



# BANK OF FINLAND

*Monthly Bulletin*

**Finland's net foreign debt and  
long-term capital flows**

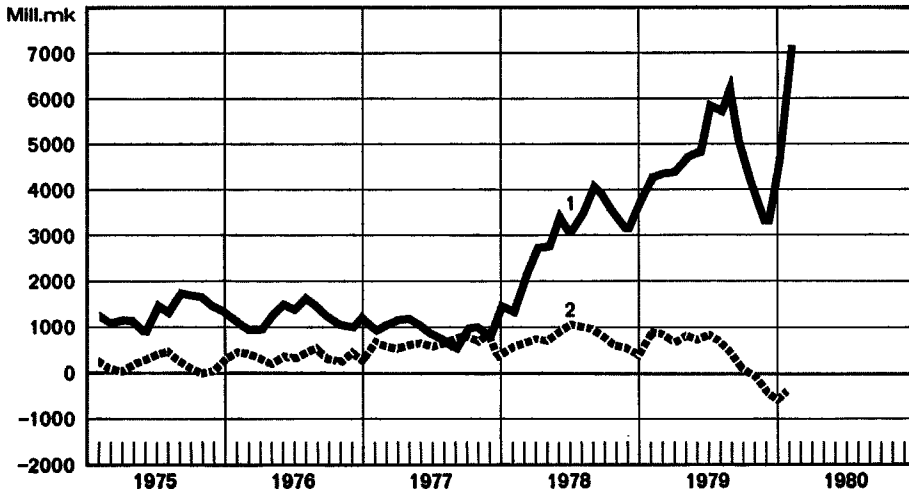
**The balance of payments and foreign  
exchange policy in 1979**

**Population projections for 1978—2020**

**MARCH 1980**

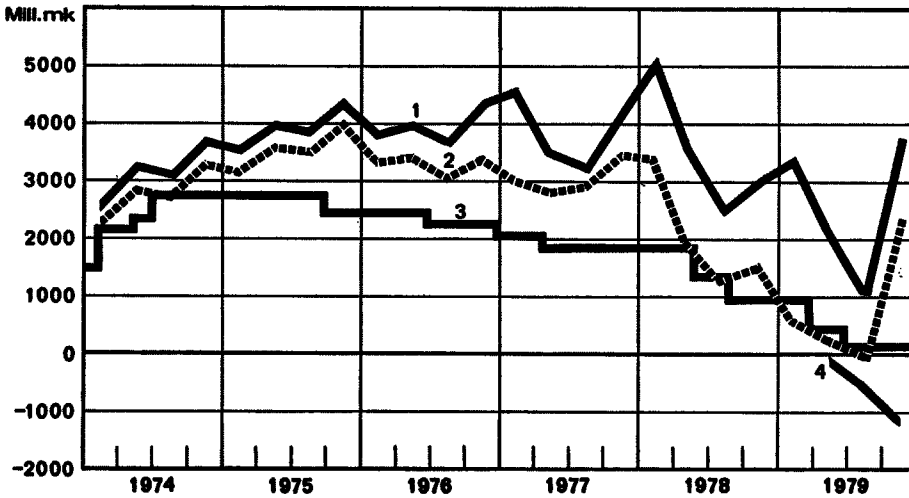
**Vol. 54 No. 3**

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



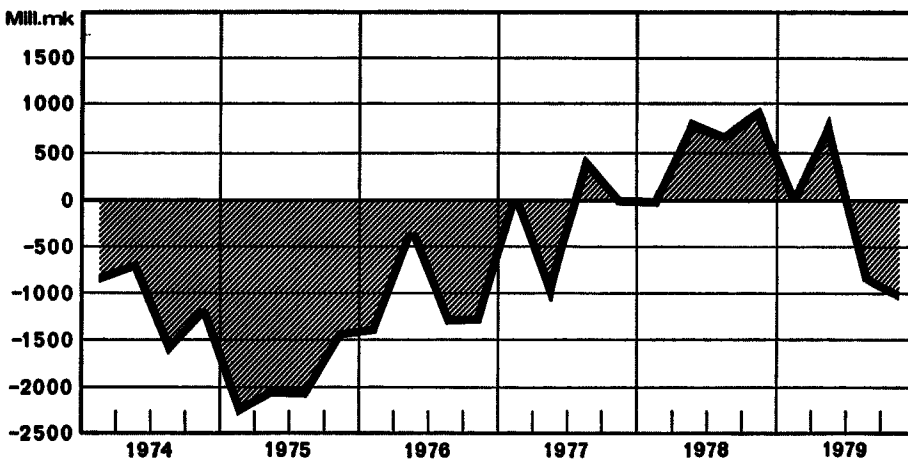
- 1. Gold and convertible currencies
- 2. Tied currencies

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



- 1. Total central bank debt
  - 2. Actual central bank debt
  - 3. The quotas
  - 4. Cash reserve deposits
- Quarterly average of daily amounts (1, 2 and 4)

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



Seasonally adjusted quarterly figures

# FINLAND'S NET FOREIGN DEBT AND LONG-TERM CAPITAL FLOWS

Finland's external balance remained fairly good in 1979. However, owing to a substantial rise in the price of oil and a marked growth in domestic demand, the current account moved into a deficit of 1 100 million marks, after having shown a surplus of 2 500 million marks in 1978. The value of visible and invisible exports increased by 23 per cent and that of imports by 36 per cent.

According to preliminary figures, Finland's net foreign debt declined by about 1 000 million marks, totalling 24 500 million marks at the end of 1979. The ratio of net foreign debt to GDP at market prices fell by another 3 percentage points and amounted to 15 per cent at the end of the year. Finland's creditworthiness on international financial markets remained very good.

The ratio of debt service charges, i.e. redemptions and interest expenses, to current account earnings declined from the previous year. In spite of the decline in net foreign debt, interest expenses increased by about 14 per cent in 1979, due to a rise in the international

level of interest rates. The weighted average rate of interest applied to financial loans rose from 8.7 per cent to 9.2 per cent in 1979.

At the end of 1979, Finland's gross long-term foreign debt amounted to 35 400 million marks, or almost the same as the year before. As gross long-term assets increased by nearly 1 000 million marks, the net long-term debt declined to 28 700 million marks.

At the end of the year, 41 per cent of Finland's gross long-term debt was denominated in US dollars, 13 per cent in D-marks and 13 per cent in Swiss francs. The remainder of the debt was distributed between some 20 other currencies.

Owing to a vigorous expansion in foreign trade, short-term assets and liabilities increased substantially, although the value of net short-term assets remained unchanged.

The improved profitability and financial position of corporations and the easiness prevailing on the domestic financial market until the

## FINLAND'S NET FOREIGN DEBT IN 1975—1979, END-OF-YEAR FIGURES, MILLION MARKS

	1975	1976	1977	1978	1979
Long-term liabilities, gross <sup>1</sup>	18 902	23 721	30 356	35 444	35 371
Long-term assets, gross <sup>1</sup>	3 459	3 790	4 615	5 784	6 696
Net long-term debt	15 443	19 931	25 741	29 660	28 675
Short-term liabilities, gross	15 326	15 499	16 000	15 159	19 670 <sup>2</sup>
Short-term assets, gross	10 826	12 393	14 617	19 332	23 845 <sup>2</sup>
Net short-term debt (+)/Net short-term assets (—)	+4 500	+3 106	+1 383	—4 173	—4 175 <sup>2</sup>
Net foreign debt	19 943	23 037	27 124	25 487	24 500 <sup>2</sup>
As a percentage of GDP at market prices	19.6	20.0	21.3	18.3	15.0 <sup>2</sup>

<sup>1</sup> The mark values of long-term liabilities and assets have been calculated by using the exchange rates prevailing on the same date.

<sup>2</sup> Preliminary figures.

autumn combined to keep the demand for foreign credit at a level below that of the previous year. The desire to import capital was partly curbed by a rise in interest rates on international financial markets. Foreign borrowing by corporations declined from the previous year, so that their long-term foreign debt fell by 1 400 million marks. In granting permits for the import of long-term capital, priority was given to the financing of profitable industrial expansion investments. In second place, permits were granted to refinance redemptions of loans, raised mainly in the mid-1970s, which were too short term relative to the return on capital invested. In addition, corporations' efforts to improve their foreign debt structure were supported by allowing them to amortize prematurely a substantial amount of outstanding loans and to replace these with new loans on more profitable terms. The average repayment time of loans increased from 5.0 years to 5.2 years.

The central government's foreign borrowing also declined from the previous year. As the central government's redemptions of outstanding loans continued to be fairly negligible, the central government's foreign debt grew by 1 700 million marks.

Foreign bond issues fell by a half from the previous year and totalled 1 700 million marks, the central government's share accounting for 1 400 million marks. The following 11

Finnish bond issues were floated abroad in 1979: the Industrial Bank of Finland Ltd: KD 6 million; the Industrial Bank of Finland Ltd, the Land and Industrial Mortgage Bank Ltd and the Finnish Real Estate Bank Ltd together: KD 5 million; the Finnish Government: \$ 100 million; the Finnish Government SDR 50 million; the Finnish Government: \$ 100 million; the Finnish Government: FF 70 million; the Finnish Government: FF 80 million; the Finnish Government: Sfr 80 million; the Finnish Government: DM 150 million<sup>1</sup>; Teollisuuden Voima Oy: \$ 30 million; and Teollisuuden Voima Oy: KD 7 million.

Net direct investment by foreign firms in Finland declined by a quarter to 106 million marks. At the end of the year, the value of foreign direct investment in Finland accounted for 1.2 per cent of GDP. At the end of 1979, there were 891 firms in Finland which were more than 20 per cent foreign-owned.

Net direct investment abroad by Finnish firms amounted to 487 million marks in 1979. At the end of the year, the value of direct investment abroad by Finnish firms totalled 2 300 million marks, or 1.4 per cent of GDP. At the end of 1979, there were 975 firms abroad which were more than 20 per cent Finnish-owned.

<sup>1</sup> The loan was drawn in January 1980.

February 22, 1980.

