



# BANK OF FINLAND

*Monthly Bulletin*

**Investment activity**

**Finnish regional policy legislation**

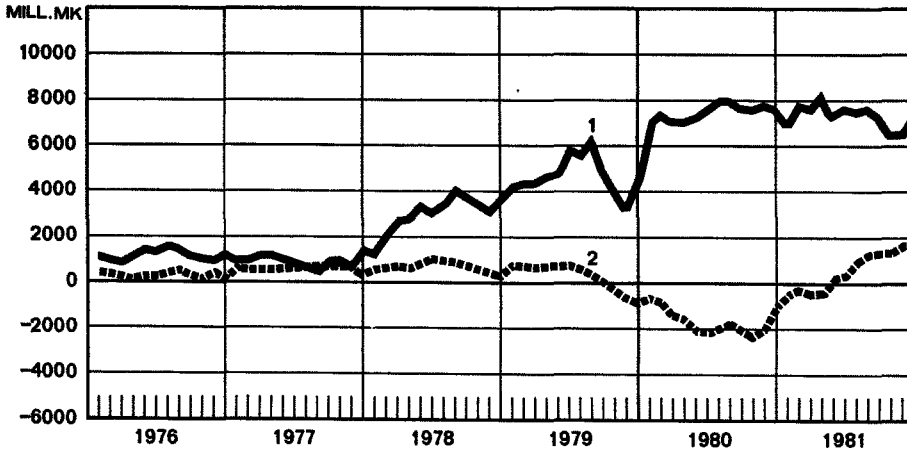
**Presidential election**

**Supplementary budgets**

**FEBRUARY 1982**

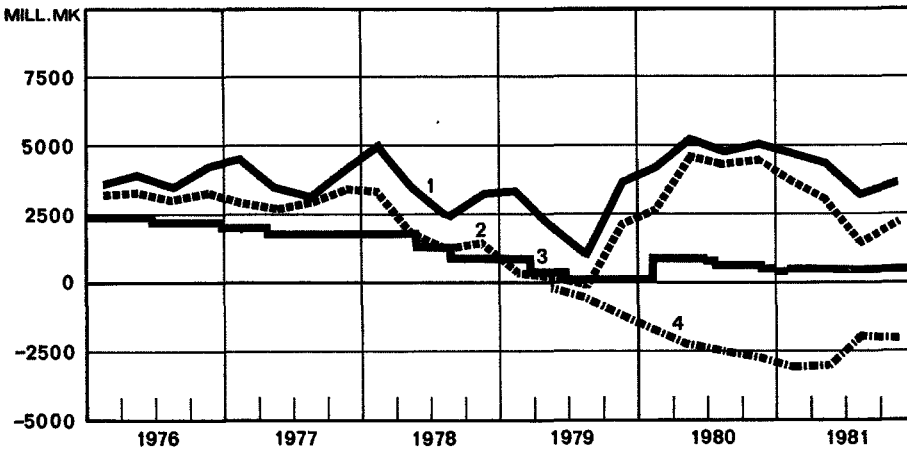
**Vol. 56 No. 2**

**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1976-81**



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

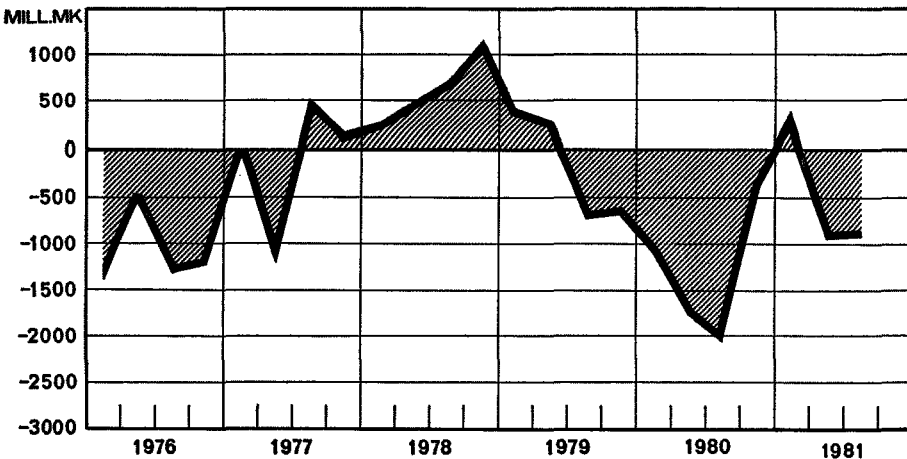
**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1976-81**



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

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

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1976-81**



Seasonally adjusted quarterly figures

# INVESTMENT ACTIVITY

by Jarmo Pesola, M.Pol.Sc.

Economics Department  
Bank of Finland

The growth of gross domestic product in Finland came to a halt at the end of 1980. Exceptionally, domestic demand began to decline before the downturn in exports, which was delayed by the favourable development of the trade with the Soviet Union. While company profits stayed at a relatively high level — owing in part to high capacity utilization — investment activity began to slacken appreciably in the course of the year along with the increasing uncertainty about cyclical prospects. According to preliminary estimates the volume of fixed investment diminished by almost 3 per cent last year. However, the decline was confined to the private sector, public sector fixed investment actually rising somewhat on the previous year. There was also a marked rundown of stocks, as stock-building was discouraged by high international interest rates and the slowdown in the rate of raw-material price rises.

Partly in keeping with the normal pattern of the investment cycle, the volume of investment in machinery and equipment continued to expand at a modest rate after building and other construction activity had already begun to contract. An additional factor bolstering investment in machinery and equipment was the fairly brisk activity in the areas of modernization, rationalization and energy saving caused by substantial movements in relative prices over the past few years.

The Bank of Finland investment inquiry carried out in November suggests that, examined sectorally, the fastest investment growth occurred in energy production. This reflects efforts to economize in the use of energy, including the substitution of domestic energy

sources for imports. In manufacturing, the performance was mixed. Investment activity increased in the metal industry, the only sector where demand prospects have remained bright. The volume of investment in the forest industries reached the same level as in 1980 on account of the continuation of several major long-term projects, whereas investment activity in other manufacturing decreased slightly. All in all, the total volume of manufacturing investment rose by about 1 per cent in 1981.

In the sheltered corporate sector the imposition in November 1980 of a tax on »less essential investments» (see front article, Bulletin 2/81) temporarily boosted starts of investment projects before the tax came into force at the beginning of 1981. However, the measure clearly curbed building activity in this sector as the year wore on. The worsening employment outlook together with the slow rise in real disposable income brought the growth of demand for dwellings to a halt, with the result that there was a slight decline in housing investment in 1981.

Throughout the upswing which began in early 1979 and ended last year, the share of gross fixed capital formation in GDP remained below its long-term trend, reaching a cyclical peak of 24.6 per cent in 1980. In part the fall in the investment ratio is attributable to the marked decline in infrastructure investments, particularly in transport services and housing, both of which have been affected by underlying trends in, among other things, demographic factors. The investment ratio has also been low in the corporate sector leaving fairly little scope for capital widening. Since the emphasis has

**ANNUAL PERCENTAGE CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1980 AND 1981 AND PLANNED CHANGES FOR 1982<sup>1</sup>, ACCORDING TO THE BANK OF FINLAND INVESTMENT INQUIRY OF NOVEMBER 1981**

	1980	1981	1982
<i>By industrial sector</i>			
Forest industries	44	0	-6
Metal industries	33	11	1
Other manufacturing	26	-3	9
Total manufacturing	33	1	1
Electricity, gas and water	-24	19	19
<i>By type of investment</i>			
Building investment	33	-6	7
Investment in machinery and equipment	16	8	3
Total industrial fixed investment	21	4	4

<sup>1</sup> For forecast purposes, information on planned investment is usually revised by means of realized investment functions derived from earlier inquiries. Evidence suggests that, when economic activity picks up, future investment tends to be underestimated.

been on rationalization and replacement, the growth of productive capacity has been modest. This partly explains why the rate of capacity utilization reported by industrial firms in the Bank of Finland investment inquiry was as high as almost 87 per cent in 1981.<sup>1</sup> As a result of firms' cautious investment behaviour, indebtedness in the corporate sector has stopped growing.

The deteriorating international cyclical prospects seem to have prompted firms to cut back their earlier investment plans. Even so, the inquiry suggests that industrial investment activity will continue to expand in 1982. The vigorous expansion of investment activity in the energy sector will be sustained, but in manufacturing investment will not increase to any appreciable extent. Of the main sectors of manufacturing, investment by the forest industries is expected to fall off, whereas investment by the metal industry will remain virtually unchanged on the previous year. In other manufacturing, firms expect investment activity to expand next year. As regards the type of in-

vestment at the total industry level, the inquiry indicates that investment in both machinery and buildings will increase in 1982. However, should actual cyclical developments differ from those anticipated by firms, the implementation of planned investments may be affected accordingly.

Industrial firms expect the fall in capacity utilization to continue during the first half of 1982 with the rate of decline levelling off in the latter part of the year. The inquiry suggests, however, that the drop in capacity utilization is likely to remain distinctly smaller than in the previous recession, which began in the mid-1970s. The cyclical prospects are most pessimistic in the forest industries.

In the sheltered corporate sector, a minor revival in investment is forecast following the termination of the investment tax from the beginning of September 1981, except in the greater Helsinki area where it will remain in force until the end of February 1982. Several municipal investment projects are also expected to get under way once the tax is removed. By contrast, the fall in residential investment will continue.

To support investment activity in the face of deteriorating cyclical conditions the central government decided last autumn to accelerate the release of investment reserves so that all reserves were at the disposal of firms from the beginning of this year. It has been estimated that these funds may account for some 6 per cent of annual private investment. To make the use of investment reserves more attractive they have been exempted in full from local government taxes and in central government taxation the former deduction of 3 per cent of the value of the reserves used has been raised to 6 per cent. Moreover, the central government has proposed that industrial firms be allowed free depreciation for investments started this year. In the financial market sufficient ease will be maintained so as not to limit investment activity.

January 27, 1982

<sup>1</sup> The highest figure ever recorded was 92 per cent in 1970, the lowest, 77 per cent, in 1977.

