



BANK OF FINLAND

Monthly Bulletin

Finnish banks abroad

Forward exchange markets in Finland

Revaluation of the Finnish mark

Credit facility agreement

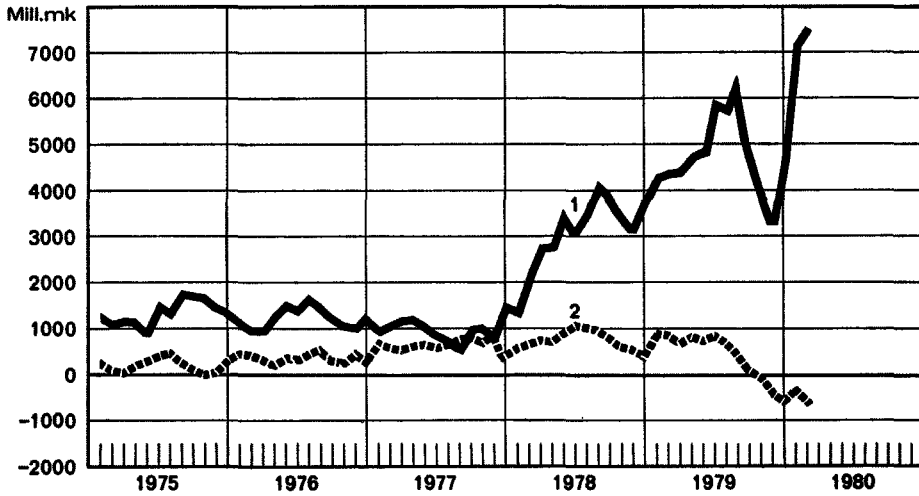
Revised IMF classification

Publication of the Bank of Finland

APRIL 1980

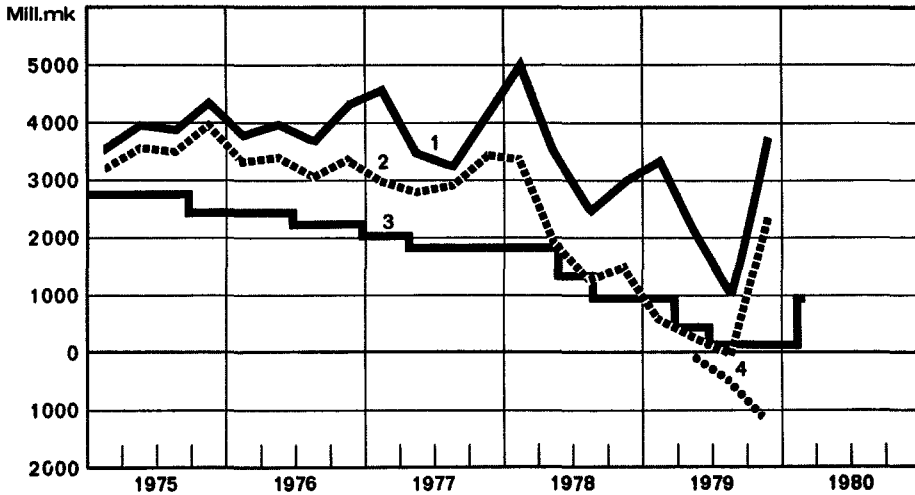
Vol. 54 No. 4

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



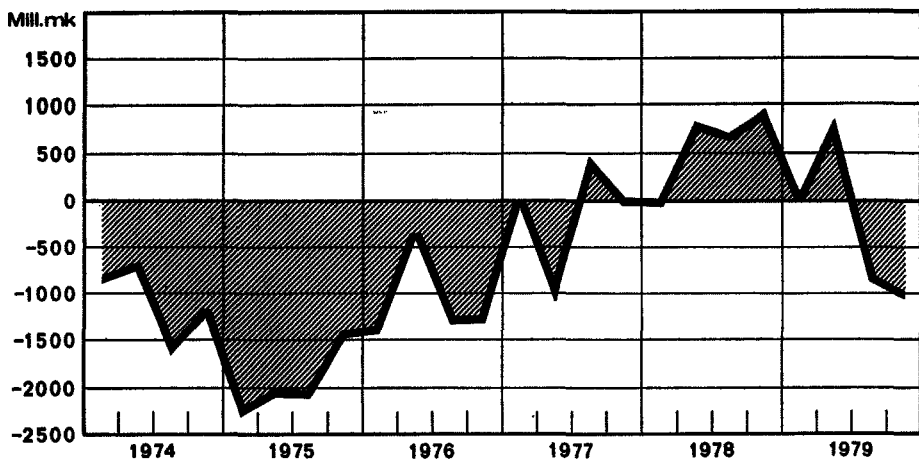
- 1. Gold and convertible currencies
- 2. Tied currencies

COMMERCIAL BANKS' CENTRAL BANK POSITION, 1975-80



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

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



Seasonally adjusted quarterly figures

FINNISH BANKS ABROAD

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The Finnish commercial banks first became shareholders in foreign consortium banks in the middle of the 1960s, together with other Nordic commercial banks. Until then, foreign payments and credits had been effected through correspondent banks, which still handle the majority of payment services. The network of correspondent banks covers several thousands of banks all over the world. Nevertheless, the commercial banks' own »feelers» abroad have already become quite important.

There were several reasons for the entry of Finnish banks onto international financial markets. Finland's foreign trade was freed from regulation in the late 1950s and early 1960s, thus providing scope for a rapid expansion in foreign trade.

International development also underwent profound changes, and the process of integration got under way. The end of the 1950s saw the formation of international capital markets, and the Euro-dollar markets, which were independent of national boundaries, became increasingly important. The development of international banking activity was very vigorous.

The rapid structural changes in the Finnish economy and the diversification of Finnish industry called for a wider array of banking services.