## BANK OF FINLAND

Mill. mk

	1979		1980			
	Feb. 28	Dec. 31	Feb. 8	Feb. 15	Feb. 22	Feb. 29
<b>Assets</b>						
Gold and foreign exchange receivables	5 378	4 860	7 948	8 049	7 867	7 714
Gold <sup>1</sup>	169	1 073	1 073	1 073	1 073	1 073
Special drawing rights	458	430	557	557	566	566
IMF reserve tranche	243	225	225	225	225	225
Foreign bonds <sup>2</sup>	—	—	1 870	1 896	1 960	2 020
Convertible currencies	3 576	2 978	4 087	4 157	3 900	3 690
Tied currencies	932	154	136	141	143	140
Other foreign receivables	2 120	2 803	1 054	1 054	1 054	1 054
Foreign bonds <sup>2</sup>	1 023	1 749	—	—	—	—
Mark subscription to Finland's IMF quota	1 097	1 054	1 054	1 054	1 054	1 054
Receivables from financial institutions	3 923	4 538	4 080	5 263	4 548	4 360
Banks' cheque accounts	169	233	904	1 157	1 132	911
Discounted bills	891	—	—	—	—	—
Call money market advances	2 431	3 870	2 736	3 668	2 976	3 005
Bonds	404	408	408	400	401	405
Other financial institution receivables	28	27	32	38	39	39
Receivables from the public sector	798	884	1 258	1 256	1 259	1 265
Government promissory notes	346	346	700	700	700	700
Bonds	94	145	156	156	158	164
Total coinage	341	372	376	376	377	377
Other public sector receivables	17	21	26	24	24	24
Receivables from corporations	1 973	2 520	2 576	2 566	2 609	2 645
Financing of exports	886	1 230	1 188	1 169	1 191	1 216
Financing of domestic deliveries	783	952	1 061	1 069	1 090	1 101
Bonds	202	205	200	200	200	200
Other corporate receivables	102	133	127	128	128	128
Other assets	66	73	74	74	74	74
<b>Total</b>	<b>14 258</b>	<b>15 678</b>	<b>16 990</b>	<b>18 262</b>	<b>17 411</b>	<b>17 112</b>
<b>Liabilities</b>						
Foreign exchange liabilities	56	846	614	881	843	860
Convertible accounts	44	14	19	98	25	20
Tied accounts	12	832	595	783	818	840
Other foreign liabilities	2 213	1 818	1 951	1 951	1 951	1 951
IMF mark accounts	1 759	1 385	1 385	1 385	1 385	1 385
Allocations of special drawing rights	454	433	566	566	566	566
Notes and coins in circulation	3 653	4 375	4 021	4 031	4 048	4 233
Notes	3 348	4 020	3 678	3 688	3 704	3 888
Coins	305	355	343	343	344	345
Deposit certificates in circulation	1 718	1 700	2 600	2 740	2 740	2 740
Claims of financial institutions	3 663	3 043	3 904	4 887	4 128	3 623
Banks' cheque accounts	1	4	6	1	1	1
Call money market deposits	3 135	1 131	1 659	2 659	1 897	1 370
Cash reserve deposits	—	1 764	2 095	2 088	2 088	2 123
Capital import deposits	494	140	139	138	138	125
Other financial institution claims	33	4	5	1	4	4
Claims of the public sector	114	387	68	67	60	60
Cheque accounts	0	2	1	0	0	0
Counter-cyclical reserves	40	42	42	42	42	42
Capital import deposits	71	339	18	18	18	18
Other public sector claims	3	4	7	7	0	0
Claims of corporations	341	403	473	471	472	477
Deposits for investment and ship purchase	30	133	141	141	141	144
Capital import deposits	297	254	325	325	327	329
Import levy deposits	5	2	—	—	—	—
Other corporate claims	9	14	7	5	4	4
Other liabilities	13	13	15	13	12	13
Equalization accounts	335	1 252	1 498	1 375	1 310	1 306
Capital accounts	2 152	1 841	1 846	1 846	1 847	1 849
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	636	636	441	441	441	441
Undisposed profits	92	—	—	—	—	—
Net earnings	24	-195	5	5	6	8
<b>Total</b>	<b>14 258</b>	<b>15 678</b>	<b>16 990</b>	<b>18 262</b>	<b>17 411</b>	<b>17 112</b>

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

End of year or month	Foreign sector <sup>1</sup>							Public sector			Deposit certificates in circulation
	Gold <sup>2</sup> , SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1974	675	341	1 047	2 063	-388	-6	1 669	302	560	258	1 040
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	-
1977	337	543	1 212	2 092	496	-2 031	557	391	328	- 63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1979											
Feb.	870	1 023	3 532	5 425	920	-1 116	5 229	798	114	-684	1 718
March	870	1 191	3 599	5 660	754	-1 116	5 298	821	113	-708	2 068
April	870	1 269	3 892	6 031	900	-1 116	5 815	822	113	-709	2 288
May	856	1 442	4 025	6 323	824	-971	6 176	828	112	-716	2 588
June	856	1 531	5 113	7 500	901	-971	7 430	844	41	-803	3 378
July	863	1 690	4 984	7 537	770	-971	7 336	853	373	-480	3 378
Aug.	853	1 865	5 644	8 362	504	-793	8 073	848	374	-474	3 378
Sept.	853	2 001	4 181	7 035	186	-793	6 428	859	364	-495	2 390
Oct.	858	1 860	3 316	6 034	-157	-793	5 084	866	388	-478	2 390
Nov.	855	1 783	2 582	5 220	-505	-793	3 922	867	381	-486	2 040
Dec.	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980											
Jan.	1 861	1 829	3 463	7 153	-462	-897	5 794	1 254	68	-1 186	2 200
Feb.	1 864	2 020	3 670	7 554	-700	-897	5 957	1 265	60	-1 205	2 740

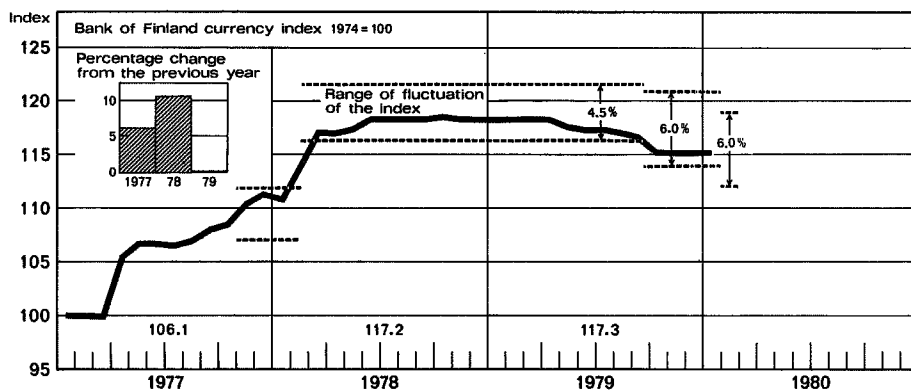
<sup>1</sup> New series, see item Bulletin 2/1980. <sup>2</sup> As of Dec. 31, 1979 gold is valued at Fmk 35 per gramme.

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1978			Net holdings, Dec. 31, 1979			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Dec.	Jan.-Dec.
Gold	169	-	169	1 073	-	1 073	+904	+904
Special drawing rights	315	-	315	430	-	430	-20	+115
IMF reserve tranche	243	-	243	225	-	225	-11	-18
Convertible currencies	3 080	-2 072	1 008	2 964	-3 223	-259	-280	-1 267
Total	3 807	-2 072	1 735	4 692	-3 223	1 469	593	-266
Non-convertible currencies	471	152	623	-678	-30	-708	-167	-1 331
Grand total	4 278	-1 920	2 358	4 014	-3 253	761	+426	-1 597

End of year or month	Domestic financial sector						Corporate sector			Notes and coins in circulation	
	Dis-counted and redis-counted bills	Cheque account receivables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receiv-ables (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net		Net receiv-ables (8-9)
	1	2	3	4	5	6	7	8	9	10	11
1974	3 034	110	—	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1979											
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
April	349	176	1 808	2 078	—	-116	371	1 673	10	1 663	3 822
May	379	138	1 368	1 589	115	-174	355	1 742	98	1 644	3 923
June	295	116	736	1 246	235	-210	-124	1 827	67	1 760	4 186
July	—	376	935	1 104	482	-287	12	1 884	55	1 829	4 025
Aug.	—	330	392	1 038	730	-276	-770	1 909	60	1 849	4 022
Sept.	—	119	1 919	1 334	989	-312	27	1 923	144	1 779	4 072
Oct.	—	232	2 894	1 058	1 232	-284	1 120	2 173	150	2 023	3 963
Nov.	—	192	3 735	836	1 496	-262	1 857	2 233	107	2 126	4 156
Dec.	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980											
Jan.	—	375	2 989	1 376	2 095	-295	188	2 224	62	2 162	4 047
Feb.	—	910	3 005	1 370	2 123	-315	737	2 317	149	2 168	4 233



# 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 <sup>3</sup> in fi. mk	Cash reserve deposits of the commercial banks <sup>3</sup> 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	9	10
1973	2 042	1 819	1 333	—	—	—	8.50	—	9.99	8.65
1974	3 204	2 840	2 494	—	—	—	9.25	—	10.57	9.52
1975	4 000	3 611	2 725	—	—	239 <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

## 1979

Feb.	3 814	553	1 000	—	—	-509	7.25	8.40	7.59	7.83
March	3 138	455	1 000	—	—	-588	7.25	8.29	7.53	7.81
April	2 682	417	500	—	—	-143	7.25	8.42	7.76	7.82
May	2 343	292	500	4	3	-226	7.25	8.35	7.65	7.83
June	1 499	200	500	123	108	-308	7.25	8.35	7.52	7.83
July	1 257	-180	200	243	212	-388	7.25	8.31	7.68	7.84
Aug.	784	-208	200	490	427	-407	7.25	8.36	7.61	7.83
Sept.	1 427	395	200	756	658	198	7.25	8.68	8.03	7.85
Oct.	2 905	1 216	200	997	868	1 018	7.25	9.13	8.50	7.85
Nov.	3 760	2 512	200	1 241	1 078	2 298	8.50	12.87	11.94	8.98
Dec.	4 603	3 350	200	1 505	1 316	3 151	8.50	13.53	12.76	9.06

## 1980

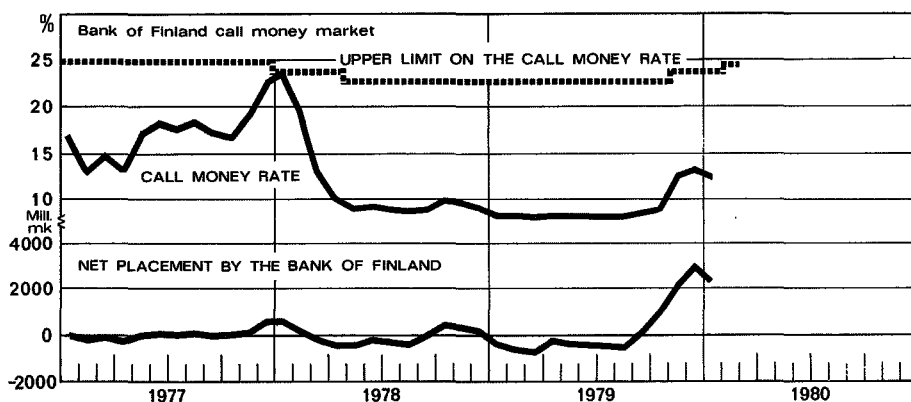
Jan.	4 471	2 627	200	1 775	1 553	2 399	8.50	12.70	11.79	..
Feb.	4 094	2 066	1 000	2 092	1 829	1 068	9.25	11.14	..	..