	1981		1982			
	Jan. 30	Dec. 31	Jan. 8	Jan. 15	Jan. 22	Jan. 29
<b>Assets</b>						
Gold and foreign exchange receivables	7 257	9 463	9 814	9 600	9 491	9 550
Gold	1 073	1 382	1 382	1 382	1 382	1 382
Special drawing rights	527	632	632	632	632	632
IMF reserve tranche	380	394	394	394	394	394
Foreign bonds	1 994	1 405	1 390	1 387	1 384	1 381
Convertible currencies	3 184	3 686	3 716	3 055	3 011	2 921
Tied currencies	99	1 964	2 300	2 750	2 688	2 840
Other foreign receivables	1 540	1 606	1 606	1 606	1 606	1 606
Mark subscription to Finland's IMF quota	1 540	1 606	1 606	1 606	1 606	1 606
Receivables from financial institutions	5 326	3 690	3 475	4 664	4 177	2 873
Banks' cheque accounts	558	495	646	707	657	521
Call money market advances	3 679	1 796	1 433	2 653	2 179	979
Till-money credits	536	768	743	653	688	710
Bonds	532	594	620	626	625	625
Other financial institution receivables	21	37	33	25	28	38
Receivables from the public sector	1 081	1 236	1 237	1 252	1 255	1 262
Government promissory notes	354	354	354	354	354	354
Bonds	293	386	384	396	402	406
Total coinage	413	483	483	484	485	487
Other public sector receivables	21	13	16	18	14	15
Receivables from corporations	3 441	4 549	4 535	4 629	4 630	4 643
Financing of exports	1 470	1 754	1 722	1 729	1 734	1 736
Financing of domestic deliveries	1 661	2 111	2 128	2 182	2 180	2 191
Bonds	217	187	186	198	196	196
Other corporate receivables	93	497	499	520	520	520
Other assets	80	89	91	92	90	89
<b>Total</b>	<b>18 725</b>	<b>20 633</b>	<b>20 758</b>	<b>21 843</b>	<b>21 249</b>	<b>20 023</b>
<b>Liabilities</b>						
Foreign exchange liabilities	509	96	101	102	105	101
Convertible accounts	21	41	94	94	96	93
Tied accounts	488	55	7	8	9	8
Other foreign liabilities	2 560	2 597	2 597	2 597	2 597	2 597
IMF mark accounts	1 864	1 871	1 871	1 871	1 871	1 871
Allocations of special drawing rights	696	726	726	726	726	726
Notes and coins in circulation	4 666	5 595	5 369	5 291	5 234	5 257
Notes	4 294	5 152	4 932	4 857	4 802	4 827
Coins	372	443	437	434	432	430
Deposit certificates in circulation	1 000	1 600	1 600	2 600	2 600	1 000
Claims of financial institutions	4 142	3 797	4 165	4 276	3 685	4 239
Banks' cheque accounts	1	0	0	7	2	0
Call money market deposits	470	1 080	1 390	1 520	920	1 380
Cash reserve deposits	3 461	2 492	2 492	2 490	2 490	2 605
Capital import deposits	121	201	268	244	244	244
Other financial institution claims	89	24	15	15	29	10
Claims of the public sector	631	578	578	578	620	434
Cheque accounts	1	1	1	1	0	0
Counter-cyclical reserves	545	433	433	433	433	387
Counter-cyclical deposits	54	143	143	143	143	3
Capital import deposits	7	—	—	—	43	43
Other public sector claims	24	1	1	1	1	1
Claims of corporations	961	1 433	1 429	1 426	1 421	1 419
Deposits for investment and ship purchase	756	1 425	1 421	1 418	1 410	1 409
Capital import deposits	63	—	—	—	—	—
Export deposits	133	0	—	—	—	—
Other corporate claims	9	8	8	8	11	10
Other liabilities	14	15	20	17	15	14
Equalization accounts	1 966	609	584	638	652	640
Capital accounts	2 276	4 313	4 315	4 318	4 320	4 322
Primary capital	1 400	3 000	3 000	3 000	3 000	3 000
Reserve fund	750	750	1 032	1 032	1 032	1 032
Undisposed profits	113	—	281	281	281	281
Net earnings	13	563	2	5	7	9
<b>Total</b>	<b>18 725</b>	<b>20 633</b>	<b>20 758</b>	<b>21 843</b>	<b>21 249</b>	<b>20 023</b>

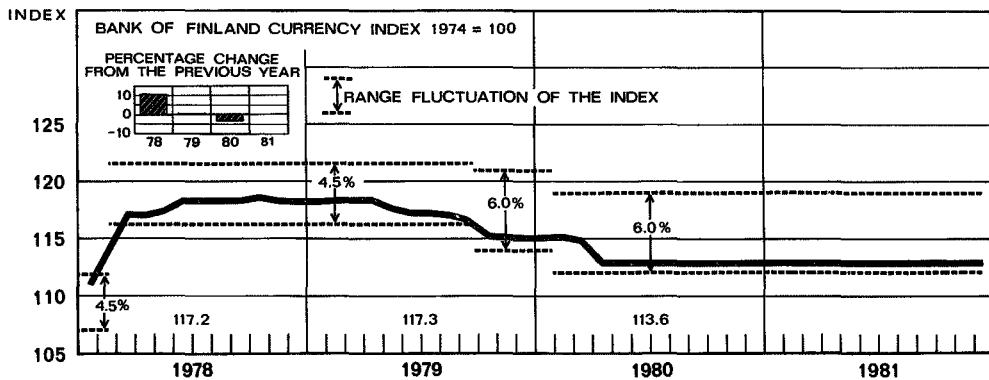
End of year or month	Foreign sector							Public sector			
	Gold SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	Deposit certificates in circulation
	1	2	3	4	5	6	7	8	9	10	11
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	—
1977	337	543	1 212	2 092	496	-2 031	557	391	328	-63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	591	-634	1 900
1981	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	578	-658	1 600
1981											
Jan.	1 980	1 994	3 163	7 137	-389	-1 020	5 728	1 081	631	-450	1 000
Feb.	1 974	1 812	4 165	7 951	-165	-1 020	6 766	1 095	647	-448	1 500
March	1 974	1 764	4 107	7 845	-363	-1 020	6 462	1 112	656	-456	1 800
April	1 974	1 726	4 698	8 398	-349	-1 020	7 029	1 116	667	-449	1 300
May	1 974	1 708	3 777	7 459	315	-1 020	6 754	1 161	680	-481	300
June	1 974	1 422	4 331	7 727	437	-1 020	7 144	1 155	696	-459	700
July	2 150	1 400	4 109	7 659	1 166	-1 020	7 805	1 186	731	-455	600
Aug.	2 142	1 420	4 154	7 716	1 362	-1 020	8 058	1 209	747	-462	450
Sept.	2 129	1 582	3 687	7 398	1 435	-1 007	7 826	1 198	727	-471	450
Oct.	2 131	1 597	2 908	6 636	1 472	-1 007	7 101	1 213	698	-515	750
Nov.	2 090	1 498	3 065	6 653	1 878	-970	7 561	1 196	699	-497	1 550
Dec.	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	578	-658	1 600
1982											
Jan.	2 408	1 381	2 828	6 617	2 832	-991	8 458	1 262	434	-828	1 000

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1980			Net holdings, Nov. 30, 1981			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Nov.	Jan.-Nov.
Gold	1 073	—	1 073	1 075	—	1 075	—	+2
Special drawing rights	397	—	397	635	—	635	-41	+238
IMF reserve tranche	380	—	380	380	—	380	—	—
Foreign bonds	2 125	—	2 125	1 498	—	1 498	-99	-627
Convertible currencies	3 823	-7 194	-3 371	3 066	-6 903	-3 837	+406	-466
Total	7 798	-7 194	604	6 654	-6 903	-249	+266	-853
Tied currencies	-757	-67	-824	1 878	-109	1 769	+387	+2 593
Grand total	7 041	-7 261	-220	8 532	-7 012	1 520	+653	+1 740

End of year or month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and redis-counted bills	Cheque account receiv-ables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabili-ties, net	Net receiv-ables (1+2+3-4-5-6)	Perma-nent special financing schemes	Liabili-ties, net	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980	—	480	3 674	290	3 317	-1 064	1 611	3 063	642	2 421	4 954
1981	—	495	1 796	1 080	2 492	-1 174	-107	3 865	749	3 116	5 595
1981											
Jan.	—	557	3 679	470	3 461	-879	1 184	3 131	651	2 480	4 666
Feb.	—	593	3 651	975	3 469	-975	775	3 178	668	2 510	4 661
March	—	620	4 978	1 610	3 472	-1 188	1 704	3 249	724	2 525	4 960
April	—	550	3 197	925	3 055	-1 141	908	3 290	782	2 508	5 033
May	—	576	2 717	1 340	2 783	-1 131	301	3 340	797	2 543	5 082
June	—	603	2 635	1 430	2 346	-1 303	765	3 441	1 167	2 274	5 212
July	—	610	1 876	1 240	2 396	-1 186	36	3 525	1 228	2 297	5 166
Aug.	—	610	1 916	1 770	2 429	-1 348	-325	3 517	1 263	2 254	5 089
Sept.	—	535	1 994	1 380	2 464	-1 155	-160	3 649	1 308	2 341	5 023
Oct.	—	561	2 443	780	2 469	-1 164	919	3 786	1 327	2 459	5 131
Nov.	—	607	3 218	1 430	2 476	-1 226	1 145	3 829	1 124	2 705	5 201
Dec.	—	495	1 796	1 080	2 492	-1 174	-107	3 865	749	3 116	5 595
1982											
Jan.	—	521	979	1 380	2 605	-1 119	-1 366	3 927	703	3 224	5 257



# MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks mill. mk	Cash reserve deposits of the commercial banks mill. mk	Bank of Finland placements in the call money market, mill. mk	Base rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks <sup>1</sup> %
	1	2	3	4	5	6	7	8	9	10
1975	4 000	3 611	2 725	—	—	239 <sup>2</sup>	9.25	26.80 <sup>2</sup>	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03
1980	4 963	4 097	783	2 542	2 220	3 313	9.20	12.38	12.37	9.77
1981	4 087	2 754	595	2 795	2 442	2 161	9.25	11.48	11.61	..

1981

Jan.	4 677	3 693	540	3 324	2 917	3 153	9.25	12.50	13.61	9.84
Feb.	4 976	3 905	600	3 443	3 033	3 307	9.25	12.50	12.82	9.84
March	5 039	4 026	600	3 458	3 022	3 429	9.25	11.72	12.89	9.85
April	5 838	3 974	600	3 259	2 829	3 377	9.25	10.67	10.26	9.85
May	3 950	2 848	600	2 918	2 523	2 249	9.25	11.00	11.20	9.86
June	3 658	2 634	600	2 569	2 228	2 036	9.25	11.00	10.96	9.85
July	3 513	1 760	600	2 346	2 052	1 161	9.25	11.00	10.73	9.85
Aug.	3 115	1 678	600	2 393	2 099	1 080	9.25	11.45	10.58	9.85
Sept.	3 265	1 558	600	2 428	2 126	959	9.25	11.50	11.05	9.81
Oct.	3 544	2 032	600	2 459	2 151	1 434	9.25	11.50	11.37	9.81
Nov.	3 533	2 092	600	2 465	2 157	1 494	9.25	11.50	11.26	9.82
Dec.	3 941	2 850	600	2 473	2 164	2 253	9.25	11.30	11.74	..

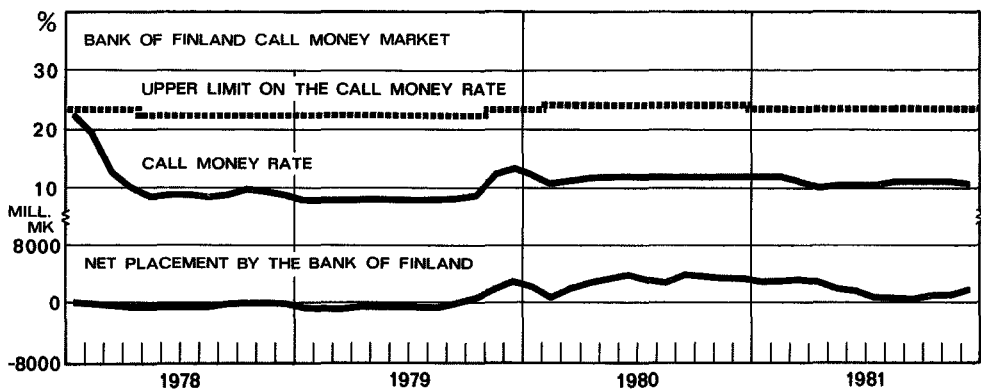
1982

Jan.	2 526	1 163	600	2 502	2 194	567	9.25	12.30	..	..
------	-------	-------	-----	-------	-------	-----	------	-------	----	----

See explanations on page 22.

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

<sup>2</sup> 1. 9.—31. 12. 1975.





