



BANK OF FINLAND

Monthly Bulletin

Fluctuating trends in employment

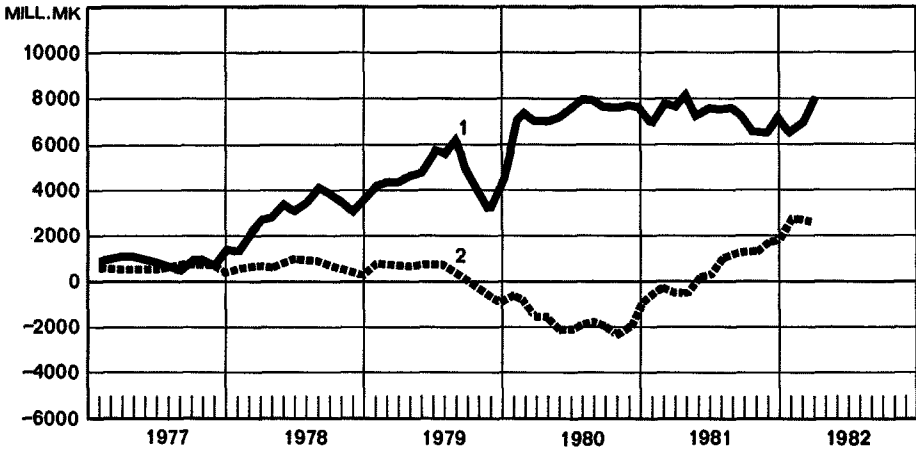
**The Finnish economy in 1981 and
the current outlook**

Finland's travel account in 1981

MAY 1982

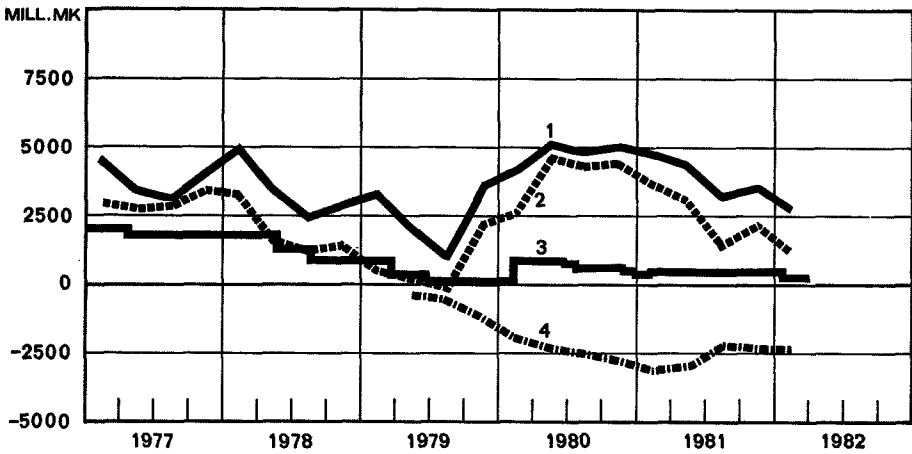
Vol. 56 No. 5

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



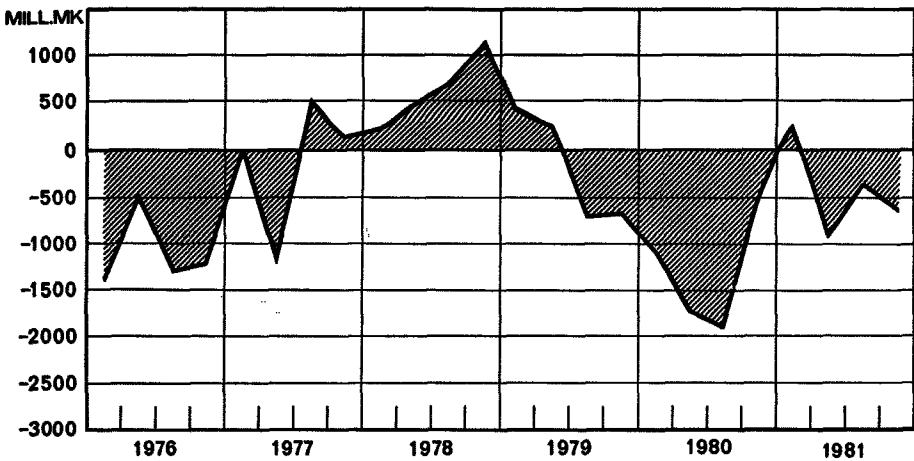
- 1. Gold and convertible currencies
- 2. Tied currencies

COMMERCIAL BANKS' CENTRAL BANK POSITION, 1977-1982



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

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



Seasonally adjusted quarterly figures

FLUCTUATING TRENDS IN EMPLOYMENT

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Ministry of Labour

The period of instability in the world economy which started nearly ten years ago has also posed severe adjustment problems for the Finnish economy. Under these circumstances, the efforts to restore the competitiveness of Finnish exports and to curb inflation have inevitably resulted in developments in employment which have occasionally been very unfavourable. The employment problems engendered by slow output growth and cyclical fluctuations have also been aggravated by a growth in the supply of labour which has continued to be surprisingly vigorous in recent years. Since 1974, the last favourable year for employment, the supply of labour has increased by more than 100 000 persons, or almost 5 per cent. Intensified competition and the accelerated application of new technology replacing labour has led to cut-backs in the labour force in a number of industrial sectors previously considered strong areas for employment.

The worst year for employment in the 1970s was 1978 when the number of employed was 145 000, or 6.5 per cent, below the level recorded in 1974. The unemployment rate, which had remained a little below 2.5 per cent in the early 1970s, rose to 7.5 per cent in 1978, equivalent to 170 000 unemployed persons. However, the economic revival that followed the prolonged recession was unusually vigorous compared with the experience in other industrial countries, and this was also reflected in a sharp increase in the demand for labour. Between 1978 and 1981, the number of employed persons increased by 160 000, or 7.7 per cent.

During 1978—1981, the number of employed grew in virtually all sectors of the economy. The increase in employment was fastest, about

100 000 persons, in services; trade, financing, transport and communication accounted for about one-third of this increase, and private and public services for two-thirds. In the construction sector, there was only a small increase in employment during the upswing, and the total number of employed in this sector was nearly 20 per cent down on the 1974 level. Employment developments in industry were particularly striking. From 1978 to 1981, the industrial labour force grew by about 10 per cent, so that in 1981 the total number of people employed in industry exceeded — albeit only slightly — the previous record level attained in 1974. Hence, compared with developments in other industrial countries, Finnish industry has continued to have a significant employment potential.

In the light of the rapid structural changes which Finnish industry has undergone, the employment trends in primary industries — agriculture and forestry — have been especially noteworthy. Up to the early 1970s, employment in primary industries continued to fall at a rate of some 30 000 people, or more than 6 per cent, a year, whereas since 1978 the decline has been virtually negligible. Given the predominance of family enterprises and small farms in Finnish agriculture and the increasing use of wood as fuel, the primary sector's labour force seems unlikely to decline much further in the coming years. At present, primary industries employ about 11 per cent of the labour force.

Despite the very favourable trends in the demand for labour in recent years, Finland has not succeeded in attaining the objectives set for curbing unemployment. In 1980, unemployment reached its lowest point, 4.8 per cent, since 1978. Although the demand for labour

still showed an increase of some 40 000 people in 1981, the unemployment rate turned up and rose to 5.3 per cent. This was because the increase in the demand for labour coincided with an expansion of the supply of labour which was substantially greater than forecast. (In itself, this is, of course, a positive development and would imply a more efficient utilization of the nation's labour resources, if only all those willing to work could be employed.)

Among the factors affecting the supply of labour, the growth in the population of working age has generally been predictable with a high degree of reliability. By contrast, migration flows have constituted an uncertain component; a few years ago, net migration showed a loss of about 6 000 persons, but in 1981 this turned into a net gain of an equivalent amount. In addition to an increase in the population of working age, the following factors can be assumed to have contributed towards the rapid growth in the labour supply:

- 1) The boom and the resultant improvement in the employment situation; thus, disguised unemployment is estimated to have declined from about 100 000 persons in 1978 to less than half this amount.
- 2) Intensified job search, particularly by women, owing to the rise in the level of education and natural changes in the age structure of the population.
- 3) The improved state of health of the population, as a result of which the growth in the number of recipients of invalidity pensions has come to a halt and begun to decline.
- 4) The extension in the coverage of social security benefits for the unemployed, because of which students, graduates and housewives have been more active in registering as job-seekers with employment exchanges.
- 5) The separate taxation of spouses introduced in 1976, the tendency of which to encourage job search has strengthened under the favourable economic conditions of recent years.

Owing to these factors and the favourable age structure of the population, the labour participation rate (labour force as a percentage of the population of working age, i.e. the population between 15 and 74 years of age) amounted to 65.3 per cent in 1981, which meant a rise of more than 2 percentage points on the 1978 level.

At present, forecasts point to a very distinct deterioration in the employment situation, which is likely to continue during 1983. The growth in the number of employed during the latter half of 1981 was attributable to favourable conditions in certain labour-intensive industrial sectors, the metal industry, in particular. It can be interpreted as a lag effect typical of the latter phase of a boom, which is a result of differences in the timing of cyclical swings in the various industrial sectors. However, the widespread use of lay-offs, shortened working weeks and notifications of further cut-backs during the latter part of the year clearly suggested an overall weakening in the employment situation. Accordingly, the data obtained from the Employment Service Statistics for January—February 1982 indicated that the number of unemployed job seekers had risen by a fifth from the previous year.

The increase in unemployment has centred on young people entering the labour market and on older people whose re-employment is often difficult because of deficient vocational training. During 1981, unemployment started to increase first in the development regions, where the rate of unemployment is otherwise substantially above the average. However, in recent months unemployment has grown most rapidly in industrialized southern Finland. Hence regional disparities in unemployment are evening out, but unfortunately at a higher rate of unemployment.