See explanations on page 22.

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

<sup>2</sup> 1. 9.—31. 12. 1975.

<sup>3</sup> See Bulletin April, 1979, page 1.





# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

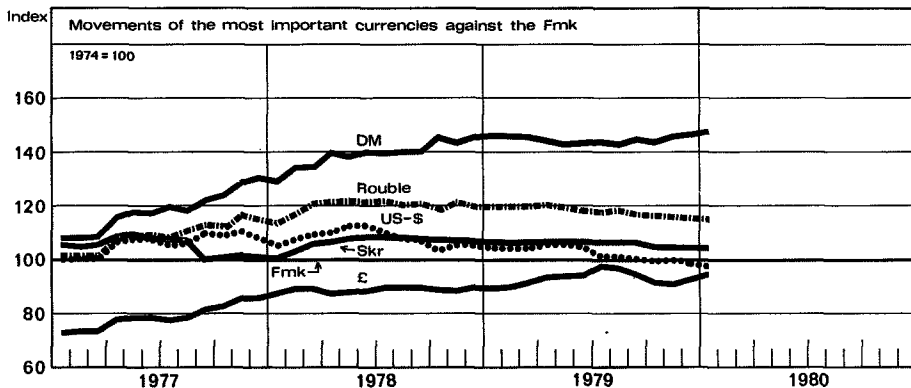
Period	New York	London	Stockholm	Oslo	Copenhagen	Frankfurt	Zurich	Paris	Moscow	Currency Index 1974 = 100
	1 US \$ USD	1 £ GBP	100 Skr SEK	100 Nkr NOK	100 Dkr DKK	100 DM DEM	100 Sfr CHF	100 FF FRF	1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3

1979										
Feb.	3.979	7.990	91.38	78.40	77.64	214.63	237.79	93.46	6.018	118.5
March	3.983	8.132	91.49	78.45	77.05	214.34	237.14	93.23	6.024	118.5
April	4.012	8.332	91.65	78.33	76.40	212.10	234.14	92.55	6.055	118.5
May	4.013	8.276	91.59	77.63	74.76	210.53	232.49	91.31	6.032	117.8
June	3.973	8.390	91.71	77.29	73.35	210.71	233.39	91.21	5.956	117.5
July	3.851	8.716	91.52	76.66	73.75	211.37	234.03	91.04	5.915	117.5
Aug.	3.845	8.620	91.34	76.71	73.25	210.34	232.22	90.59	5.942	117.2
Sept.	3.821	8.415	91.38	76.95	73.85	212.88	236.64	91.23	5.858	116.9
Oct.	3.780	8.132	90.09	76.39	72.57	211.60	232.68	90.46	5.845	115.4
Nov.	3.794	8.097	90.03	75.82	72.41	213.96	230.42	91.43	5.828	115.4
Dec.	3.735	8.233	89.67	75.39	69.89	215.60	233.65	92.22	5.798	115.4

1980										
Jan.	3.703	8.396	89.55	75.69	69.07	214.92	232.60	92.00	5.788	115.4
Feb.	3.724	8.546	89.58	76.56	68.59	213.33	227.68	91.24	5.818	115.4

See explanations on page 22.



# DEPOSITS BY THE PUBLIC

Mill. mk

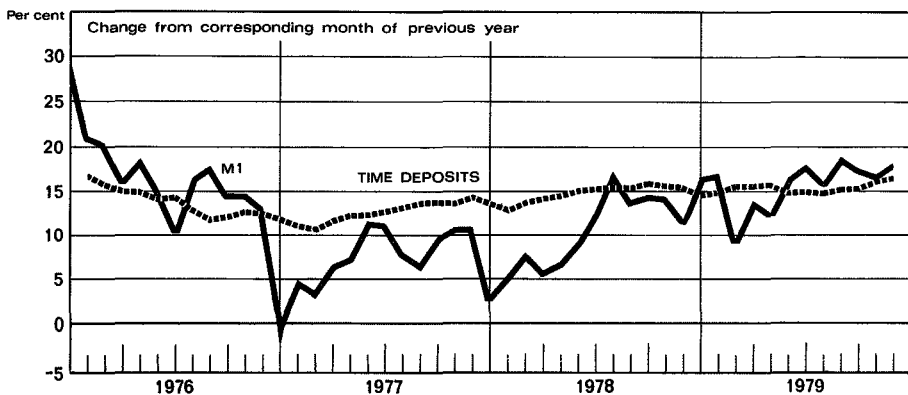
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	10
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477

## 1978

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
Dec.	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477

## 1979

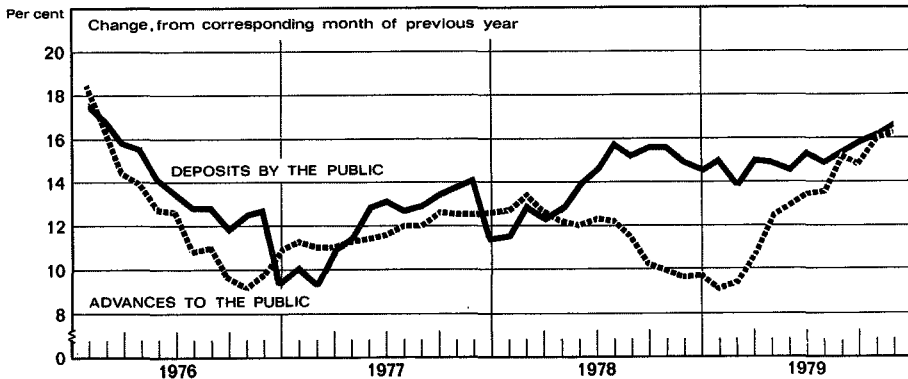
Jan.	4 138	1 579	2 089	7 806	16 951	14 720	11 454	4 917	48 042	55 848
Feb.	3 544	1 629	2 081	7 254	17 267	15 045	11 716	5 004	49 032	56 286
March	3 717	1 589	2 108	7 414	17 521	15 231	11 803	5 085	49 640	57 054
April	3 837	1 670	1 995	7 502	17 816	15 405	11 966	5 112	50 299	57 801
May	4 244	1 777	2 271	8 292	17 692	15 584	12 140	5 140	50 556	58 848
June	4 373	1 842	2 678	8 893	17 978	15 932	12 330	5 176	51 416	60 309
July	4 160	1 944	2 700	8 804	18 189	16 153	12 481	5 253	52 076	60 880
Aug.	4 195	1 969	2 747	8 911	18 389	16 390	12 698	5 304	52 781	61 692
Sept.	3 900	2 053	2 818	8 771	18 441	16 447	12 716	5 350	52 954	61 725
Oct.	4 232	2 111	2 493	8 836	18 877	16 556	12 852	5 403	53 688	62 524
Nov.	4 316	2 078	2 486	8 880	19 315	16 832	13 059	5 469	54 675	63 555



ADVANCES TO THE PUBLIC—MONEY SUPPLY

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
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
1978	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1978										
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
Dec.	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979										
Jan.	26 250	14 214	12 272	6 986	52 889	1 746	5 087	59 722	11 544	61 064
Feb.	26 735	14 373	12 348	7 160	53 558	1 876	5 182	60 616	11 102	61 615
March	27 186	14 446	12 446	7 196	53 701	1 805	5 768	61 274	11 442	62 463
April	28 170	14 598	12 548	7 342	54 374	1 816	6 468	62 658	11 577	63 203
May	28 384	14 826	12 747	7 423	55 035	1 761	6 584	63 380	12 435	64 350
June	28 860	14 991	12 940	7 631	55 528	1 781	7 113	64 422	13 269	65 833
July	28 758	15 224	13 124	7 603	56 256	1 839	6 614	64 709	13 161	66 293
Aug.	29 072	15 489	13 372	7 803	57 002	1 798	6 936	65 736	13 274	67 140
Sept.	28 923	15 732	13 595	7 848	57 931	1 914	6 253	66 098	13 008	67 117
Oct.	29 456	16 040	13 796	7 987	59 330	1 928	6 021	67 279	13 003	67 919
Nov.	29 764	16 306	14 056	8 039	60 234	2 031	5 900	68 165	13 131	69 012



## STATE FINANCES

Mill. mk

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

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

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223
1978	35 206	32 338	+2 868
1979*	43 430	44 045	-615

1978			
Nov.	3 636	3 140	+496
Dec.	3 364	2 906	+458

1979*			
Jan.	3 438	3 564	-126
Feb.	2 813	2 389	+424
March	3 459	3 163	+296
April	3 375	3 159	+216
May	4 008	3 660	+348
June	3 495	3 325	+170
July	3 523	3 791	-268
Aug.	3 362	3 857	-495
Sept	3 357	3 869	-512
Oct.	4 374	4 297	+77
Nov.	4 380	4 390	-10
Dec.	3 846	4 581	-735

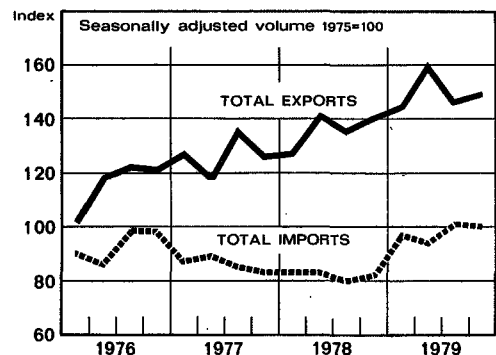
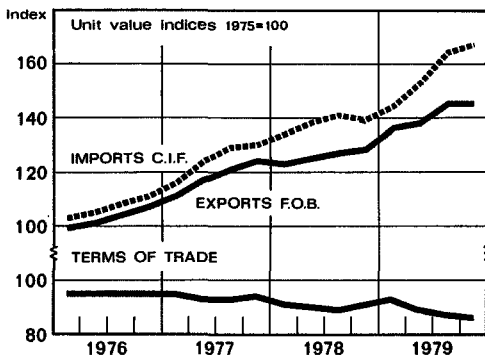
Indices of exports and imports  
1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1975	100	100	100	
1976	117	96	103	107	96
1977	129	88	119	124	96
1978	138	84	126	138	91
1979*	151	99	142	158	89

