



BANK OF FINLAND

Monthly Bulletin

Finnish direct investment abroad

The changing role of competition
policy in Finland

Monetary and foreign exchange policy
measures from April 1984 to April 1985

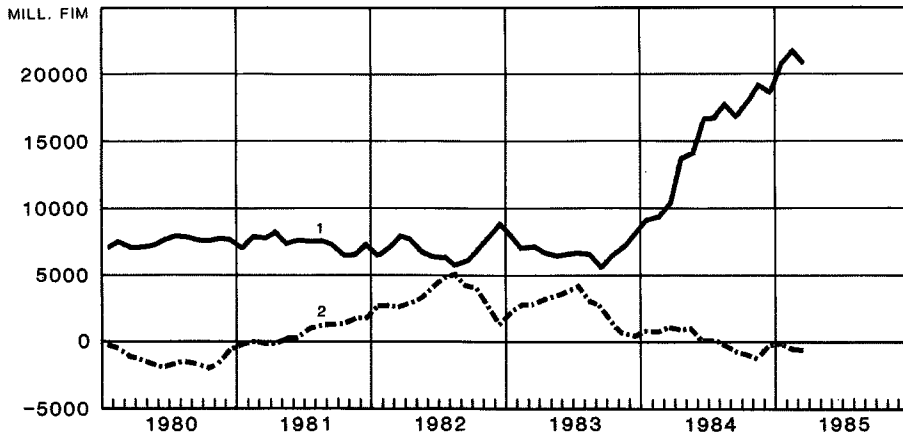
Wider Institute

Dr. Reino Rossi

APRIL 1985

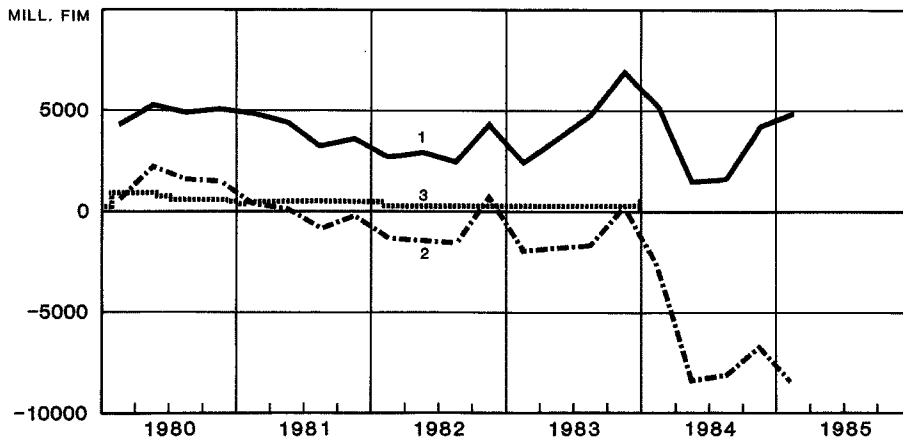
Vol. 59 No. 4

BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1980-85



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

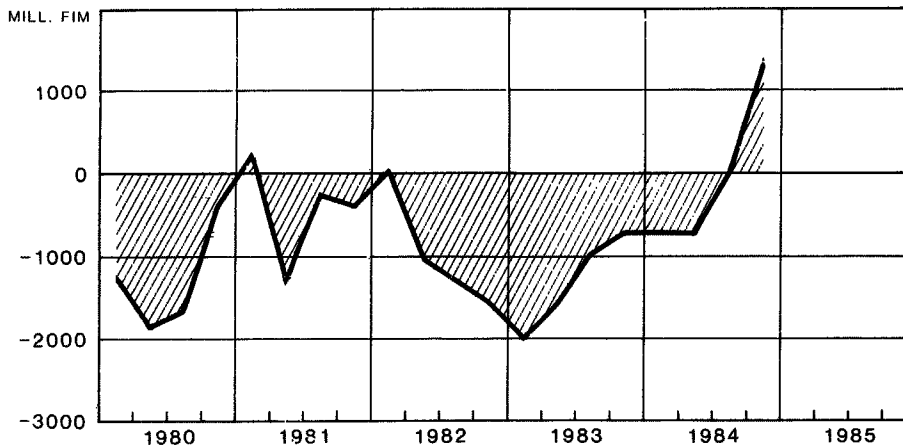
DEPOSIT BANKS' CENTRAL BANK POSITION, 1980-85



- 1. Gross central bank debt
- 2. Net central bank debt
- 3. Quotas

Quarterly average of daily amounts (1 and 2)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1980-85



Seasonally adjusted quarterly figures

FINNISH DIRECT INVESTMENT ABROAD

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Bank of Finland

Compared with many other industrialized countries, the internationalization of Finnish companies began fairly late. Nevertheless, the rate of internationalization has accelerated rapidly in the 1980s. Between 1981 and 1984, the markka value of Finnish direct investment abroad quadrupled. During the same period, the total number of Finnish companies operating abroad increased by one-third.

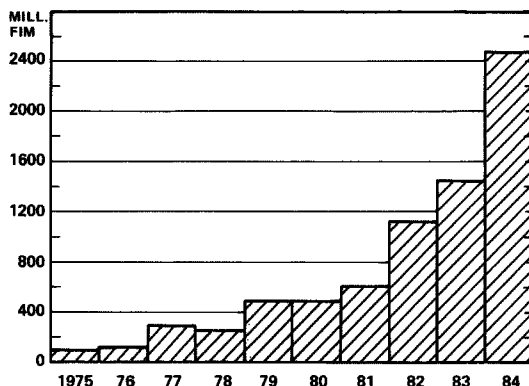
Since the early 1980s, the Bank of Finland has used surveys to monitor the activities of Finnish companies which have established abroad, especially those engaged in manufacturing and services. The surveys enable the performance of foreign subsidiaries and associate companies owned by Finnish firms to be monitored, as well as providing a basis for the development of the Bank's policy towards direct investment.

At the end of 1983, there was a total of 574 Finnish companies with funds invested in subsidiaries and associate companies operating abroad. Almost half of these investors were manufacturing companies.

TABLE 1. TOTAL NUMBER OF INVESTORS IN 1983, BY SECTOR

Manufacturing	256
Industrial conglomerates	8
Food, beverages and tobacco industries	17
Textile and clothing industries	38
Forest industries	51
Chemical industries	28
Clay, glass and stone industries	5
Metal and engineering industries	95
Other manufacturing	14
Construction	30
Wholesale and retail trade	126
Transport and communication	36
Business services	54
Other sectors	72
TOTAL	574

CHART. FINNISH DIRECT INVESTMENT ABROAD



About one-quarter of total Finnish exports and more than half of forest industry exports were channelled through Finnish-owned subsidiaries and associate companies in 1983. Of particular importance from the point of view of Finnish exports have been the companies operating in the United Kingdom, which during the current decade have accounted for more than half the exports to that region. Similarly, more than 40 per cent of Finnish exports to the United States, France, Denmark and Japan in 1983 were channelled through Finnish-owned units operating in those countries.

At the end of 1983, Finnish firms had a total of 263 subsidiaries and associate companies engaged in manufacturing in 32 countries, of which 162 were directly owned. The largest industrial sectors were the metal product and engineering industries and the forest industries. Together, they accounted for three quarters of the total turnover of Finnish-owned manufacturing companies operating abroad. The share of the forest industries has been declining steadily since 1981. Among the most rapidly growing sectors have been the chemical and the metal and engineering industries,

which have expanded through business acquisitions. In the 1980s, the metal and engineering industries have set up operations mainly in Sweden and the United States, and the chemical industries in Sweden and the EEC countries.

The profitability of Finnish-owned manufacturing firms operating abroad has been lower than the average for the corresponding industrial sectors in Finland. This is partly due to the problems encountered by newly established firms; positive financial results are generally not to be expected during the initial years of operation.

TABLE 2. TOTAL TURNOVER OF THE FINNISH-OWNED MANUFACTURING COMPANIES OPERATING ABROAD IN 1981-1983, BY INDUSTRIAL SECTOR

	Turnover, bill. FIM		
	1981	1982	1983
Food, beverages and tobacco industries	0.1	0.3	0.4
Textile and clothing industries	0.1	0.1	0.1
Forest industries	4.2	5.4	5.8
Chemical industries	0.2	1.0	1.9
Clay, glass and stone industries	0.1	0.7	1.0
Metal and engineering industries	3.2	6.2	6.3
Other manufacturing	0.1	0.8	1.0
Total manufacturing	8.0	14.5	16.5

The metal and engineering industries were the largest industrial sector represented by Finnish-owned manufacturing companies operating abroad. The year 1983 proved reasonable for firms in this sector. Although the operating margin fell from the previous year, the net result for the sector improved slightly owing to a marked decline in interest expenses. Solvency remained unchanged, with equity capital accounting for more than one-fifth of the combined balance sheet total.

The profitability of the Finnish forest industry companies operating abroad improved noticeably in 1983. The operating margin quadrupled from 1982, but the sector nevertheless posted a loss, even before depreciation. In fact, because of the losses of the forest industries, the combined result for the Finnish-owned manufacturing firms operating abroad showed a loss.

The total turnover of the chemical industries increased from about FIM 200 million in 1981 to almost FIM 2 billion in 1983. This growth was mainly attributable to business acquisitions. Companies manufacturing plastic pipes have been particularly active in acquiring production plants abroad. The profitability and financial structure of this sector have developed favourably.

Analyzed by trading regions, the most difficult area as far as foreign expansion is concerned has been North America, where the combined net result of Finnish-owned companies has continually shown a loss, largely because of the problems encountered by the forest industries. The best results have been achieved in the EFTA region, where particularly Sweden has become an increasingly important host country in recent years.

TABLE 3. TOTAL TURNOVER OF THE FINNISH-OWNED MANUFACTURING COMPANIES OPERATING ABROAD IN 1981-1983, BY TRADING REGIONS

	Turnover, bill. FIM		
	1981	1982	1983
EFTA countries	1.5	4.7	5.3
EEC countries	4.5	5.3	6.0
North America	1.1	2.8	3.7
Developing countries	0.7	1.4	1.3
Other countries	0.2	0.3	0.2
TOTAL	8.0	14.5	16.5

As a result of profitability problems, the solvency of Finnish-owned manufacturing companies abroad has weakened slightly in the 1980s. At the end of 1983, equity capital accounted, on average, for less than one-fifth of the balance sheet total of the Finnish companies operating abroad. That the proportion of equity capital has remained relatively stable despite losses is partly due to the fact that the new companies set up have had better financial structures than those established or acquired earlier. By contrast, a clear deterioration can be discerned in the solvency of those companies monitored in the survey since the early 1980s.

(Continued on page 35)

	1984		1985			
	March 30	Dec. 31	March 8	March 15	March 22	March 29
Assets						
Gold and foreign currency claims	11 486	19 302	21 519	21 864	22 192	21 194
Gold	1 383	1 732	1 732	1 732	1 732	1 732
Special drawing rights	214	936	1 003	1 000	986	955
IMF reserve tranche	726	859	897	893	881	853
Convertible currencies	8 009	15 387	17 545	17 897	18 257	17 439
Tied currencies	1 154	388	342	342	336	215
Other foreign claims	4 475	2 835	2 835	2 835	2 835	2 835
Markka subscription to Finland's IMF quota	2 762	2 835	2 835	2 835	2 835	2 835
Term credits	1 713	—	—	—	—	—
Claims on financial institutions	5 606	9 166	9 382	9 919	8 636	7 854
Banks' cheque accounts	30	530	28	99	34	8
Call money market advances	2 916	5 018	6 039	6 663	5 398	4 599
Till-money credits	924	1 563	1 266	1 198	1 247	1 273
Bonds	1 680	1 999	2 026	1 904	1 904	1 904
Other claims on financial institutions	56	56	23	55	53	70
Claims on the public sector	2 273	1 951	1 982	2 004	2 005	2 021
Government promissory notes	1 000	1 000	1 000	1 000	1 000	1 000
Bonds	525	124	129	147	145	156
Total coinage	729	806	841	843	845	847
Other claims on the public sector	19	21	12	14	15	18
Claims on corporations	4 847	4 846	4 923	4 966	4 895	4 934
Financing of exports	1 842	1 786	1 773	1 841	1 772	1 788
Financing of domestic deliveries	2 754	2 860	2 951	2 941	2 940	2 963
Bonds	124	114	116	101	100	100
Other claims on corporations	127	86	83	83	83	83
Other assets	106	142	142	142	142	142
Total	28 793	38 242	40 783	41 730	40 705	38 980
Liabilities						
Foreign currency liabilities	52	809	1 176	1 103	782	790
Convertible accounts	51	84	61	62	63	73
Tied currencies	1	725	1 115	1 041	719	717
Other foreign liabilities	3 605	3 752	3 792	3 788	3 775	3 745
IMF markka accounts	2 762	2 835	2 835	2 835	2 835	2 835
Allocations of special drawing rights	843	917	957	953	940	910
Term liabilities	—	—	—	—	—	—
Notes and coin in circulation	6 308	7 442	6 900	6 903	6 868	6 972
Notes	5 768	6 744	6 199	6 201	6 166	6 269
Coin	540	698	701	702	702	703
Liabilities to financial institutions	8 955	11 879	14 288	14 569	14 352	15 595
Banks' cheque accounts	16	147	24	84	48	7
Call money market deposits	3 105	2 216	4 156	4 393	4 251	5 335
Cash reserve deposits	5 710	8 696	9 241	9 241	9 241	9 452
Capital import deposits	95	745	775	771	734	710
Other liabilities to financial institutions	29	75	92	80	78	91
Liabilities to the public sector	1 313	4 277	3 694	4 394	4 400	1 500
Cheque accounts	0	1	1	1	1	1
Government deposit account	1 300	4 200	3 600	4 300	4 300	1 400
Export deposits	—	76	93	93	99	99
Other liabilities to the public sector	13	0	0	0	0	0
Liabilities to corporations	2 014	2 814	3 169	3 211	3 193	3 268
Deposits for investment and ship purchase	1 266	2 127	2 221	2 265	2 273	2 362
Capital import deposits	732	668	944	940	914	903
Other liabilities to corporations	16	19	4	6	6	3
Other liabilities	15	16	19	15	14	15
Valuation account and reserves	1 599	963	1 434	1 433	1 006	780
SITRA's capital	—	400	400	400	400	400
Capital accounts	4 932	5 890	5 911	5 914	5 915	5 915
Primary capital	3 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	1 638	638	764	764	764	764
Undisposed profits	273	—	126	126	126	126
Net earnings	21	252	21	24	25	25
Total	28 793	38 242	40 783	41 730	40 705	38 980