# FOREIGN EXCHANGE RATES

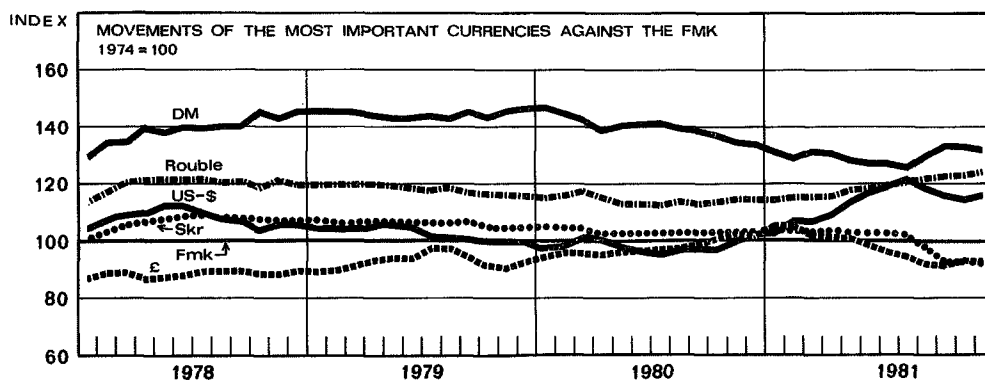
Mill. mk

Average selling rates for foreign exchange, mk

Period	New York	London	Stockholm	Oslo	Copenhagen	Frankfurt	Zurich	Paris	Moscow	Currency index 1974=100
	1 US \$ USD	1 £ GBP	100 Skr SEK	100 Nkr NOK	100 Dkr DKK	100 DM DEM	100 Sfr CHF	100 FF FRF	1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3
1980	3.730	8.691	88.43	75.81	66.53	205.58	222.87	88.65	5.741	113.6
1981	4.315	8.731	85.74	75.54	60.96	191.31	220.34	79.92	5.986	113.1

1981										
Jan.	3.889	9.369	87.85	74.62	63.38	194.10	214.34	84.20	5.747	113.1
Feb.	4.073	9.358	88.59	75.50	61.88	189.90	209.14	82.18	5.779	113.1
March	4.072	9.098	88.65	75.78	61.78	193.33	211.94	82.26	5.810	113.1
April	4.151	9.061	88.76	76.20	61.37	192.38	210.91	81.66	5.825	113.1
May	4.321	9.047	88.51	76.52	60.18	188.58	209.60	79.04	5.922	113.1
June	4.448	8.805	88.34	75.62	59.90	187.41	214.73	78.97	5.951	113.1
July	4.543	8.546	87.97	74.82	59.79	186.54	217.10	78.75	6.028	113.1
Aug.	4.629	8.445	87.59	75.24	59.23	185.36	213.77	77.77	6.078	113.1
Sept.	4.504	8.197	83.48	75.79	61.25	191.31	222.42	80.18	6.127	113.1
Oct.	4.424	8.173	80.19	75.19	61.61	196.84	234.86	79.05	6.165	113.1
Nov.	4.354	8.301	79.70	75.18	61.11	195.91	244.06	79.98	6.188	113.1
Dec.	4.375	8.368	79.24	75.96	60.07	194.01	241.26	76.96	6.207	113.1

1982										
Jan.	4.409	8.339	78.84	75.55	59.24	192.69	239.40	76.09	6.215	113.1



# DEPOSITS BY THE PUBLIC

Mill. mk

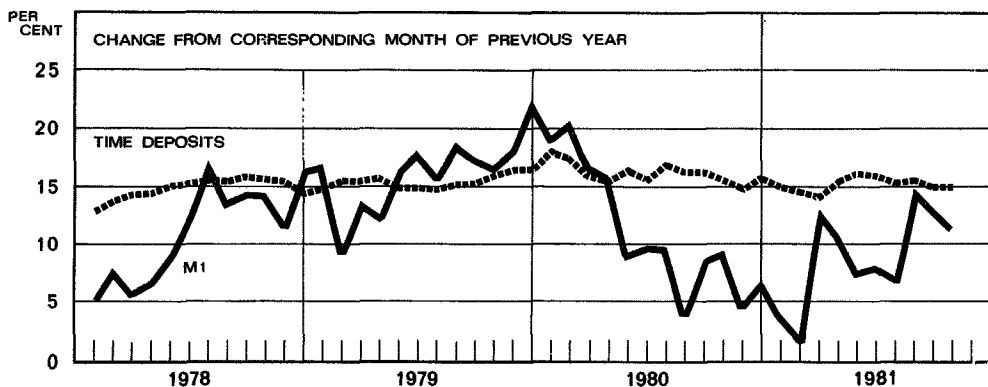
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180

## 1980

Oct.	4 584	2 325	2 859	9 768	21 454	19 391	15 216	6 186	62 247	72 015
Nov.	4 410	2 155	2 669	9 234	21 658	19 618	15 416	6 256	62 948	72 182
Dec.	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180

## 1981

Jan.	4 519	2 183	3 011	9 713	22 516	20 394	16 164	6 440	65 514	75 227
Feb.	3 999	2 123	2 848	8 970	22 492	20 683	16 485	6 578	66 238	75 208
March	4 522	2 036	3 913	10 471	22 405	20 581	16 420	6 652	66 058	76 529
April	4 552	2 189	3 366	10 107	23 119	20 851	16 673	6 732	67 375	77 482
May	4 334	2 391	3 035	9 760	23 800	21 177	16 919	6 769	68 665	78 425
June	5 424	2 434	2 956	10 814	23 803	21 451	17 094	6 863	69 211	80 025
July	4 728	2 577	3 102	10 407	24 316	21 818	17 485	6 957	70 576	80 983
Aug.	5 076	2 716	3 194	10 986	24 554	22 012	17 596	7 053	71 215	82 201
Sept.	5 070	2 804	3 226	11 100	24 239	22 056	17 723	7 058	71 076	82 176
Oct.	4 964	2 689	3 245	10 898	24 706	22 221	17 749	7 060	71 736	82 634



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

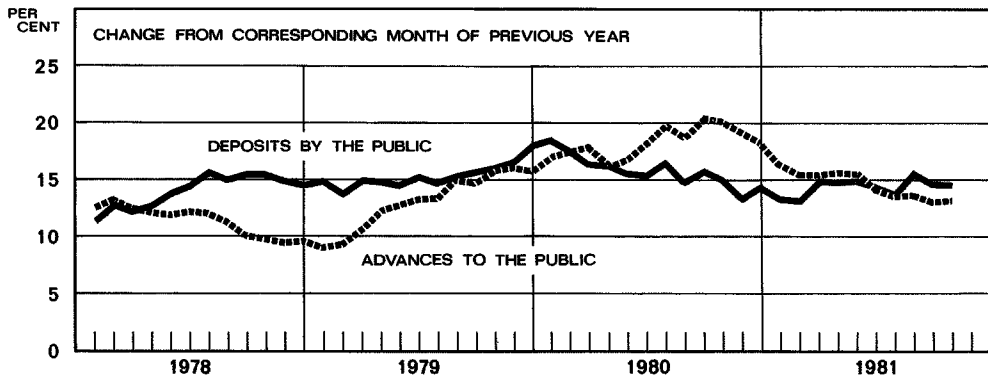
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi- Money
	1	2	3	4	5	6	7		8	9
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157
1980	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601

1980

Oct.	35 931	18 711	16 282	10 061	69 360	2 623	9 002	80 985	14 234	78 290
Nov.	35 789	18 920	16 491	10 166	69 911	2 543	8 912	81 366	13 757	78 488
Dec.	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601

1981

Jan.	35 612	19 269	16 849	10 004	70 763	2 564	8 407	81 734	14 307	81 615
Feb.	36 102	19 462	17 015	9 978	71 487	2 865	8 205	82 557	13 649	81 707
March	36 904	19 617	17 211	9 977	72 291	2 884	8 534	83 709	15 093	82 994
April	37 444	19 751	17 421	10 120	73 015	2 884	8 837	84 736	14 852	84 105
May	38 034	20 004	17 704	10 149	73 769	2 912	9 210	85 891	14 634	85 186
June	38 541	20 278	18 039	10 502	74 629	3 044	9 687	87 360	15 763	87 304
July	38 494	20 570	18 358	10 876	75 599	2 940	9 759	88 298	15 465	88 405
Aug.	39 011	20 845	18 686	10 474	76 295	2 948	9 773	89 016	15 856	89 507
Sept.	39 325	21 199	19 079	10 773	77 556	3 128	9 692	90 376	16 045	89 787
Oct.	40 172	21 466	19 363	10 797	78 871	3 168	9 759	91 798	15 876	90 234



## STATE FINANCES

Mill. mk

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.		
	1980	1981		1980	1981	
Income and wealth tax (net)	12 784	16 134	Wages, salaries, pensions etc.	7 223	8 353	
Gross receipts	(31 782)	(37 218)	Repair and maintenance	948	1 074	
Refunds & local authorities	(-18 998)	(-21 084)	Other consumption expenditure	4 176	4 748	
Other taxes on income and wealth	277	281	Total consumption expenditure	12 347	14 175	
Employers' child allowance payments	98	58	State aid to local authorities	9 237	10 661	
Sales tax	10 539	12 484	State aid to industries	6 622	7 477	
Customs duties and import charges and levies	1 264	1 292	of which: agric. price subsidies	(2 557)	(3 245)	
Excise duties	8 022	9 117	Child allowances	1 431	1 668	
Excise duty on alcoholic beverages	2 405	2 743	Share in national pensions and sickness insurance schemes	486	504	
Excise duty on tobacco	1 026	1 142	Other transfer expenditure	5 315	6 420	
Excise duty on liquid fuel	2 596	2 761	Total transfer expenditure	23 091	26 730	
Other excise duties	1 995	2 471	Machinery and equipment	1 257	1 467	
Tax on autom. and motor-cycles	1 282	1 517	Construction of buildings	701	703	
Stamp duties	931	1 082	Land and waterway construction	1 714	1 841	
Special diesel etc. vehicles tax	151	174	Total real investment	3 672	4 011	
Other taxes and similar revenue	967	1 155	Interest on State debt	973	1 284	
Total taxes	36 315	43 294	Net deficit of State enterprises	-267	-128	
Miscellaneous revenue	2 828	3 105	Other expenditure	11	24	
Interest, dividends etc.	865	977	Total other expenditure	717	1 180	
Redemptions of loans granted	610	776	Increase in inventories	227	-122	
<b>Total revenue</b>	40 618	48 152	Lending	3 047	3 003	
Foreign borrowing	1 790	2 635	Other financial investment	421	497	
Domestic borrowing	2 892	2 409	<b>Total expenditure</b>	43 522	49 474	
<b>Total borrowing</b>	4 682	5 044	Redemption of foreign loans	186	352	
<b>Deficit (+) or surplus (-)</b>	-386	-2 021	Redemption of domestic loans	1 206	1 349	
			<b>Total redemptions</b>	1 392	1 701	
	Total	44 914	51 175	Total	44 914	51 175

State debt	1978	1979	1980	1981		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
<b>Foreign debt</b>	7 360	8 964	10 341	12 427	12 713	13 485
Loans	4 607	6 050	7 585	8 338	8 414	8 516
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	17	113	13	19
Cash debt (net)	-735	-596	-823	-1 214	-893	-961
<b>Domestic debt</b>	4 132	5 658	6 779	7 237	7 534	7 574
<b>Total State debt</b>	11 492	14 622	17 120	19 664	20 247	21 059
Total debt mill \$	2 859	3 915	4 422	4 366	4 581	4 837

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223
1978	35 206	32 338	+2 868
1979	43 430	44 222	-792
1980*	52 795	58 250	-5 455

1981*			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.	4 998	4 495	+503
Feb.	4 434	4 400	+34
March	5 041	4 617	+424
April	4 657	4 916	-259
May	5 540	5 907	-367
June	5 309	4 858	+451
July	4 246	4 412	-166
Aug.	4 776	5 941	-1 165
Sept.	5 098	5 290	-192
Oct.	5 626	5 217	+409
Nov.	5 646	5 475	+171