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	139	91
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92

1979*					
Jan.-March	140	90	137	145	94
Apr.-June	154	94	139	154	90
July-Sept.	138	99	146	165	88
Oct.-Dec.	171	113	146	168	87



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

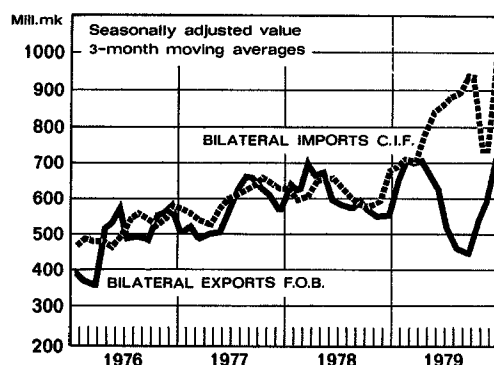
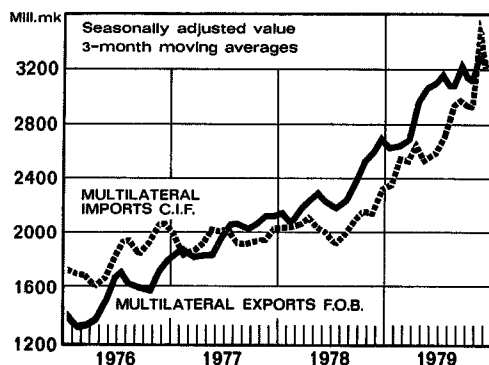
Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979*	1 366	6 073	12 990	10 341	12 660	28 701	3 401	5 719	6 133	91

## 1978

Nov.	50	498	918	1 122	1 048	2 069	197	408	462	4
Dec.	248	421	936	1 021	738	1 908	260	374	361	3

## 1979\*

Jan.	266	458	918	794	1 002	2 249	235	539	539	2
Feb.	16	337	890	725	845	1 623	83	315	367	1
March	258	327	1 128	797	949	1 964	64	529	604	2
April	17	441	1 107	896	914	1 950	110	585	511	3
May	187	590	1 148	923	1 160	2 338	275	434	612	1
June	47	599	1 010	815	1 024	2 197	319	366	433	10
July	59	557	1 034	891	982	2 322	523	463	467	16
Aug.	58	514	1 151	639	1 000	2 529	429	424	471	4
Sept.	52	495	949	833	1 028	2 473	385	472	497	42
Oct.	56	577	1 308	1 093	1 340	2 909	364	474	548	2
Nov.	151	624	1 189	1 115	1 301	2 888	338	592	568	4
Dec.	199	554	1 158	820	1 115	3 259	276	526	516	4



FOREIGN TRADE BY COUNTRIES<sup>1</sup>

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—December				January—December			
	1978		1979*		1978		1979*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	62.0	21 841	67.5	29 317	57.9	18 726	55.8	24 596
Austria	0.7	255	0.7	301	1.3	420	1.3	558
Belgium and Luxembourg	1.6	564	1.5	652	1.8	582	1.8	810
Denmark	4.1	1 433	3.9	1 705	2.7	873	2.5	1 113
France	3.8	1 339	4.4	1 907	3.3	1 058	3.3	1 444
Federal Republic of Germany	10.1	3 547	11.0	4 779	13.5	4 356	12.9	5 706
Italy	1.7	604	2.2	955	2.3	733	2.4	1 049
Netherlands	3.6	1 282	4.2	1 813	2.8	914	2.7	1 191
Norway	5.0	1 771	5.4	2 337	2.8	897	2.5	1 120
Portugal	0.2	59	0.2	74	0.3	116	0.5	211
Spain	0.8	294	1.0	458	0.9	308	0.9	402
Sweden	14.6	5 143	16.1	6 976	14.4	4 657	13.9	6 113
Switzerland	1.7	590	1.7	759	2.1	670	1.8	799
United Kingdom	12.6	4 432	13.1	5 677	9.2	2 961	8.7	3 819
Other	1.5	528	2.1	924	0.5	181	0.6	261
<b>OECD countries outside Europe</b>	6.9	2 437	6.7	2 923	8.5	2 737	8.7	3 820
Canada	0.5	177	0.5	207	0.5	142	0.7	302
Japan	1.5	518	1.1	467	2.8	899	2.8	1 211
United States	3.9	1 387	4.2	1 850	5.0	1 624	5.0	2 219
Other	1.0	355	0.9	399	0.2	72	0.2	88
<b>CMEA countries</b>	20.6	7 233	16.3	7 056	23.1	7 470	23.2	10 230
Czechoslovakia	0.5	153	0.3	121	0.5	163	0.5	218
German Democratic Republic	0.7	226	0.8	356	0.6	202	0.6	249
Poland	0.6	217	0.5	195	2.3	730	1.9	842
Soviet Union	17.8	6 276	13.8	5 988	18.8	6 066	19.4	8 559
Other	1.0	361	0.9	396	0.9	309	0.8	362
<b>Latin America</b>	2.8	986	1.7	733	3.3	1 061	3.0	1 322
Argentina	0.9	330	0.3	141	0.2	62	0.2	107
Brazil	0.5	166	0.4	183	0.7	224	0.7	291
Colombia	0.1	44	0.1	58	1.1	360	0.9	391
Other	1.3	446	0.9	351	1.3	415	1.2	533
<b>Other</b>	7.7	2 709	7.8	3 401	7.2	2 344	9.3	4 077
<b>GRAND TOTAL</b>	100.0	35 206	100.0	43 430	100.0	32 338	100.0	44 045
of which								
<b>EFTA countries</b>	22.4	7 871	24.2	10 513	21.1	6 824	20.1	8 871
<b>EEC countries</b>	38.2	13 439	41.0	17 821	35.7	11 535	34.6	15 222
<b>OECD countries</b>	68.9	24 278	74.2	32 240	66.4	21 464	64.5	28 416

<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	Unrequited transfers, 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 *	35 024	32 243	+2 781	+1 683	+166	+958	+5 588	-2 853	-211	+2 524

## 1977

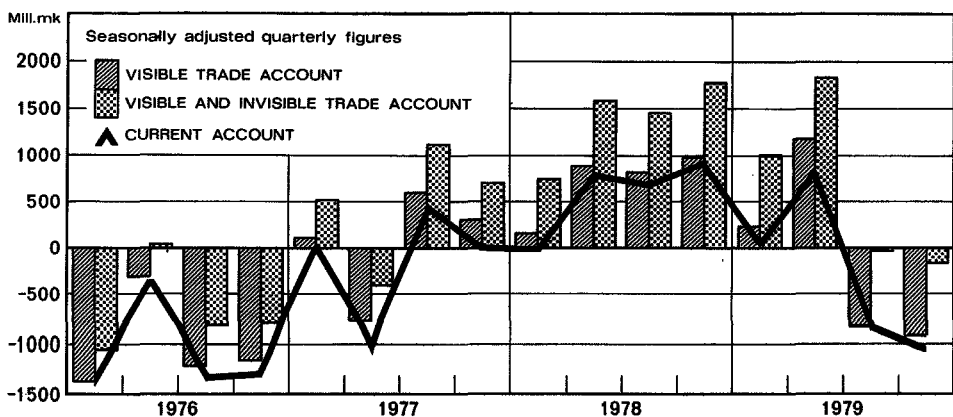
Jan.-March	6 977	6 765	+ 212	+ 331	- 80	+ 82	+ 545	- 506	-46	- 7
Apr.-June	6 817	7 689	- 872	+ 299	+ 10	+ 49	- 514	- 726	-12	-1 252
July-Sept.	7 931	7 671	+ 260	+ 377	+118	+180	+ 935	- 532	-30	+ 373
Oct.-Dec.	9 041	8 500	+ 541	+ 385	- 51	+100	+ 975	- 670	-59	+ 246

## 1978\*

Jan.-March	7 745	7 357	+ 388	+ 378	- 66	+210	+ 910	- 613	-80	+ 217
Apr.-June	8 614	8 004	+ 610	+ 403	+ 11	+252	+1 276	- 820	-40	+ 416
July-Sept.	8 271	7 816	+ 455	+ 415	+222	+175	+1 267	- 644	-42	+ 581
Oct.-Dec.	10 394	9 066	+1 328	+ 487	- 1	+321	+2 135	- 776	-49	+1 310

## 1979\*

Jan.-March	9 673	9 067	+ 606	+ 483	-105	+335	+1 319	- 685	-193	+ 441
Apr.-June	10 818	10 085	+ 733	+ 619	+ 21	- 9	+1 364	-1 002	- 80	+ 282
July-Sept.	10 193	11 464	-1 271	+ 653	+259	+132	- 227	- 703	- 40	- 970



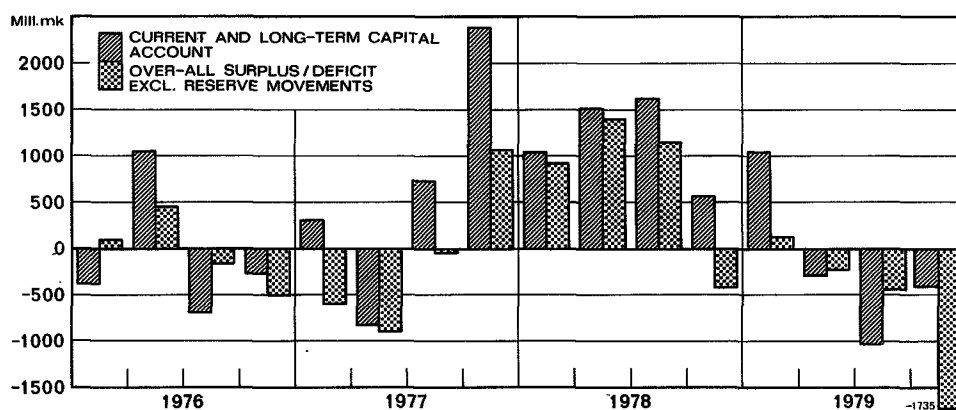


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	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	+4 785	+ 130	-2 188	+ 313	+3 040	-2 339	- 701
+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	+1 056	- 479	- 402	+ 749	+ 924	-1 556	+ 632
+2 900	-1 733	- 1	- 51	+1 115	+1 531	+ 328	- 402	- 57	+1 400	- 687	- 713
+2 265	-1 089	- 96	- 39	+1 041	+1 622	+ 20	- 692	+ 194	+1 144	- 607	- 537
+1 966	-2 067	-511	-122	- 734	+ 576	+ 261	- 692	- 573	- 428	+ 511	- 83
+2 202	-1 626	- 8	+ 50	+ 618	+1 059	- 46	- 63	- 823 <sup>2</sup>	+ 127	- 913	+ 786
+1 267	-1 453	-218	-175	- 579	- 297	- 34	- 62	+ 157	- 236	-1 760	+1 996
+1 258	- 892	-336	-105	- 75	-1 045	+ 387	- 98	+ 300	- 456	+1 455	- 999

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

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

<sup>2</sup> Including Allocations of special drawing rights 139 million.