The management of employment and the curbing of unemployment were the key objectives set by the new Government appointed in February 1982. The measures announced

(continued on page 34)

BANK OF FINLAND

Mill. mk

	1981		1982				
	April 30	Dec. 31	April 8	April 15	April 23	April 30	
Assets							
Gold and foreign exchange receivables	8 485	9 463	11 007	11 021	10 852	10 842	
Gold	1 073	1 382	1 382	1 382	1 382	1 382	
Special drawing rights	521	632	567	567	567	567	
IMF reserve tranche	380	394	394	394	394	394	
Foreign bonds	1 726	1 405	1 101	1 111	1 129	1 117	
Convertible currencies	4 716	3 686	4 853	4 701	4 395	4 293	
Tied currencies	69	1 964	2 710	2 866	2 985	3 089	
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	4 985	3 690	4 268	5 429	4 587	3 872	
Banks' cheque accounts	551	495	392	479	373	320	
Call money market advances	3 197	1 796	2 422	3 420	2 756	2 069	
Till-money credits	634	768	719	765	696	720	
Bonds	551	594	704	724	726	726	
Other financial institution receivables	52	37	31	41	36	37	
Receivables from the public sector	1 116	1 236	963	965	980	965	
Government promissory notes	354	354	—	—	—	—	
Bonds	299	386	430	429	437	423	
Total coinage	451	483	521	522	523	524	
Other public sector receivables	12	13	12	14	20	18	
Receivables from corporations	3 597	4 549	4 665	4 629	4 667	4 667	
Financing of exports	1 515	1 754	1 691	1 656	1 681	1 685	
Financing of domestic deliveries	1 775	2 111	2 263	2 261	2 274	2 270	
Bonds	208	187	186	185	185	185	
Other corporate receivables	99	497	525	527	527	527	
Other assets	82	89	91	92	92	92	
	Total	19 805	20 633	22 600	23 742	22 784	22 044
Liabilities							
Foreign exchange liabilities	436	96	28	29	33	31	
Convertible accounts	18	41	28	29	30	26	
Tied accounts	418	55	0	0	3	5	
Other foreign liabilities	2 560	2 597	3 235	3 235	3 230	3 218	
IMF mark accounts	1 864	1 871	1 812	1 812	1 812	1 812	
Allocations of special drawing rights	696	726	726	726	726	726	
Term liabilities	—	—	697	697	692	680	
Notes and coins in circulation	5 033	5 595	5 363	5 280	5 281	5 383	
Notes	4 623	5 152	4 909	4 826	4 828	4 929	
Coins	410	443	454	454	453	454	
Deposit certificates in circulation	1 300	1 600	2 300	3 000	3 000	2 150	
Claims of financial institutions	4 077	3 797	4 882	5 384	4 391	4 382	
Banks' cheque accounts	1	0	1	1	1	15	
Call money market deposits	925	1 080	1 978	2 600	1 620	1 600	
Cash reserve deposits	3 055	2 492	2 644	2 632	2 632	2 644	
Capital import deposits	76	201	247	125	125	110	
Other financial institution claims	20	24	12	26	13	13	
Claims of the public sector	667	578	201	201	199	195	
Cheque accounts	0	1	1	1	0	1	
Counter-cyclical reserves	545	433	117	117	117	117	
Counter-cyclical deposits	104	143	3	3	3	—	
Capital import deposits	—	—	79	79	79	77	
Other public sector claims	18	1	1	1	0	0	
Claims of corporations	1 089	1 433	1 429	1 431	1 437	1 464	
Deposits for investment and ship purchase	853	1 425	1 238	1 238	1 243	1 251	
Capital import deposits	40	—	184	184	186	188	
Export deposits	192	0	—	—	—	—	
Other corporate claims	4	8	7	9	8	25	
Other liabilities	14	15	15	15	14	15	
Equalization accounts	2 252	609	779	786	803	798	
Capital accounts	2 377	4 313	4 368	4 381	4 396	4 408	
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	114	563	55	68	83	95	
	Total	19 805	20 633	22 600	23 742	22 784	22 044

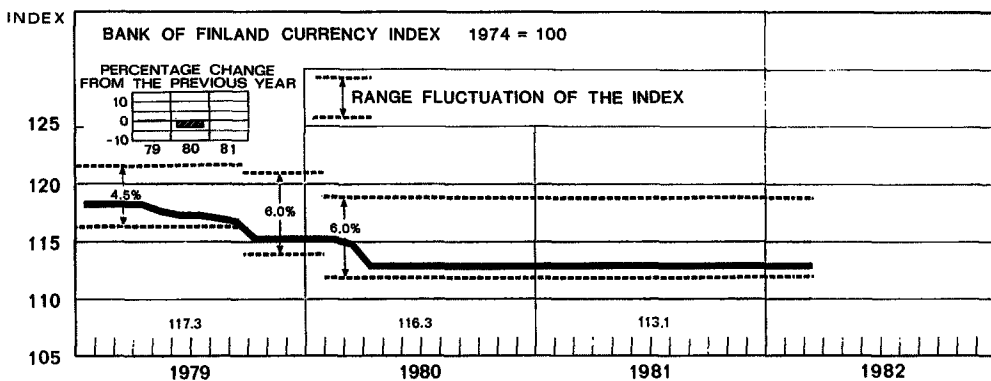
End of year or month	Foreign sector							Public sector			
	Gold SDRs, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	Deposit certificates in circulation
	1	2	3	4	5	6	7	8	9	10	11
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	—
1977	337	543	1 212	2 092	496	-2 031	557	391	328	-63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	591	-634	1 900
1981	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	578	-658	1 600
1981											
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
Feb.	2 371	1 096	3 617	7 084	2 860	-1 638	8 306	970	435	-535	400
March	2 343	1 125	4 597	8 065	2 718	-1 627	9 156	971	211	-760	2 300
April	2 343	1 117	4 267	7 727	3 084	-1 612	9 199	965	195	-770	2 150

FOREIGN EXCHANGE POSITION

Mill. mk

	Net holdings, Dec. 31, 1981			Net holdings, March 31, 1982			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Mar.	Jan.-Mar.
Gold	1 382	—	1 382	1 382	—	1 382	—	—
Special drawing rights	632	—	632	567	—	567	-28	-65
IMF reserve tranche	394	—	394	394	—	394	—	—
Foreign bonds	1 405	—	1 405	1 125	—	1 125	+29	-280
Convertible currencies	3 646	-7 748	-4 102	4 597	-6 138	-1 541	+1 257	+2 561
Total	7 459	-7 748	-289	8 065	-6 138	1 927	+1 258	+2 216
Tied currencies	1 909	-122	1 787	2 718	-146	2 572	-131	+785
Grand total	9 368	-7 870	1 498	10 783	-6 284	4 499	+1 127	+3 001

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 liabilities, net	Net receiv-ables (1+2+3-4-5-6)	Perman-ent 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											
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
Feb.	—	388	1 972	2 020	2 638	-1 071	-1 227	3 928	868	3 060	5 272
March	—	379	2 032	1 590	2 644	-1 161	-662	3 989	719	3 270	5 175
April	—	305	2 069	1 600	2 644	-1 360	-510	3 955	752	3 203	5 383



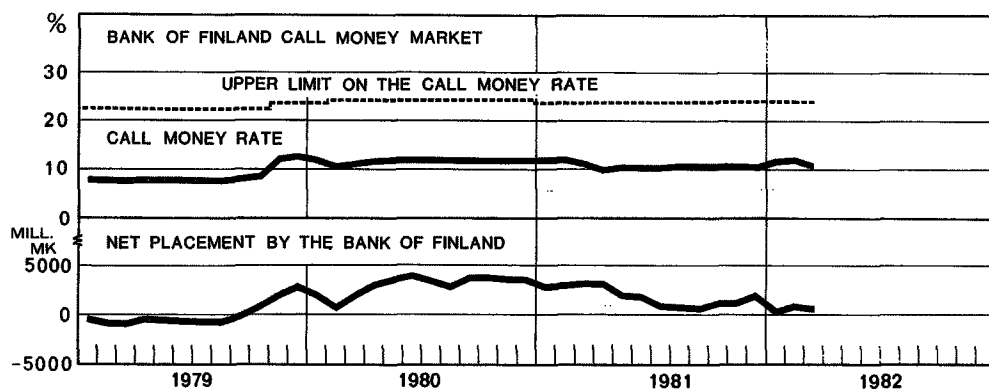
MONETARY POLICY INDICATORS

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 ¹ %
	1	2	3	4	5	6	7	8	9	10
1975	4 000	3 611	2 725	—	—	239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03
1980	4 963	4 097	783	2 542	2 220	3 313	9.20	12.38	12.37	9.77
1981	4 087	2 754	595	2 795	2 442	2 161	9.25	11.48	11.61	9.84
1981										
April	5 838	3 974	600	3 259	2 829	3 377	9.25	10.57	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	9.84
1982										
Jan.	2 526	1 163	600	2 502	2 194	567	9.25	12.30	10.90	9.84
Feb.	2 760	1 518	400	2 603	2 286	1 121	9.25	12.45	11.95	9.84
March	3 059	1 305	400	2 630	2 290	906	9.25	11.56	11.72	..
April	3 049	1 062	400	2 637	2 299	664	9.25	11.50

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

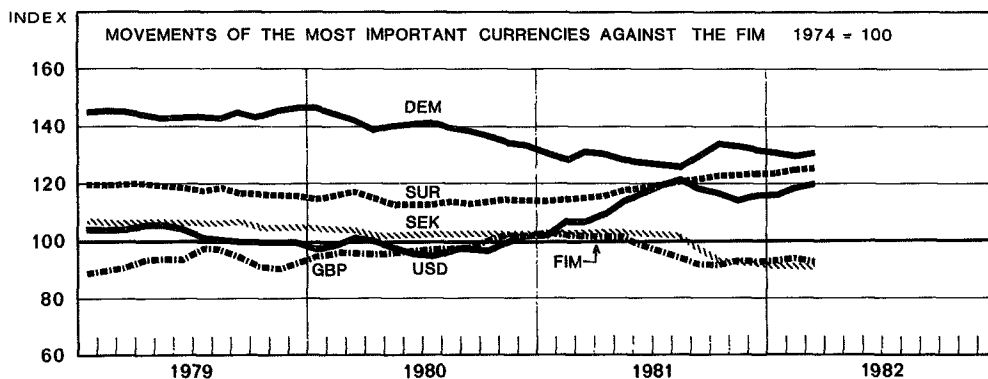


FOREIGN EXCHANGE RATES

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 CI 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										
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	59.78	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
Feb.	4.515	8.352	78.49	75.76	58.03	191.08	239.02	75.25	6.265	113.1
March	4.574	8.275	78.51	76.02	57.01	192.48	242.70	74.70	6.307	113.1
April	4.613	8.179	78.12	75.94	56.66	192.74	235.81	74.09	6.378	113.1