End of year or month	Foreign sector						Public sector			
	Gold, SDRs, IMF reserve tranche	Convertible currencies, net	Total convertible reserves (1 + 2)	Tied currencies, net	Other claims, net	Net claims (3 to 5)	Claims	Certificates of deposit and deposit account	Other liabilities	Net liabilities (8 - 7 + 9)
	1	2	3	4	5	6	7	8	9	10
1981	2 408	5 050	7 458	1 909	-991	8 376	1 236	1 600	578	942
1982	2 444	6 561	9 005	1 525	-1 447	9 083	1 040	1 700	50	710
1983	2 360	5 835	8 195	550	-794	7 951	2 178	3 000	0	822
1984	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1984										
March	2 323	7 958	10 281	1 153	870	12 304	2 273	1 300	13	-960
April	2 819	10 961	13 780	1 027	858	15 665	2 175	600	17	-1 558
May	2 912	11 213	14 125	1 074	515	15 714	2 137	800	22	-1 315
June	2 927	13 829	16 756	170	510	17 436	2 103	1 000	26	-1 077
July	2 970	13 890	16 860	224	-184	16 900	2 109	1 800	20	-289
Aug.	2 975	14 947	17 922	-375	-181	17 366	2 080	1 200	30	-850
Sept.	3 009	13 991	17 000	-836	-910	15 254	2 039	1 500	38	-501
Oct.	3 019	15 013	18 032	-1 025	-915	16 092	1 998	1 500	52	-446
Nov.	3 095	16 237	19 332	-1 342	-905	17 085	2 000	2 200	65	265
Dec.	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1985										
Jan.	3 542	17 438	20 980	-34	-924	20 022	1 952	1 200	85	-667
Feb.	3 631	18 254	21 885	-368	-965	20 552	1 958	2 800	93	935
March	3 540	17 366	20 906	-502	-910	19 494	2 021	1 400	100	-521

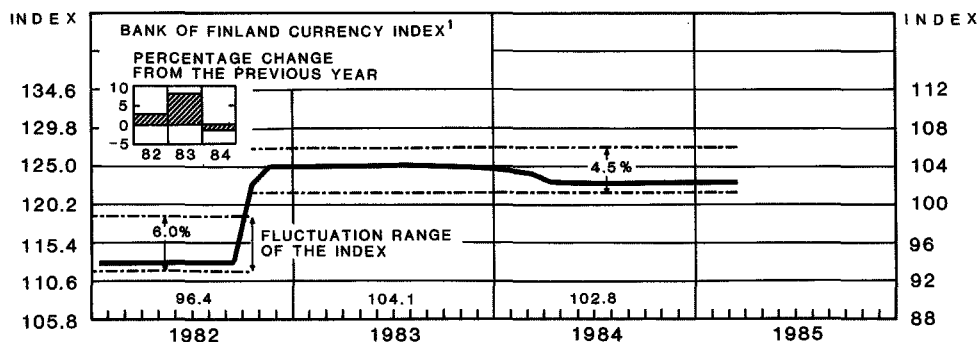
OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1983	Dec. 31, 1984	Jan. 31, 1985	Feb. 28, 1985	March 30, 1985
Gold	1 383	1 732	1 732	1 732	1 732
SDRs	226	936	944	995	955
IMF reserve tranche	751	859	866	904	853
Convertible currencies, net	5 835	15 303	17 438	18 254	17 366
Total convertible reserves, net	8 195	18 830	20 980	21 885	20 906
Tied currencies, net	550	-337	-34	-368	-502
Total reserves, net	8 745	18 493	20 946	21 517	20 404

End of year or month	Domestic financial sector						Corporate sector				
	Till-money credits	Claims on cheque accounts, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net claims (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net claims (8-9)	Notes and coin in circulation
	1	2	3	4	5	6	7	8	9	10	11
1981	768	495	1 796	1 080	2 492	-406	-107	3 865	749	3 116	5 595
1982	889	163	3 126	1 470	3 132	-1 042	618	4 302	999	3 303	6 062
1983	942	443	5 785	610	5 039	-1 555	3 076	4 529	1 282	3 247	6 574
1984	1 563	383	5 018	2 216	8 696	-1 235	-2 713	4 646	2 614	2 032	7 442
1984											
March	924	14	2 916	3 105	5 710	-1 612	-3 349	4 596	1 763	2 833	6 308
April	1 123	191	1 573	4 836	6 142	-1 605	-6 486	4 600	2 220	2 380	6 602
May	1 119	-136	1 244	3 892	6 432	-1 999	-6 098	4 572	2 142	2 430	6 647
June	1 119	15	541	3 872	6 480	-2 006	-6 671	4 571	2 641	1 930	6 954
July	1 279	14	1 041	3 063	6 604	-2 037	-5 296	4 487	2 771	1 716	6 813
Aug.	1 108	5	1 149	4 109	6 670	-2 033	-6 484	4 435	2 753	1 682	6 776
Sept.	1 145	27	2 109	2 281	6 734	-2 081	-3 653	4 545	2 834	1 711	6 869
Oct.	1 276	68	3 045	3 658	7 385	-1 816	-4 838	4 710	2 684	2 026	6 698
Nov.	1 170	22	4 819	4 153	8 029	-1 263	-4 908	4 735	2 602	2 133	6 897
Dec.	1 563	383	5 018	2 216	8 696	-1 235	-2 713	4 646	2 614	2 032	7 442
1985											
Jan.	1 382	110	2 868	5 738	8 799	-1 245	-8 932	4 765	2 632	2 133	6 881
Feb.	1 364	26	4 816	5 184	9 241	-1 197	-7 022	4 729	2 921	1 808	6 929
March	1 273	1	4 599	5 335	9 452	-1 173	-7 741	4 751	3 085	1 666	6 972

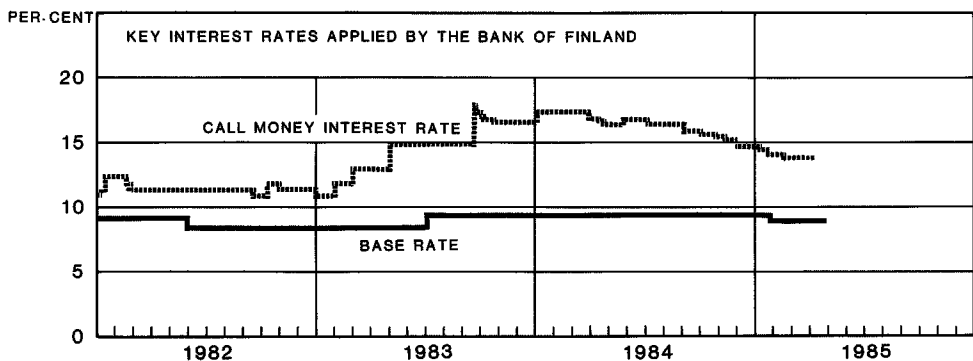
¹ The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



MONETARY POLICY INDICATORS

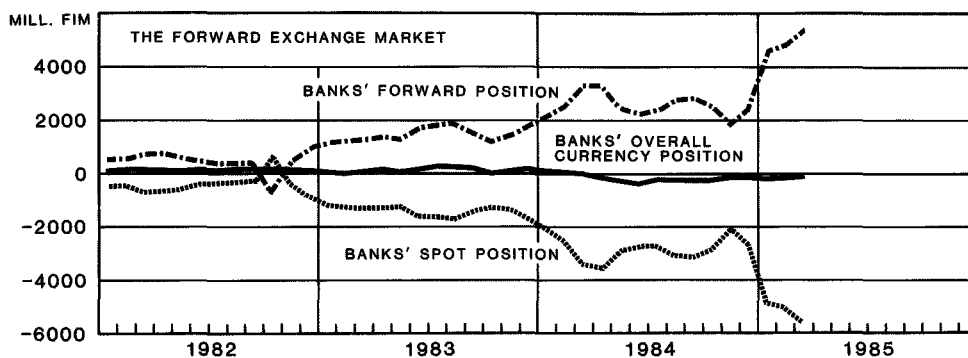
Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9
1980	4 971	1 560	2 542	3.8	3 313	12.38	12.37	9.20	9.77
1981	4 095	-33	2 795	3.5	2 161	11.48	11.61	9.25	9.84
1982	3 201	-783	2 777	3.1	1 571	11.64	11.98	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	15.13	9.00	9.56
1984	3 176	-6 365	6 325	5.4	-39	16.53	16.53	9.50	10.49
1984									
Jan.	6 794	-458	5 045	4.7	4 588	17.50	17.50	9.50	10.30
Feb.	5 327	-2 921	5 242	4.7	2 323	17.50	17.50	9.50	10.36
March	3 460	-4 482	5 351	5.0	869	17.50	17.50	9.50	10.40
April	2 051	-7 207	5 721	5.4	-1 487	16.77	16.82	9.50	10.44
May	1 471	-8 557	6 149	5.6	-2 407	16.53	16.52	9.50	10.45
June	1 175	-9 062	6 429	5.6	-2 633	16.80	16.80	9.50	10.50
July	1 463	-7 680	6 481	5.6	-1 199	16.53	16.51	9.50	10.50
Aug.	1 462	-8 136	6 598	5.6	-1 538	16.50	16.50	9.50	10.51
Sept.	2 127	-8 186	6 672	5.6	-1 515	16.10	16.04	9.50	10.56
Oct.	2 948	-6 801	6 755	5.6	-46	15.75	15.76	9.50	10.55
Nov.	4 181	-6 888	7 410	5.6	522	15.48	15.48	9.50	10.63
Dec.	5 650	-5 999	8 051	5.6	2 052	15.07	15.07	9.50	10.68
1985									
Jan.	4 713	-7 902	8 700	5.6	798	14.57	14.61	9.50	10.69
Feb.	4 414	-9 319	8 815	5.6	-504	14.18	14.18	9.00	10.30
March	5 727	-8 143	9 261	5.6	1 119	14.00	14.00	9.00	..

¹ End of period.