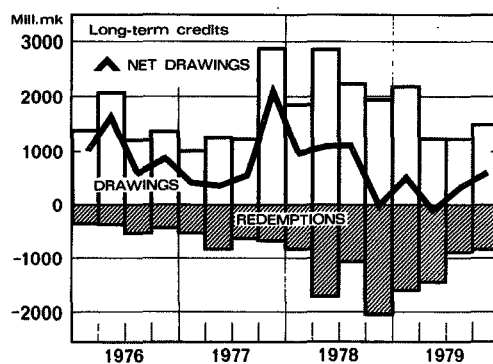
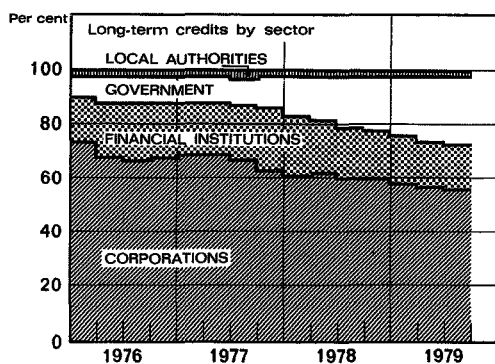


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

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

See explanations on page 22.

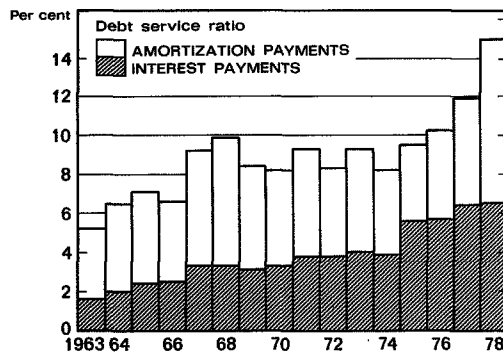
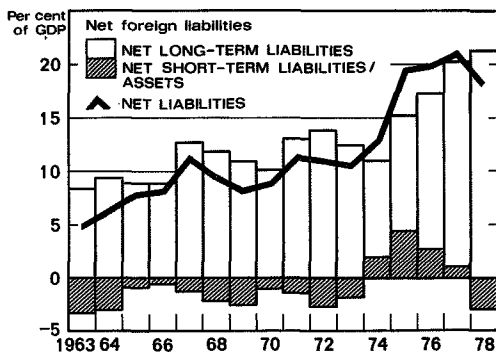


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10 + 19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	6 622	3 769
..	..	..	..	..	..	..	..	..	..	..	..
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	819	336
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
5 491	3 409	7 233	16 133	1 293	6 594	7 559	15 446	-687	27 409	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 751	16 133	-2 168	27 621	1 493	673
7 003	4 412	7 779	19 194	1 483	6 264	7 419	15 166	-4 028	26 850	1 628	984
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	2 109	1 333
7 804	4 072	8 281	20 157	1 611	6 692	7 305	15 608	-4 549	25 413	1 969	1 284
9 871	3 939	8 466	22 276	1 604	8 404	7 376	17 384	-4 892	23 895	2 084	1 082
8 601	4 141	8 698	21 440	1 579	7 620	7 840	17 039	-4 401	23 730	1 307	604
..	..	..	..	..	..	..	..	..	..	..	..

See explanations on page 22.



# PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100 <sup>1</sup>						Building costs 1973 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1978	727	125.8	124.1	131.8	119.2	140.3	129.5	180.8	161.0	186.0
1979	791	138.0	135.0	148.7	133.1	150.7	139.2	198.8	177.6	204.1
1979										
March	763	133.3	130.8	142.3	127.6	147.1	135.4	193.0	177.4	195.7
April	770	134.0	131.6	142.4	128.1	147.6	136.8	195.0	179.1	197.8
May	772	134.9	132.4	143.7	129.0	148.5	137.6	197.1	179.1	200.8
June	783	136.8	133.6	148.0	131.9	148.9	138.5	199.2	179.1	203.7
July	800	139.1	135.9	150.3	134.4	150.5	140.5	199.7	179.1	204.3
Aug.	796	139.9	136.5	151.6	135.4	151.9	140.6	201.0	179.1	206.5
Sept.	813	142.1	138.3	155.1	138.2	153.9	141.4	203.5	179.1	210.3
Oct.	822	143.6	139.9	156.8	139.8	155.5	142.9	205.0	179.1	212.4
Nov.	829	145.0	141.2	158.3	141.5	156.1	143.9	206.0	179.1	214.0
Dec.	834	145.7	141.8	159.6	142.4	156.4	144.7	208.3	181.0	216.2
1980										
Jan.	849	148.3	144.3	162.4	145.6	158.4	146.2	212.0	182.1	220.0

<sup>1</sup> New series, see item Bulletin 10/1979.

Period	Consumer prices 1977 = 100 <sup>1</sup>										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1979											
March	113.4	107.5	129.4	111.7	111.4	109.0	110.2	122.8	116.4	112.8	115.9
April	114.4	107.8	129.4	115.5	111.4	108.9	112.6	123.4	118.1	115.1	116.8
May	114.8	107.9	129.4	116.0	113.0	108.9	112.9	123.4	117.8	115.5	117.4
June	115.6	108.1	129.4	116.0	113.0	114.3	113.5	123.4	120.4	115.7	117.9
July	116.2	109.1	129.5	114.6	113.0	114.9	114.9	123.8	122.1	115.8	118.3
Aug.	116.7	109.0	129.5	116.1	115.1	115.1	115.5	123.9	122.0	116.2	118.7
Sept.	117.7	109.8	129.5	118.4	115.1	120.5	116.3	124.9	123.4	116.8	119.4
Oct.	118.4	111.2	129.5	120.8	115.1	121.0	118.9	124.7	123.2	117.0	120.6
Nov.	119.3	112.3	129.4	122.8	115.6	121.4	119.4	126.9	123.3	117.8	123.0
Dec.	119.9	112.1	129.6	123.0	115.6	124.1	119.7	126.9	126.0	118.0	123.4
1980											
Jan.	121.3	113.3	138.6	121.1	115.6	124.7	122.2	131.1	126.3	118.8	125.6

<sup>1</sup> New series.

# WAGES

Index of wage and salary earnings 1975 = 100<sup>1</sup>

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	134.7	127.6	118.3	124.1	124.9	123.1	125.6	124.6	125.8	125.2
1978*	146.3	137.0	124.7	131.8	131.5	128.0	135.1	132.9	134.4	133.6
1978*										
Jan.-March	139.4	132.1	122.0	126.9	127.4	124.6	130.4	128.5	129.9	129.2
Apr.-June	144.3	135.6	123.0	128.9	128.8	125.5	133.1	130.3	132.7	131.5
July-Sept.	146.7	137.2	124.1	133.3	132.6	128.2	136.1	134.0	135.0	134.5
Oct.-Dec.	152.4	143.1	129.4	138.2	137.1	133.6	140.8	138.7	139.9	139.3
1979*										
Jan.-March	155.7	147.3	132.5	145.2	141.8	138.8	146.4	144.7	144.6	144.7
Apr.-June	159.9	154.3	136.7	148.8	145.4	142.0	151.3	147.8	150.4	149.1
July-Sept.	163.0	154.6	137.9	149.5	145.7	142.1	152.7	148.8	151.6	150.2

<sup>1</sup> New series, see item Bulletin 1/1980.

# PRODUCTION

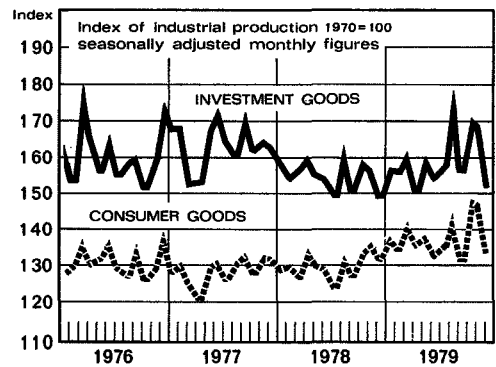
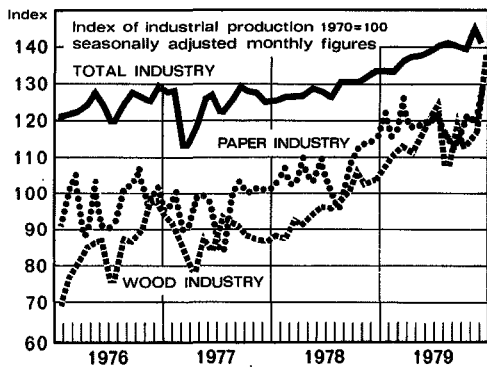
Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1977										
Apr.-June	100	102	87	118	76	90	93	94	110	104
July-Sept.	98	88	163	66	99	87	102	95	111	101
Oct.-Dec.	106	107	72	123	112	92	109	100	112	108
1978*										
Jan.-March	100	106	70	122	77	87	91	83	115	104
Apr.-June	102	107	80	110	79	90	101	92	115	108
July-Sept.	97	90	148	62	99	86	102	91	115	104
Oct.-Dec.	109	111	71	149	104	88	112	101	117	109
1979*										
Jan.-March	105	116	73	144	72	85	100	88	119	106
Apr.-June	109	114	79	169	72	90	112	101	118	111
July-Sept.	104	100	142	73	96	87	114	99	119	107

# 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	
1976	125	162	116	132	110	85	99	153	121	150	125
1977	125	165	117	129	108	89	98	149	122	149	126
1978*	130	156	125	131	115	97	108	159	123	146	129
1979*	140	163	136	140	121	115	124	178	129	154	140
1978*											
Nov.	147	177	141	150	142	112	127	166	130	167	133
Dec.	129	145	125	131	114	87	105	154	109	142	134
1979*											
Jan.	145	172	142	142	113	104	128	190	118	164	134
Feb.	136	161	133	132	103	106	118	181	113	152	134
March	153	177	149	151	117	131	135	202	135	168	137
April	135	151	132	137	117	119	112	176	125	148	138
May	152	180	148	150	129	148	131	197	141	173	138
June	130	162	123	134	118	126	97	145	140	152	140
July	85	72	89	80	108	54	114	125	79	66	141
Aug.	147	176	139	153	129	105	130	185	142	164	142
Sept.	142	169	137	142	118	121	129	175	143	157	141
Oct.	159	195	152	162	147	131	138	191	160	182	141
Nov.	159	194	152	163	142	129	133	197	151	180	147
Dec.	133	147	131	132	110	103	116	166	105	143	145



# LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978	3 578	2 253	2 084	169	7.5	29 021	110	120
1979	3 593	2 223	2 134	139	6.1	..	..	..