DEPOSITS BY THE PUBLIC

Mill. mk

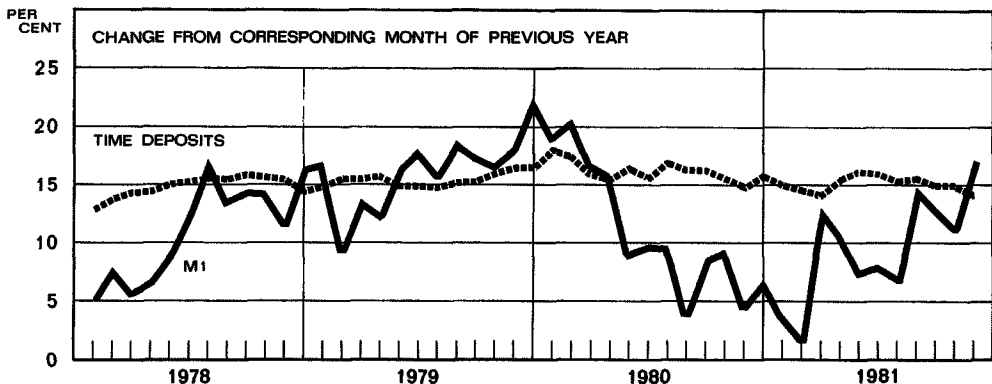
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	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

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

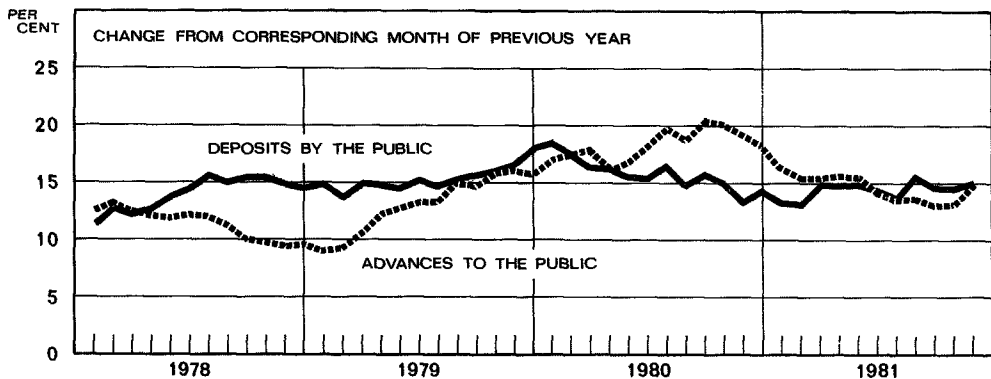
Jan.	4 519	2 183	3 011	9 713	22 516	20 394	16 164	6 440	65 514	75 227
Feb.	3 999	2 123	2 848	8 970	22 492	20 683	16 485	6 578	66 238	75 208
March	4 522	2 036	3 913	10 471	22 405	20 581	16 420	6 652	66 058	76 529
April	4 552	2 189	3 366	10 107	23 119	20 851	16 673	6 732	67 375	77 482
May	4 334	2 391	3 035	9 760	23 800	21 177	16 919	6 769	68 865	78 425
June	5 424	2 434	2 956	10 814	23 803	21 451	17 094	6 863	69 211	80 025
July	4 728	2 577	3 102	10 407	24 316	21 818	17 485	6 957	70 576	80 983
Aug.	5 076	2 716	3 194	10 986	24 554	22 012	17 596	7 053	71 215	82 201
Sept.	5 070	2 804	3 226	11 100	24 239	22 056	17 723	7 058	71 076	82 176
Oct.	4 964	2 689	3 245	10 898	24 706	22 221	17 749	7 060	71 736	82 634
Nov.	5 386	2 689	3 115	11 190	24 732	22 280	17 892	7 080	71 984	83 174



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ +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										
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
Nov.	41 040	21 732	19 730	11 129	80 208	3 495	9 928	93 631	16 128	90 514



STATE FINANCES

Mill. mk

Revenue	Jan.-Dec.		Expenditure	Jan.-Dec.	
	1980	1981		1980	1981
Income and wealth tax (net)	12 213	15 604	Wages, salaries, pensions etc.	7 954	9 167
Gross receipts	(34 791)	(41 500)	Repair and maintenance	1 031	1 167
Refunds & local authorities	(-22 578)	(-25 896)	Other consumption expenditure	4 718	5 270
Other taxes on income and wealth	327	380	Total consumption expenditure	13 703	15 604
Employers' child allowance payments	128	58	State aid to local authorities	10 170	11 709
Sales tax	12 262	14 421	State aid to industries	7 348	8 398
Customs duties and import charges and levies	1 381	1 411	of which: agric. price subsidies	(3 042)	(3 620)
Excise duties	9 233	10 448	Child allowances	1 434	1 673
Excise duty on alcoholic beverages	2 746	3 170	Share in national pensions and sickness insurance schemes	535	552
Excise duty on tobacco	1 224	1 312	Other transfer expenditure	5 998	7 151
Excise duty on liquid fuel	2 994	3 192	Total transfer expenditure	25 485	29 483
Other excise duties	2 269	2 774	Machinery and equipment	1 393	1 669
Tax on autom. and motor-cycles	1 418	1 659	Construction of buildings	810	808
Stamp duties	1 040	1 209	Land and waterway construction	1 895	2 075
Special diesel etc. vehicles tax	202	273	Total real investment	4 098	4 552
Other taxes and similar revenue	1 180	1 388	Interest on State debt	1 214	1 580
Total taxes	39 384	46 851	Net deficit of State enterprises	-247	-99
Miscellaneous revenue	3 110	3 542	Other expenditure	11	7
Interest, dividends etc.	1 056	1 304	Total other expenditure	978	1 488
Redemptions of loans granted	751	971	Increase in inventories	284	271
Total revenue	44 301	52 668	Lending	3 349	3 256
Foreign borrowing	1 791	2 706	Other financial investment	540	544
Domestic borrowing	3 211	2 523	Total expenditure	48 437	55 198
Total borrowing	5 002	5 229	Redemption of foreign loans	269	389
Deficit (+) or surplus (-)	637	-951	Redemption of domestic loans	1 234	1 359
Total	49 940	56 946	Total redemptions	1 503	1 748
			Total	49 940	56 946

State debt	1979	1980	1981 ¹
	Dec.	Dec.	Dec.
Foreign debt	8 964	10 341	13 331
Long-term debt	6 050	7 585	8 762
Short-term credit	174	40	9
Domestic debt	6 225	7 625	8 771
Total State debt	15 189	17 966	22 102
Total debt mill. \$	4 061	4 642	5 052

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

FOREIGN TRADE

Mill. mk

Value, mill. mk

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

1981

April	4 657	4 918	-261
May	5 538	5 908	-370
June	5 306	4 858	+448
July	4 246	4 413	-167
Aug.	4 777	5 941	-1 164
Sept.	5 097	5 282	-185
Oct.	5 626	5 217	+409
Nov.	5 645	5 504	+141
Dec.	4 944	5 712	-768

1982*

Jan.	5 243	4 999	+244
Feb.	5 477	4 790	+687

Jan.-Feb.

1981	9 432	8 898	+534
1982*	10 720	9 789	+931

Indices of exports and imports
1975 = 100

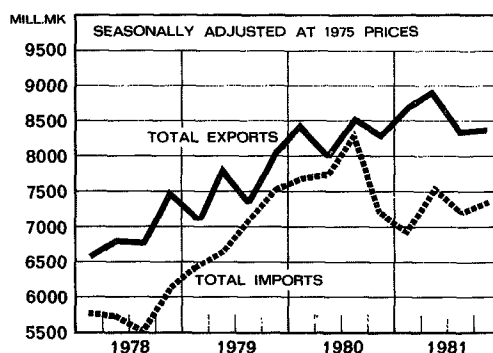
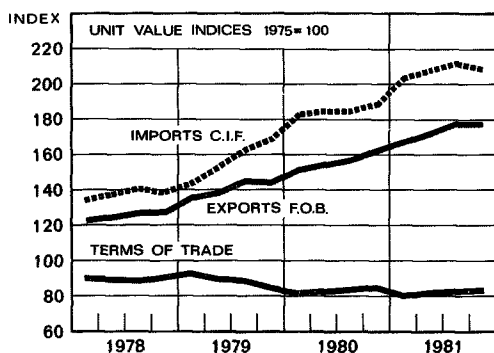
Period	Indices of exports and imports 1975 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1976	117	96	103	107	69
1977	129	88	119	124	96
1978	138	84	126	138	91
1979	151	99	142	159	89
1980	165	112	158	186	85
1981	170	105	175	208	84

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	206	82
Apr.-June	177	107	173	209	83
July-Sept.	156	105	179	214	84
Oct.-Dec.	179	112	179	210	85



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	
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1980	1 403	7 742	15 751	11 546	16 353	38 622	4 088	7 989	7 440	111
1981	2 036	6 852	17 127	14 858	19 435	39 156	5 115	8 877	8 015	106

1981

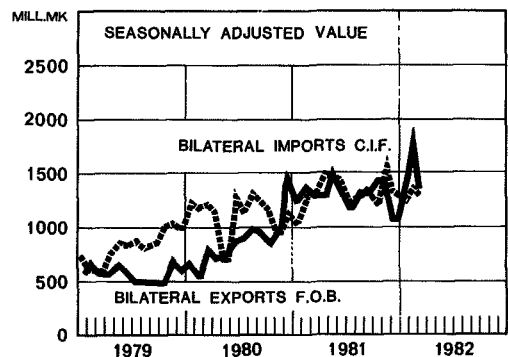
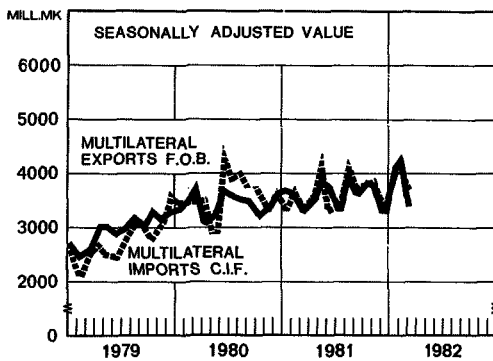
April	72	570	1 502	1 050	1 463	3 126	273	750	767	2
May	318	644	1 378	1 678	1 520	4 210	344	682	668	4
June	89	717	1 363	1 371	1 766	2 993	621	665	565	14
July	87	504	1 453	1 164	1 038	2 641	588	614	537	33
Aug.	95	515	1 316	918	1 933	3 584	644	1 035	671	7
Sept.	103	536	1 560	1 028	1 870	3 455	561	588	674	4
Oct.	82	574	1 589	1 511	1 870	3 223	454	777	759	4
Nov.	70	579	1 514	1 513	1 969	3 614	474	705	707	4
Dec.	325	538	1 400	1 217	1 464	3 818	426	825	632	11

1982*

Jan.	59	460	1 461	1 427	1 836	3 148	224	991	630	6
Feb.	355	458	1 439	1 398	1 827	3 094	267	648	778	3

Jan.-Feb.