FORWARD EXCHANGE MARKETS IN FINLAND

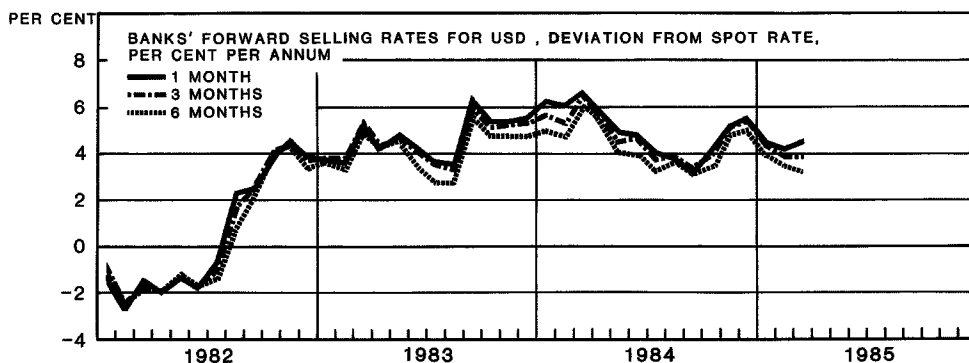
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks Net	Bank of Finland Net	Overall Net	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net				1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1983	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1984	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1
1983									
Oct.	8 087	1 942	6 145	-1 645	-2 792	1 711	5.5	5.2	4.8
Nov.	7 488	1 912	5 576	-1 411	-2 438	1 687	5.4	5.3	4.8
Dec.	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1984									
Jan.	7 292	1 661	5 631	-2 026	-1 235	2 304	6.3	5.3	5.1
Feb.	8 290	1 681	6 609	-1 871	-1 887	2 717	6.1	5.3	4.8
March	10 052	1 611	8 441	-1 676	-3 560	3 173	6.7	6.6	6.2
April	11 249	1 326	9 923	-841	-5 109	3 846	5.8	5.7	5.5
May	13 528	1 156	12 372	178	-10 041	2 529	4.9	4.5	4.1
June	15 547	1 145	14 402	1 389	-12 667	3 083	4.8	4.7	4.0
July	15 956	1 306	14 650	1 541	-13 011	3 240	4.1	3.9	3.3
Aug.	20 049	1 354	18 695	2 557	-17 217	4 089	3.8	4.0	3.7
Sept.	20 548	1 679	18 869	2 406	-18 362	3 056	3.2	3.4	3.2
Oct.	22 267	1 741	20 526	1 914	-19 419	3 138	4.2	4.0	3.5
Nov.	22 383	1 786	20 597	1 790	-20 139	2 460	5.2	5.2	4.9
Dec.	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1
1985									
Jan.	23 207	1 450	21 757	2 949	-19 394	5 420	4.5	4.4	4.1
Feb.	22 602	1 592	21 010	2 971	-18 333	5 186	4.3	4.0	3.6



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

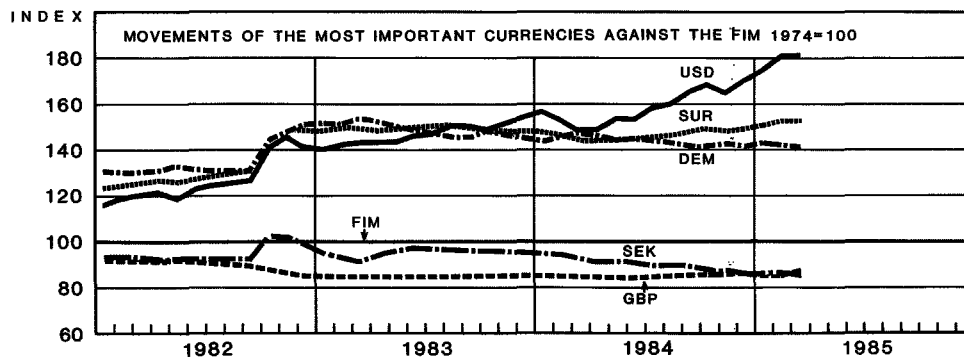
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC BEL	
	1	2	3	4	5	6	7	8	9	10	11
1980	3.730	3.194	8.691	7.689	88.43	75.81	66.53	205.58	188.02	12.818	12.635
1981	4.315	3.602	8.731	6.976	85.74	75.54	60.96	191.31	173.43	11.688	11.095
1982	4.820	3.913	8.423	6.854	77.03	74.84	57.93	198.76	180.66	10.584	9.859
1983	5.570	4.524	8.456	6.957	72.75	76.44	61.07	218.61	195.66	10.934	10.742
1984	6.010	4.645	8.023	6.533	72.77	73.84	58.16	211.65	187.72	10.428	10.274
1984											
Feb.	5.803	4.655	8.355	6.626	72.56	75.47	58.89	214.81	190.35	10.495	10.182
March	5.618	4.432	8.201	6.645	72.79	75.04	59.16	216.76	192.02	10.596	10.260
April	5.650	4.422	8.054	6.569	72.27	74.54	58.32	214.29	189.99	10.491	10.209
May	5.821	4.502	8.100	6.518	72.15	74.64	57.91	211.99	188.39	10.422	10.267
June	5.822	4.472	8.038	6.528	72.05	74.66	58.10	213.19	189.12	10.462	10.324
July	6.019	4.550	7.962	6.501	72.64	73.48	57.92	211.78	187.65	10.454	10.355
Aug.	6.072	4.661	7.987	6.502	72.78	73.27	57.78	210.61	186.72	10.433	10.336
Sept.	6.278	4.787	7.919	6.451	73.36	73.05	57.40	208.01	184.46	10.320	10.236
Oct.	6.378	4.842	7.793	6.455	73.57	72.06	57.61	208.14	184.61	10.294	10.206
Nov.	6.261	4.762	7.792	6.507	73.13	72.08	58.07	209.79	186.02	10.400	10.346
Dec.	6.458	4.896	7.686	6.512	73.07	72.10	58.16	208.46	184.72	10.379	10.341
1985											
Jan.	6.640	5.023	7.510	6.548	73.38	72.53	58.75	209.90	185.81	10.489	10.455
Feb.	6.853	5.078	7.525	6.496	73.69	72.64	58.28	208.47	184.09	10.385	10.342
March	6.861	4.962	7.688	6.486	72.97	72.56	58.11	207.80	183.82	10.341	10.286



Average selling rates for foreign exchange, FIM

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 OS ATS	Lisbon 100 Esc PTE	Reykjavik 100 Ikr ISK	Madrid 100 Ptas ESB	Tokyo 100 Y JPY	Moscow 1 Cl Rbl SUR	I special drawing right SDR	Currency index ¹
12	13	14	15	16	17	18	19	20	21	22
222.87	88.65	0.440	28.90	7.60	0.81	5.25	1.662	5.741	4.842 55	113.6
220.34	79.92	0.385	27.17	7.17	60.35	4.72	1.967	5.986	5.071 40	113.1
237.79	73.65	0.358	28.31	6.13	40.79	4.41	1.943	6.624	5.305 63	115.9
265.70	73.53	0.369	31.11	5.14	23.25	3.91	2.351	7.491	5.943 25	125.1
256.42	69.07	0.344	30.13	4.14	19.39	3.75	2.534	7.357	6.147 39	102.8
263.17	69.92	0.349	30.48	4.35	20.05	3.78	2.488	7.343	6.065 12	103.6
262.10	70.46	0.350	30.80	4.32	19.63	3.77	2.498	7.252	5.969 10	103.3
258.71	69.79	0.347	30.48	4.25	19.66	3.78	2.515	7.239	5.965 91	102.5
257.05	69.14	0.345	30.18	4.21	19.94	3.80	2.528	7.252	6.050 38	102.5
255.83	69.50	0.346	30.39	4.16	19.87	3.78	2.501	7.257	6.044 21	102.5
250.57	69.13	0.346	30.20	4.08	20.17	3.75	2.484	7.296	6.131 93	102.5
251.43	68.75	0.343	30.01	4.08	19.78	3.71	2.511	7.340	6.162 64	102.5
251.64	67.93	0.338	29.64	4.03	19.44	3.71	2.565	7.435	6.272 79	102.5
253.02	68.01	0.337	29.66	3.97	19.35	3.72	2.588	7.486	6.323 99	102.5
254.59	68.52	0.339	29.87	3.91	17.78	3.75	2.578	7.447	6.268 66	102.5
252.66	68.18	0.340	29.71	3.92	16.38	3.77	2.609	7.516	6.366 57	102.5
250.36	68.70	0.343	29.92	3.90	16.54	3.81	2.619	7.582	6.470 31	102.5
245.43	68.34	0.339	29.70	3.83	16.72	3.79	2.636	7.652	6.582 22	102.5
244.48	68.14	0.331	29.61	3.81	16.62	3.76	2.660	7.654	6.601 66	102.5

¹ Until December 31, 1983 the base year was 1974=100.
Since January 1, 1984 the base year has been 1982=100.



DEPOSITS BY THE PUBLIC

Mill. FIM

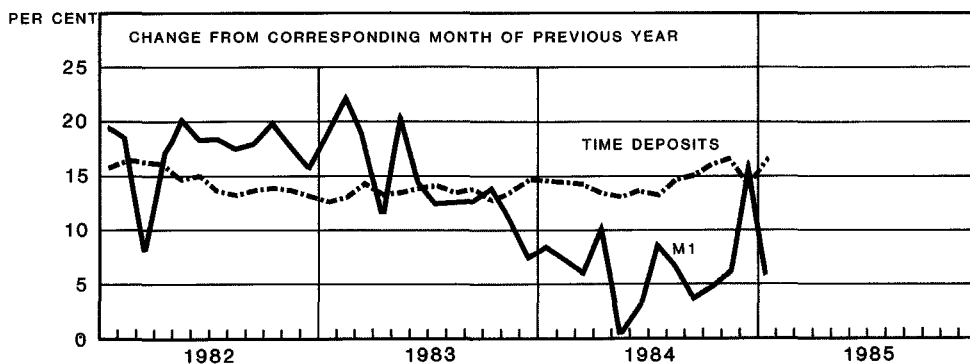
End of year and month	Demand deposits				Time deposits					Total (4 + 9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180
1981	5 791	2 879	2 952	11 622	26 094	22 937	18 598	7 448	75 077	86 699
1982	7 155	3 874	3 049	14 078	29 465	25 883	21 040	8 666	85 054	99 132
1983*	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1983*

Nov.	7 521	4 182	3 625	15 328	31 702	28 447	23 424	9 492	93 065	108 393
Dec.	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1984*

Jan.	7 438	4 163	4 442	16 043	33 658	29 724	24 641	10 241	98 264	114 307
Feb.	7 325	3 975	4 055	15 355	34 365	30 235	25 190	10 333	100 123	115 478
March	6 469	4 040	3 974	14 483	34 812	30 236	25 203	10 471	100 722	115 205
April	7 094	4 084	4 173	15 351	34 760	30 411	25 252	10 403	100 826	116 177
May	6 978	4 216	3 960	15 154	34 485	30 801	25 653	10 552	101 491	116 645
June	6 843	4 291	4 231	15 365	35 435	31 442	26 232	10 364	103 473	118 838
July	7 091	4 458	4 638	16 187	35 505	31 608	26 315	10 524	103 952	120 139
Aug.	6 910	4 454	4 708	16 072	36 139	31 989	26 598	10 672	105 398	121 470
Sept.	6 489	4 400	4 826	15 715	36 626	32 140	26 882	10 593	106 241	121 956
Oct.	7 423	4 522	4 621	16 566	37 457	32 255	26 919	10 710	107 341	123 907
Nov.	7 532	4 315	3 876	15 723	38 240	32 459	27 192	10 815	108 706	124 429



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

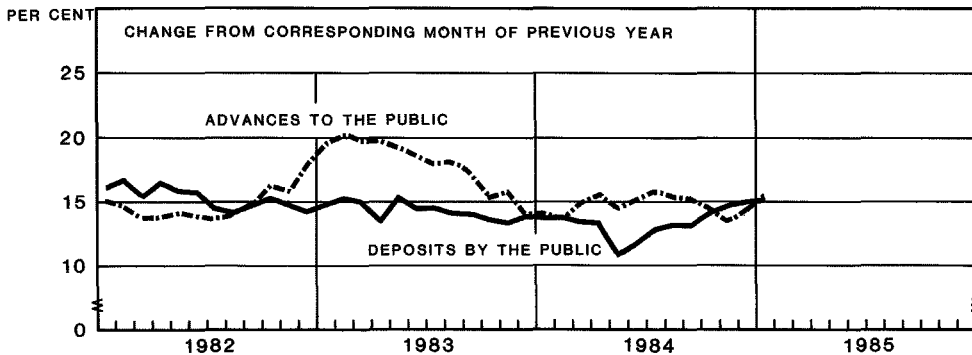
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi-Money
	1	2	3	4	5	6	7		8	9
1980	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601
1981	40 462	22 009	20 059	11 135	80 817	2 877	9 971	93 665	17 186	94 577
1982	48 620	25 682	23 601	12 684	93 014	3 468	14 105	110 587	19 917	107 549
1983*	56 162	29 276	27 322	13 471	104 627	4 350	17 254	126 231	21 427	121 905

1983*

Nov.	56 197	29 040	26 946	13 666	104 024	4 851	16 974	125 849	21 105	117 008
Dec.	56 162	29 276	27 322	13 471	104 627	4 350	17 254	126 231	21 427	121 905

1984*

Jan.	57 343	29 569	27 515	14 193	105 759	5 004	17 857	128 620	22 098	123 176
Feb.	58 398	29 762	27 706	14 017	106 328	4 989	18 566	129 883	21 334	124 666
March	59 625	29 961	27 990	14 011	106 930	5 142	19 515	131 587	20 606	125 049
April	61 338	30 142	28 191	14 317	107 812	5 466	20 710	133 988	21 464	126 269
May	60 965	30 522	28 535	14 362	109 106	5 140	20 138	134 384	21 486	126 686
June	62 468	30 718	28 825	14 344	110 255	5 208	20 892	136 355	22 026	129 549
July	62 941	31 049	29 134	14 466	111 229	5 365	20 996	137 590	22 495	130 602
Aug.	63 398	31 479	29 648	14 406	112 850	5 345	20 736	138 931	22 460	132 019
Sept.	64 225	31 820	30 077	14 562	114 602	5 401	20 681	140 684	22 238	132 660
Oct.	64 242	32 223	30 465	14 536	116 239	5 398	19 829	141 466	22 832	134 162
Nov.	64 911	32 478	30 810	14 687	117 443	5 697	19 746	142 886	22 426	135 800