## 1979\*

Jan.	3 587	2 210	2 025	185	8.4	3 335	101	117
Feb.	3 590	2 210	2 029	181	8.2	3 968	98	113
March	3 590	2 210	2 048	162	7.3	4 352	115	133
April	3 592	2 201	2 052	149	6.8	4 828	113	133
May	3 593	2 246	2 111	135	6.0	4 536	124	150
June	3 591	2 439	2 304	135	5.5	2 760	120	133
July	3 594	2 441	2 300	141	5.8	984	120	118
Aug.	3 592	2 347	2 227	120	5.1	1 368	124	145
Sept.	3 594	2 250	2 140	110	4.9	2 054	118	140
Oct.	3 597	2 247	2 131	116	5.2	3 007	122	153
Nov.	3 596	2 227	2 121	106	4.8	3 421	119	153
Dec.	3 598	2 250	2 119	131	5.8	..	..	..

# 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											
1976	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
1977	41.88	18.86	4.22	12.11	3.71	43.70	18.10	3.07	16.80	3.33	48.12
1978*	41.98	17.90	4.97	12.72	3.68	42.56	18.21	3.77	13.59	4.21	42.78

## 1978\*

Apr.-June	12.92	6.51	2.17	2.59	0.69	10.12	4.43	0.60	3.62	0.94	47.46
July-Sept.	11.07	4.12	1.04	4.33	0.85	10.31	3.83	1.21	3.19	1.12	48.76
Oct.-Dec.	7.79	3.54	0.74	1.74	1.21	13.07	6.02	1.29	3.44	1.38	42.78

## 1979\*

Jan.-March	7.75	3.32	1.23	1.95	0.77	7.38	3.37	0.69	2.42	0.62	39.45
Apr.-June	19.16	7.45	2.77	7.22	0.68	6.99	3.24	0.45	2.16	0.79	47.04
July-Sept.	11.74	4.47	1.32	3.79	1.16	7.92	3.18	1.15	2.06	0.87	52.84

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

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

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

## MONETARY POLICY INDICATORS

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

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

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

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

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

## FOREIGN EXCHANGE RATES

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

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

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

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

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

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

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

## STATE FINANCES

Page 10. Official figures computed by the Economic Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to Postipankki less cash holdings (net) of State departments and funds.

## FOREIGN TRADE

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

*Foreign trade by countries*: (p. 13): from January 1978 imports by countries of origin exports by countries of consumption.

## BALANCE OF PAYMENTS

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

## FOREIGN ASSETS AND LIABILITIES

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

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

Columns 21 and 22 during the year and the quarter.

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

## PRICE INDICES

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

## WAGES — PRODUCTION

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

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

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

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



# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

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

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1979 is as follows: Social Democratic Party of Finland 52, National Coalition Party 47, Centre Party 36, Democratic League of the People of Finland 35, Swedish Party 10, Christian League of Finland 10, Finnish Rural Party 6 and Liberal Party 4.

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

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

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

DISTRIBUTION BY AREA (1978): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 484 979 inhabitants, Tampere (Tammerfors) 165 519, Turku (Åbo) 164 586.

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

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

EDUCATION (1979): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 16 colleges of university standard.

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

## TRADE AND TRANSPORT

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

FOREST RESOURCES (1978). The growing stock comprised of 1 553 million 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, 668 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 59.9 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 42.5 million m<sup>3</sup>.

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

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

STATE RAILWAYS (Dec. 31.1979): Length 6 080 km.

MERCHANT FLEET (Dec. 31, 1979): Passenger vessels 131 (196 651 gross reg. tons), tankers 41 (1 193 557 gross reg. tons), dry cargo vessels 214 (1 018 841 gross reg. tons), other vessels 80 (10 552 gross reg. tons), total 466 (2 419 601 gross reg. tons).

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

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

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1928. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 18.8, Skr 17.5, £ 14.1, DM 13.5, \$ 9.3, other currencies 26.8. The permissible range of fluctuation is about 3 per cent on either side of the arithmetic mean. The fluctuation limits are 119.0 and 112.0.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1979). There are two big and five small commercial banks with in all 863 offices, 278 savings banks, 373 co-operative banks, five mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-six private insurance companies also grant credits.

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

# THE BALANCE OF PAYMENTS AND FOREIGN EXCHANGE POLICY IN 1979

by Esko Aurikko, Lic.Pol.Sc.  
and Ilmo Pyyhtiä, M.Pol.Sc.

Bank of Finland

After having improved for several years, the external balance faltered somewhat in 1979, and the current account moved into deficit. This was mainly a reflection of a marked strengthening in the relative cyclical position of the Finnish economy, but to a lesser extent it was also due to a worsening in Finland's terms of trade, which nevertheless deteriorated much less than in the OECD-area as a whole. Since most of the country's oil is imported from the Soviet Union, the weakening in the current account was confined to the bilateral trade, whereas trade with the market economies remained in surplus. Because of the appreciation of the mark, net foreign debt fell in both absolute and relative terms, and at the end of the year amounted to 15 per cent of GDP. As the balance of payments on capital account was also in deficit, foreign exchange reserves fell during the year.

## COMMODITY TRADE

Commodity trade expanded at a rapid rate in 1979. Bolstered by a further strengthening in competitiveness, the volume of multilateral exports rose by 15 per cent, and despite a drop in deliveries to CMEA countries resulting from the heavy concentration of shipments in the initial years of the 5 year bilateral trade agreement with the Soviet Union which began in 1976, total commodity export deliveries rose by 10 per cent.

Except for chemical industries, which saw an actual fall in exports as a result of almost negligible deliveries of oil products, and the

engineering industries, which suffered from a reduction in the exports of ships, all major branches benefited from the buoyant export demand. This was particularly true for the consumer goods industry, which experienced very rapid growth rates. The growth of forest industry exports involved additional gains in market shares, which was partly facilitated by delivery problems in some competitor countries and production stoppages in North America. The strong demand for basic goods in international markets was mirrored in the structure of forest industry exports; both pulp and sawnwood grew by more than 20 per cent, while finished goods such as paper and board went up by some 10 per cent in volume terms. The 10 per cent increase in basic metals was also heavily dependent on strong international demand.

After some decline the previous year, there was a marked acceleration in the growth of imports and commodity imports rose by almost a fifth for the year as a whole. This was closely related to the buoyancy in demand and production prevailing in the Finnish economy last year. Moreover, after being run down for several years, inventories in Finland were rebuilt in anticipation of further price increases. This was clearly reflected in the growth of imports of crude oil and other raw materials weighing heavily in the total import bill. These imports increased by close to 20 per cent in volume terms. A similar rate of growth was recorded by consumer goods, whereas the growth of imports of investment goods remained more moderate at some 13 per cent. Only fuels and lubricants saw an actual decline in volume terms.

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

Area	Exports, f.o.b.		Imports, c.i.f.		Change 79/78 %	Exports, f.o.b.		Imports, c.i.f.		Change 79/78 %
	1978	1979	1978	1979		1978	1979	1978	1979	
	Mill. mk	%	Mill. mk	%		Mill. mk	%	Mill. mk	%	
EEC	13 439	38.2	17 821	41.0	32.6	11 535	35.7	15 222	34.6	32.0
EFTA	7 871	22.4	10 513	24.2	33.6	6 824	21.1	8 871	20.1	30.0
CMEA (Eur.)	7 208	20.5	7 038	16.2	-2.4	7 377	22.8	10 150	23.0	37.6
Other	6 688	18.9	8 058	18.6	20.5	6 602	20.4	9 802	22.3	48.5
<b>Total</b>	<b>35 206</b>	<b>100.0</b>	<b>43 430</b>	<b>100.0</b>	<b>23.4</b>	<b>32 338</b>	<b>100.0</b>	<b>44 045</b>	<b>100.0</b>	<b>36.2</b>

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

## FOREIGN TRADE PRICES AND THE TERMS OF TRADE

Both export and import prices were boosted by international price movements, and there was a clear shift in the price structure in favour of raw materials. However, because of the greater relative importance of basic goods in Finnish exports, the deterioration in terms of trade was much more moderate than for the OECD-area as a whole, as it was at the time of the first oil-price shock. On average, export prices increased by some 12 per cent and import prices by some 15 per cent, leaving the loss in terms of trade at 2 ½ per cent.<sup>1</sup>

The largest relative increases in prices occurred in both exports and imports of oil and oil-related goods. Thus, imported crude oil was on average 46 per cent more expensive than in 1978, while the price of fuels and lubricants increased by 54 per cent. On the export side, prices of chemical products, which are closely related to oil, went up by 43 per cent. Other raw materials were also subject to substantial price movements: exports of pulp and basic metals earned on average a quarter more per unit in 1979 than in the previous year, and the import prices of raw materials other than crude oil were on average 12 per cent higher.

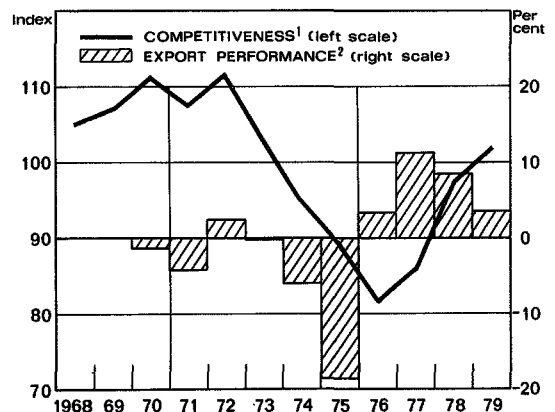
A feature common to both exports and imports was the modest increase in the prices of finished goods: export prices of metal products rose by only 3 per cent, and the price level of imported investment and con-

sumer goods went up by 4—5 per cent. This was probably partly a consequence of the low level of domestic inflation in Finland in 1979, but without doubt it also reflected the strong performance of the Finnmark. The appreciation of the mark by 2.7 per cent helped moderate the upward drift in foreign trade prices.