1981	496	1 118	2 665	2 340	2 813	5 558	521	1 437	1 366	16
1982*	414	918	2 900	2 825	3 663	6 242	491	1 639	1 408	9



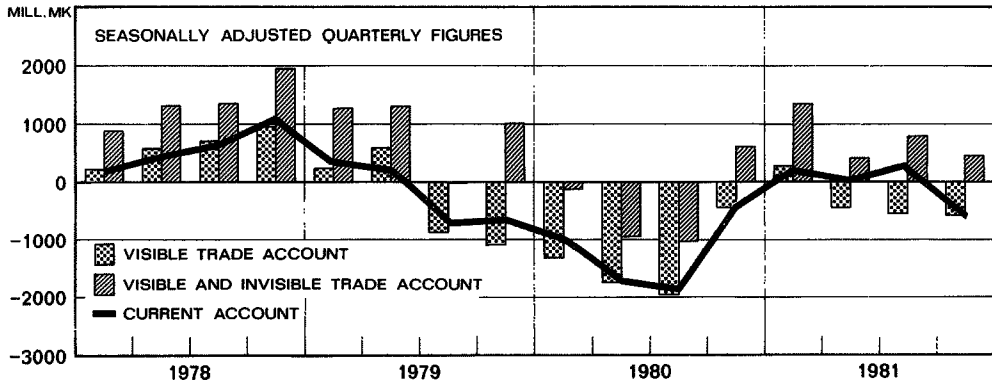
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January — February				January — February			
	1981*		1982*		1981*		1982*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	59.6	5 626	57.1	6 118	55.9	4 972	54.7	5 353
Austria	0.6	53	0.6	67	1.2	109	1.2	117
Belgium and Luxembourg	1.2	112	1.5	162	1.7	154	1.7	170
Denmark	2.8	263	5.1	546	2.3	201	2.0	199
France	4.6	437	5.0	531	3.9	348	3.3	324
Federal Republic of Germany	9.8	921	10.0	1 073	12.9	1 152	12.6	1 235
Italy	2.2	211	2.2	235	2.4	215	2.5	246
Netherlands	3.6	340	2.8	302	2.8	246	2.6	251
Norway	7.0	659	3.7	396	2.6	232	2.4	238
Portugal	0.3	27	0.2	22	0.6	50	0.6	57
Spain	0.7	70	0.7	79	0.9	80	0.7	66
Sweden	12.8	1 204	11.7	1 256	12.6	1 124	15.9	1 561
Switzerland	1.8	175	1.3	141	1.8	160	1.7	167
United Kingdom	10.6	999	9.8	1 053	9.2	817	6.8	666
Other	1.6	155	2.5	255	1.0	84	0.7	56
OECD countries outside Europe	5.9	558	6.5	698	14.1	1 256	12.7	1 248
Canada	0.6	58	0.9	98	0.6	50	1.2	115
Japan	1.1	106	1.6	174	4.9	440	4.8	468
United States	3.5	328	2.8	304	8.5	758	6.6	651
Other	0.7	66	1.2	122	0.1	8	0.1	14
CMEA countries	24.7	2 332	26.5	2 844	23.9	2 127	23.8	2 332
Czechoslovakia	0.3	24	0.2	21	0.7	62	0.6	61
German Democratic Republic	0.6	61	0.5	51	0.7	65	0.6	63
Poland	0.2	21	0.1	9	0.7	62	0.8	79
Soviet Union	22.9	2 158	25.0	2 681	20.9	1 862	20.4	1 995
Other	0.7	68	0.7	82	0.9	76	1.4	134
Latin America	2.2	204	1.2	126	2.1	190	1.9	183
Argentina	0.6	59	0.1	11	0.1	8	0.0	5
Brazil	0.5	46	0.2	24	0.5	45	0.5	52
Colombia	0.1	7	0.1	12	0.5	46	0.5	52
Other	1.0	92	0.8	79	1.0	91	0.9	74
Other	7.6	712	8.7	934	4.0	353	6.9	673
GRAND TOTAL	100.0	9 432	100.0	10 720	100.0	8 898	100.0	9 789
of which								
EFTA countries	22.6	2 127	17.7	1 894	19.2	1 711	22.0	2 157
EEC countries	35.9	3 385	38.3	4 107	35.5	3 163	31.9	3 124
OECD countries	65.5	6 184	63.6	6 816	70.0	6 228	67.4	6 601

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-requested transfers net	Other, net	Current account
1978	35 068	32 600	+2 468	+2 024	+141	+803	+5 436	-2 713	-211	+94	+2 606
1979	43 302	44 430	-1 128	+3 010	+157	+359	+2 398	-2 840	-430	+111	-761
1980*	52 860	58 315	-5 455	+3 029	+324	+605	-1 497	-3 308	-451	+70	-5 186
1981*	60 280	61 600	-1 320	+3 450	+400	+420	+2 950	-4 300	-400	+50	-1 700
1978											
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	+916	+85	-154	+578	-1 259	-105	+6	-780
July-Sept.	14 103	15 711	-1 608	+887	+445	+382	+106	-1 015	-104	+10	-1 003
Oct.-Dec.	16 210	16 512	-302	+743	-51	+114	+504	-1 028	-82	+41	-565



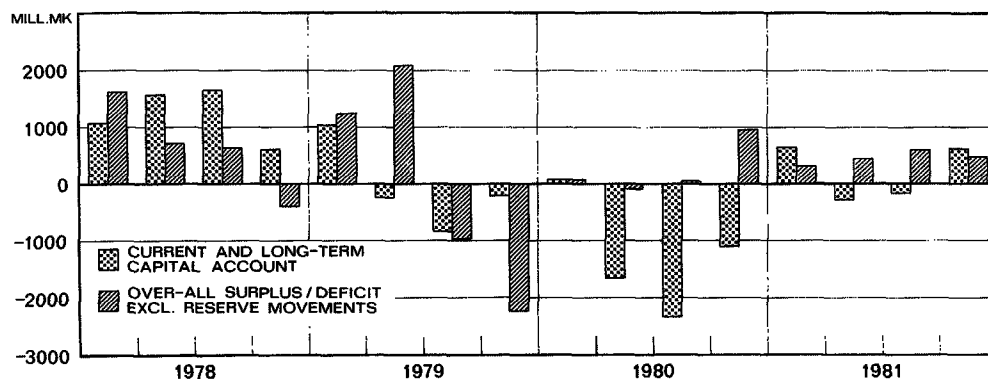
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net ²	Miscellaneous, short-term capital terms, incl. errors and omissions ²	Over-all surplus deficit excl. reserve movements ²	Bank of Finland foreign exchange reserves
+9 007	-5 743	-774	-225	+2 265	+4 871	+130	-2 188	-703	+479	+2 589	-2 589
+6 230	-4 843	-541	-337	+509	-252	+831	-834	+1 211	-834	+122	-122
+5 183	-4 140	-433	-428	+182	-5 004	+3 255	-967	+3 930	-219	+995	-995
+8 312	-4 643	-518	-651	+2 500	+800	-860	+1 820	+100	-57	+1 803	-1 803
+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 ³	+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 ³	+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 ³	+309	-309
+1 948	-1 213	+11	-248	+498	-282	+788	+790	+70	-936	+430	-430
+1 932	-797	-91	-209	+835	-168	+51	-137	-582	+1 423	+587	-587
+3 028	-1 678	-211	+38	+1 177	+612	-1 173	+378	+469	+191	+477	-477

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

¹ Including direct investment, net.

² 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.

³ 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	
1978	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675
1980*	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793
1981*	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138

1978

Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
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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

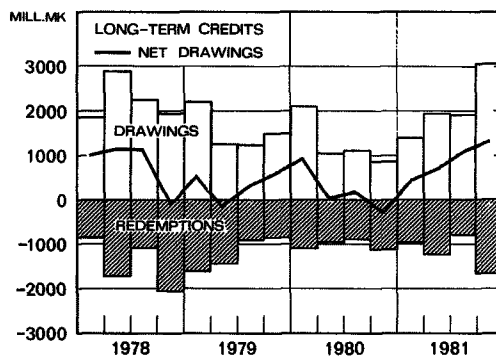
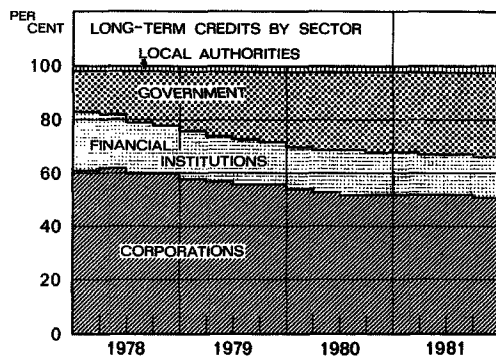
1980*

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
Dec.	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138

See explanations on page 22.