Jan.-Nov.			
1980*	47 206	52 702	-5 496
1981*	55 371	55 528	-157

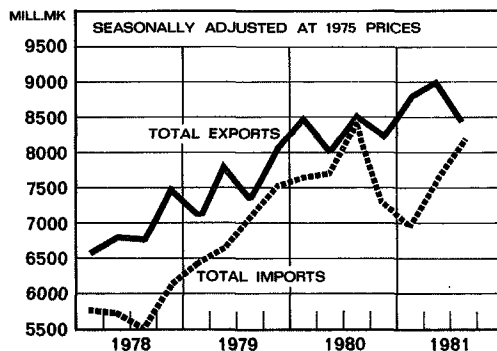
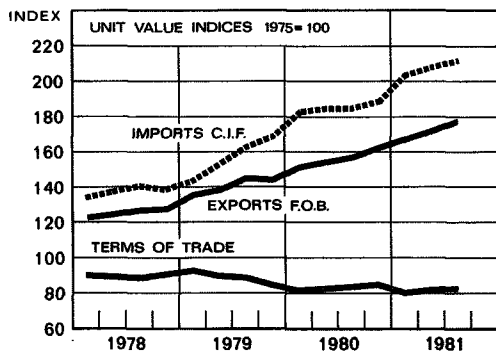
Indices of exports and imports  
1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1975	100	100	100	
1976	117	96	103	107	69
1977	129	88	119	124	96
1978	138	84	126	138	91
1979	151	99	142	159	89
1980*	165	112	158	186	85

1979					
July-Sept.	138	100	147	164	90
Oct.-Dec.	171	113	146	170	86

1980*					
Jan.-March	166	105	152	184	83
Apr.-June	158	106	156	186	84
July-Sept.	160	120	159	186	85
Oct.-Dec.	177	112	164	190	86

1981*					
Jan.-March	169	94	169	205	82
Apr.-June	177	107	173	209	83
July-Sept.	156	105	179	213	84



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

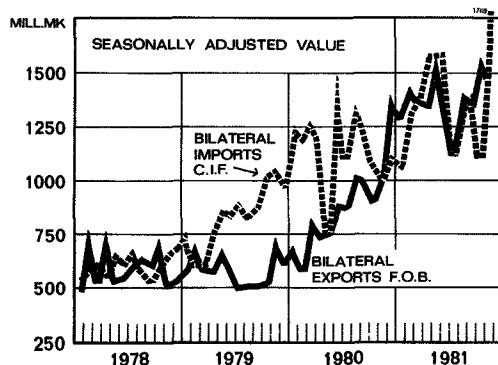
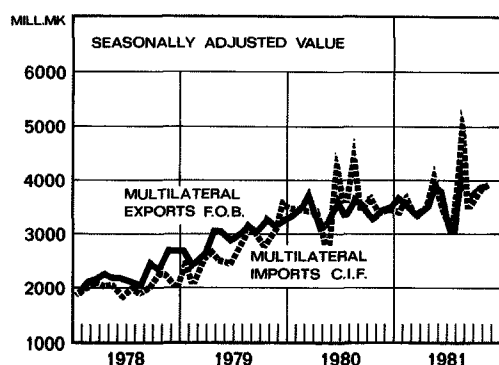
Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1980*	1 403	7 742	15 751	11 546	16 353	38 622	4 088	7 989	7 440	111

1981\*

Jan.	392	592	1 341	1 295	1 378	2 727	283	818	665	2
Feb.	104	526	1 324	1 045	1 435	2 828	238	619	701	14
March	299	557	1 387	1 069	1 729	2 933	209	799	669	7
April	72	570	1 502	1 050	1 463	3 126	271	750	767	2
May	318	644	1 378	1 678	1 522	4 209	344	682	668	4
June	89	717	1 363	1 371	1 769	2 993	621	665	565	14
July	87	504	1 453	1 164	1 038	2 640	588	614	537	33
Aug.	95	515	1 316	918	1 932	3 584	644	1 035	671	7
Sept.	103	536	1 560	1 028	1 871	3 461	561	590	674	4
Oct.	82	574	1 589	1 511	1 870	3 223	454	777	759	4
Nov.	71	579	1 519	1 515	1 962	3 585	474	703	709	4

Jan.-Nov.

1980*	1 143	7 073	14 272	9 980	14 738	34 912	3 708	7 133	6 843	106
1981*	1 712	6 314	15 732	13 644	17 969	35 309	4 687	8 052	7 385	95



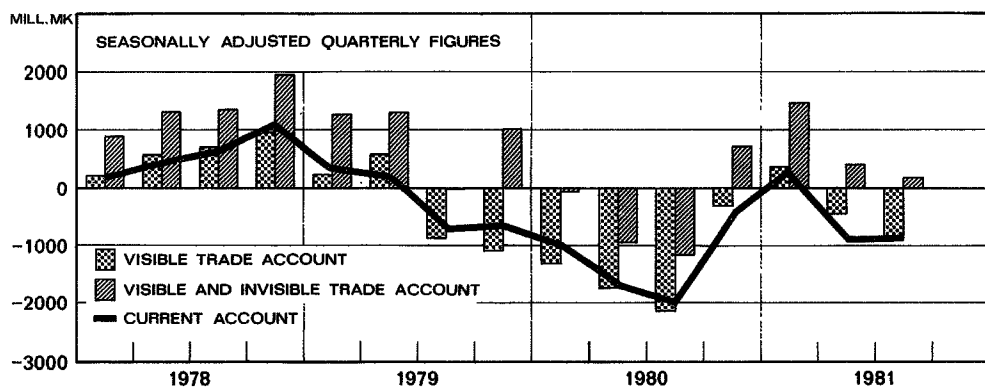
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January-November				January-November			
	1980*		1981*		1980*		1981*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	65.1	30 721	56.8	31 469	52.3	27 586	50.5	28 033
Austria	0.8	358	0.6	338	1.2	619	1.2	661
Belgium and Luxembourg	1.4	668	1.5	820	1.7	900	1.7	950
Denmark	3.6	1 701	3.3	1 801	2.4	1 263	2.2	1 231
France	4.6	2 195	3.9	2 145	3.1	1 614	3.2	1 766
Federal Republic of Germany	10.9	5 125	9.2	5 075	12.7	6 711	12.2	6 754
Italy	2.4	1 139	1.9	1 058	2.4	1 257	2.3	1 276
Netherlands	4.4	2 097	3.4	1 881	2.6	1 349	2.6	1 471
Norway	4.3	2 041	4.8	2 669	2.1	1 116	2.5	1 412
Portugal	0.4	166	0.3	165	0.5	265	0.5	261
Spain	0.9	421	0.7	405	0.8	440	0.7	362
Sweden	16.9	7 961	13.5	7 482	12.0	6 335	11.0	6 101
Switzerland	1.6	769	1.3	743	1.6	843	1.7	927
United Kingdom	11.5	5 417	10.8	5 962	8.7	4 591	8.1	4 524
Other	1.4	663	1.6	925	0.5	283	0.6	337
<b>OECD countries outside Europe</b>	5.4	2 534	6.1	3 383	9.9	5 202	12.2	6 788
Canada	0.5	225	0.7	373	0.8	396	0.7	375
Japan	0.7	326	0.8	416	3.2	1 704	3.7	2 068
United States	3.2	1 491	3.7	2 066	5.7	3 023	7.5	4 174
Other	1.0	492	0.9	528	0.2	79	0.3	171
<b>CMEA countries</b>	18.6	8 794	26.4	14 597	25.0	13 206	27.1	15 072
Czechoslovakia	0.3	135	0.3	143	0.5	279	0.6	338
German Democratic Republic	0.6	281	0.7	373	0.6	294	0.6	345
Poland	0.5	226	0.1	73	1.8	963	1.3	741
Soviet Union	16.3	7 713	24.6	13 631	21.1	11 148	23.6	13 100
Other	0.9	439	0.7	377	1.0	522	1.0	548
<b>Latin America</b>	2.0	931	2.1	1 188	2.6	1 355	1.9	1 062
Argentina	0.5	224	0.4	202	0.1	60	0.1	68
Brazil	0.4	190	0.3	172	0.7	373	0.6	335
Colombia	0.1	56	0.1	78	0.8	423	0.4	241
Other	1.0	461	1.3	736	1.0	499	0.8	418
<b>Other</b>	8.9	4 226	8.6	4 734	10.2	5 353	8.3	4 573
<b>GRAND TOTAL</b>	100.0	47 206	100.0	55 371	100.0	52 702	100.0	55 528
of which								
<b>EFTA countries</b>	24.1	11 377	20.7	11 470	17.6	9 258	17.0	9 442
<b>EEC countries</b>	39.5	18 641	35.1	19 445	33.7	17 790	32.9	18 262
<b>OECD countries</b>	70.5	33 255	62.9	34 852	62.2	32 788	62.7	34 820

# BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income net	Un- required transfers net	Other, net	Current account
1977	30 805	30 961	-156	+1 747	-23	+526	+2 094	-2 434	-198	-42	-580
1978	35 068	32 600	+2 468	+2 024	+141	+803	+5 436	-2 713	-211	+94	+2 606
1979	43 302	44 430	-1 128	+3 010	+157	+359	+2 398	-2 840	-430	+111	-761
1980*	52 860	58 315	-5 455	+3 029	+324	+605	-1 497	-3 308	-451	+70	-5 186
1978											
July-Sept.	8 284	7 906	+378	+500	+217	+140	+1 235	-617	-42	+31	+607
Oct.-Dec.	10 406	9 163	+1 243	+588	-8	+273	+2 096	-746	-49	+31	+1 332
1979											
Jan.-March	9 683	9 168	+515	+652	-112	+318	+1 373	-656	-204	+24	+537
Apr.-June	10 847	10 193	+654	+745	+13	-71	+1 341	-963	-91	+25	+312
July-Sept.	10 210	11 573	-1 363	+792	+251	+76	-244	-671	-51	+33	-933
Oct.-Dec.	12 562	13 496	-934	+821	+5	+36	-72	-550	-84	+29	-677
1980*											
Jan.-March	12 787	13 608	-821	+870	-102	+326	+273	-787	-168	+6	-676
Apr.-June	12 470	14 027	-1 557	+557	+81	+103	-816	-723	-99	+34	-1 604
July-Sept.	12 865	15 641	-2 776	+845	+299	+119	-1 513	-765	-101	+12	-2 367
Oct.-Dec.	14 738	15 039	-301	+757	+46	+57	+559	-1 033	-83	+18	-539
1981*											
Jan.-March	14 472	13 613	+859	+904	-79	+78	+1 762	-998	-109	-7	+648
Apr.-June	15 495	15 764	-269	+911	+85	-154	+573	-1 259	-105	+6	-785
July-Sept.	14 103	15 711	-1 608	+902	+461	+85	-160	-1 024	-90	+11	-1 263