## STRUCTURE AND REGIONAL DISTRIBUTION OF COMMODITY TRADE

Given the structure of demand both at home and abroad and the sharp movements in relative prices in favour of raw materials, there was a noticeable increase in the share

**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.

<sup>1</sup> See chart on page 11.

of basic and oil-related goods in commodity trade. Thus on the export side, the share of engineering products fell by almost 4 percentage points to less than 24 per cent, while the shares of all other branches except textiles expanded. At 44 per cent, the forest based industry remained the largest export branch. On the import side, there was a further increase in the share of raw material and production necessities to 65 per cent, with crude oil imports accounting for 16 per cent. On the other hand, investment goods fell to only 13 per cent and consumer goods came down to 14 per cent of total commodity imports.

Viewed regionally, there were distinct differences in the developments of exports and imports. Following the economic upswing in market economies in 1979 and the timing of export deliveries to the Soviet Union within the five year trade agreement, the regional structure of exports swung back in favour of western trade. Exports to the EEC and EFTA area increased by more than 30 per cent in value terms and the shares in total commodity exports to 41 and 24 per cent respectively. The share of CMEA exports fell by 4 percentage points to 16 per cent. Commodity exports to OPEC countries remained fairly insignificant, the share of this trade amounting to less than 4 per cent. On the import side, by contrast, the regional distribution shifted marginally in favour of CMEA countries as the price of crude oil, two-thirds of which is supplied by the Soviet Union, increased sharply. The CMEA countries accounted for nearly 23 per cent of total commodity imports, while the share of EEC and EFTA decreased to 55 per cent.

#### INVISIBLE TRANSACTIONS AND THE CURRENT ACCOUNT

The invisible trade surplus increased by 14 per cent in 1979. The major contribution came from freight charges, which moved in line with foreign trade; these receipts went up

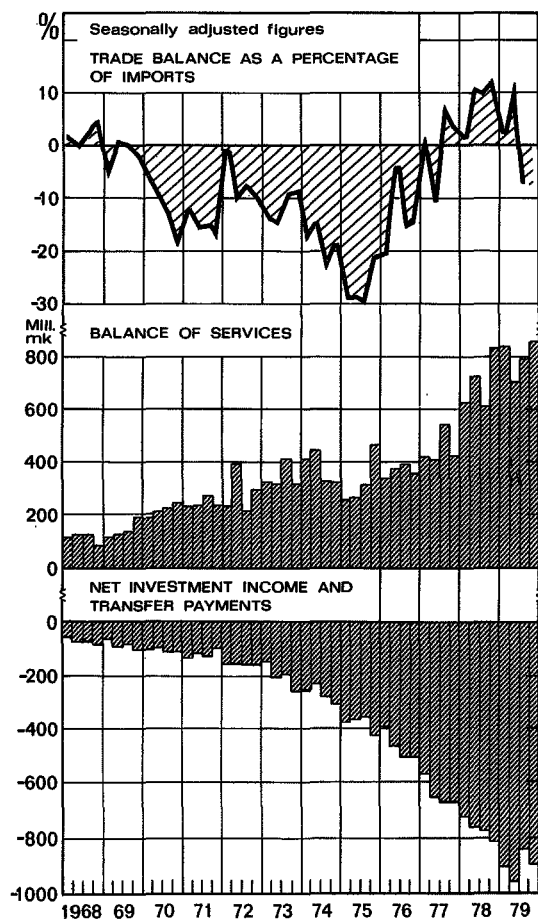
**TABLE 2. BALANCE OF PAYMENTS,  
MILLION MARKS**

	1977	1978	1979 <sup>1</sup>
Commodity exports <sup>2</sup>	30 766	35 024	43 200
Commodity imports <sup>2</sup>	30 625	32 243	43 900
TRADE BALANCE	141	2 781	-700
Services, net	1 800	2 807	3 200
BALANCE ON GOODS AND SERVICES	1 941	5 588	2 500
Investment income & transfer payments	-2 581	-3 064	-3 600
CURRENT ACCOUNT	-640	2 524	-1 100
Long-term capital, net	3 239	2 261	500
BASIC BALANCE	2 599	4 785	-600
Short-term capital, net	-3 088	-1 745	-1 700
OVERALL BALANCE	-489	3 040	-2 300
Reserve movements (increase —):			
Bank of Finland	-170	-2 339	900
Other holders	659	-701	1 400

<sup>1</sup> Preliminary. Final figures will be available in July 1980.  
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**



by 35 per cent and their share in the invisible surplus rose to 69 per cent. As a result of the further strengthening in Finland's competitive position and the economic recovery abroad, the surplus on the travel account increased by another 20 per cent. On the other hand, exports of other services, chiefly the planning and construction of projects abroad, stagnated.<sup>1</sup>

However, altogether the surplus on the services account increased by 400 million marks to 3 200 million, and despite the 700 million deficit in commodity trade, the surplus on goods and services amounted to 2 500 million marks. But the sharp increase in interest rates abroad added markedly to the costs of foreign debt and, despite the reduction in net debt, interest payments increased. As a result, the deficit on investment income and transfer payments grew further to 3 600 million marks. The deficit on all invisible transactions declined from 257 million marks in 1978 to 400 million marks in 1979.

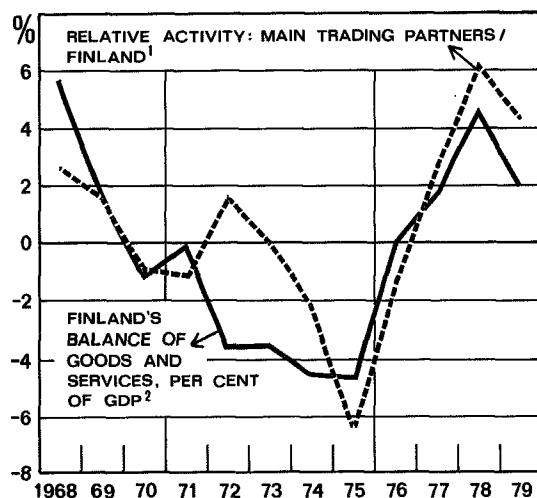
Thus, the current account showed a deficit of 1 100 million marks or 0.7 per cent of GDP. As Chart 3 illustrates, the external balance has largely followed movements in the relative cyclical position of Finland as compared with her major trading partners. At the same time, however, the improvement in Finland's competitive position (Chart 1) during the past three years has improved the apparent trade-off between the relative level of activity and the external balance.

## CAPITAL FLOWS

Capital movements fluctuated sharply during the year but a net outflow was registered for the year as a whole. Net imports of long-term capital fell back to only 500 million marks, despite continued substantial imports of long-term capital by the Government totalling 2 230 million marks net. For the first time in

<sup>1</sup> For a description of the development of these exports, see back article in the January issue of this publication.

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

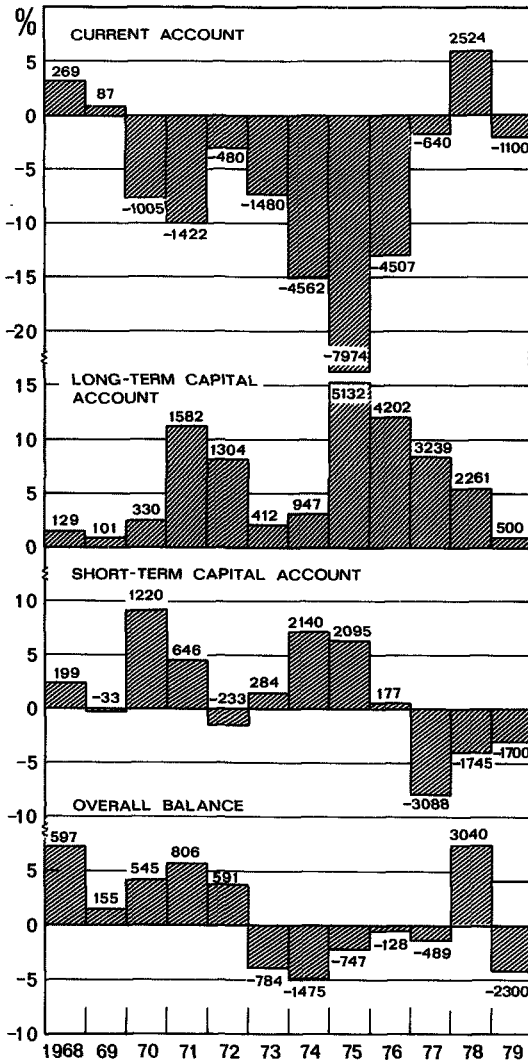


<sup>1</sup> Relative GDP deviation from trend in Finland's main trading partners minus relative GDP deviation from trend in Finland.  
<sup>2</sup> In fixed (1975) prices.

over two decades, the private sector emerged as a net exporter of long-term capital. This was largely related to the steep rise in international interest rates at a time when domestic financial conditions remained relatively easy. But undoubtedly it was also attributable to the low level of domestic investment in fixed capital and the pick-up in profits, since the corporate sector's need for external finance remained low.

Altogether exports of long-term capital by the private sector totalled 1 400 million marks in net terms, about half of which was in the form of increased export credits. Drawings of long-term loans in 1979 amounted to 6 230 million marks, which was 31 per cent less than in the previous year, while amortizations amounted to 4 843 million marks, compared with 5 743 million marks in 1978. Direct investment flows were down slightly on the 1978 figures; foreign direct investment in Finland amounted to 106 million marks and investment abroad by Finnish companies to 487 million marks, in net terms. Long-term export credits fell somewhat to 1 346 million, while amortizations rose 198 million marks to 805 million marks.

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



Short-term capital movements experienced sharp fluctuations during the year; in the second and third quarters there were large speculative inflows, while there was an outflow in the last four months. After the revaluation of the currency in September, expectations faded as the upward drift in foreign interest rates made financing abroad expensive in relation to domestic credit. In addition, the prohibition of pre-shipment finance for timber exports reduced the inflow of short-term capital. It was only in the final

weeks of the year that the outflow came to an end, following a substantial shift in portfolios, the raising of domestic interest rates and the tightening in financial conditions as a result of the reduction in foreign reserves.