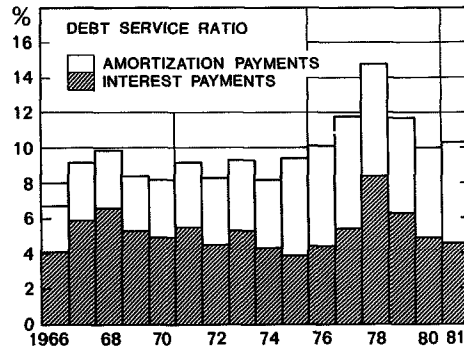
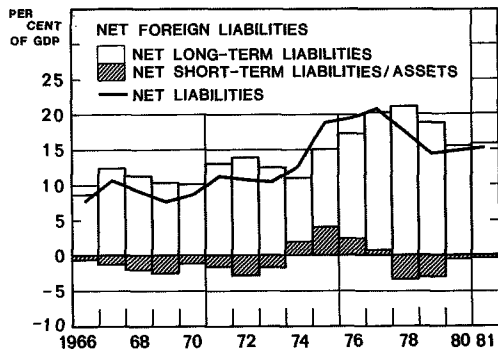


FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
6 545	4 731	8 698	19 974	1 478	6 379	7 309	15 166	-4 808	24 852	6 623	3 769
7 918	6 579	9 970	24 467	2 340	9 333	7 816	19 489	-4 978	23 697	6 457	3 472
9 895	9 560	12 532	31 987	3 089	16 240	11 849	31 178	-809	27 984	6 716	3 274
11 362	12 560	12 278	36 200	2 427	19 800	13 173	35 400	-800	32 338	7 864	3 494
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
11 362	12 560	12 278	36 200	2 427	19 800	13 173	35 400	-800	32 338	2 314	1 270

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		
		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										
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
1982										
Jan.	1 095	191.4	189.3	198.7	195.3	194.2	179.8	113.9	113.0	113.8
Feb.	1 103	192.8	190.7	200.2	196.8	195.4	181.1	114.1	113.0	114.0
March	1 103	192.8	192.0	195.7	195.4	198.0	182.2	115.7	116.8	115.0

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											
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
1982											
Jan.	152.4	146.2	176.4	148.4	147.2	181.6	142.3	159.4	155.7	141.6	158.8
Feb.	153.1	147.5	176.4	151.1	147.2	182.7	142.9	161.2	156.2	141.8	159.5
March	155.0	152.4	176.5	152.9	148.5	183.3	143.4	163.0	157.8	141.8	160.6

WAGES

Index of wage and salary earnings 1975 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1980*	178.6	170.4	146.3	165.8	161.9	156.1	169.8	166.1	167.3	166.7
1981*	201.4	192.0	164.6	185.9	182.8	174.1	191.9	187.2	188.9	188.0
1980*										
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	182.9	179.7	180.3	180.0
Apr.-June	199.6	194.1	163.7	184.9	182.4	173.4	192.2	186.7	189.6	188.1
July-Sept.	201.1	193.5	166.9	187.6	184.0	175.4	194.1	189.1	190.9	190.0
Oct.-Dec.	211.0	197.2	169.8	192.1	187.7	178.7	198.2	193.3	194.8	194.0

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										
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	95	128	116
Apr.-June	117	129	87	144	76	88	121	107	128	120
July-Sept.	114	117	151	73	100	84	127	107	130	116
Oct.-Dec.	126	137	75	135	120	88	138	115	132	122

PRODUCTION

Index of industrial production 1975 = 100

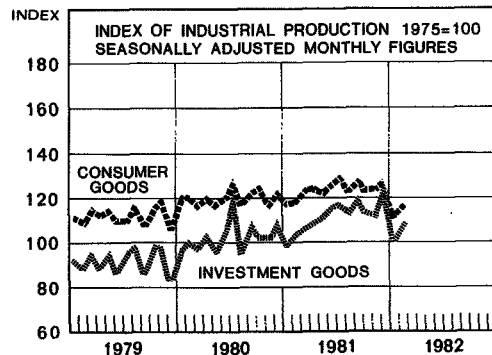
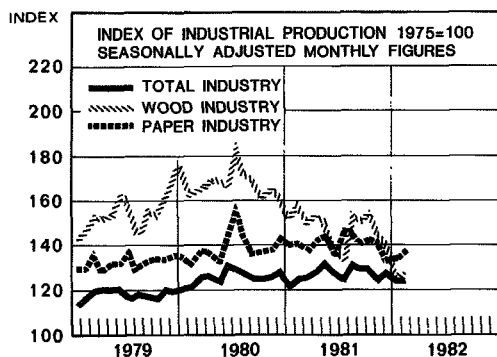
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1978	107.0	85.6	108.1	111.9	103.9	130.3	118.2	109.6	93.5	99.6	108.2
1979	118.3	93.7	113.7	127.0	110.8	155.6	134.0	123.7	102.3	110.3	119.0
1980*	127.2	104.8	121.8	135.9	118.0	169.1	141.1	137.2	112.9	122.4	126.7
1981*	129.0	113.6	125.1	135.1	120.5	148.7	142.5	148.2	104.2	128.9	129.3

1981*

Feb.	125.1	108.7	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
Dec.	131.8	130.0	130.5	133.0	123.0	127.8	129.0	125.9	96.3	143.2	129.7

1982*

Jan.	127.5	112.2	121.3	134.6	105.7	115.8	143.9	135.4	86.6	130.8	125.1
Feb.	122.4	113.5	116.2	127.7	97.3	123.3	133.4	131.8	85.4	129.4	125.1



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
1978	3 578	2 253	2 084	169	7.5	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*	3 629	2 369	2 244	125	5.3	39 488	122	140
1981*								
April	3 623	2 272	2 158	114	5.0	4 564	120	132
May	3 624	2 333	2 215	118	5.1	3 588	123	143
June	3 623	2 542	2 415	127	5.0	2 184	122	136
July	3 625	2 556	2 422	134	5.2	1 600	128	125
Aug.	3 627	2 454	2 330	124	5.1	1 732	122	138
Sept.	3 639	2 363	2 245	118	5.0	2 793	123	156
Oct.	3 641	2 352	2 230	122	5.2	3 440	128	156
Nov.	3 642	2 349	2 223	126	5.4	3 679	116	138
Dec.	3 644	2 337	2 205	132	5.6	4 370	160	159
1982*								
Jan.	3 648	2 376	2 204	172	7.2	3 278	108	115

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											
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	42.78	17.24	4.82	14.66	3.84	49.83
1981*	44.73	17.96	5.72	14.56	3.47	40.10	16.11	4.26	13.86	3.76	48.89
1980											
Oct.-Dec.	11.09	3.38	0.74	5.10	1.29	13.93	5.99	1.74	4.47	1.18	49.83
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	9.54	3.37	1.39	2.93	1.01	53.75
Oct.-Dec.	9.84	3.16	0.87	4.07	1.19	13.80	5.18	1.70	5.03	1.32	48.89

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

FOREIGN TRADE

Pages 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 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1979 is as follows: Social Democratic Party of Finland 52, National Coalition Party 47, Centre Party 36, Democratic League of the People of Finland 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 (88.4%) 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 (1980): 4.8 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1980): In South Finland 46.8, in East and Central Finland 14.0, in North Finland 4.1 and in the whole country an average of 16.7 inhabitants to the square kilometre.

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

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

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

EDUCATION (1981): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1980): births 13.2‰, deaths 9.3‰, change + 2.8‰, net immigration - 0.3‰. Deaths in France 10.1‰ and Great Britain 11.8‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1980), in million marks: Gross domestic product at factor cost by industrial origin: agriculture 6 863 (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 (1980). The growing stock comprised of 1 631 million m³ (solid volume with bark) of which 44% was pine and 38% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 690 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 65 million m³ and the total drain calculated on the basis of roundwood consumption was 59 million m³.

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

INDUSTRY (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, 1981): Length 6 976 km.

MERCHANT FLEET (Mar. 31, 1982): Passenger vessels 150 (257 677 gross reg. tons), tankers 46 (1 283 583 gross reg. tons), dry cargo vessels 192 (915 299 gross reg. tons), other vessels 98 (15 225 gross reg. tons), total 486 (2 471 784 gross reg. tons).

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

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

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1982 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 22.6, Skr 16.4, £ 13.3, DM 12.4, \$ 10.4, other currencies 24.9. 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, 1981). There are two big and five small commercial banks with in all 891 offices, 274 savings banks, 371 co-operative banks, five mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-five private insurance companies also grant credits.

RATES OF INTEREST (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 ¼%. The range of rates for other credits granted by the Bank of Finland is between 7 ½% and 10 ½%. Other credit institutions: time deposits 5%; 6 month deposits 6 ¼%; 12 month deposits 7 ¾%; 24 month deposits 9% and sight deposits 2%. The highest lending rate 12 ½%.

THE FINNISH ECONOMY IN 1981 AND THE CURRENT OUTLOOK

by Jorma Hilpinen, M.Sc. (Econ.)
and Timo Hämäläinen, M.Pol.Sc.

Economics Department
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INTRODUCTION

After two years of rapid expansion, activity levelled off at the end of 1980 and Finland joined the other western economies in a recession which has proved unexpectedly long and still shows no signs of being over. The growth of total output in Finland almost came to a standstill in 1981 after having been as high as 7.6 and 5 per cent in the preceding two years. Output was, however, at a relatively high level at the beginning of 1981, and most industries were operating at close to full capacity. Towards the end of the year unemployment started to increase, order books weakened and capacity utilization declined.

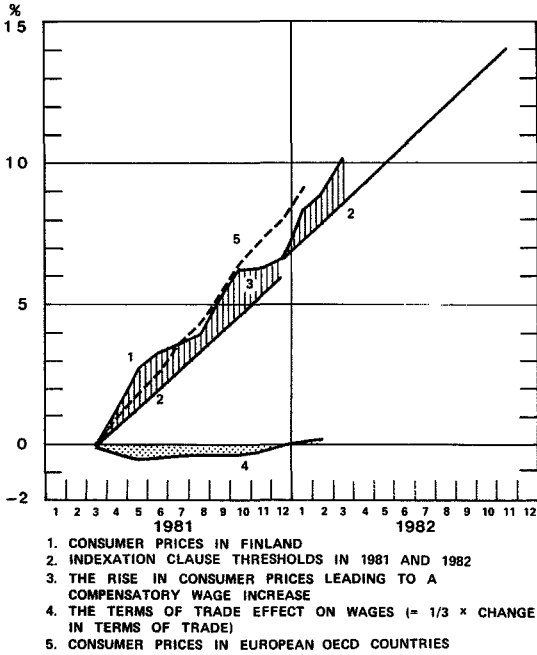
In contrast to past experience, the boom did not cause serious imbalances in the Finnish economy, so that domestic demand management policies have been left with some room for manoeuvre to mitigate the impact of the downswing. Price stability remained satisfactory and the external balance improved because of a growth of exports to the Soviet Union and a slowing down of domestic demand. Exports to the western markets have been gradually declining since early 1980, a trend which seems likely to continue for some time to come. This has affected the expectations of Finnish industries and curbed investment activity. Furthermore, the modest deterioration in the price competitiveness of Finnish manufacturing industry resulted more from a relative reduction in productivity and exchange rate changes than from actual wage and price behaviour.

Notwithstanding the recent success, however, the outlook for the Finnish economy is no brighter than it is for other market economies. While falling crude oil prices are improving the terms of trade and increasing the purchasing power of the economy, they have simultaneously reduced the scope for exports to the Soviet Union because of the bilateral trade arrangements with that country. Moreover, a recovery in the market economies in the near future seems far from certain. Consequently, rapidly rising unemployment has become the central concern of the Finnish authorities.