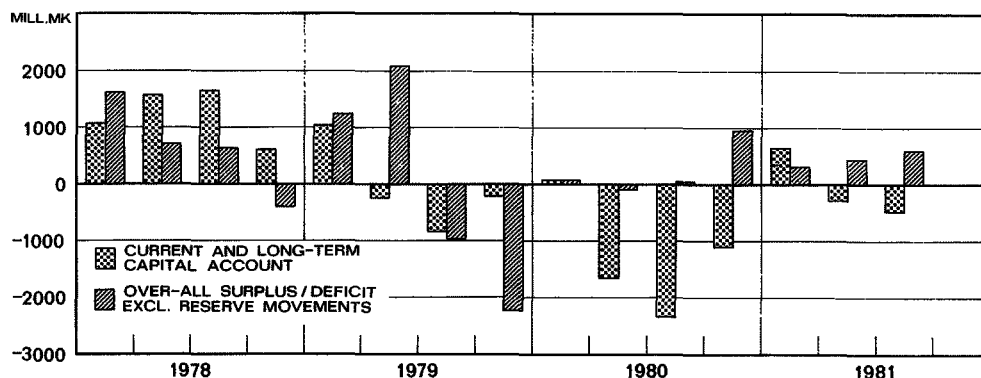
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net <sup>2</sup>	Miscellaneous, short-term capital terms, incl. errors and omissions <sup>2</sup>	Over-all surplus deficit excl. reserve movements <sup>2</sup>	Bank of Finland foreign exchange reserves
+6 454	-2 745	-241	-401	+3 067	+2 487	-1 547	-470	-279	+25	+216	-216
+9 007	-5 743	-774	-225	+2 265	+4 871	+130	-2 188	-703	+479	+2 589	-2 589
+6 230	-4 843	-541	-337	+509	-252	+831	-834	+1 211	-834	+122	-122
+5 183	-4 140	-433	-428	+182	-5 004	+3 255	-967	+3 930	-219	+995	-995
+2 265	-1 089	-96	-38	+1 042	+1 649	+20	-692	-588	+252	+641	-641
+1 966	-2 067	-511	-119	-731	+601	+261	-692	-17	-549	-396	+396
+2 202	-1 626	-8	-46	+522	+1 059	-19	-63	+819	-564 <sup>3</sup>	+1 232	-1 232
+1 267	-1 453	-218	-174	-578	-266	+39	-62	+1 966	+423	+2 100	-2 100
+1 258	-892	-336	+70	+100	-833	+422	-354	-1 100	+880	-985	+985
+1 503	-872	+21	-187	+465	-212	+389	-355	-474	-1 573	-2 225	+2 225
+2 108	-1 113	-171	-65	+759	+83	+302	-31	+518	-789 <sup>3</sup>	+83	-83
+1 076	-997	-39	-86	-46	-1 650	+1 498	-32	+1 666	-1 577	-95	+95
+1 126	-913	-36	-146	+31	-2 336	+711	-452	+1 189	+942	+54	-54
+873	-1 117	-187	-131	-562	-1 101	+744	-452	+557	+1 205	+953	-953
+1 404	-955	-227	-232	-10	+638	-526	+789	+143	-735 <sup>3</sup>	+309	-309
+1 948	-1 213	+11	-248	+498	-287	+788	+790	+70	-931	+430	-430
+1 932	-797	-154	-192	+789	-474	+67	+90	-608	+1 512	+587	-587

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

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

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

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



# FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (9-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other	Total (5 to 8)	
	1	2	3	4	5	6	7	8	9	
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675
1980*	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793

1978

Sept.	2 548	1 785	885	5 218	28 212	5 812	1 885	187	36 096	30 878
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660

1979\*

March	3 001	1 972	1 008	5 981	28 214	5 584	1 924	221	35 943	29 962
June	3 179	2 089	1 029	6 297	27 763	5 172	1 923	226	35 084	28 787
Sept.	3 419	2 226	1 066	6 711	27 724	4 956	1 930	232	34 842	28 131
Dec.	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675

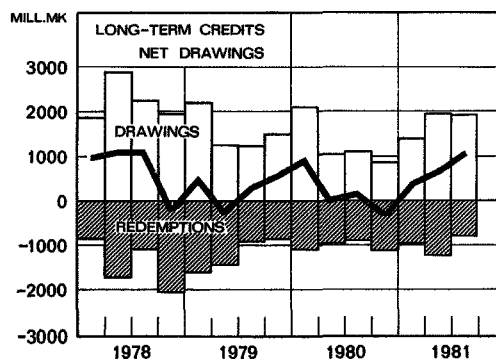
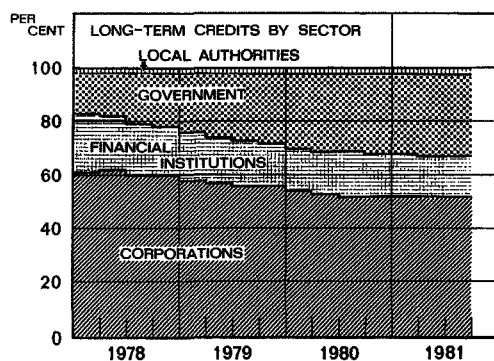
1980\*

March	3 625	2 456	932	7 013	29 122	4 692	1 971	288	36 073	29 060
June	3 534	2 539	967	7 040	28 887	4 517	1 990	268	35 662	28 622
Sept.	3 594	2 649	972	7 215	29 251	4 482	2 029	278	36 040	28 825
Dec.	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793

1981\*

March	4 254	2 945	1 229	8 428	30 523	4 455	2 138	442	37 558	29 130
June	4 473	3 161	1 278	8 912	32 814	4 467	2 180	406	39 867	30 955
Sept.	4 559	3 329	1 282	9 170	34 414	4 377	2 168	392	41 351	32 181

See explanations on page 22.

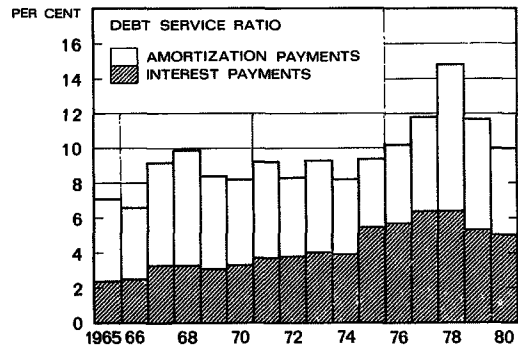
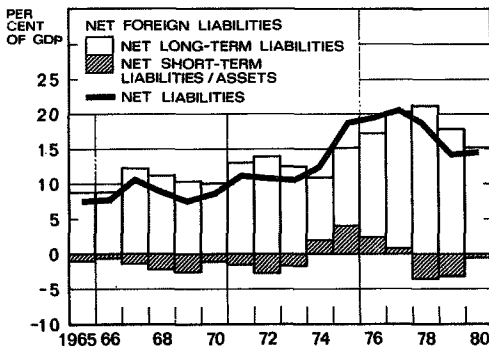


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 776	3 960	7 334	15 070	1 423	6 335	8 241	15 999	929	26 670	4 516	2 082
6 545	4 731	8 698	19 974	1 478	6 379	7 309	15 166	-4 808	24 852	6 623	3 769
7 918	6 579	9 970	24 467	2 340	9 333	7 816	19 489	-4 978	23 697	6 457	3 472
9 895	9 560	12 532	31 987	3 089	16 240	11 849	31 178	-809	27 984	6 716	3 274
7 003	4 509	8 247	19 759	1 483	6 264	7 419	15 166	-4 593	26 285	1 628	984
6 545	4 731	8 698	19 974	1 478	6 379	7 309	15 166	-4 808	24 852	2 109	1 333
7 804	4 187	8 845	20 836	1 611	6 692	7 332	15 635	-5 201	24 761	1 970	1 284
9 871	4 053	9 131	23 055	1 604	8 404	7 476	17 484	-5 571	23 216	2 085	1 082
8 601	4 205	9 508	22 314	1 579	7 620	7 808	17 007	-5 307	22 824	1 315	604
7 918	6 579	9 970	24 467	2 340	9 333	7 816	19 489	-4 978	23 697	1 087	502
8 708	6 936	10 224	25 868	3 113	10 179	7 865	21 157	-4 711	24 349	1 756	937
9 279	7 133	10 509	26 921	3 727	11 970	9 545	25 242	-1 679	26 943	1 518	730
9 250	7 478	11 469	28 197	3 605	13 539	10 567	27 711	-486	28 339	1 554	761
9 895	9 560	12 532	31 987	3 089	16 240	11 849	31 178	-809	27 984	1 888	846
9 701	9 629	12 357	31 687	2 680	16 542	12 332	31 554	-133	28 997	1 749	732
10 125	10 853	12 299	33 277	2 437	18 080	14 037	34 554	1 277	32 232	2 170	897
10 817	11 776	12 288	34 881	2 403	18 487	14 227	35 117	236	32 417	1 631	595

See explanations on page 22.



# PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100						Building costs 1980 = 100 <sup>1</sup>		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1979	791	138.0	135.0	148.7	133.1	150.7	139.2			
1980	919	160.7	156.6	175.0	160.1	167.7	155.9	100.0	100.0	100.0
1981	1 044	182.4	178.6	196.0	185.3	185.3	173.3	110.1	109.6	110.0

1981

April	1 029	179.9	175.6	194.9	183.4	181.2	170.4	108.6	109.5	108.1
May	1 037	181.3	177.1	196.1	184.6	183.3	171.7	108.9	109.6	108.4
June	1 042	182.1	177.7	197.7	185.2	184.8	172.4	109.7	109.6	109.5
July	1 048	183.1	179.0	197.5	185.7	187.0	173.8	110.3	109.6	110.4
Aug.	1 057	184.7	180.5	199.5	187.5	187.9	175.3	110.4	109.6	110.6
Sept.	1 064	185.9	181.9	200.2	189.0	189.8	175.3	112.2	112.8	111.8
Oct.	1 070	187.0	183.6	199.0	189.4	191.7	177.5	113.0	112.8	112.9
Nov.	1 085	189.6	187.2	197.7	193.0	192.2	179.1	113.1	112.8	112.8
Dec.	1 087	190.0	187.6	198.5	193.6	192.6	179.3	113.3	112.8	113.1

<sup>1</sup> New series.

## Consumer prices 1977 = 100

Period	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1980	129.3	122.8	140.9	131.9	122.4	141.1	127.4	137.6	136.4	123.4	132.6
1981	144.8	138.9	157.4	146.6	140.4	168.1	138.0	150.1	148.9	136.3	150.8

1981

April	142.4	136.4	157.4	145.1	134.1	168.1	137.0	145.4	147.4	134.5	149.6
May	144.4	137.1	157.4	146.2	142.1	168.0	137.2	148.3	148.5	135.7	150.1
June	145.3	138.4	157.8	146.4	142.1	168.3	137.4	150.3	149.7	137.1	151.0
July	145.7	140.1	157.9	144.4	142.1	168.6	137.9	152.5	150.2	137.0	151.7
Aug.	146.2	139.8	157.9	146.7	142.1	171.5	138.6	152.6	150.0	139.2	152.2
Sept.	148.1	144.7	158.0	149.5	142.1	172.6	139.9	152.6	152.3	139.7	153.0
Oct.	149.4	146.4	158.0	150.6	146.7	172.8	141.1	154.2	151.3	140.2	154.4
Nov.	149.4	146.0	158.0	151.4	146.7	173.7	141.3	154.3	151.1	140.9	154.7
Dec.	149.9	145.6	158.0	151.9	147.2	177.9	141.7	154.9	152.4	141.1	154.9

# 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							
1979	161.6	151.6	132.8	149.5	145.6	142.6	150.8	148.6	149.3	148.9
1980*	178.6	170.4	146.3	165.8	161.9	156.1	169.8	166.1	167.3	166.7
1980*										
July-Sept.	178.3	170.6	147.1	166.0	162.8	156.2	170.9	167.3	168.0	167.6
Oct.-Dec.	189.3	178.9	153.9	173.7	169.8	162.8	178.8	174.6	175.9	175.3
1981*										
Jan.-March	191.0	183.1	158.1	179.0	176.9	168.9	182.7	179.5	180.3	179.9
Apr.-June	199.6	194.3	163.8	184.9	182.4	173.4	191.8	186.2	189.5	187.8
July-Sept.	202.3	195.2	165.8	187.4	184.1	175.4	193.9	188.5	191.3	189.9