For the year as a whole, the export of short-term capital amounted to 1 700 million marks, or 50 million marks less than in the previous year. This included 1 100 million marks of placements in foreign bonds by the Bank of Finland. On the other hand, a change in statistical methods, according to which short-term import financing credits were recorded in the commercial banks' balance sheets, reduced the inflow of short-term capital by almost 1 000 million marks and boosted the banks' foreign debt by an equal amount. The corporate sector's imports of short-term capital in the form of trade credits actually increased slightly.

#### EXTERNAL LIQUIDITY AND FOREIGN DEBT

Of the deficit of 2 300 million marks in the overall balance, 1 400 million marks was financed by an increase in the net debt of the commercial banks and the Post Office Bank. The major part of this was due to the statistical change referred to above. In addition, 900 million marks was financed by a reduction in the foreign reserves of the Bank of Finland; the net position of non-convertible currencies weakened by 1 200 million marks, while reserves of convertible currencies rose by 300 million marks. When account is taken of the effect of the increased book-keeping value of gold and changes in exchange rates, the Bank of Finland's foreign exchange reserves fell by 264 million marks.

Fluctuations in exchange rates also reduced the mark value of net foreign debt despite the deficit on current account. Total net debt amounted to 24 500 million marks or 15 per cent of GDP at the end of the year. Long-term net debt was 28 675 million marks and short-term net claims 4 175 million marks.

There was a further marked increase in the Government's share of long-term net debt last year to 30 per cent.

## FOREIGN EXCHANGE POLICY

During 1979 international foreign exchange markets continued to be rather unstable. The U.S. dollar weakened in relation to the D-mark and Swiss franc, but strengthened with respect to the Japanese yen. Movements of the U.S. dollar were influenced by accelerating inflation and a persistent trade balance deficit.

Chiefly because of the relatively low inflation rate and strong balance-of-payments position in the Federal Republic of Germany, there was a realignment of the EMS-currencies in September. The D-mark was revalued by 5 per cent against the Danish crown and by 2 per cent against the other EMS-currencies.

After the devaluation of the Finnish mark in February 1978, domestic foreign exchange markets were rather calm until the first part of 1979. During the spring and summer short-term capital inflows precipitated by revaluation expectations led to a rapid growth in exchange reserves. These expectations were mainly a consequence of the internationally low level of domestic inflation, the current account surplus and the increased profitability of the corporate sector. In August the convertible reserves of the Bank of Finland exceeded 7 000 million marks. (See chart inside front cover).

Against this background and to ease domestic inflationary pressures stemming from accelerating increases in foreign trade prices, in May and August the Bank of Finland strengthened the external value of the mark within the fluctuation limits of the currency index by some 1.5 per cent in all. This moderated the short-term capital inflows and brought the increase in exchange reserves to an end.

Moreover, on September 21, the Government decided, on the Bank of Finland's proposal, to widen the fluctuation range of the currency index from 4.5 per cent to 6 per cent. On the same day the mark was revalued by 2 per cent in terms of the currency index. The new fluctuation limits established were 114.0 and 121.0, compared with the old limits of 116.4 and 121.7.

The Bank of Finland currency index declined by 2.7 per cent during 1979, as illustrated by the chart on page 5. However, in spite of the revaluation and developments in international foreign exchange markets, the exchange rates for the currencies most important in Finland's foreign trade were rather stable compared with the movements during the two preceding years, as can be seen in the chart on page 7.

The change in expectations following the revaluation was reflected in the exchange reserves, which declined sharply. This development was also influenced by the growing differential between domestic and foreign interest rates. At the end of the year, the decline in reserves came to a halt. The change in expectations was also evident in the forward market, where the revaluation marked a turning point between substantial purchases and sales of forward currencies.

The Bank of Finland repurchased SDR 86 million out of the total of SDR 186 million drawn from the IMF under the oil facility in 1975 and 1976. At the end of 1979 the Bank of Finland had at its disposal a total of 667 million U.S. dollars in the form of credit line facilities negotiated with international bank consortia to be drawn if needed to support exchange reserves.

The cash payment system was abolished as of March 1, 1979, so that all imports of goods could be financed with normal short-term import credits. The cash payment requirement has been used by the Bank of Finland with varying coverage as a selective monetary policy measure. The coverage of the system had been reduced twice in 1978 with the

result that goods subject to the cash payment obligation accounted for about 18 per cent of visible imports. The system was abolished because strong liquidity growth in domestic financial markets threatened to undermine the effectiveness of the system. In addition, the improvement in the structure of the foreign debt together with the decrease of net foreign debt in relation to GDP, made the abolition of the system possible.

At the beginning of March some further relaxations in the Foreign Exchange Regulations were also approved. Among these the maximum amount of exchange for foreign travel which may be taken out of the country without the Bank of Finland's special permission was raised from 3 000 marks to 5 000 marks per person per journey. It was also decided to prohibit exports and imports of Finnish notes with a nominal value of more than 100 marks.



### **Population projections for 1978—2020.**

In projections prepared last year, the Central Statistical Office of Finland has forecast Finnish population trends up to the year 2020.

If fertility remains at its present level throughout the entire projection period, the number of births per year will start to fall at the beginning of the 1980s as a result of the decline in the number of women of child-bearing age. By the mid-1990s, the birth rate would fall below the death rate, and the population of Finland would start to decrease. Also, the share of children in the population would decline throughout the projection period. While children now account for 20 per cent of the Finnish population, they would constitute only 17 per cent in 2020. Even at its peak the total population would stay below 5 million people.

The fertility rate in Finland is now 1.7. This rate represents the average number of children produced by a woman of child-bearing age. If fertility drops to the 1973 level, when the fertility rate was only 1.5, the population of Finland would start to decline even sooner, in the early 1990s. According to this alternative assumption, children would amount to no more than about 14 per cent of the population in 2020. If, on the other hand, fertility should

reach the level of 1967—1968, when the fertility rate was 2, the relative share of children would remain at 20 per cent throughout the projection period and the total population would be 5.3 million people.

All the different calculations indicate that the number of old people, and also their share in the population, will increase. While the number of people above 65 years of age now amounts to some 570 000, the figure will be more than 900 000 in 2020. The ageing of the population seems likely to proceed at a fairly even pace until 2010. After that, the old people's share in the population will jump suddenly, as the large post-war age cohorts reach retiring age. In 2020, it is estimated that old-age pensioners will constitute more than 19 per cent of the population, as against 12 per cent now.

The relative share of people of working age is calculated to remain the same, or 68 per cent, until 2010, after which it will fall off, constituting some 64 per cent of the population by 2020.

According to the projections made by the Statistical Office, migration between provinces will become more balanced during the projection period.

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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor, absent as Prime Minister*

Ahti Karjalainen

*Deputy Governor, Acting Governor*

Pentti Uusivirta

Rolf Kullberg

*Deputy Governor, ad int.*

Ele Alenius

Harri Holkeri

Seppo Lindblom

*ad int.*

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## Directors

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

---

## Senior officials

Pertti Kukkonen

*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

*Foreign Financing*

J. Ojala

*Foreign Exchange Contro*

Sirkka Hämäläinen

*Deputy, Economics Dept.*

Heikki Koskenkylä

*Research Dept.*

Markku Pietinen

*Information and Publications*

H. T. Hämäläinen

*Administration and Legal Affairs*

Timo Männistö

*Internal Audit*

U. Levo

*International Legal Affairs*

Erkki Vehkamäki

*Automatic Data Processing*

Anton Mäkelä

*Personnel*

Stig G Björklund

*Banking Services*

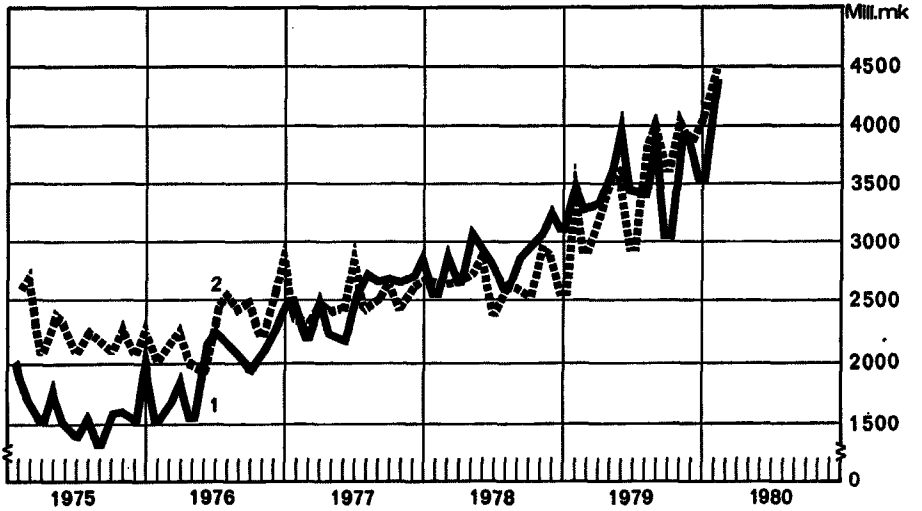
Reijo Mäkinen

*Cash*

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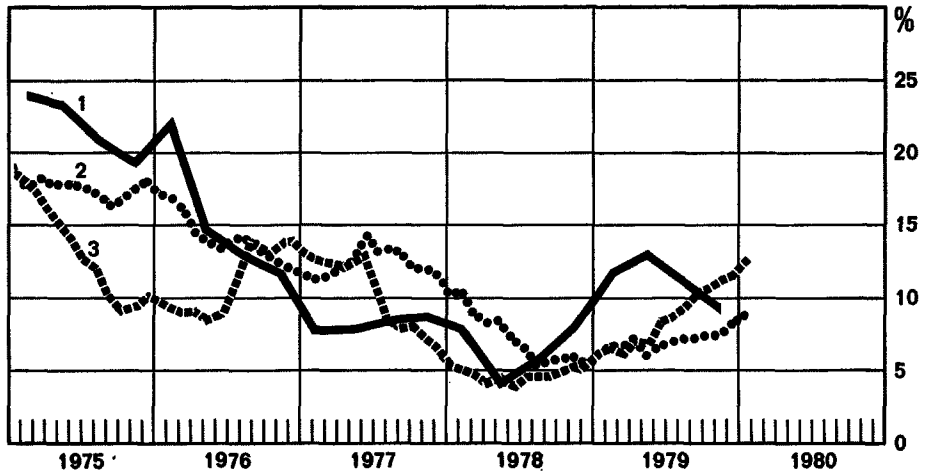
**FOREIGN TRADE, 1975-80**

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



**PRICES AND WAGES, 1975-80**

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



**PRODUCTION, 1974-79**

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