ECONOMIC CONCERNS AND POLICY

At the beginning of 1981 the recession was imminent, but it was commonly believed that it would be short-lived and fairly moderate. The growth of total output had come to a halt at the end of 1980 as a result of the stagnation of exports to western markets. By contrast, the prospects for exports to the Soviet Union appeared very good. Unemployment was still at the level reached during the boom and the external balance in 1980 turned out to be better than forecast. The rate of inflation, as measured by the consumer price index, peaked at the end of 1980 when it was clearly above the OECD average. Consequently, inflation and the risk of a loss in international competitiveness were considered a key economic policy problem together with the weakening prospects for employment.

CHART 1. CONSUMER PRICES AND THE INDEXATION CLAUSE IN THE INCOMES POLICY AGREEMENT, PERCENTAGE CHANGES FROM MARCH 1981



INCOMES POLICY

The proposal for a two-year comprehensive incomes agreement put forward by the incomes policy mediator in February 1981 included provisions for 2–4 per cent pay increases twice a year and an indexation clause. For the latter, a special wage index was constructed which takes into account both changes in consumer prices and one third of the changes in the terms of trade as measured by foreign trade price indices. It was agreed that compensatory wage increases would be triggered if the index rose by more than 6 per cent between March and December 1981 and by more than 7 per cent between December 1981 and November 1982 (see Chart 1). Incomes agreements in most sectors were concluded along these lines.¹

FISCAL POLICY

The central government’s budget proposal for 1981 was described as restrained, and the growth of cash outlays was negligible in real

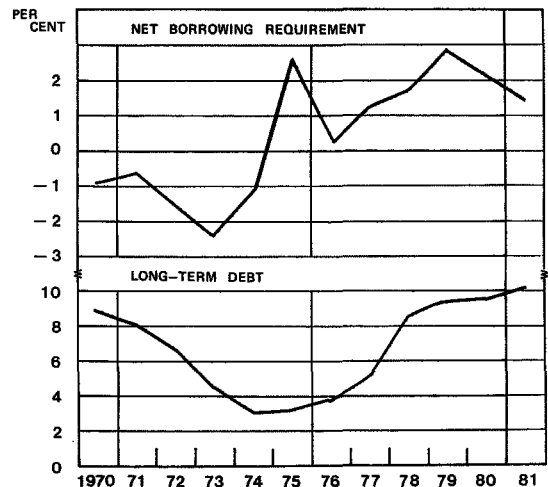
terms. As in previous years personal income tax scales were adjusted for inflation in 1981, on this occasion by 11 per cent on average. In connection with the incomes policy agreement, the central government committed itself to further adjustments in 1982. It was also agreed to curtail the rise in housing costs and to continue the development of the social insurance system. The sales tax concessions on investments in manufacturing industry were retained in 1981.

The central government reacted to the worsening employment situation by increasing the public works programme in the supplementary budgets of 1981. In addition, it was decided to release the counter-cyclical deposits collected from firms during the upswing and the state’s counter-cyclical reserves during the latter part of 1981 and in early 1982. The temporary investment tax levied on certain building projects was abolished in the autumn.

The gross tax ratio increased by approximately one percentage point to about 35.5 per cent of GDP. This was partly due to smaller tax reimbursements. In addition, the adjustment of tax scales for inflation was slightly biased on the low side.

The overall impact of public sector budget operations on demand can be considered neutral, since local government expenditures

CHART 2. CENTRAL GOVERNMENT FINANCES, PER CENT OF GDP



¹ See August 1981 Bulletin for a detailed description of the incomes agreements.

increased substantially. To cope with the changing cyclical position, it could be argued that fiscal policy should have assumed a more reflationary stance. However, inflation was regarded as the key problem, and improving competitiveness by lowering the inflation rate to below the average for the OECD area was a central objective of economic policy in addition to maintaining employment. Moreover, the fact that the central government debt also increased during the boom years 1979—80 limited the room for manoeuvre in fiscal policy. Hence priority was given to curbing the rate of increase of central government indebtedness in 1981, as a result, of which the net borrowing requirement fell to about 1.5 per cent of GDP (see Chart 2).

MONETARY AND FOREIGN EXCHANGE POLICIES

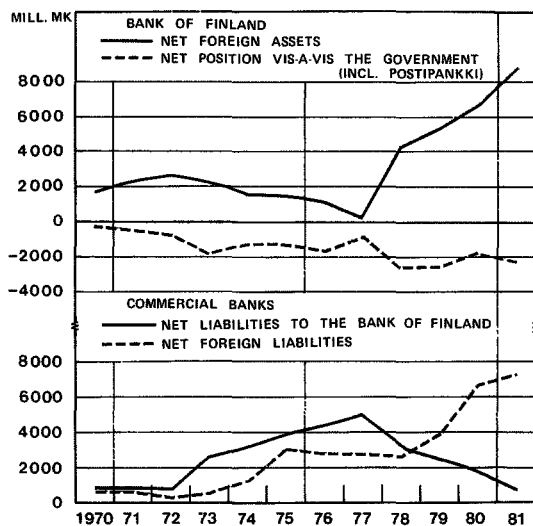
Monetary policy swung over to a more expansionary posture during the spring of 1981. However, excessive ease in the financial markets was avoided so as not to bring about a reversal of the downward trend in inflation. To implement the easier stance in monetary policy, the Bank of Finland lowered the cash reserve requirement fairly rapidly during the spring from 4.6 per cent to 3.0 per cent, at which level it has subsequently been kept.

Both the net and gross debt of the commercial banks to the Bank of Finland fell rapidly during the year (see Chart 3). The base rate on central bank credit was kept at 9 ¼ per cent, to which level it had been raised in February 1980. Owing to domestic inflation and high foreign interest rates, it was not deemed appropriate to allow a reduction of the interest rate faced by the non-bank public.

The Bank of Finland uses a set of progressive charges on central bank finance to control commercial banks' recourse to the central bank. The marginal cost of central bank finance fell from 17—18 per cent at the beginning of the year to 12—14 per cent by the summer. Although high foreign interest rates increased the demand for domestic finance, the emergence of a net claim in the tied currency accounts of the balance of payments made it necessary in the autumn for the Bank of Finland to neutralize the increased liquidity which this gave rise to. Hence, the call money market rate was raised and the scale of supplementary charges was tightened, so that the marginal cost of central bank finance stood at 15 per cent at the end of the year.

The external value of the Finnish mark was raised three times in 1979—80 by a total of 5 per cent in order to curb foreign inflationary pressures. In 1981 no major decisions concerning foreign exchange rates were taken, and the Bank of Finland currency index remained unchanged throughout the year. Confidence in the external value of Finnish mark was sustained, and there were no speculative movements on the exchange markets despite the substantial devaluation of the Swedish krona in the autumn of 1981.

CHART 3. BANK OF FINLAND AND COMMERCIAL BANKS



DEVELOPMENTS IN DEMAND

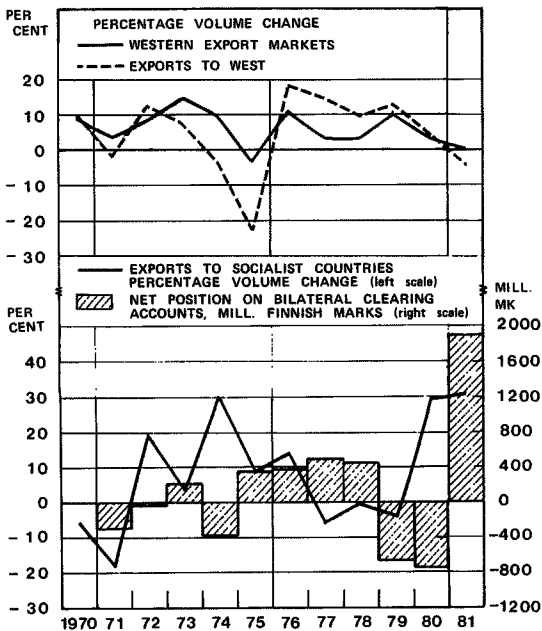
Since 1979, there has been virtually no growth at all in the economies important for Finnish exports, and the upturn in the world economy expected in the early part of this year has failed to materialize. One result has been a fall

in raw-material prices, but the strengthening of the dollar against most other major currencies has nevertheless sustained the rise in foreign trade prices, a development which has been particularly noticeable in imported energy prices.

Finnish exports to the west had already turned down in early 1980, and a decline of 4 per cent by volume was registered last year. Export volumes and prices of sawn goods have been most badly hit by the recession and high interest rates, whereas exports of pulp and paper products have held up relatively well so far.

The contraction in western exports was, however, more than compensated for by increased shipments to the Soviet Union to meet the higher oil bill. In particular, exports of the engineering industries grew rapidly and firms were able to operate at full capacity despite a weakening of investment demand both at home and abroad. Producers of labour-intensive consumer goods also benefited from this trade. Even so, the growth of export volumes to the Soviet Union lost some of its vigour in the course of the year. Total commodity exports grew by some 3 per cent in 1981 (see Chart 4).

CHART 4. EXPORTS AND GROWTH OF MARKETS



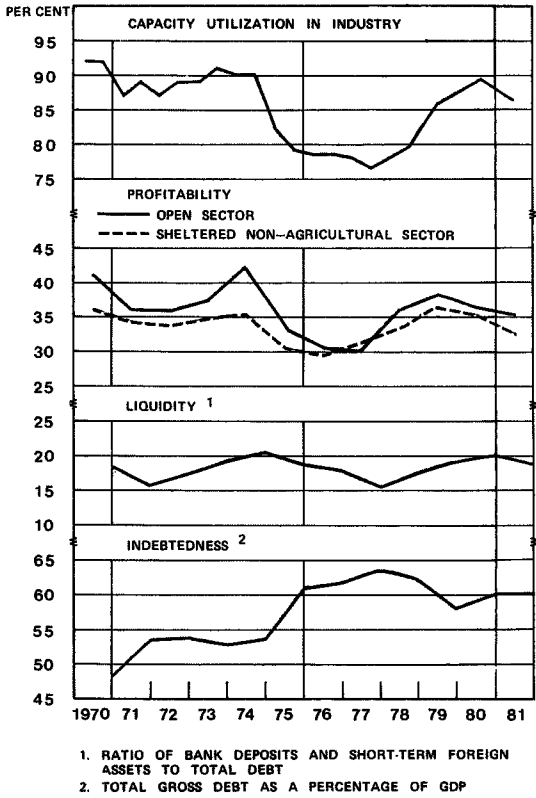
The forest industries were the first to be hit by the international recession and the sluggishness in raw-material markets: pessimism spread, the prospects for demand deteriorated, cash flow weakened and capacity utilization rates fell. As investment projects already in progress were completed investment activity began to stagnate. In the metal industry the boom in fixed investment went on longer, but for the year as a whole the expansion was only moderate in relation to the sharp growth in the previous year. In other manufacturing fixed investment decreased slightly on a yearly basis. Investment activity in 1981 was strongest in the energy sector, where efforts to economize in the use of energy kept investment at a high level. The imposition of a temporary investment tax virtually brought starts of productive building investments in the service sector to a halt between November 1980 and the autumn of 1981 when the tax was gradually removed. Since then there has been some recovery in these investments.