# PRODUCTION

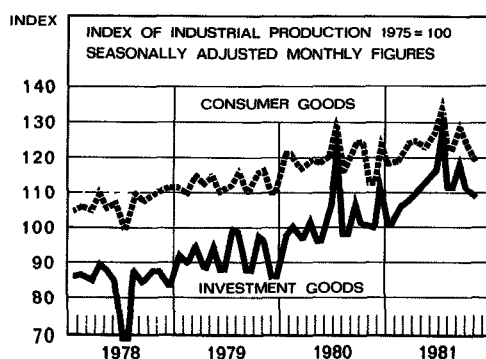
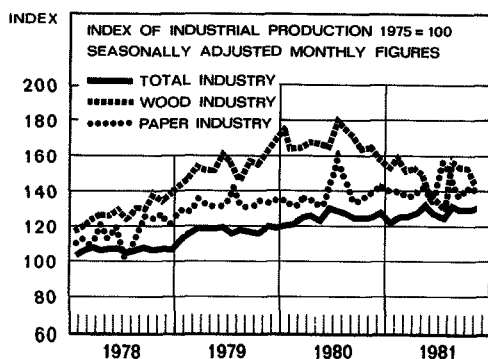
Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1979										
July-Sept.	106	105	161	70	97	86	113	103	120	109
Oct.-Dec.	119	126	77	148	119	90	127	111	122	115
1980*										
Jan.-March	112	126	73	145	79	87	110	96	124	112
Apr.-June	114	126	83	139	79	89	112	104	124	117
July-Sept.	115	116	187	89	111	86	123	106	125	113
Oct.-Dec.	124	135	80	152	121	86	131	114	127	119
1981*										
Jan.-March	113	128	71	137	79	85	112	96	128	115
Apr.-June	117	129	87	144	76	88	121	106	128	120
July-Sept.	115	117	150	73	106	84	127	105	130	116

# PRODUCTION

Index of industrial production 1975 = 100

Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1977	101.8	93.6	100.9	104.4	96.3	199.0	104.6	101.0	94.7	98.7	103.1
1978	107.0	85.6	108.1	111.9	103.9	130.3	118.2	109.6	93.5	99.6	108.2
1979*	118.3	93.7	113.7	127.0	110.8	155.6	134.0	123.7	102.3	110.3	119.0
1980*	127.2	104.8	121.8	135.9	118.0	169.1	141.1	137.2	112.9	122.4	126.7
1980*											
Nov.	133.1	115.6	128.1	140.3	127.3	160.6	147.2	142.4	119.4	133.3	126.3
Dec.	127.8	113.3	124.8	133.2	116.2	145.3	136.0	134.2	96.6	129.0	129.4
1981*											
Jan.	130.3	106.8	126.2	138.6	107.0	146.5	150.3	151.0	104.4	124.3	123.2
Feb.	125.0	108.6	118.6	132.5	100.0	154.2	137.6	142.8	105.5	124.4	126.6
March	136.9	117.0	134.6	143.5	115.6	172.2	148.9	170.1	109.0	131.6	126.5
April	128.4	107.2	127.1	134.8	117.5	176.1	130.0	157.9	106.8	125.7	128.8
May	135.6	120.9	129.3	142.7	121.7	178.4	148.2	157.6	110.6	139.1	133.6
June	123.2	118.1	121.6	125.3	118.9	148.1	111.5	153.3	108.4	135.3	128.6
July	87.9	60.6	80.1	99.0	113.0	67.8	146.6	103.3	71.5	67.7	126.0
Aug.	129.5	112.5	125.9	135.9	118.0	138.2	156.6	156.8	102.2	123.7	132.5
Sept.	138.6	127.5	132.7	144.3	130.8	166.0	144.4	152.0	115.4	144.0	130.7
Oct.	143.6	127.7	140.8	149.3	145.6	160.1	156.8	149.5	112.5	144.2	130.4
Nov.	136.5	123.5	133.6	141.4	135.5	145.8	150.0	157.7	108.2	141.0	125.9



# LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978	3 578	2 253	2 084	169	7.5	29 021	110	120
1979	3 593	2 223	2 134	139	6.1	37 986	117	135
1980*	3 606	2 315	2 203	112	4.8	38 283	119	141

## 1981\*

Feb.	3 622	2 300	2 174	126	5.5	3 839	103	130
March	3 622	2 295	2 167	128	5.6	4 305	108	144
April	3 623	2 272	2 158	114	5.0	4 564	118	140
May	3 624	2 333	2 215	118	5.1	3 588	121	147
June	3 623	2 542	2 415	127	5.0	2 184	125	141
July	3 625	2 556	2 422	134	5.2	1 600	..	..
Aug.	3 627	2 454	2 330	124	5.1	1 732	..	..
Sept.	3 639	2 363	2 245	118	5.0	2 793	..	..
Oct.	3 641	2 352	2 230	122	5.2	3 440	..	..
Nov.	3 642	2 349	2 223	126	5.4	3 679	..	..

## 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											
1978	41.98	17.90	4.97	12.72	3.68	42.56	18.21	3.77	13.59	4.21	42.78
1979	48.64	18.71	6.34	16.57	3.99	38.29	16.70	4.39	11.88	3.25	47.62
1980*	50.53	19.66	5.43	18.41	3.99	42.34	17.05	4.73	14.56	3.81	50.82
1980*											
July-Sept.	11.97	4.69	1.01	4.49	0.91	11.71	3.80	1.48	4.33	1.23	53.72
Oct.-Dec.	11.09	3.38	0.74	5.10	1.29	13.49	5.80	1.65	4.37	1.15	50.82
1981*											
Jan.-March	7.17	2.85	0.90	2.47	0.49	7.91	3.50	0.54	2.81	0.80	45.82
Apr.-June	16.83	7.54	2.79	4.56	0.80	6.99	3.34	0.52	2.29	0.49	51.97
July-Sept.	10.88	4.42	1.15	3.45	0.98	8.47	3.00	1.16	2.64	0.95	54.60

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

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

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

## MONETARY POLICY INDICATORS

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

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

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

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

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

## FOREIGN EXCHANGE RATES

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

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

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

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

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

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

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

## STATE FINANCES

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

## FOREIGN TRADE

Pages 11—13. Figures supplied by the Board of Customs. *Indices* (p. 11): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries*: (p. 13): from January 1980 imports by countries of origin exports by countries of consignment.

## BALANCE OF PAYMENTS

Pages 14—15. Figures are calculated by the Bank of Finland. In the current account, the figures for visible and invisible trade have been revised from 1970 so that they are in accordance with the revised System of National Accounts. In addition to the Board of Customs figures, exports include fuel for carriers but exclude stevedoring expenses and imports include seamen's duty-free imports, fuel for carriers and adjusted allowance for smuggling. On Jan. 1, 1980, foreign bonds were included in the convertible foreign exchange reserves of the Bank of Finland and not in the short-term capital account as earlier. The figures for other years have also been revised accordingly.

## FOREIGN ASSETS AND LIABILITIES

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

Column 21 Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payments of long-term foreign assets and liabilities, excl. amortisation payments of the Bank of Finland's reserves and oil credits.

Columns 21 and 22 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings. 1978 and 1979 debt service does not include amortisation of the Bank of Finland's reserve and oil credits.

## PRICE INDICES

Page 18. All indices calculated by the Central Statistical Office

## WAGES — PRODUCTION

Pages 19—20. Figures supplied by the Central Statistical Office. Page 20. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: Investments goods weight 15.2, other producer goods weight 58.2, and consumer goods weight 26.6. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.7, manufacture of wood, and wood and cork products (SIC 331-2) 5.1, manufacture of paper and paper products (SIC 341) 12.3, manufacture of industrial chemicals (SIC 351-2) 5.3, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.9, and metal industry (SIC 37—38) 31.9.

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

Page 21. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the 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 8, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

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

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

NUMBER OF INHABITANTS (1979): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1979): In South Finland 46.6, in East and Central Finland 14.0, in North Finland 4.0 and in the whole country an average of 15.6 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1979): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 483 743 inhabitants, Tampere (Tammerfors) 165 883, Turku (Åbo) 163 903.

EMPLOYMENT (1979): Agriculture and forestry 12%, industry and construction 34%, commerce 14%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 26%.

LANGUAGE (1979): Finnish speaking 93.6% Swedish speaking 6.3%, others 0.1%.

EDUCATION (1980): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 15 colleges of university standard.

CHANGE OF POPULATION (1979): births 13.3‰, deaths 9.2‰, change + 2.3‰, net immigration - 1.9‰. Deaths in France 10.1‰ and Great Britain 11.9‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1980), in million marks: Gross domestic product at factor cost by industrial origin: agriculture 8 863 (4%), forestry and fishing 8 330 (5%), manufacturing 54 285 (33%), construction 12 102 (7%), trade, restaurants and hotels 19 169 (11%), transport and communication 13 557 (8%), banking and insurance 6 613 (4%), ownership of dwellings 11 048 (7%) other services 34 146 (21%), total 166 113. Index of real domestic product 118 (1975 = 100).

FOREST RESOURCES (1979). The growing stock comprised of 1 606 million m<sup>3</sup> (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 690 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 61 million m<sup>3</sup> and the total removal calculated on the basis of roundwood consumption was 49 million m<sup>3</sup>.

AGRICULTURE (1979). Cultivated land 2.3 million hectares. Number of holdings 229 356 of which 157 673 are of more than 5 ha. Measure of self-sufficiency in bread cereals 44%, 70% in 1980.

INDUSTRY (1980). Gross value of industrial production 170 869 mill. marks, number of workers 419 404, salaried employees 140 613, motive power (1979) 7.7 mill. kW. Index of industrial production 127 for 1980 (1975 = 100).

STATE RAILWAYS (Dec. 31, 1980): Length 6 076 km.

MERCHANT FLEET (Dec. 31, 1981): Passenger vessels 148 (263 673 gross reg. tons), tankers 45 (1 281 984 gross reg. tons), dry cargo vessels 193 (918 246 gross reg. tons), other vessels 97 (15 035 gross reg. tons), total 483 (2 478 938 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1980): Passenger cars 1 225 931 lorries and vans 149 151, buses 8 963, others 8 782, total 1 392 827.

FINNISH AIRLINES (Sept. 1, 1981): Finnair and Kar-Air have in use 3 DC-8, 1 DC-6-ST, 5 Super Caravelles, 9 DC-9 10/14/15, 3 DC-9-41, 12 DC-9-51, 3 DC-10-30, 2 Fokker F-27 and 1 Emprae Bandeirante. Companies have scheduled traffic outside of Finland to 39 airports and to 20 domestic airports.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 22.4, Skr 16.2, £ 13.2, DM 12.6, \$ 10.3, other currencies 25.3. The permissible range of fluctuation is about 3 per cent on either side of the arithmetic mean. The fluctuation limits are 119.0 and 112.0.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1980). There are two big and five small commercial banks with in all 880 offices, 275 savings banks, 372 co-operative banks, five mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-five private insurance companies also grant credits.

RATES OF INTEREST (Feb. 1, 1980). The base rate applied by the Bank of Finland on credit extended to the banks in the context of the quota facility is 9 1/4%. The range of rates for other credits granted by the Bank of Finland is between 7 1/2% and 10 1/2%. Other credit institutions: time deposits 5%; 6 month deposits 6 1/4%; 12 month deposits 7%; 24 month deposits 9% and sight deposits 2%. The highest lending rate 12 1/2%.

# FINNISH REGIONAL POLICY LEGISLATION

by Erkki Laatto,

Director of the Planning Department  
The Prime Minister's Office

Revised legislation on regional policy came into force in Finland at the beginning of 1982. The new legislation is embodied in five separate statutes, one of which is a general law consisting of regulations concerning regional policy objectives and measures, the responsibilities of various authorities, the regional divisions to be applied, regional policy planning and the Regional Policy Council administering the pursuit of regional policy. The remaining four laws contain provisions relating to specific regional policy measures, such as various forms of regional development aid and tax reliefs granted to industry, transport subsidies and the regional development finance extended by the Regional Development Fund Ltd.