STATE FINANCES

Mill. FIM

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1983	1984		1983	1984
Income and wealth tax (net)	19 127	21 207	Wages, salaries, pensions etc.	10 935	12 070
Gross receipts	45 237	52 641	Repair and maintenance	1 383	1 501
Refunds & local authorities	-26 110	-31 434	Other consumption expenditure	6 646	6 621
Other taxes on income and wealth	439	566	Total consumption expenditure	18 964	20 192
Employers' child allowance payments	1	223	State aid to local authorities	14 126	16 728
Sales tax	15 861	19 736	State aid to industries	7 350	8 483
Customs duties and import charges and levies	1 419	1 568	of which: agric. price subsidies	3 601	3 934
Excise duties	9 404	9 968	Child allowances	2 228	2 340
Excise duty on alcoholic bevcs.	3 420	3 669	Share in national pensions and sickness insurance schemes	2 272	2 138
Excise duty on tobacco	1 437	1 479	Deficit of State enterprises	1 155	1 105
Excise duty on liquid fuel	3 300	3 495	Other transfer expenditure	8 771	9 928
Other excise duties	1 247	1 325	Total transfer expenditure	35 902	40 722
Tax on autom. and motor-cycles	2 054	2 407	Machinery and equipment	1 556	1 643
Stamp duties	1 546	2 059	Construction of buildings	1 014	1 163
Special diesel etc. vehicles tax	240	317	Land and waterway construction	2 196	2 117
Other taxes and similar revenue	1 607	1 900	Total real investment	4 766	4 923
Total taxes	51 698	59 951	Interest on State debt	2 931	3 654
Miscellaneous revenue	4 151	4 909	Other expenditure	10	18
Interest, dividends etc.	1 669	1 499	Total other expenditure	2 941	3 672
Surplus of state enterprises	1 641	1 808	Increase in inventories	828	-50
Redemptions of loans granted	1 561	1 377	Lending	3 997	3 766
Total revenue	60 720	69 544	Other financial investment	596	639
Foreign borrowing	4 073	4 633	Total expenditure	67 994	73 864
Domestic borrowing	5 630	5 297	Redemption of foreign loans	2 166	1 841
Total borrowing	9 703	9 930	Redemption of domestic loans	1 552	3 609
Deficit (+) or surplus (-)	1 289	-160	Total redemptions	3 718	5 450
Total	71 712	79 314	Total	71 712	79 314

State debt	1982	1983	1984			
	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.
Foreign debt	18 807	21 723	24 328	24 609	24 934	24 946
Long-term debt	11 378	16 383	17 867	18 033	18 296	19 057
Short-term credit	63	18	78	118	115	266
Domestic debt	11 441	16 401	17 945	18 151	18 411	19 323
Total State debt	30 248	38 124	42 273	42 760	43 345	44 269
Total debt mill. \$	5 651	6 506	6 734	6 704	6 923	6 855

FOREIGN TRADE

Mill. FIM

Period	Value, mill. FIM		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
	1	2	3
1980	52 795	58 250	-5 455
1981	60 308	61 269	-961
1982	63 026	64 751	-1 725
1983	69 692	71 528	-1 836
1984	80 904	74 682	+6 222

Period	Indices of exports and imports 1980 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	100	95	119	117	101
1983	104	98	127	125	101
1984	114	98	134	131	102

1984*

Jan.	6 691	5 737	+954
Feb.	6 414	5 296	+1 118
March	6 668	5 925	+743
April	6 790	6 072	+718
May	6 624	6 304	+320
June	6 361	6 366	-5
July	6 432	7 192	-760
Aug.	6 065	6 128	-63
Sept.	6 954	5 904	+1 050
Oct.	7 735	6 756	+979
Nov.	7 286	6 380	+906
Dec.	6 884	6 622	+262

1982

Oct.-Dec.	107	107	127	125	101
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1983

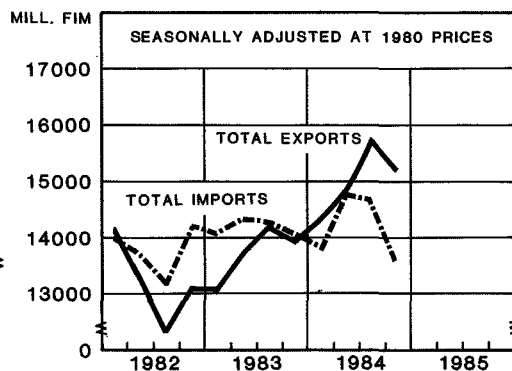
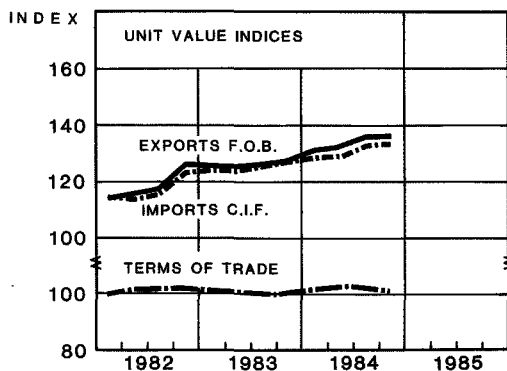
Jan.-March	101	90	126	125	101
Apr.-June	103	95	126	124	101
July-Sept.	97	97	127	127	100
Oct.-Dec.	115	108	128	128	100

1985*

Jan.	6 907	7 098	-191
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1984*

Jan.-March	114	90	132	129	102
Apr.-June	113	99	133	130	103
July-Sept.	108	99	137	133	103
Oct.-Dec.	121	101	137	134	102



FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

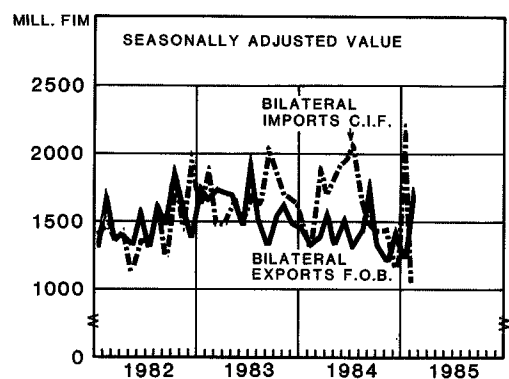
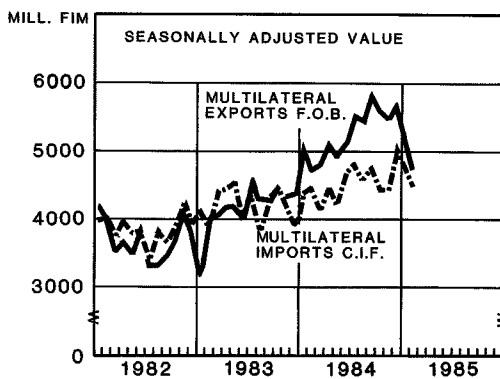
Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1	2	3	4	5	6	7	8	9	10	
1980	1 403	7 742	15 751	11 546	16 353	38 622	4 088	7 989	7 440	111
1981	2 036	6 852	17 127	14 858	19 435	39 156	5 115	8 877	8 015	106
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1983	1 723	6 944	19 327	20 211	21 487	44 757	5 006	10 860	10 572	333
1984	2 865	7 145	23 573	22 998	24 323	47 028	5 034	10 993	11 454	173

1984*

Jan.	222	502	1 625	2 396	1 946	3 162	407	1 171	932	65
Feb.	332	538	1 704	1 792	2 048	3 114	339	826	1 005	12
March	356	628	1 989	1 770	1 925	3 832	273	813	999	8
April	262	567	1 880	1 738	2 343	3 698	265	1 099	992	18
May	234	632	2 128	1 837	1 793	4 126	453	792	930	3
June	250	641	1 767	1 668	2 035	4 216	531	850	767	2
July	332	554	1 765	2 014	1 767	4 880	565	852	878	17
Aug.	173	560	2 292	1 238	1 802	3 894	473	832	916	13
Sept.	144	661	2 029	2 003	2 117	3 666	480	783	972	3
Oct.	180	674	2 209	2 662	2 010	4 175	538	958	1 075	10
Nov.	151	584	2 165	2 349	2 037	3 946	483	958	982	11
Dec.	229	604	2 020	1 531	2 500	4 319	227	1 059	1 006	11

1985*

Jan.	281	622	2 051	1 835	2 118	4 732	273	875	1 037	181
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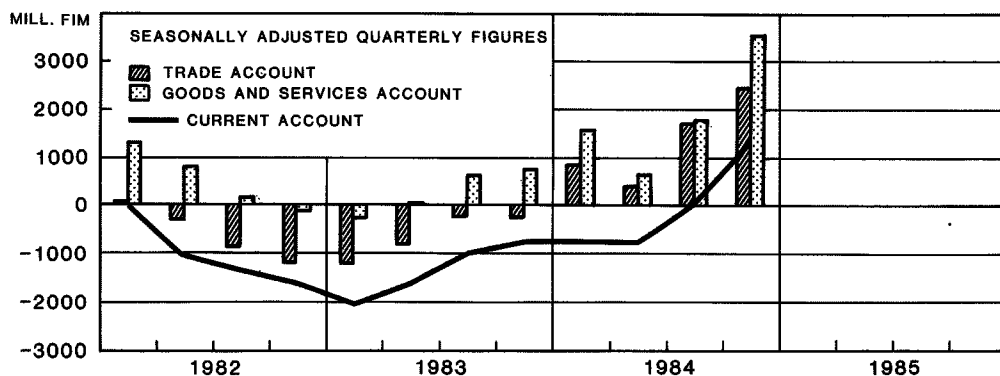
FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1984*		1985*		1984*		1985*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
OECD countries in Europe	52.9	3 538	56.6	3 910	60.6	3 477	54.6	3 878
Austria	0.6	44	0.7	47	1.1	62	0.9	66
Belgium and Luxembourg	1.2	83	1.8	127	2.3	132	1.8	124
Denmark	4.4	293	4.5	309	2.3	131	1.9	137
France	3.3	218	5.2	359	3.4	196	3.2	229
Federal Republic of Germany	10.4	694	8.9	616	14.7	845	12.9	914
Italy	1.9	126	2.0	140	3.6	207	3.0	216
Netherlands	2.8	190	2.5	173	2.6	148	2.2	157
Norway	2.9	192	3.1	216	2.5	144	6.0	428
Portugal	0.1	8	0.2	15	0.7	40	0.6	41
Spain	0.5	31	0.8	54	0.9	51	0.9	62
Sweden	13.0	869	13.0	895	17.2	985	11.6	826
Switzerland	1.2	79	1.5	102	1.6	94	1.4	102
United Kingdom	9.6	641	10.9	753	7.1	406	7.4	522
Other	1.0	70	1.5	104	0.6	36	0.8	54
OECD countries outside Europe	17.1	1 144	12.0	825	12.0	690	10.6	753
Canada	0.5	35	1.7	114	0.3	20	0.7	52
Japan	1.2	78	1.7	116	5.7	328	5.0	354
United States	14.5	970	7.0	482	5.3	304	4.8	342
Other	0.9	61	1.6	113	0.7	38	0.1	5
CMEA countries	21.4	1 433	18.7	1 295	21.4	1 229	25.9	1 837
Czechoslovakia	0.5	32	0.4	30	0.5	31	0.5	34
German Democratic Republic	0.4	30	0.7	50	0.6	33	0.4	31
Poland	0.4	27	0.4	25	1.0	56	1.2	83
Soviet Union	19.5	1 302	16.3	1 129	18.7	1 070	22.8	1 616
Other	0.6	42	0.9	61	0.6	39	1.0	73
Latin America	0.6	40	0.8	56	2.6	147	2.2	155
Argentina	0.0	1	0.1	5	0.1	2	0.1	8
Brazil	0.0	1	0.0	3	0.9	51	0.7	47
Colombia	0.2	10	0.2	13	0.8	47	0.6	45
Other	0.4	28	0.5	35	0.8	47	0.8	55
Other	8.0	536	11.9	821	3.4	194	6.7	475
GRAND TOTAL	100.0	6 691	100.0	6 907	100.0	5 737	100.0	7 098
of which								
EFTA countries	17.9	1 198	18.8	1 297	23.3	1 339	20.8	1 479
EEC countries	34.4	2 303	36.9	2 548	36.3	2 084	32.9	2 333
OECD countries	70.0	4 685	68.6	4 735	72.6	4 167	65.2	4 631