Inventory investment diminished in 1981 owing to the sluggishness of productive activity. Other important factors influencing the inventory cycle were the relatively quiet developments in raw-material prices and the high level of international interest rates. Firms also preferred to improve their financial structure rather than accumulate inventories (see Chart 5).

Following the protracted period of stagnation in investment activity in the latter part of the 1970s, the recent upturn has been rather short — only two years. Moreover, at its cyclical peak in 1980, the investment ratio was no higher than the average for the 1970s. The more cautious behaviour of firms in this respect is a reflection of the increased uncertainty about world economic development. To some extent, the abrupt slowdown of investment activity is partly due to a decline in infrastructure investments.

Households' real disposable income decreased slightly in 1981, but private consumption nevertheless grew on account of a sharp rise

CHART 5. CORPORATE SECTOR INDICATORS

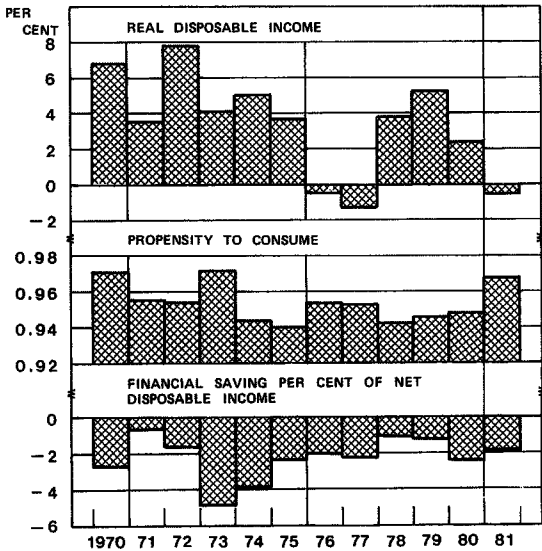


in the propensity to consume (see Chart 6). The adverse income developments were the outcome of the moderate incomes agreement and a rise in the tax burden. Positive income expectations and the fairly easy availability of credit boosted consumption, and especially expenditure on consumer durables grew vigorously. During the last few months of 1981, however, the growth of consumption levelled off.

The volume of housing investment decreased somewhat last year partly as a consequence of the relative tightness in financial markets in 1980, which curbed housing starts. Also, housing prices rose markedly faster in 1981 than prices in general, and, although the weaker employment prospects did not significantly affect consumption, they certainly discouraged residential investment. The underlying demand for dwellings is decreasing because of longer-term trends in population and migration.

The level of overall economic activity declined in the course of 1981, but on average GDP was 1 per cent higher than in the previous year. Industrial production showed a rise of two per cent for the year as a whole, the growth being almost entirely attributable to the metal industry. Building and other construction activity diminished, with adverse effects on employment.

CHART 6. HOUSEHOLD SECTOR INDICATORS, INCLUDING NON-PROFIT INSTITUTIONS



Production in the primary sector was substantially lower than in the previous year. In agriculture, bad weather conditions caused serious crop losses. In forestry, there were disputes about stumpage prices and forest-owners were generally unwilling to sell timber, so that, despite the recession, some mills experienced shortages of raw materials. Services, which were bolstered by brisk consumption demand, continued to contribute to growth. Towards the end of 1981 the downward trend in GDP became more apparent and the recession spread to embrace all cyclically sensitive sectors of economy.

INTERNAL EQUILIBRIUM

EMPLOYMENT

With the slackening in activity, unemployment began to edge up in the second quarter of the year. Additional pressures on unemployment were caused by an increase in the supply of labour. At its lowest point during the recent boom, the unemployment rate stood at 4.5 per cent, which is more than twice the comparable figure recorded at the height of the previous boom in the early 1970s. Thus, even a moderate increase in unemployment under the prevailing circumstances will raise the unemployment rate to a distressingly high level. The present unemployment problem must be seen as an outcome of a prolonged period of very low growth as well as a cyclical phenomenon. Internationally, unemployment in Finland is still among the lowest in the OECD area, even though it rose to almost 6 per cent in the course of 1981. The average unemployment rate in 1981 was 5.3 per cent.

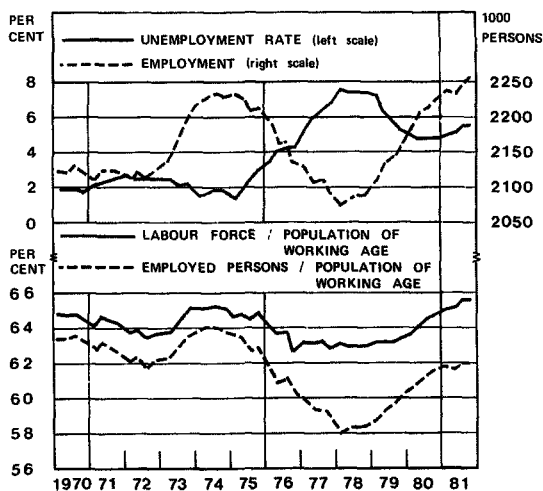
Despite the recession, the number of employed continued growing throughout 1981 because of brisk demand for labour in both the private and public service sectors. The supply of labour also increased last year: the participation rate rose to its highest level — more than 65 per cent — since 1975 (see Chart 7). The plentiful supply of labour is partly attributable to demo-

graphic changes. Today, a larger proportion of new entrants to the labour market have a high level of vocational education. Furthermore, the rate of disguised unemployment among women has decreased and net migration flows in the Nordic region showed a gain in Finland's favour in 1981. The labour input of the economy grew somewhat last year, as a result of which the rise in labour productivity almost ceased and the profitability of firms deteriorated.

WAGES AND PRICES

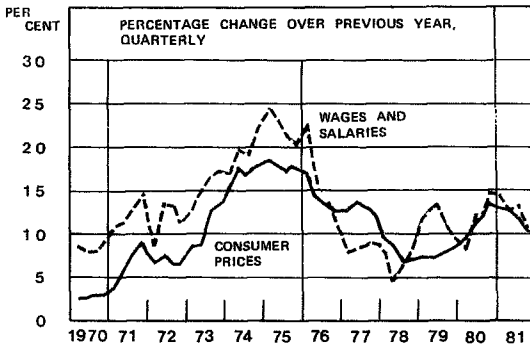
The two-year incomes settlement with its provisions for indexation was made under a more optimistic view of economic prospects than now seems likely to be realized. Thus, the only way of moderating wage inflation is to forestall the triggering of the indexation clause and the wage increases this entails. As Chart 1 shows, consumer prices exceeded the indexation threshold by 0.6 percentage points in December 1981, and since no adjustments were necessary for terms-of-trade changes, wages were raised by 0.6 per cent in March 1982, in addition to the scheduled increases stipulated in the agreement. The comparison of consumer price rises in Finland with those in European OECD countries in Chart 1 suggests that the indexation clause might have had a dampening effect of price-setting behaviour and consumer prices in Finland.

CHART 7. LABOUR MARKET



Nevertheless, when the deceleration of foreign trade price rises during 1981 and diminishing demand pressure on wage drift are taken into account, wage increases may have contributed to consumer price rises. The index of wage and salary earnings rose 12.8 per cent on average in 1981, a little more than in 1980, while the total wage bill increased by 15.6 per cent because of longer paid holidays and other extra allowances. The rise in unit labour costs was 13.7 per cent. As the rises in foreign trade prices and wholesale prices were smaller, particularly in the course of the year, the average annual increase in consumer prices was 12.1 per cent, whereas from December 1980 to December 1981 the increase was

CHART 8. PRICES AND WAGES



slightly less than 10 per cent (see Chart 8). Thus, the rate of consumer price inflation decelerated to the same level as in the OECD area.

Measured in terms of unit labour costs in manufacturing, price competitiveness deteriorated by some 6 per cent in relation to Finland's main competitor countries. The deterioration was mainly due to a marked decline in productivity, largely caused by the cyclical downturn in the volume of forest industry exports. The sharp appreciation of the US dollar also had a notable effect; the dollar's weight in the official currency basket is greater than the share of the USA in Finland's export trade. The devaluation of the Swedish krona was another factor contributing to the deterioration. However, the loss in competitiveness is clearly less if only the labour-intensive industries, such as the engineering industries, are considered.

EXTERNAL BALANCE AND MONETARY DEVELOPMENTS

The external balance of the Finnish economy improved even faster than expected in 1981 and the current account deficit shrank to less than one per cent of GDP. The current account deficit diminished to the fairly modest level of 1 700 million marks in 1981 compared with 5 200 million marks in 1980. The external balance has largely followed the movements in the relative cyclical position of Finland vis-à-vis her major trading partners. However, the satisfactory competitive position of Finland over the past four years has improved notice-

ably the apparent trade-off between the relative level of activity and the external balance.

Capital imports in 1981 consisted primarily of long-term loans. Net imports of long-term capital totalled 2 500 million marks, of which the central government's share was 2 100 million marks. Net imports of short-term capital amounted to 1 000 million marks compared with 6 000 million marks in the previous year. Prepayments for future bilateral exports totalled approximately 1 300 million marks. Imports of short-term capital by Finnish banks and other short term foreign financing fell sharply because of high foreign interest rates and improved domestic liquidity.

Since capital imports exceeded the deficit on current account, the foreign exchange reserves of the central bank rose by 2 300 million marks, when allowance is made for exchange rate movements. Convertible exchange reserves fell slightly, but owing to the surplus in the bilateral balance of payments, the tied currency accounts had swung into a net claim of 1 900 million marks by the end of the year. Finland's net foreign debt increased by 4 350 million marks, but more than 2 000 million marks of this sum was attributable to exchange rate changes. At the end of the year the net debt totalled to 32 300 million marks or 15.4 per cent of GDP.