Regional policy objectives are also important in the allocation of several other, fairly large, items of central government expenditure, notably regional support for agriculture, state housing loans, state employment appropriations and subsidies granted to local authorities and private enterprises for alleviating unemployment. Furthermore, regional policy plays a prominent role in the allocation of credits granted by the Investment Fund of Finland.

In the last few years, attempts have been made to enhance the effectiveness of public sector measures in regional policy by means of specific regional projects aimed at improving the prerequisites for growth in some of the least developed parts of the country. Similarly, the legislation governing the provision of public services has contributed to redressing regional imbalances; in the implementation of a number of large-scale educational, social and health care reforms, particularly in the early 1970s,

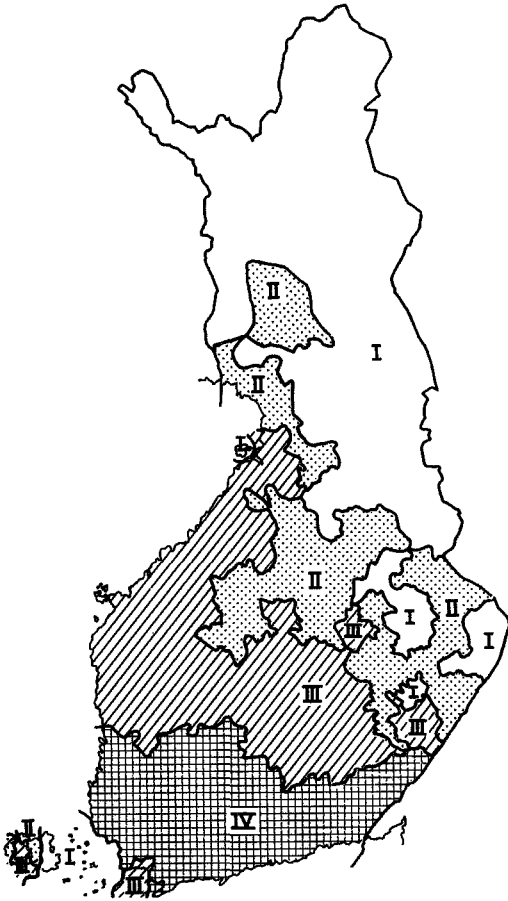
the main emphasis was initially laid on the development regions.

In the 1970s, local authorities also began to take an active interest in promoting industry in areas under their control. This has been most evident in the rapid expansion in their construction of industrial estates and extension of loans and guarantees to enterprises.

The following examination is confined to the specific regional policy measures mentioned above, and which can be thought of as the regional policy legislation proper. The new laws are temporary and will be in force until the end of 1989. They represent the fourth generation of regional policy legislation, previous laws having been enacted in 1966, 1969 and 1975, respectively.

The first acts, passed in 1966, defined the objective of regional policy as being to secure balanced regional development. The same overall goal is also set out in the new laws, according to which regional policy should be primarily aimed at sustaining a regional balance in population growth and ensuring the availability of permanent employment, a rising level of income, the provision of essential services and an environment for people to live in which is equally good in all regions of the country. In setting targets, special attention has also been paid to the importance of curbing structural unemployment and diversifying the structure of production.

The fact that the objectives set have remained virtually unchanged suggests that the experience gained from the previous laws has

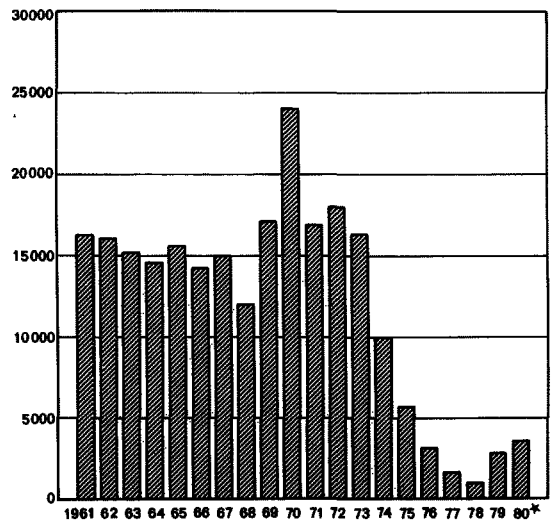


been fairly satisfactory. Under the new laws, Finland is divided into four major zones, of which the first three constitute the actual development regions (see the map). There has been a modest — but distinct — reduction in disparities in the growth of output and income between the development regions and the rest of the country, particularly since the mid-1970s. The gross regional product of the provinces in the development regions has increased at a clearly faster rate than that of southern Finland. However, as the initial level of total output was substantially lower in the development regions than in southern Finland, the per capita differences in gross regional product have been only slightly reduced. In the Province of Lappi, probably the most difficult development region, the growth rate of total output has, nevertheless, been lower than the average for the country as a whole.

Regional differences in industrial development have also diminished, as the development regions have increased their share of industrial investment and new jobs created. During 1971—1979, the total number of jobs in the manufacturing sector increased by about 5 per cent. For provinces in the development regions the corresponding figure was 22 per cent, whereas a fall of about one per cent was registered for southern Finland. However, the level of industrialization in the former is still about 10 percentage points lower than in the industrialized provinces.

The favourable trend of development has been most clearly observable in the balancing of interregional migration flows. Net outward migration from provinces in the development regions reached its peak in 1970 (Chart 1), and net average annual outward migration continued to be substantial in the first half of the 1970s. However, the downward trend strengthened during the latter half of the decade, and in the early 1980s net outward migration from these areas has ceased to be of any major significance. As, moreover, net emigration from Finland gave way to net immigration at the beginning of 1980 — the number of Finns returning from Sweden ex-

**CHART 1. NET OUTWARD MIGRATION FROM PROVINCES IN THE DEVELOPMENT REGIONS IN 1961—1980, NUMBER OF PEOPLE**



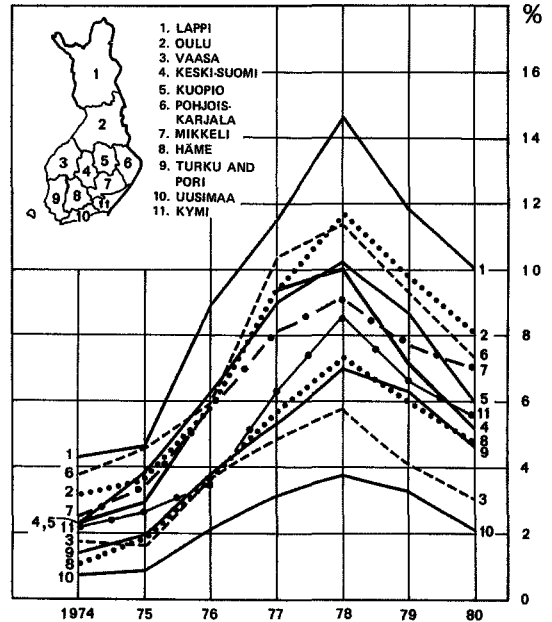
ceeding the number emigrating there — regional policy can be claimed to have entered a new phase of development.

In order to be able to assess the need for regional policy measures, the Council of State deemed it necessary in the mid-1970s to set quantitative population targets for each of the provinces, one of the underlying goals being that there should be no further decline in the population of any province. A comparison of the target figures with actual developments shows that these targets have been more or less accomplished.

In spite of the favourable trends in output and migration, there has not been any notable reduction in regional differences in unemployment. The supply of labour has increased relatively faster in the development regions than in southern Finland, which has meant that the growth in the number of jobs in the development regions, while being fairly rapid, has not sufficed to reduce regional differences in unemployment to any appreciable extent (Chart 2). The rapid increase in the supply of labour in the development regions can be ascribed to a rise in the labour participation rate and to the structure of population, specifically to the relatively large proportion of young people of working age in the population. The supply of labour is forecast to grow at a clearly faster rate in the northernmost development regions than in other provinces, even during the first half of the 1980s.

Moreover, certain established industrial areas have had to contend with regional problems of a new type in recent years. Automation and rationalization in large manufacturing firms have had serious consequences for employment, as these districts have been unable to offset job losses because of their lack of labour-intensive industrial enterprises of small and medium size. These problems have tended to effect the well-being and development of the entire community. The difficulties facing industry have been most acute in the provinces of southern Finland; in particular, municipalities dependent on one or two branches have been

**CHART 2. UNEMPLOYMENT RATES IN DIFFERENT PROVINCES IN 1974—1980, PER CENT**



SOURCE: LABOUR FORCE SURVEY

threatened by industrial decay of this kind. In the revised legislation, provision has been made for forestalling the occurrence of such problems by, for example, designating certain districts as Special Areas, a more detailed description of which follows below.

Regional development finance accounted for about 2 per cent of the total central government budget for 1980. In 1975—1980, total assistance received by enterprises in the development regions amounted to about 5 200 million marks. A total of about 3 100 million marks was granted in the form of credits and similar support, with the credits granted by the Regional Development Fund Ltd accounting for slightly more than half of this amount. Hence, the total value of subsidies and similar aid amounted to slightly more than 2 000 million marks.

Regional development aid granted in the form of specific regional policy measures has done much to promote employment in the development regions. It is estimated that during 1975—

1980 regional development credits contributed to the creation of some 40 000 new permanent jobs and subsidies to about 41 000. However, summing these figures would probably exaggerate the true extent of job certain for it is possible that credits and subsidies have been granted in support of the same projects.

The new legislation endeavours to increase the effectiveness of regional policy measures. Special attention is to be paid to improving the prerequisites for industrial activities in areas where conditions are harshest and to preventing the emergence of new regional problems. For the purpose of implementing specific regional policy measures, the country has been divided into four major zones according to differences in the level of development among the various regions; these zones are as homogeneous as possible, both geographically and in terms of economic activity. Differences in the level of development are assessed mainly on the basis of long-term trends in indicators of employment, migration, and income levels in municipalities. In the development regions, that is, the First, Second and Third Major Zones, municipalities are divided into A and B-Subsidy Areas.

Regional development aid varies both between zones and between A and B-Subsidy Areas. The highest rates of support are paid to the A-Subsidy Areas of the First Major Zone. There are also some subsidy areas outside the development regions, and the rates of support applied to these are the lowest of all. The First Major Zone contains considerably more A-Subsidy Areas than B-Subsidy Areas. This multi-level grading of support as between different areas is designed to ensure that the largest amount of assistance is channelled to the least developed areas.

In addition to this scheme for grading support, a municipality can be designated as a Special Area, eligible for assistance under various special measures. This may arise if, owing to structural reasons, a municipality has a permanently high unemployment rate, if the unemployment rate has suddenly risen to an

abnormally high level, or if the opportunities for developing its industrial activities have otherwise proved exceptionally poor. In particularly severe cases, a limited number of municipalities in a zone may become the focus of specific measures, as, for example, when conditions in these municipalities have become appreciably worse than in the rest of the Major Zone or when the duration of the problem is expected to be clearly longer than a normal cyclical downswing.

The Special Area procedure can be applied to manufacturing and mining municipalities with an undiversified industrial structure where the closing-down of one or more enterprises important to the municipality or substantial cutbacks in their labour force can result in an abrupt deterioration in the employment situation and may eventually lead to a fall in population endangering the viability of the municipality. This procedure can also be applied to rural municipalities which have unusually poor prospects for industrial development, where unemployment has been consistently high and where regional policy and other industrial policy measures have been inadequate to foster favourable development.

It is intended in the new legislation that the Council of State designate a municipality as a Special Area for a fixed period. The Council of State is also to decide on the measures to be applied and the funds needed for their financing. A municipality designated as a Special Area need not necessarily be located in a development region.

