices will appear together. This is necessitated by the present income agreements which state that, if the old index (1972 = 100) exceeds 233 points by the end of October this year, wages will be increased by 17 pennies an hour from the beginning of December 1979.

**New Fmk 5 current coin, type 1979.** As from April 9, 1979 the Bank of Finland will issue a new type of Fmk 5 current coin. The old coin of 1972 will remain legal tender.

The obverse shows, in relief, an ice-breaker which symbolizes the industrialization, trade and navigation of Finland. Set in an impression in the form of a rounded quadrangle under the ice-breaker is the legend SUOMI FINLAND and the year of mintage. The reverse shows in an impression in the form of a rounded quadrangle a large figure 5 and underneath it, partly impressed and partly in relief are migratory birds symbolizing the geographical situation of Finland and her role in international dialogue. Below is the legend MARKKAA.

The alloy of the new coin is the same as that of the old type of 1972, i.e. copper 930/1 000, aluminium 50/1 000 and nickel 20/1 000. The diameter is 26.3 mm as in the old type, but the weight differs slightly from that of the old one, being 8.2 grammes.

The coin was designed by Heikki Häivöja.

**Board of Management of the Bank of Finland.** At their meeting on February 27, 1979 the Bank Supervisors delegated by Parliament appointed Mr. Ahti Karjalainen, D.Pol.Sc., who is a member of the Board of Management, to the position of Deputy Governor of the Bank.

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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

Ahti Karjalainen

*Deputy Governor*

Pentti Uusivirta

Rolf Kullberg

Ele Alenius

Harri Holkeri

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Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

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## Senior officials

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*Director ADP-planning*

Ralf Pauli

*Deputy, Monetary Policy*

Raimo Hyvärinen

*Domestic Financial Operations*

Kari Pekonen

*Foreign Exchange Policy*

Raine Panula

*Foreign Exchange*

Kari Holopainen

*Eastern Trade*

Antti Saarlo

*Special Eastern Affairs*

Pekka Tukiainen

*Capital Transfers*

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*Foreign Exchange Control*

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*Research Dept.*

Markku Pietinen

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*Administration and Legal Affairs*

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*Internal Audit*

U. Levo

*International Legal Affairs*

Erkki Vehkamäki

*Automatic Data Processing*

Pauli Kanerva

*Personnel Administration and  
General Affairs*

Stig G Björklund

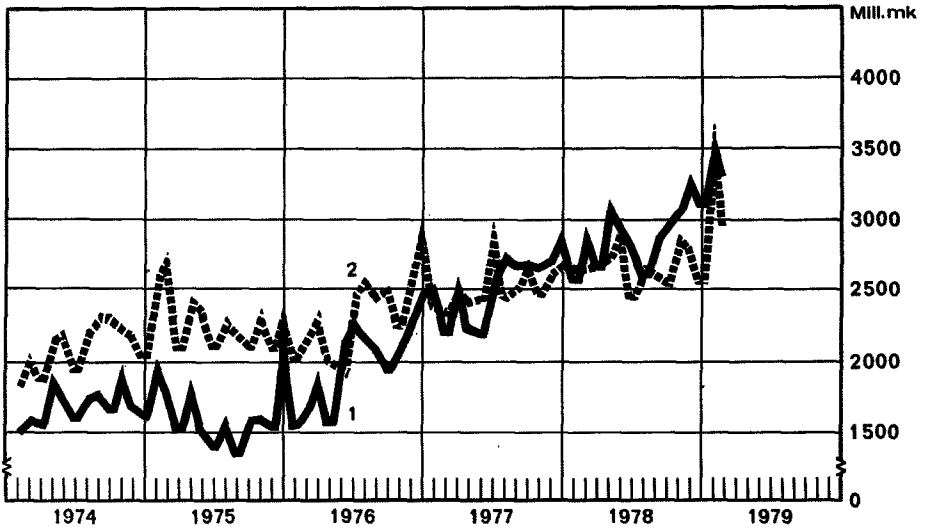
*Banking Services*

Antti Luukka

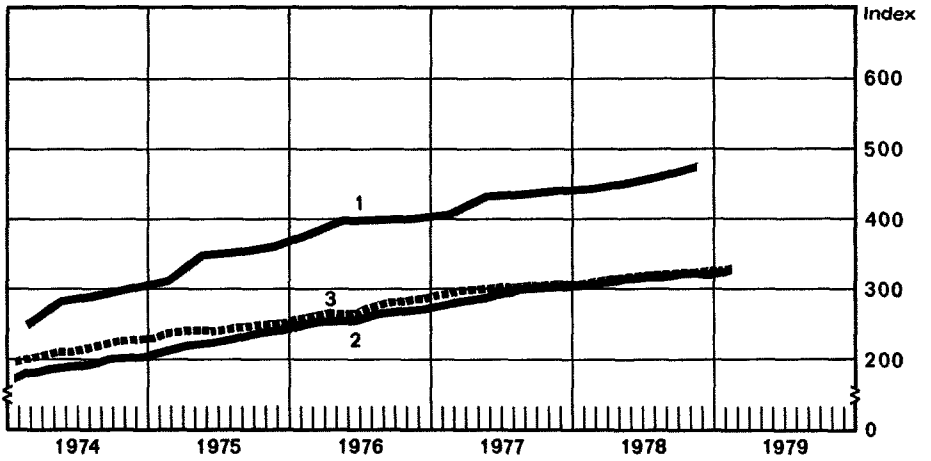
*Cash*

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FOREIGN TRADE, 1974-79



PRICES AND WAGES, 1974-79



PRODUCTION, 1974-79