BALANCE OF PAYMENTS

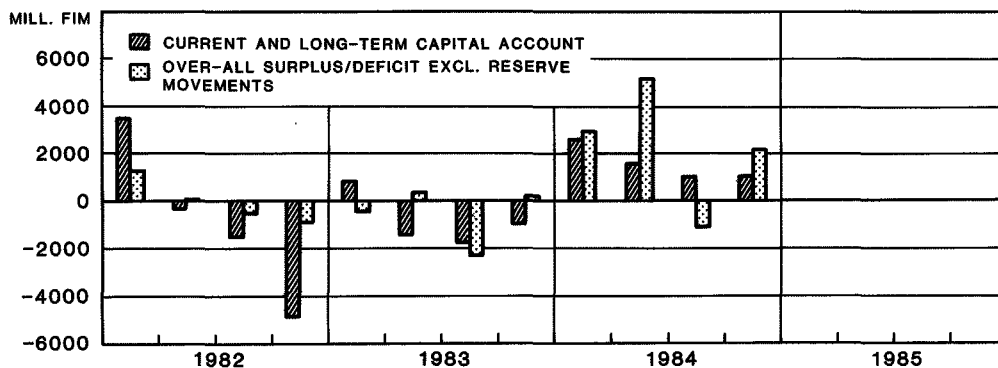
Period	Exports f.o.b.	Imports c.i.f.	Trade account (1-2)	Transport, net	Travel, net	Other services, net	Goods and services account (3 to 6)	Invest- ment income, net	Un- requited transfers, net	Other, net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
1981	60 243	61 703	-1 460	+3 088	+405	+1 049	+3 082	-4 423	-498	+107	-1 732
1982	62 867	65 147	-2 280	+2 856	-277	+1 732	+2 031	-5 447	-643	+161	-3 898
1983*	69 593	72 107	-2 514	+3 298	-749	+1 172	+1 207	-5 811	-721	+25	-5 300
1984*	80 750	75 250	+5 500	+4 000	-1 200	-600	+7 700	-6 700	-900	-100	0
1982											
Jan.-March	16 078	14 858	+1 220	+699	-154	+484	+2 249	-1 078	-187	-6	+978
Apr.-June	15 577	15 376	+201	+700	-83	+451	+1 269	-1 682	-167	+50	-530
July-Sept.	13 308	15 419	-2 111	+789	+151	+478	-693	-1 359	-139	+75	-2 116
Oct.-Dec.	17 904	19 494	-1 590	+668	-191	+319	-794	-1 328	-150	+42	-2 230
1983*											
Jan.-March	16 796	16 469	+327	+807	-291	+190	+1 033	-1 553	-217	-29	-766
Apr.-June	17 154	17 500	-346	+787	-229	+299	+511	-1 492	-149	+35	-1 095
July-Sept.	16 236	18 002	-1 766	+934	+44	+336	-452	-1 459	-147	+45	-2 013
Oct.-Dec.	19 407	20 136	-729	+770	-273	+347	+115	-1 307	-208	-26	-1 426
1984*											
Jan.-March	19 730	17 056	+2 674	+899	-371	-148	+3 054	-2 046	-232	-56	+720
Apr.-June	19 732	18 905	+827	+954	-327	-319	+1 135	-1 244	-150	-1	-260
July-Sept.	19 410	19 401	+9	+1 032	-125	-305	+611	-1 541	-194	+4	-1 120
Oct.-Dec.	21 878	19 888	+1 990	+1 115	-377	+172	+2 900	-1 869	-324	-47	+660



Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net	Long-term capital account (12 to 15)	Current and long-term capital account (11 + 16)	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net	Miscellaneous, short-term capital items, incl. errors and omissions	Over-all surplus deficit excl. reserve movements (17 to 21)	Bank of Finland foreign exchange reserves
12	13	14	15	16	17	18	19	20	21	22	23
+8 312	-4 643	-518	-826	+2 325	+593	-148	+723	-421	+1 056 ¹	+1 803	-1 803
+10 213	-4 721	-1 239	-3 642	+611	-3 287	-914	+771	+1 493	+1 811	-126	+126
+10 112	-7 273	+423	-1 367	+1 895	-3 405	+3 273	-3 422	+1 272	+120	-2 162	+2 162
+14 087	-7 538	-1 600	+1 428	+6 377	+6 377	+2 500	+1 498	+1 400	-2 500	+9 275	-9 275
+3 637	-806	-114	-165	+2 552	+3 530	-676	+762	-1 517	-787	+1 312	-1 312
+2 332	-1 555	-328	-301	+148	-382	+367	+581	-171	-350	+45	-45
+1 859	-883	-127	-246	+603	-1 513	-277	-143	-520	+1 909	-544	+544
+2 385	-1 477	-670	-2 930	-2 692	-4 922	-328	-429	+3 701	+1 039	-939	+939
+2 985	-1 271	+100	-182	+1 632	+866	-115	+647	-1 214	-666	-482	+482
+2 435	-2 895	+273	-204	-391	-1 486	+1 261	-353	+699	+276	+397	-397
+1 479	-1 269	+142	-128	+224	-1 789	+1 197	-1 671	-593	+543	-2 313	+2 313
+3 213	-1 838	-92	-853	+430	-996	+930	-2 045	+2 380	-33	+236	-236
+4 075	-1 887	-235	-46	+1 907	+2 627	-763	+485	+2 443	-1 806	+2 986	-2 986
+3 858	-2 351	+89	+275	+1 871	+1 611	+1 292	+94	+2 854	-629	+5 222	-5 222
+2 495	-1 185	-603	+1 475	+2 182	+1 062	+567	-425	-1 886	-458	-1 140	+1 140
+3 659	-2 115	-851	-276	+417	+1 077	+1 404	+1 344	-2 011	+393	+2 207	-2 207

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

¹ Including allocations of special drawing rights: 133 million in 1980 and 131 million in 1981.



FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (10-4)	
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Portfolio investment	Other		Total (5 to 9)
	1	2	3	4	5	6	7	8	9	10	11
1981	4 673	3 426	1 317	9 416	35 536	4 444	2 183	..	391	42 554	33 138
1982	6 628	4 626	3 796	15 050	47 547	4 608	2 223	..	752	55 130	40 080
1983*	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808
1984*	8 800	8 689	1 915	19 404	63 518	3 865	2 646	2 340	764	73 133	53 729

1982

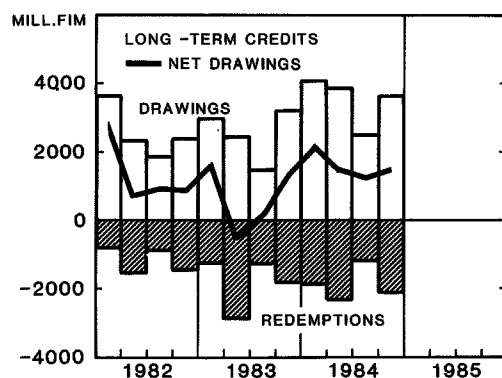
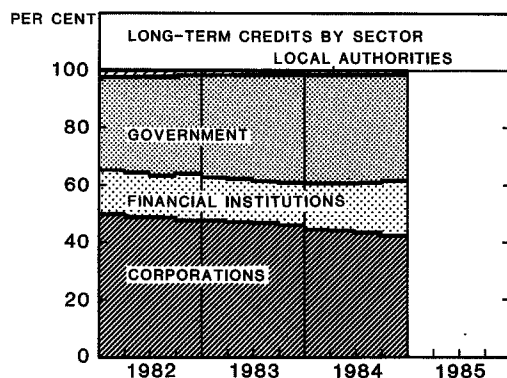
March	4 960	3 616	1 415	9 991	38 669	4 623	2 263	..	709	46 264	36 273
June	5 361	3 741	1 471	10 573	39 847	4 456	2 313	..	696	47 312	36 739
Sept.	5 556	4 084	1 466	11 106	41 198	4 515	2 345	..	687	48 745	37 639
Dec.	6 628	4 626	3 796	15 050	47 547	4 608	2 223	..	752	55 130	40 080

1983*

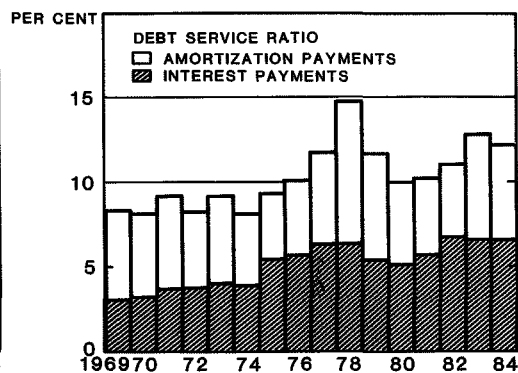
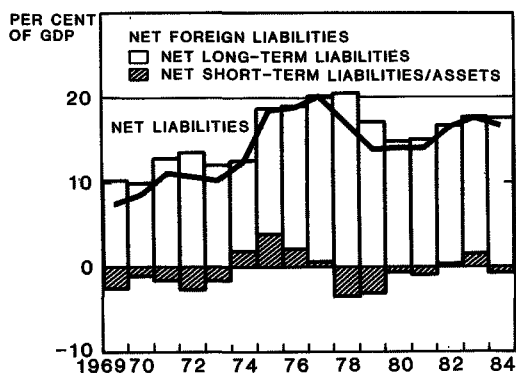
March	6 672	5 003	3 892	15 567	49 897	4 759	2 288	..	846	57 790	42 223
June	6 458	4 998	3 956	15 412	49 921	4 462	2 306	..	812	57 501	42 089
Sept.	6 411	5 392	3 935	15 738	50 705	4 566	2 303	..	798	58 372	42 634
Dec.	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808

1984*

March	6 658	6 687	3 539	16 884	54 014	4 225	2 354	987	731	62 311	45 427
June	6 827	7 435	3 230	17 492	57 198	3 937	2 393	1 640	729	65 897	48 405
Sept.	7 767	7 834	1 839	17 440	60 497	3 951	2 410	1 957	834	69 649	52 209
Dec.	8 800	8 689	1 915	19 404	63 518	3 865	2 646	2 340	764	73 133	53 729



Short-term assets				Short-term liabilities				Net short-term liabilities (19-15)	Net liabilities (11+20)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (12 to 14)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (16 to 18)				
12	13	14	15	16	17	18	19	20	21	22	23
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	7 994	3 494
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	9 069	3 464
11 842	29 263	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	11 585	5 621
22 914	43 817	14 887	81 618	4 562	55 046	19 830	79 438	-2 180	51 549	12 714	5 841
12 795	13 654	13 791	40 240	3 074	18 592	14 218	35 884	-4 356	31 917	1 757	600
12 846	14 641	13 536	41 023	3 077	19 349	15 048	37 474	-3 549	33 190	2 730	1 017
12 456	17 474	13 531	43 461	4 097	21 737	14 859	40 693	-2 768	34 871	2 040	662
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	2 542	1 185
12 365	22 166	14 580	49 111	4 637	29 530	15 105	49 272	161	42 384	2 531	942
12 905	23 008	14 878	50 791	4 705	31 137	16 546	52 388	1 597	43 686	3 788	2 243
10 556	23 605	15 681	49 842	4 737	31 289	16 779	52 805	2 963	45 597	2 538	1 049
11 842	29 263	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	2 728	1 387
14 740	25 724	16 098	56 562	3 657	37 966	15 740	57 363	801	46 228	3 559	1 452
20 705	31 929	15 803	68 437	3 775	47 083	17 288	68 146	-291	48 114	3 286	1 987
21 064	34 614	15 962	71 640	4 815	47 882	18 137	70 834	-806	51 403	2 381	821
22 914	43 817	14 887	81 618	4 562	55 046	19 830	79 438	-2 180	51 549	3 488	1 581



PRICE INDICES

Period	Basic price index for domestic supply 1980 = 100							Building costs 1980 = 100		
	Wholesale price index 1949 = 100	Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
			1	2	3	4	5			
1983	1 189	127.6	128.8	124.2	125.9	130.8	128.5	128.7	124.4	129.3
1984	1 261	134.5	135.9	130.0	132.6	137.5	135.8	136.6	133.7	136.1
1984										
July	1 261	134.8	136.0	131.0	132.9	137.6	136.5	137.5	135.5	136.6
Aug.	1 264	134.8	136.6	129.5	132.6	138.2	136.9	137.7	135.7	136.9
Sept.	1 277	135.9	137.5	131.1	134.1	138.9	137.2	137.8	135.9	137.1
Oct.	1 289	137.1	138.6	132.4	135.9	139.5	137.4	138.2	136.1	137.6
Nov.	1 291	137.4	139.2	131.7	136.1	139.9	137.8	138.8	136.3	138.2
Dec.	1 298	138.1	139.7	133.4	137.1	140.4	138.2	139.0	136.5	138.3
1985										
Jan.	1 308	139.2	140.5	135.1	137.8	142.7	138.5	140.0	137.8	139.1
Feb.	1 321	140.4	141.5	137.0	139.5	143.3	139.4	140.8	138.0	140.1

Period	Consumer prices 1981 = 100									
	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
1983	118.7	120.0	125.1	112.8	118.4	114.3	126.6	117.4	116.9	120.7
1984	127.1	129.1	132.5	119.4	124.5	123.0	145.2	125.4	126.4	130.8
1984										
July	127.7	130.2	132.7	118.6	126.0	122.7	147.7	125.7	126.1	131.0
Aug.	128.2	131.1	132.7	119.6	126.0	123.8	148.1	126.0	127.2	131.2
Sept.	129.0	132.6	132.7	121.1	126.3	124.5	148.1	126.4	128.1	132.3
Oct.	129.6	133.7	132.8	123.0	126.3	125.2	148.7	127.4	128.2	132.9
Nov.	129.7	133.4	133.0	123.4	126.3	125.9	149.4	127.1	128.6	133.3
Dec.	129.8	132.6	133.1	123.4	126.4	126.2	149.4	128.0	128.8	133.7
1985										
Jan.	131.2	133.7	139.6	119.4	126.9	126.6	153.6	129.2	130.3	137.7
Feb.	131.7	134.9	139.7	121.4	126.9	127.4	153.6	129.7	130.2	137.9