Industry is supported by grants in the form of investment, start-up and development subsidies. Assistance can be made available for certain special sectors in primary industry, for mining, quarrying and manufacturing, and for tourism. Enterprises directly promoting corporate activity are also eligible for support; this applies mainly to associated companies engaged in marketing and product development. Firms engaged in, for instance, accounting and data processing may also receive support.

## Investment subsidies

Investment subsidies are available for the acquisition of fixed assets or for adaptations and improvements to existing capital stock. Real estate companies and municipalities are also eligible for investment subsidies.

Investment subsidies are payable at the following rates:

Major Zone	A-Subsidy Area Per Cent	B-Subsidy Area Per Cent
First	35—45	25—35
Second	20—30	10—25
Third	5—15	5—10
Fourth	Subsidy Area 0—5	

Investment subsidies can also be granted at rates below the lower limit in each zone, mainly in cases of large projects or projects which may distort the competitive conditions prevailing in the sector in question.

## Start-up subsidies

In connection with the commencement or expansion of production, start-up subsidies are available towards the sum of direct wage expenditure on the investment and indirect labour costs (25 per cent of the wage bill) at the following rates:

First Major Zone	A-Subsidy Area Per Cent	B-Subsidy Area Per Cent
First year of start-up	35—50	25—40
Second year of start-up	30—45	20—35
Third year of start-up	25—40	15—30
Second Major Zone	A-Subsidy Area Per Cent	B-Subsidy Area Per Cent
First year of start-up	25—35	20—30
Second year of start-up	20—30	15—25
Third year of start-up	15—25	10—20
Third Major Zone	A-Subsidy Area Per Cent	B-Subsidy Area Per Cent
First year of start-up	15—25	10—25
Second year of start-up	10—20	5—15
Third year of start-up	5—15	
Fourth Major Zone	Subsidy Area Per Cent	
First year of start-up	0—20	
Second year of start-up	0—10	

The 12-month period following the completion of expansion is counted as the year of start-up.

## Development subsidies

In development regions and the Fourth Major Zone, development subsidies can be granted for a project which is designed to improve

- management of the enterprise
- production and material operations
- financial planning and control
- marketing
- research and product development.

Development subsidies can cover between 25 and 75 per cent of the approved expenses on projects undertaken in the development regions, between 25 and 45 per cent on projects in the Subsidy Area of the Fourth Major Zone, and between 0 and 25 per cent on projects in the rest of the Fourth Major Zone. In the last-mentioned area, development subsidies are granted mainly to small enterprises, particularly to those operating in the least-developed municipalities of the area.

The upper limit on approved expenses incurred in financing a project is 150 000 marks.

## Tax reliefs

Tax reliefs are granted to enterprises engaged in production or tourism during the 10-year period following the commencement or expansion of activities.

## Tax reliefs include

- unlimited depreciation right
- investment deductions
- exemption from wealth tax
- exemption from discretionary taxation

Investment deductions are allowable in the First, Second and Third Major Zones, according to the following rates:

First Major Zone: 4 per cent of acquisition costs up to 90 000 marks  
 Second Major Zone: 2 per cent of acquisition costs up to 40 000 marks  
 A-Subsidy Areas of the Third Major Zone: 1 per cent of costs up to 20 000 marks.

Unlimited depreciation and investment deductions can also be made on fixed assets purchased second-hand.

The Regional Development Fund Ltd

Forms of activity:

- 1) credits granted for investments in fixed assets and working capital, research and development; loans and development credits granted to municipalities, also without collateral
- 2) purchases of equity shareholdings in client firms, if the investment is essential for the development of an enterprise
- 3) subsidies for development, research and surveys
- 4) guarantees for credits received by small and medium-sized enterprises for investments in fixed assets and working capital.

The Regional Development Fund Ltd was established in 1971. In the revised legislation, the Fund's activities have been extended to include the authority to grant guarantees,

which may total 60 million marks in 1982. The Regional Development Fund Ltd is authorized to lend up to 530 million marks.

Transport support

This form of assistance is available for reducing transportation costs on goods originating from the development regions. The purpose of this support is to reduce the additional costs incurred by enterprises in the development regions as a result of longer-than-average transportation distances. The amount of support varies according to the distance goods are transported, the minimum distance being, with certain exceptions, 266 kilometres. The types of goods eligible for this support are specified separately. Owing to the growing importance of peat processing, peat has been made eligible for transport support in the new legislation. During 1976—1980, a total of about 200 million marks was paid in transport support.

# ITEMS

**Presidential election.** Elections to the College of Electors, which chooses the President of the Republic, were held on the 17th and 18th of January. The turnout at the polls was exceptionally high, 81.2 per cent of the electorate casting their votes. According to the official returns the votes and seats were divided as follows.

	Per cent	Seats
Koivisto's electors (mainly Social Democratic Party)	43.3	145
Holkeri's electors (National Coalition Party)	18.7	58
Virolainen's electors (Centre Party)	16.9	53
Kivistö's electors (People's Democratic League)	11.0	32
Jansson's electors (Swedish Party)	3.8	11
Vennamo's electors (Rural Party)	2.3	1
Sipilä's electors (Liberal Party)	1.8	1
Westerholm's electors (Christian League)	1.9	—
Others	0.3	—
<b>Total</b>	<b>100.0</b>	<b>301</b>

The presidential election was held on January 26, 1982. Dr. Maunu Koivisto received an absolute majority, 167 votes, in the first ballot and was thus elected President of the Republic for the term January 27, 1982, to March 1, 1988.

Dr. Koivisto was Governor of the Bank of Finland from January 1, 1968. He was on leave of absence as prime minister from 1968 to 1970 and again from May 26, 1979 until his appointment as President. Following President Kekkonen's resignation because of ill health on September 10, 1981, Dr. Koivisto was also Acting President.

**Supplementary budgets.** The second and third supplementary budgets for 1981 were approved by Parliament in November and December, respectively. Budgeted state expenditure for 1981 totals 59 330 million marks, 13.4 per cent more than for 1980. In volume terms, this represents an increase of 2 per cent in budgeted expenditure on the previous year. However, taking into account various savings and the postponement of certain payments, the current estimate of total expenditure is 58 417 million marks. Budgeted state revenue — including state borrowing of 5 755 million marks — amounts to 58 657 million marks. Together, the three supplementary budgets involved a 3 258 million mark, or 5.8 per cent, addition of expenditure to the ordinary budget of 56 072 million marks.

The second supplementary budget consisted of an outlay of 225 million marks designed to help relieve the cyclical worsening in the employment situation during the winter of 1981—1982.

Budgeted expenditure in the third supplementary budget totalled 1 877 million marks. As usual, most of the increases in expenditure were caused by greater-than-forecast rises in costs. Similarly, there was an unforeseen additional accrual of income amounting to 2 245 million marks.

Among the individual items of expenditure in the third supplementary budget, the most notable was an outlay of 450 million marks for agricultural price subsidies to cover the increased differential between producer prices and world market prices. In addition, the third supplementary budget includes an outlay of 110 million marks which is part of the compensation to be paid to farmers during 1981—1982 as a result of last year's bad harvest. On the revenue side, direct and indirect taxes each accounted for an additional accrual of income of some 600 million marks.





---

# BANK OF FINLAND

---

## Board of Management

Ahti Karjalainen <i>Vice Chairman, Acting Chairman</i>	Rolf Kullberg <i>Acting Vice Chairman</i>
Pentti Uusivirta	Ele Alenius
Harri Holkeri	Seppo Lindblom <i>Acting Member of the Board</i>

---

## Directors

Markku Puntila	Seppo Lindblom
Eino Helenius	Pentti Koivikko
Kari Nars	Antti Lehtinen

---

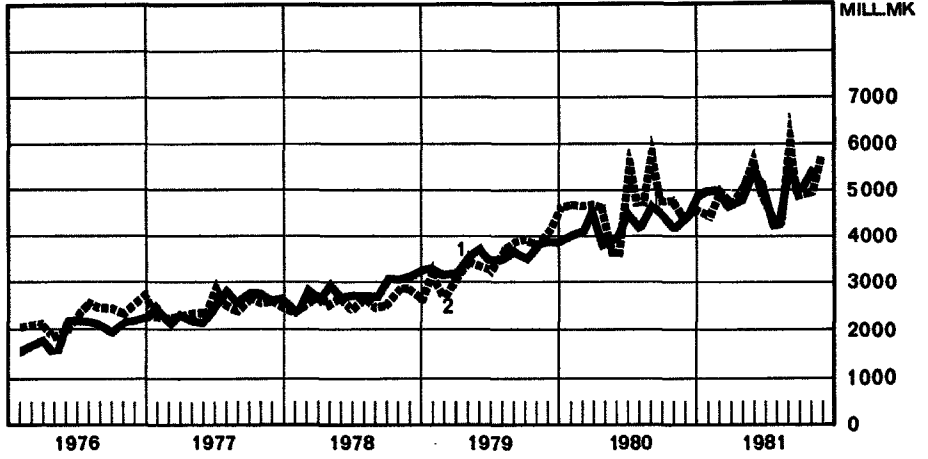
## Senior officials

Pertti Kukkonen <i>Director, ADP-planning</i>	Ralf Pauli <i>Monetary Policy</i>
Raimo Hyvärinen <i>Domestic Financing</i>	Kari Pekonen <i>Exchange Policy</i>
M. Vanhala <i>Foreign Exchange</i>	Kari Holopainen <i>Bilateral Trade</i>
Pekka Tukiainen <i>Foreign Financing</i>	J. Ojala <i>Exchange Control</i>
Seppo Kostiainen <i>Deputy, Economics Dept.</i>	Juhani Hirvonen <i>Deputy, Research Dept.</i>
Markku Pietinen <i>Information</i>	H. T. Hämäläinen <i>Administration</i>
Timo Männistö <i>Internal Audit</i>	U. Levo <i>International Legal Affairs</i>
Erkki Vehkamäki <i>Data Processing</i>	Anton Mäkelä <i>Personnel</i>
Stig G Björklund <i>Payments</i>	Reijo Mäkinen <i>Cash</i>

---

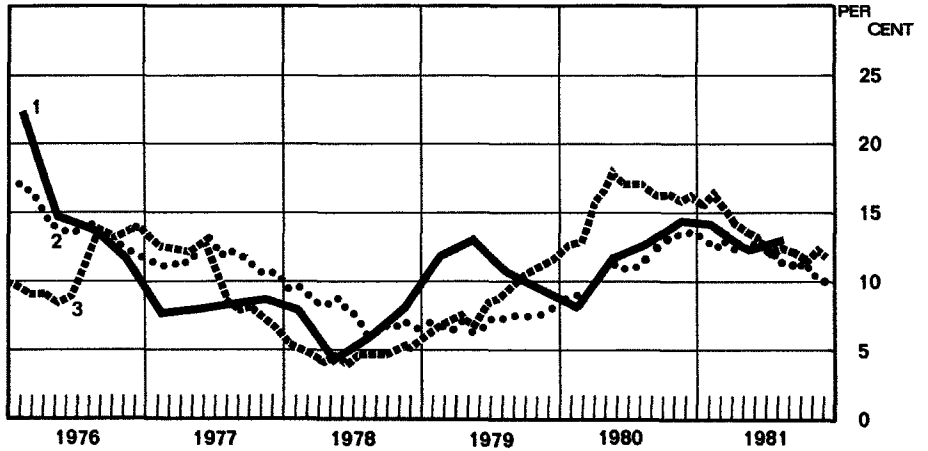
**FOREIGN TRADE, 1976-81**

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



**PRICES AND WAGES, 1976-81**

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



**PRODUCTION, 1976-81**

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