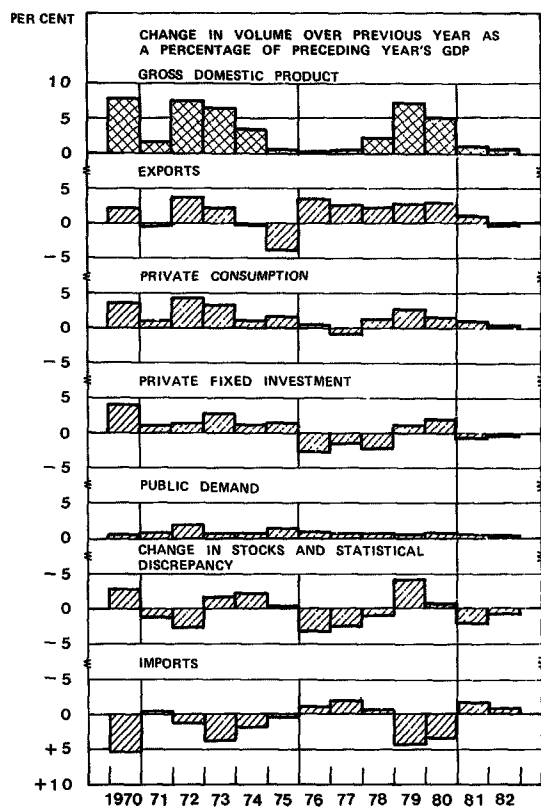
Although monetary policy had been eased in the spring, the strong expansion in financial markets in 1980 levelled off in 1981. The banks reduced their central bank finance somewhat, and the growth of bank credits to the non-bank public decelerated to 14 per cent in 1981 as a result of slackening investment activity. Hence, for the most part the fall in credit expansion was borne by commercial banks, whereas sustained credit demand by households kept credit expansion by the other bank groups at the same level as in the previous year. The growth of bank deposits during the year remained vigorous at 15 per cent. There was a clear increase in the growth rate of demand deposits owing to hesitant investment behaviour.

CURRENT OUTLOOK

In line with international cyclical developments, the recession in Finland is also proving to be longer than previously forecast. Thus, total output is likely remain stagnant in 1982 (see Chart 9).

The volume of exports to western markets may decline further in 1982, and export volumes to the Soviet Union are expected to turn down because of the surplus in the tied currency accounts. The decline in fixed investment is forecast to continue owing to the gloomy prospects for demand and falling capacity utilization rates, especially in manufacturing industry. Only in the service sector is there likely to be a significant expansion in investment activity as a result of the removal of the investment tax. Stockbuilding is projected to make a negative contribution to growth and there is likely to be a large fall off in imports.

CHART 9. CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT IN 1970-1982



The propensity to import has diminished over the past few years because of lower investment ratios and the reduced need for imported energy.

Private consumption will contribute most to economic activity in the current year. Households' real disposable income should grow owing to favourable real wage developments, tax concessions and an increase in current transfers. On the other hand, the worsening employment situation will raise the propensity to save.

The continuing recession will lead to a further deterioration in the employment situation, which is becoming the most serious imbalance in the economy. On average, the unemployment rate is expected to rise to at least 6.5 per cent in 1982, and the number of employed persons will turn down. The supply of labour remains ample: only a marginal decline in the participation rate is likely and immigration from Sweden should increase.

The downward movement in domestic inflation is forecast to continue, albeit at a rather slow pace. The negotiated wage increases in the two-year incomes agreements are weighted more heavily towards the final year of the agreement period, i.e. 1982. Apart from any possible increase in prices in excess of the indexation clause threshold, the distinct improvement expected in the terms of trade will further boost wage cost pressures. The improvement in the terms of trade will, nevertheless, result in a marked increase in the disposable income of the economy. Consumer price inflation is expected to slow down further in the course of 1982 and to average a little more than 9 per cent for the year as a whole. A further improvement in the external balance is forecast, with the current account going into surplus and the net foreign debt falling by two percentage points to 13.3 per cent of GDP. The outlook as regards inflation and external balance is satisfactory.

To encourage firms to retain labour, the government announced new fiscal policy measures in

February 1982. Employers' social security contributions in the private sector have been cut by 0.8 percentage points until the end of 1983 in order to curb the rise in labour costs. The government has also granted temporary tax concessions to households. Together, these measures will bring about an appreciable decline in the net tax ratio. The growth of central government expenditure is expected to accelerate this year and the net borrowing requirement will increase, the bulk of it being financed by a rise in the foreign debt of the central government. It can be concluded that fiscal policy has shifted to a more reflationary stance. In monetary policy, the easier policy

stance already adopted in 1981 is likely to be maintained, although it was necessary to take some steps in January 1982 to mop up excess liquidity in the economy.

Given the rapid growth of indebtedness, the central government's scope for more expansionary policy seems restricted. Moreover, the cautious behaviour of the private sector limits the possibilities for reviving the economy through monetary policy. A key factor for the recovery of the Finnish economy will undoubtedly be the upturn in western demand, which will also impart a positive impact on firms' expectations and on domestic demand.

ITEMS

Finland's travel account in 1981. According to the Bank of Finland's preliminary figures, travel receipts grew by 18 per cent in 1981 and amounted to 3 090 million marks. Travel expenditure increased by 16 per cent and totalled 2 655 million marks.

The surplus on the travel account for 1981 amounted to 436 million marks, which was 100 million marks more than in the previous year.

BREAKDOWN OF THE TRAVEL ACCOUNT IN 1979—1981, BY CURRENCY

	Travel receipts			Travel expenditure		
	1979	1980	1981	1979	1980	1981
SEK	53	55	55	22	24	27
DEM	15	14	12	16	16	14
USD	9	7	8	12	15	16
NOK	8	10	11	3	3	4
Other currencies	15	14	14	47	42	39
Total, per cent	100	100	100	100	100	100
Total, mill. mk	2 207	2 614	3 090	2 050	2 294	2 654

(continued from page 2)

in the Government's programme are aimed at increasing residential production, accelerating starts of certain public investments, enhancing regional policies, alleviating the unemployment of young people by means of special measures, increasing vocational education, apprenticeship and on-the-job training, and introducing voluntary part-time work in the civil service. One problem facing the manage-

ment of employment in the future will certainly be the fact that the public employment measures implemented in recent years have already been very substantial. As a result, their further expansion and financing may prove difficult during recessionary phases. If the economic upswing gets under way later than forecast, it is possible that 1983 will see open unemployment rise to the same level as in 1978 — the worst year for employment in the preceding decade.

April 21, 1982

BANK OF FINLAND

Board of Management

Ahti Karjalainen

Chairman

Rolf Kullberg

Vice Chairman

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom

Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Sirkka Hämäläinen

Senior officials

Pertti Kukkonen

Senior adviser

Ralf Pauli

Monetary Policy

Raimo Hyvärinen

Domestic Financing

Kari Pekonen

Exchange Policy

M. Vanhala

Foreign Exchange

Kari Holopainen

Bilateral Trade

Pekka Tukiainen

Foreign Financing

J. Ojala

Exchange Control

Seppo Kostainen

Deputy, Economics Dept.

Juhani Hirvonen

Deputy, Research Dept.

Markku Pietinen

Information

H. T. Hämäläinen

Administration

Timo Männistö

Internal Audit

U. Levo

International Legal Affairs

Erkki Vehkamäki

Data Processing

Anton Mäkelä

Personnel

Stig G Björklund

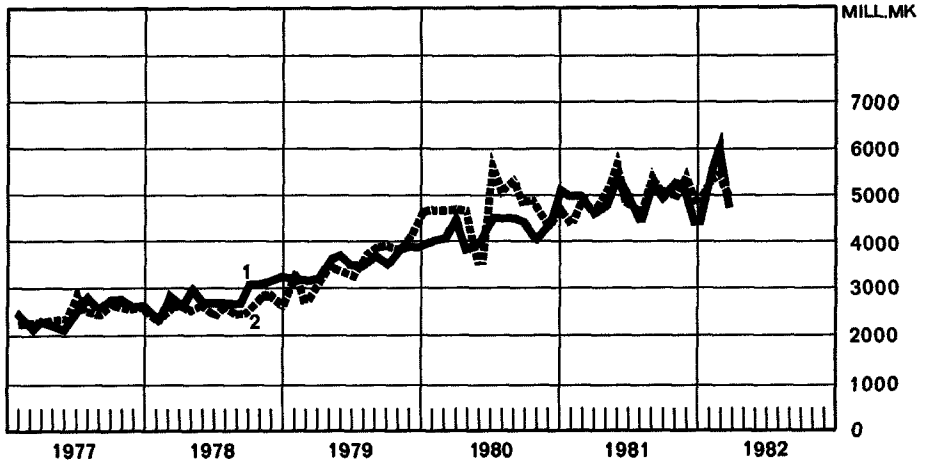
Payments

Reijo Mäkinen

Cash

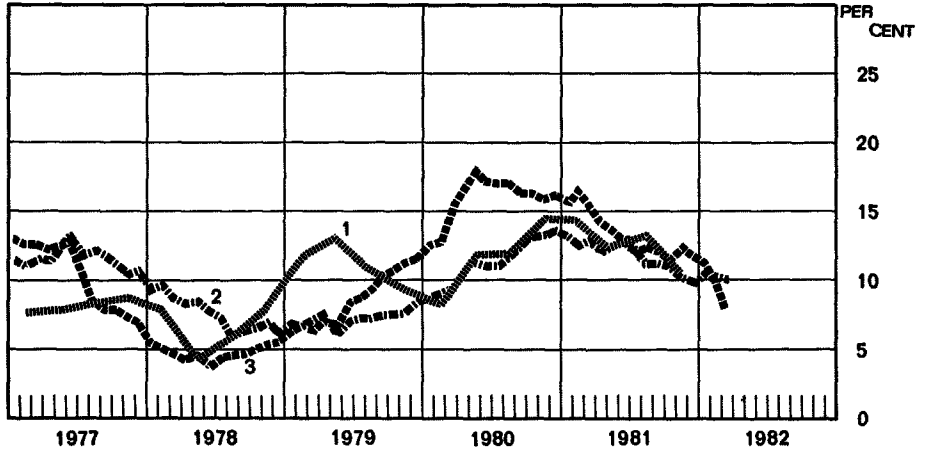
FOREIGN TRADE, 1977-82

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



PRICES AND WAGES, 1977 - 1982

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



PRODUCTION, 1977-82

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