WAGES

Index of wage and salary earnings 1975 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1	2	3	4	5	6	7	8	9	10	
1982	225.7	213.5	181.8	206.9	201.1	195.0	212.0	207.3	208.8	208.0
1983	243.6	234.0	202.5	229.0	223.3	217.2	233.1	229.3	229.3	229.6
1984	274.0	255.0	223.0	251.0	238.1	240.0	254.4	249.9	250.1	250.2
1983										
Oct.-Dec.	252.2	242.0	212.4	239.7	231.7	228.2	242.3	239.3	237.8	239.1
1984*										
Jan.-March	260.7	245.1	218.1	244.5	234.0	234.7	245.2	242.9	240.9	242.6
Apr.-June	271.4	259.2	221.8	251.6	238.7	240.8	255.9	250.6	252.6	251.6
July-Sept.	278.2	257.5	224.9	252.9	238.7	242.0	257.1	252.0	252.6	252.6
Oct.-Dec.	286.0	258.0	226.9	254.7	241.0	242.8	259.3	254.0	254.2	254.4

PRODUCTION

Volume indices of production 1980 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1982										
Oct.-Dec.	115	111	85	110	144	110	116	121	111	116
1983*										
Jan.-March	101	103	74	99	83	95	97	95	111	108
Apr.-June	107	112	80	90	91	104	105	109	111	115
July-Sept.	107	99	206	41	119	104	108	105	112	112
Oct.-Dec.	117	116	88	101	148	104	123	117	114	120
1984*										
Jan.-March	104	110	75	90	82	92	105	98	114	112
Apr.-June	109	113	82	92	84	103	112	107	114	119
July-Sept.	109	101	197	47	113	103	110	110	116	117
Oct.-Dec.	121	121	93	123	140	104	125	119	117	125

PRODUCTION

Index of industrial production 1980 = 100

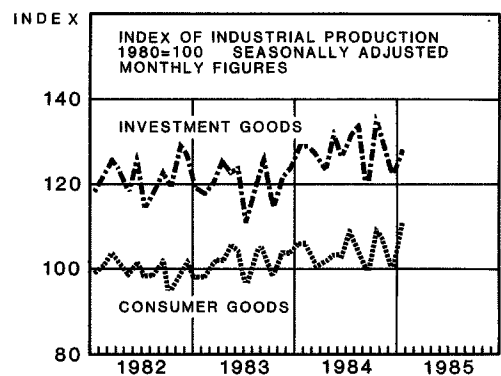
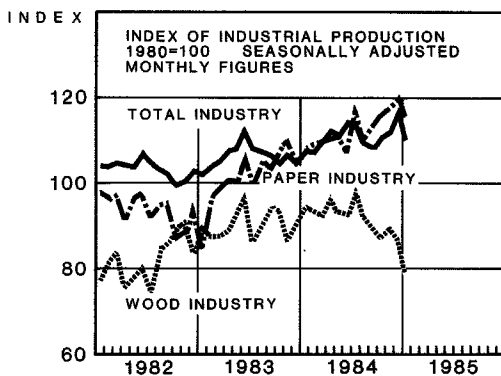
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1982*	103.7	121.0	103.4	100.6	106.4	83.5	96.1	98.8	110.0	114.0	103.8
1983*	106.9	121.2	102.4	106.4	108.6	91.0	102.2	105.1	117.3	114.5	106.9
1984*	111.3	129.2	105.0	111.1	108.3	92.3	113.0	109.6	107.8	120.8	111.6

1984*

Jan.	114.2	132.9	109.4	113.1	99.1	94.0	109.4	111.6	103.1	124.9	107.9
Feb.	108.2	130.4	103.2	106.7	87.5	85.7	112.9	103.8	90.9	120.9	108.0
March	116.4	142.0	109.7	114.9	97.1	98.6	118.2	120.4	111.4	129.3	110.5
April	107.8	132.1	100.5	106.8	95.4	102.2	102.9	116.3	96.2	121.6	112.7
May	121.8	158.5	110.9	120.4	114.0	118.2	120.5	118.1	116.4	144.1	111.8
June	110.0	144.5	101.5	107.9	103.6	103.1	91.5	105.3	114.7	128.2	114.7
July	74.9	54.7	71.9	79.8	97.2	41.7	124.2	70.9	62.1	56.0	114.5
Aug.	114.7	131.5	108.7	114.5	114.3	90.5	117.5	112.2	124.7	122.7	109.7
Sept.	110.5	127.3	102.0	111.5	105.6	99.6	111.3	112.2	127.7	120.6	108.6
Oct.	126.3	145.0	122.4	124.7	140.4	104.6	124.2	121.4	135.8	137.9	111.3
Nov.	124.2	144.5	121.7	121.6	132.1	94.9	123.0	120.7	116.6	136.8	111.9
Dec.	104.4	122.7	98.4	104.0	102.4	65.3	109.5	102.5	94.3	116.6	117.6

1985*

Jan.	117.4	131.6	114.6	116.0	101.9	78.5	117.9	107.2	112.9	126.8	110.3
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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 1980 = 100	Wholesale volume index 1980 = 100
	1	2	3	4	5	6	7	8
1983	3 681	2 546	2 390	156	6.1	39 324	107	110
1984*	3 700	2 572	2 413	158	6.2	41 414	109	109
1983								
Dec.	3 695	2 526	2 369	157	6.2	4 109	132	124
1984*								
Jan.	3 699	2 510	2 339	171	6.8	3 577	97	94
Feb.	3 700	2 498	2 329	169	6.8	4 209	95	101
March	3 694	2 520	2 353	168	6.6	4 734	105	111
April	3 693	2 523	2 356	167	6.6	4 207	101	98
May	3 697	2 579	2 438	140	5.4	3 734	113	120
June	3 695	2 745	2 570	175	6.4	2 664	115	106
July	3 700	2 761	2 614	146	5.3	1 323	113	93
Aug.	3 700	2 598	2 454	145	5.6	1 649	113	119
Sept.	3 703	2 549	2 395	153	6.0	2 353	105	116
Oct.	3 706	2 520	2 370	150	6.0	3 561	114	121
Nov.	3 704	2 517	2 358	159	6.3	4 269	111	117
Dec.	3 705	2 544	2 386	158	6.2	5 134	130	113
1985*								
Jan.	3 706	2 531	2 360	171	6.8	4 241

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											
	1	2	3	4	5	6	7	8	9	10	11
1983	51.78	19.66	6.44	22.03	3.65	47.37	18.43	5.92	19.46	3.55	51.44
1984*	49.40	19.87	5.63	17.24	3.12	43.25	17.35	4.97	15.44	2.74	52.56
1983											
July-Sept.	14.22	4.23	1.07	8.01	0.91	11.06	3.96	1.86	4.28	0.96	58.14
Oct.-Dec.	8.59	3.31	0.95	3.31	1.02	15.46	6.12	2.07	6.24	1.02	51.44
1984*											
Jan.-March	9.11	3.83	1.12	3.08	0.61	8.72	3.72	0.71	3.08	0.62	47.01
Apr.-June	16.19	7.21	2.35	4.67	0.73	8.64	3.53	0.55	3.57	0.51	53.65
July-Sept.	12.85	4.82	1.26	4.67	1.04	9.61	3.61	1.64	2.74	0.90	55.96
Oct.-Dec.	9.98	3.40	0.81	4.43	0.69	13.75	5.64	1.88	4.79	0.58	52.56

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. *Public sector:* Claims = Government promissory notes + Bonds + Total coinage + Other claims on the public sector. Other liabilities = Cheque accounts + Counter cyclical reserves + Counter-cyclical deposits + Capital import deposits + Other liabilities to the public sector. Certificates of deposit are interest bearing, freely transferable term liabilities of the Bank of Finland sold to the government. Their maturities range from one week to one year. As from November 1, 1983, certificates of deposit were replaced by the government deposit account.

Page 5. *Domestic financial sector:* Other liabilities, net = Capital import deposits + Other liabilities to financial institutions - Bonds - Other claims on financial institutions.

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

Liabilities, net = Deposits for investment and ship purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Export deposits + Other liabilities to corporations - Bonds - Other claims on corporations.

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 the end of the month lending rates weighted by credit outstanding. The annual figure for the average lending rate is an unweighted average of the weighted average monthly rates.

Gross central bank debt of the deposit banks = The commercial banks' and Postipankki's cheque account overdrafts + Call money credit. Prior to January 1984 the average monthly amount of cheque account overdrafts at base rate was restricted by the quota granted to each bank. The banks could obtain central bank credit in excess of the quota by borrowing on the Bank of Finland's call money market. As from January 1984, the quotas were abolished and the only source of central bank debt is now the call money market. There is no longer any absolute ceiling on call money credit. However, banks' borrowing is monitored and a bank whose borrowing exceeds a certain limit comes under the special surveillance of the central bank. The interest charged on call money credit, the call money rate, is adjusted by the central bank in line with monetary policy objectives at the time.

Net central bank debt of the deposit banks = Gross central bank debt of the deposit banks - The commercial banks' and Postipankki's deposits on the call money market - All deposit banks' cash reserve deposits at the Bank of Finland.

Cash reserve deposits of the deposit banks equal the total amount of cash reserve deposits at the Bank of Finland made by the deposit banks under the Cash Reserve Agreement of March 8, 1983. The deposit banks consist of the commercial banks, co-operative banks, savings banks and Postipankki.

The cash reserve requirement is set each month by the Bank of Finland as the percentage of each bank's stock of deposits which must be deposited at the central bank. Deposits are to be made one month after the close of the month to which the coefficient applies.

Call money credit extended by the Bank of Finland = Demand for call money by the deposit banks - Supply of call money by the deposit banks.

Average cost of gross central bank debt = Costs of borrowing paid to the Bank of Finland by the deposit banks, as a percentage of their gross central bank debt, per annum.

FORWARD EXCHANGE MARKETS IN FINLAND

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

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

FOREIGN EXCHANGE RATES

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

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

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

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

Page 11. *Advances to the public.* The central government and the financial institutions are not included in the public.

Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply M₁ = Finnish notes and coins in circulation - Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). *Quasi-Money* = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

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

STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis.

FOREIGN TRADE

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

BALANCE OF PAYMENTS

Pages 16-17. Figures are calculated by the Bank of Finland.

Columns 1-7. The figures for the trade and goods and services accounts are in accordance with the System of National Accounts.

Columns 12-13. Long-term loans comprise financial loans and import and leasing credits.

Column 15. Miscellaneous long-term capital items, net = direct investment, net + portfolio investment by foreigners + financial loans and development credits to abroad + Finland's subscriptions to international financial institutions, net.

Column 23. Changes in the foreign exchange reserves of the Bank of Finland exclude changes in the markka value of the reserves caused by changes in exchange rates.

FOREIGN ASSETS AND LIABILITIES

Pages 18-19. Figures calculated by the Bank of Finland.

Long-term assets: Other = financial loans + development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 22. Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payment of long-term foreign assets and liabilities, excl. amortisation payments of the Bank of Finland's reserve and oil credits.

Columns 22 and 23 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings. Debt service does not include amortisation of the Bank of Finland's reserve and oil credits.

PRICE INDICES

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

WAGES - PRODUCTION

Pages 21-22. Figures supplied by the Central Statistical Office.

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

LABOUR - TIMBER FELLINGS - INTERNAL TRADE - CONSTRUCTION OF BUILDINGS

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1983 is as follows: Social Democratic Party of Finland 57, National Coalition Party 44, Centre Party 38, Democratic League of the People of Finland 27, Finnish Rural Party 17, Swedish People's Party 11, Christian League of Finland 3, The Greens 2 and Finnish People's Constitutional Party 1.

Finland is divided into 461 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of 4 years.

INTERNATIONAL ORGANIZATIONS

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

LAND

THE AREA is 338 000 square kilometres (Great Britain's area is 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1980) 2.5 mill. ha (8.2%) are cultivated and 19.7 mill. ha (64.5%) are covered by forests.

OWNERSHIP OF LAND (1979). The total land area was distributed among different classes of owners approximately as follows: private 58.7%, State 31.4%, joint stock companies etc. 7.4%, municipalities and parishes 2.5%.

POPULATION

NUMBER OF INHABITANTS (1983): 4.9 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1983): In South Finland 47.4, in East and Central Finland 14.3, in North Finland 4.2 and in the whole country an average of 16.0 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1983): 40% of the population inhabit the rural areas, 60% towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 471 inhabitants, Tampere (Tammerfors) 167 344, Turku (Åbo) 163 002.

EMPLOYMENT (1984): Agriculture and forestry 12%, industry and construction 33%, commerce 14%, transport and communication 7%, financing, insurance, real estate and business services 6%, community and personal services 28%.

LANGUAGE (1983): Finnish speaking 93.6%, Swedish speaking 6.1%, others 0.3%.

EDUCATION (1985): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1983): births 13.8 ‰, deaths 9.3 ‰, change + 5.8 ‰, net immigration + 1.4 ‰. Deaths in France 10.3 ‰ and Great Britain 11.7 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1983), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 11 868 (5%), forestry 9 007 (4%), manufacturing 73 782 (30%), construction 20 442 (8%), trade, restaurants and hotels 27 803 (11%), transport and communication 19 129 (8%), banking and insurance 9 423 (4%), ownership of dwellings 16 480 (7%), other services 58 084 (23%), total 245 998. Index of real domestic product 108 (1980 = 100).

FOREST RESOURCES (1982). The growing stock comprised of 1 668 million m³ (solid volume with bark) of which 45% was pine and 37% spruce the remaining 18% being broad-leaved trees chiefly birch. Of the growing stock 667 million m³ was up to the standard required for logs, 52% of these being pine. The annual growth was 67 million m³ and the total drain calculated on the basis of roundwood consumption was 48.5 million m³.

AGRICULTURE (1982). Cultivated land 2.4 million hectares. Number of holdings 212 630 of which 148 590 are of more than 5 ha. Measure of self-sufficiency in bread cereals (1983) 93%.

INDUSTRY (1982). Gross value of industrial production FIM 205 471 mill., number of workers 409 499, salaried employees 145 997, motive power 8.2 mill. kW. Index of industrial production 103.6 for 1982 (1980 = 100).

STATE RAILWAYS (Dec. 31, 1984): Length 6 069 km.

MERCHANT FLEET (March 31, 1985): Passenger vessels 160 (225 877 gross reg. tons), tankers 43 (1 005 815 gross reg. tons), dry cargo vessels 163 (804 057 gross reg. tons), other vessels 102 (14 164 gross reg. tons), total 468 (2 049 913 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1983): Passenger cars 1 410 438, lorries and vans 167 831, buses 9 102, others 10 585, total 1 597 956.

FINNISH AIRLINES (Feb. 28, 1985). Finnair has in use 1 DC-8-62, 3 DC-9-10, 5 DC-9-41, 12 DC-9-51, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 3 Fokker F-27 Friendship MK. The company has scheduled flights to 34 foreign and 21 domestic destinations.

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 markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is traded weighted and as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 18.3, DEM 19.4, GBP 15.3, USD 9.6, other currencies 37.4. The permissible range of fluctuation is about 2.25 per cent on either side of the theoretical arithmetic mean. The fluctuation limits are 106.0 and 101.3.

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, 1984). There are two big and eight small commercial banks with in all 942 offices, 263 savings banks, 370 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 48 private insurance companies also grant credits.

RATES OF INTEREST (Feb. 1, 1985). The Bank of Finland's base rate is 9%. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 6½% and 11½%. Other credit institutions: time deposits 4%; 6 month deposits 6%; 12 month deposits 7½%; 24 month deposits 8% and sight deposits 1%. The highest lending rate is 13½%.

THE CHANGING ROLE OF COMPETITION POLICY IN FINLAND

by Heikki J. Kunnas, Head of Department
National Board of Trade and Consumer Interests

The past few years have seen an unusually spirited debate in Finland on the intensification of competition in all spheres of business and commercial activity. The need to intensify competition has been expressed both at the political decision-making level and in the corporate sector. This is indicated, among other things, by the mention of the promotion of competition as an aim in the present Government's programme and the theme of the Central Chamber of Commerce for 1984 "room for competition". Statements of this kind have not appeared in previous government programmes. A similar statement was included in the introduction to the central government's Budget Proposal for 1984. In February 1985, Parliament approved the Government's proposal for amending the 1973 act on the promotion of economic competition.

THE CONCEPT AND OPERATING ENVIRONMENT OF COMPETITION POLICY

From the macroeconomic point of view, competition policy is closely connected with price policies and thus with incomes and other economic policies. In the supervision of competition, these links are barely discernible. The links between competition and economic policies were, however, examined comprehensively in a report by the Price and Competition Committee in 1972. It states, inter alia, that "competition policies aiming at increasing the efficiency of competition can be regarded as an essential part of public price policies, when accompanied by simultaneous efforts to achieve economic growth through structural change and the maintenance of a stable price level".

The report by the Competition Committee on its work carried out in 1981 and 1982 states that, taking into account macroeconomic considerations and particularly in the name of consumer interests, governments in western countries have for long endeavoured to supervise and, whenever necessary, to prevent firms from entering into restrictive trading arrangements. Such activities have been referred to as competition policy. This kind of definition provides a rather narrow and strictly administrative picture of competition policy.

A definition of competition policy better applicable to present conditions emphasizes the incorporation of these activities as a component of general economic policy. The special task of competition policy can then be defined as those activities which are aimed at promoting competition in the economy, thereby contributing to the increasing of efficiency and the curbing of inflation. Viewed from this wider perspective, the supervision of restraints on competition constitutes but a part of competition policy.

The scope of competition policy has also been restricted because of the institutional features of the economy. Obviously, a small country also has small home markets, and this tends to restrict competition. Compared with many other countries, the primary sector is still fairly large in Finland. For reasons of self-sufficiency in food, it has not been considered desirable to expose this sector to foreign competition. Furthermore, regional considerations favour the allocation of productive resources on the basis of criteria other than market forces alone.

Naturally, competition hardly exists at all in the public sector, the size of which ultimately depends on political considerations. Similarly, there is little competition in those industrial sectors which are regulated by the authorities by means of various permits, entry restrictions, and other controls. Transport and communication is one such example.

LEGISLATION AND AUTHORITIES

The Cartel Act was passed in 1957 and the Act on the Promotion of Competition in 1964. Under these acts, the supervision of restrictive trading practices was based on a register of restraints on competition kept by the authorities. Tendering cartels were prohibited under both of these acts. In the 1964 act, resale price maintenance was prohibited, which meant that a manufacturer or distributor could not determine the price at which a product could be resold at the next stage in the distribution channel. The same act also empowered the authorities to enter into negotiations with firms with a view to removing the detrimental effects of restrictive trade practices. The act entitled the authorities to investigate suspected cases of unfair trading practices. At that time, there was not felt to be any need for the promotion of competition through research.

This phase in Finnish competition policy, which extended well into the 1970s, occurred at a time when Finland was abandoning her post-war regulation economy. The EFTA agreement concluded in 1961 and Finland's free trade agreement with the EEC, which had been under preparation since the late 1960s, required willingness on the part of industry and commerce to expose itself to increasingly keen economic competition.

According to the 1973 Act on the Promotion of Competition, tendering cartels and price-setting are prohibited in Finland. Even in these cases, a strictly juridical interpretation has been adopted.

This legislation was based on the notion of wide-ranging economic policy action, as is made clear in the preamble to the bill. However, the enforcement machinery provided by law was limited, and until recent years, the actions of the authorities have in fact centred on restrictive practices and their registrations.

The committee set up to prepare the 1973 act recommended that the emphasis in fostering competition should be placed on a substantial expansion in research. The most far-reaching change compared with the previous act was the proposal for expanding research to cover competitive conditions in general.

The 1973 act made it possible to reorientate activities and to develop the organizations of the competent authorities. At this stage, a pattern of organization following the Swedish model became established in Finland. According to the act, competition matters were to be handled by the Council of State, the Competition Council, the Competition-Ombudsman and the National Board of Trade and Consumer Interests.

In June 1984, the Government made a proposal for an amendment to the Act on the Promotion of Competition. In February 1985, Parliament passed the bill on the amendment, which was aimed at improving the operating conditions of competition authorities and intensifying the means of supervising competition. The amendment entered into force on March 1, 1985. The provisions concerning the notification of restrictive practices were clarified and unified with respect to all those concerned. The principles to be observed in assessing the harmful effects of restrictive practices were revised.

The Competition Council, which is appointed by the Council of State, is made up of a lawyer as Chairman and eight other members, two of whom must be persons with experience of economic and business affairs who cannot be regarded as representing any more enterprises than consumers or wage earners. Of the other

members, three must be persons with knowledge of the special conditions of consumers and wage earners, and three members persons with experience of the circumstances of enterprises.

Cases are referred to the Competition Council mainly on the proposal of the Competition-Ombudsman. If he, for one reason or another, does not make such a proposal in a particular case, it can also be made by the enterprise which is directly affected by the restrictive practice, a competent consumer interest group or a central employee organization. Even in these cases, the Competition-Ombudsman must be consulted on the matter.

According to the 1985 amendment to the act, the Competition Council is empowered to directly prohibit a business or commercial enterprise from applying a particular contract or a condition of contract or any other practice restraining competition and to require the enterprise to deliver the goods, service or other commodity to firms in a similar position. The Competition Council may also require those concerned, on penalty of a fine, to provide the requested information, to submit the necessary documents and to appear for questioning before the Competition Council. The Competition Council may provide for penalties in the event of non-compliance with the prohibitions and obligations.

The Competition-Ombudsman is the authority who assesses the importance of a restraint on competition from the point of view of the public interest. He is responsible, among other things, for monitoring the competitive conditions prevailing in the economy and for initiating proposals for promoting economic competition which are in the public interest. In addition, he is required to issue statements concerning competitive conditions and restrictive practices and to make proposals to the Competition Council for eliminating the detrimental effects of restraints on competition. He also informs the public prosecutor of violations of competitive legislation calling for prosecution.

The 1985 amendment gave increased powers to the Competition-Ombudsman to obtain information from parties guilty of restrictive practices. Previously, the Competition-Ombudsman had been forced to request executive assistance from the National Board of Trade and Consumer Interests, which acquired the necessary information, analyzed it and often also prepared a research report on the matter.

The National Board of Trade and Consumer Interests is an office under the Ministry of Trade and Industry which is in charge of matters relating to price and competition control and certain consumer matters. The Board's functions associated with the promotion of competition consist of carrying out research on competitive conditions, the registration of restraints on competition, the surveillance of prohibited restrictive practices and the provision of executive assistance to the Competition Council and the Competition-Ombudsman.

The emphasis of competition policy, even allowing for the amendment to the Act, continues to be on the supervision of competition. The linkage with economic policy proposed in the preamble to the 1973 act is not reflected in the prescribed procedures, which are still focussed on activities at company level.

THE COMPETITION POLICY PURSUED IN FINLAND

During the more than ten years he has been in office, the Competition-Ombudsman has dealt with almost 300 issues concerning cases of restraints on competition. In most instances, the initiation of a case has taken place at the instigation of the party who claims to have suffered from the restrictive practice. It has been possible to settle most of the cases brought up by the Competition-Ombudsman through consultation without the need for further formal proceedings. In fact, the Competition-Ombudsman has brought only about ten cases before the Competition Council. In none of these cases has the Competition

Council resorted to very severe measures, and legal proceedings have been taken in less than ten cases.

The Competition Office of the National Board of Trade and Consumer Interests has continuously carried out registration of restrictive practices, largely on the basis of public sources of information. It has been felt that public registration of restrictive practices has served to promote competition. The coverage and true significance of the register from the point of view of fostering of competition has not been examined so far. In fact, registration has been characterized by a certain randomness. The amendment to the Act on the Promotion of Competition will help to improve the coverage of the register in the sense that the parties to restrictive agreements referred to in the Act are required to notify the authorities of the agreements.

Research on competition has gradually taken shape both at the Office of the Competition-Ombudsman and the National Board of Trade and Consumer Interests. Only in recent years has attention been paid to the impact of competition on the overall development of the economy. Nevertheless, the focussing of research on these issues has been rather slow to take place, inter alia, because the resources available are scarce. The general research on competition carried out so far has aroused wide interest among administrative, business and consumer circles. Up to now, the areas of emphasis of the studies have not been defined systematically. Moreover, such a task is difficult because the really serious economic shortcomings due to restraints on competition are frequently to be found in areas where political decision-making is also very complex.

The experiences obtained indicate that the activities designed to promote competition are rather incoherent. Against this background it is understandable that the decision-makers are interested in consolidating the organizational arrangements and making the activities consistent, as well as in promoting competition in

a way which supports efficient allocation of resources.

ASSESSMENT AND OUTLOOK

Competition legislation in Finland is less strict than in most other market economies. As was pointed out at the beginning of this article, this is due to the institutional features of the economy and the fact that the concept of competition policy is understood in a fairly narrow sense.

Competition policy as a component of general economic policy could be developed so that it would embrace research, the control of restrictive practices and the removal of impediments to competition. The function of research would be two-fold. One part would be concerned with the analysis of the interaction between changes in the economy and competitive conditions while the other would entail economic analysis of selected sectors on the basis of company data.

The control of restrictive practices would concentrate on the registration and analysis of restraints and the removal of their detrimental effects through official measures.

The removal of barriers to competition or the promotion of competition could be based on the results obtained from research in the functional areas mentioned above. The major form of action might be the general promotion of competition, for example, in connection with the enactment of economic legislation. This could be supplemented through appropriate negotiation procedures, and where necessary, the authorities should also be entitled to resort to legal action.

The removal of harmful restraints on competition requires administrative measures by the competition authorities. However, the definition of what constitutes a harmful restriction would itself seem to be a subject calling for research. For instance, it could be asked whether an impediment should be examined in

terms of the productivity developments, profitability and investment effects of the industrial sector concerned or from a wider perspective. Analysis carried out from a macroeconomic point of view should be supplemented through studies conducted from the viewpoint of both companies and the consumer.

In assessing whether a restriction is harmful or not, the national setting should also be taken into account, particularly the smallness and openness of the Finnish economy. It is possible that in a small economy special criteria should be applied, for example, in determining the acceptability of a monopoly position; the

provision of public services is one case in point. Another important question is how the competition authorities should determine their view towards concentration in various industrial sectors. Moreover, it could be claimed that the necessity of an extensive system of permits and regulation of trade should be examined on competition policy grounds. The examination of price developments in the open and closed sectors of the economy would also serve to promote competition policy goals. The present Finnish competition legislation does not place any restraints on studies of this kind. Rather, the problem is one of scarcity of resources available for research.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM APRIL 1984 TO APRIL 1985

1984

April

Call money market. The Bank of Finland rescinds the upper limit on the banks' call money deposits as from April 1, 1984. The Bank of Finland lowers the call money rate from 17.5 to 17.0 per cent as from the same date. The call money rate is lowered further to 16.7 per cent as from April 17 and to 16.5 per cent as from April 19.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 5.4 to 5.6 per cent at the end of April.

Revisions in Foreign Exchange Regulations. In a decision of the Council of State, the foreign branch offices of commercial banks and Postipankki are defined as non-residents as from March 1, 1984. Because of this decision, the Bank of Finland announces certain other revisions in the Foreign Exchange Regulations, which enter into force on April 11, 1984. The right of Finnish residents to use credit and charge cards for purchasing goods to be imported to Finland is extended as from the same date, provided that the value of any one purchase does not exceed FIM 10 000.

May

Call money market. The Bank of Finland raises the call money rate from 16.5 to 16.8 per cent as from May 29.

June

Export deposits. On June 5, the Council of State decides to collect export deposits for pulp to be exported between June 8, 1984 and

June 7, 1985. The deposits are to be made at the Bank of Finland, and will bear interest at a rate of 8 $\frac{3}{4}$ per cent.

July

Call money market. The Bank of Finland lowers the call money rate from 16.8 to 16.5 per cent as from July 3.

September

Central bank financing. The Bank of Finland decides to extend to Peruspankki Ltd, as from the beginning of September, the same rights to central bank financing and the use of the call money market as the other commercial banks.

Call money market. The Bank of Finland lowers the call money rate from 16.5 to 16.0 per cent as from September 7 and further to 15.8 per cent as from September 28.

Cash reserve requirement. On September 7, 1984, the Bank of Finland concludes a new cash reserve agreement with the banks. According to it, the cash reserve base comprises, in addition to deposits received on normal terms, the total stock of deposits denominated in foreign currency, special deposits and the banks' net foreign liabilities after certain deductions.

Regulation of average lending rates. On September 7, 1984, the Bank of Finland decides to revise its regulation of the banks' average lending rates. According to the new system, the average lending rate applied by a banking institution to its domestic markka-denominated lending is allowed to rise by not more than 30 per cent of the increase in the average deposit rate on the bank's total stock of deposits. The

new system is to become effective progressively as from the beginning of October.

October

Call money market. The Bank of Finland lowers the call money rate from 15.8 to 15.6 per cent as from October 26.

November

Financing of domestic suppliers' credits. The Bank of Finland raises the rate of interest applied to domestic suppliers' credits by one percentage point to 10 ½ per cent. At the same time, the Bank raises the lower limit on the contract price of a delivery which can be financed to FIM 1 million and the commitment fee to a maximum of 0.35 per cent. The revisions are to concern domestic suppliers' credits granted as from November 1, 1984.

Export deposits. The Council of State decides to discontinue the collection of export deposits on sawn pine wood as from November 1, 1984.

Insurance companies' right to acquire foreign shares. On November 9, 1984, the Bank of Finland authorizes the insurance companies engaged in foreign insurance business to also invest, on certain conditions, the funds obtained from their foreign insurance business in foreign shares.

Call money market. The Bank of Finland lowers the call money rate from 15.6 to 15.4 per cent as from November 14 and further to 15.2 per cent as from November 30.

Bank of Finland's credit facility agreements. On November 16, the Bank of Finland cancels its credit facility agreements totalling USD 1.5 billion with international banking consortia.

December

Banks' foreign lending activities and transactions in foreign securities. Through permits entering into force at the beginning of December, the Bank of Finland increases the banks'

opportunities to engage in foreign lending activities and dealings in foreign securities, particularly shares. These permits require that the credits granted to non-residents and the security purchases are refinanced mainly by resorting to foreign credit.

Call money market. The Bank of Finland lowers the call money rate from 15.2 to 14.8 per cent as from December 21.

1985

January

Arrangement for the financing of short-term export credits. On January 1, 1985, the Bank of Finland raises the rate of interest on short-term export credits so that, irrespective of the credit period, it is the same as the Bank of Finland's base rate at any one time. At the same time, the Bank of Finland decides to reduce the maximum annual average amount of the Bank's financing of short-term export credits from FIM 30 to FIM 20 million.

Call money market. The Bank of Finland lowers the call money rate from 14.8 to 14.6 per cent as from January 11 and further to 14.2 per cent as from January 25.

Export deposits. The Council of State decides to discontinue the collection of export deposits on pulp as from January 31, 1985.

February

Interest rate policy. The Bank of Finland lowers its base rate from 9.5 to 9.0 per cent as from February 1. The banks are required to lower, in general, the rates of interest on their outstanding loans by 0.5 percentage point from the same date. The upper limit on the banks' lending rates is also lowered to 13.5 per cent. In addition, the rates of interest on the banks' tax-exempt deposit accounts fall, on average, by 0.5 percentage point.

Domestic foreign-currency-denominated loans. As from February 1, 1985, the Bank of Finland

limits the amount of domestic foreign currency loans granted by an authorized bank which do not require the prior approval of the Bank of Finland to no more than the amount of domestic non-bank foreign currency deposits with the bank.

Payments agreement between Finland and Hungary. Under an agreement concluded between the Finnish and Hungarian authorities in October 1984, the payments agreement between the two countries terminates on January 31, 1985. As from February 1, 1985, payments between the two countries are to be effected in convertible currencies.

Call money market. The Bank of Finland lowers the call money rate from 14.2 to 14.0 per cent as from February 26.

March

Currency options. The Bank of Finland decides to entitle the authorized banks to conclude option contracts as from March 1, 1985. However, these contracts may not concern rates of exchange quoted against the Finnish markka.

Amendments to Foreign Exchange Regulations. The Bank of Finland revises the Foreign

Exchange Regulations in certain respects as from March 1, 1985. The main details of the amendments are as follows:

Dividend receipts from foreign direct investment in Finland can be transferred abroad through an authorized bank without the Bank of Finland's special permission.

Obtaining collateral security on behalf of a non-resident is allowed without the Bank of Finland's special permission. Similarly, granting collateral security to a non-resident on behalf of a resident is allowed without special permission.

April

Payments Agreement between Finland and Bulgaria. In keeping with an agreement concluded between the Finnish and Bulgarian authorities in November 1984, the US dollar clearing account between the two countries is replaced by a Finnish markka clearing account as from April 1, 1985.

Export deposits. On April 3, the Council of State decides to repay export deposits. The export deposits collected on sawn wood are to be repaid during June and those on pulp during November.

ITEMS

Wider Institute. The World Institute for Development and Economic Research (WIDER) has commenced operations in Helsinki. The decision to establish WIDER as the first UNU (United Nations University) research and training centre was made by the University's governing council in December 1983 after the Finnish government had offered to provide financial support for the proposed institute.

The interdisciplinary work of WIDER will analyze existing and emerging problems of the world economy in order to assist in promoting new responses to them. It is hoped that the work of WIDER will make a distinctive contribution to economic theory, policy formulation, planning and decision-making. Operating from the Helsinki centre through a world-wide network of scholars and institutions, it will conduct policy research and analysis and provide advanced training, particularly for young scholars and potential economic policy-makers from developing countries.

Dr. Lal Jayawardena, a Sri Lankan economist and diplomat, has been appointed as the first Director of WIDER.

Dr. Reino Rossi. Dr. Reino Rossi, Minister Plenipotentiary and former Member of the Board of Management of the Bank of Finland, died in Helsinki on March 8 at the age of 65. Dr. Rossi's career at the Bank of Finland extended over more than two decades. He joined the Bank as a research officer in 1946, became Head of Department in the Bank of Finland Institute for Economic Research in 1955 and was appointed Director of the Institute in 1956. In 1958, he was appointed to the Board of Management of the Bank and in 1967 he became Deputy Governor. From 1968 to 1970 he performed the duties of Acting Governor. Dr. Rossi resigned from the Bank in 1970 when he was appointed Chief General Manager of Suomen Sokeri Osakeyhtiö (Finnish Sugar Corporation).

Dr. Rossi was a prominent figure in Finnish foreign trade policy and played an active role in developing Finland's trade relations with countries in the eastern bloc. He was Minister for Foreign Trade in 1971–1972 and participated in negotiations with EFTA and the EEC. He represented Finland on the Board of Governors of the IMF and the IBRD in 1954–1969.

(Continued from page 2)

On the basis of the data obtained from the monitoring of direct investment, the expansion of Finnish companies abroad has not been problem-free. It would seem that, when establishing production units abroad, companies

have often underestimated the resources and length of time required for implementing projects.

March 26, 1985

BANK OF FINLAND

Board of Management

Rolf Kullberg
Chairman

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom
*Absent as Minister
of Trade and Industry*

Esko Ollila

Markku Puntila
Acting Member of the Board

Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Sirkka Hämäläinen

Matti Vanhala

Heads of department

Timo Männistö
Internal Audit

Ossi Leppänen
Accounting

H.T. Hämäläinen
Administration

Urpo Levo
International Legal Affairs

Reijo Mäkinen
Cash

Raimo Hyvärinen
Domestic Financing

Stig G Björklund
Payments

Anton Mäkelä
Personnel

Heikki Koskenkylä
Research

Erkki Vehkamäki
Data Processing

Seppo Kostiainen
Acting Head, Economics

Antti Heinonen
Information

Ralf Pauli
Monetary Policy

Kari Holopainen
Bilateral Trade

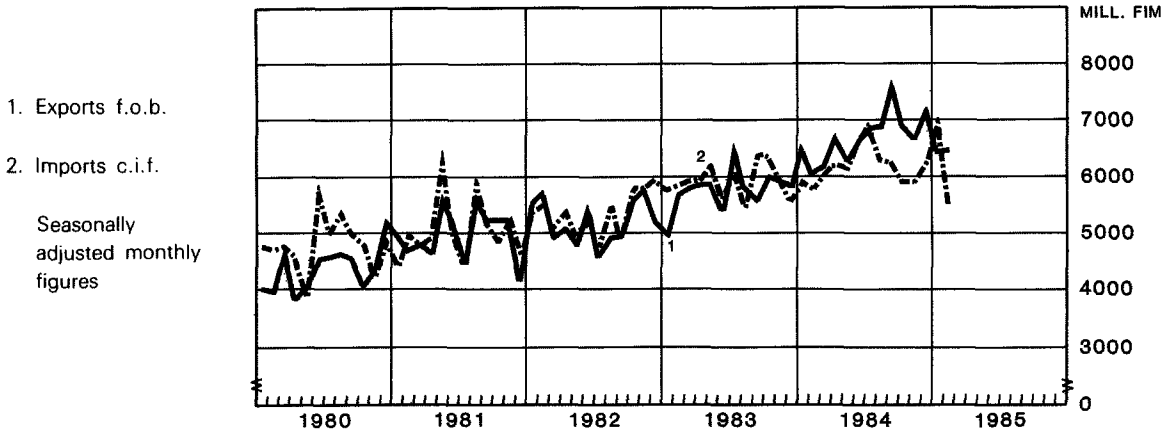
J. Ojala
Exchange Control

Johnny Åkerholm
Exchange Policy

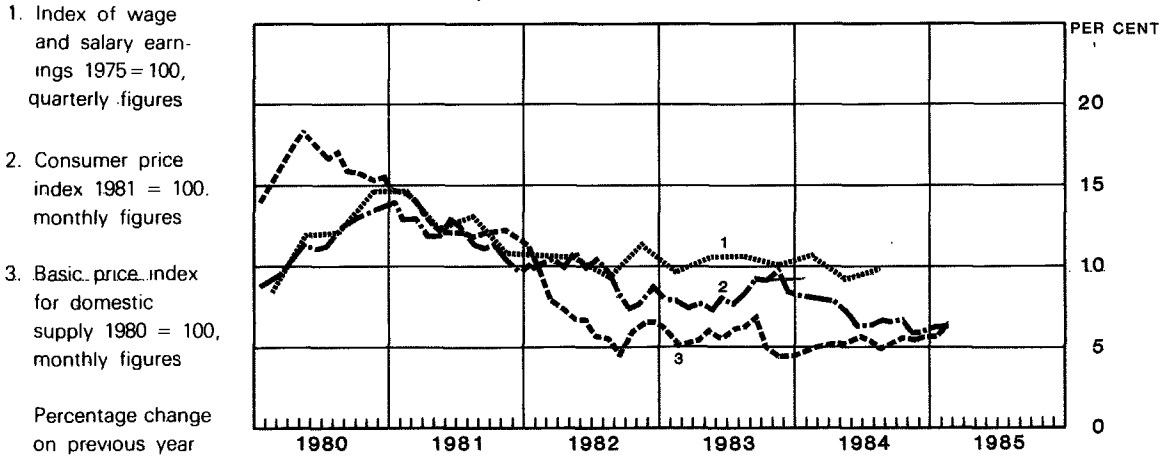
Kari Pekonen
Foreign Exchange

Markus Fogelholm
Foreign Financing

FOREIGN TRADE, 1980-85



PRICES AND WAGES, 1980-85



PRODUCTION, 1980-85