The Finnish economy is a very open one. In recent years, the importance of foreign trade has increased further, with exports accounting for 27 per cent of GDP at market prices in 1979.

CONSORTIUM BANKS

The Union Bank of Finland Ltd and Kansallis-Osake-Pankki acquired their first shares in international consortium banks in Switzerland in 1964. The Union Bank of Finland Ltd participated in the establishment of Banque Scandinave en Suisse. The other Nordic participating banks were Skandinaviska Enskilda Banken, Den Danske Bank, Den Danske Provinsbank, Bergen Bank and Skånska Banken.

Kansallis-Osake-Pankki co-operates with another Nordic bank group, the other Nordic participants being Svenska Handelsbanken, Den Norske Creditbank and Kjøbenhavns Handelsbank. These banks set up the Nordfinanz-Bank in Zurich, and at the end of the 1960s, the KOP group established a bank in Paris.

In the late 1960s and early 1970s, London developed into the most important Euro-market centre. The Nordic group of commercial banks, of which the Union Bank of Finland Ltd is a member, set up the Scandinavian Bank Ltd in London at the end of the 1960s. The group which Kansallis-Osake-Pankki belongs to entered London's financial market a couple of years later by establishing the Nordic Bank Ltd. Of all the consortium banks with Finnish shareholdings, these two banks in London have developed the most rapidly. Not only are their balance sheet totals the largest among those of the consortium banks with Finnish shareholdings, but they are also among the largest consortium banks in the world. Their network of subsidiaries and representative offices has expanded all over the world.

TABLE 1. FINNISH BANKS ABROAD

Consortium banks	Year of establishment	Finnish shareholder	Finnish shareholding, per cent	Balance sheet total on Dec. 31, 1979, mill. mk
Nordic Bank Ltd London	1971	KOP	25	10 109 ¹
Scandinavian Bank Ltd London	1969	UBF	19.4	9 223
Nordfinanz-Bank Zurich Zurich	1964	KOP	5 ¹	3 906
Manufacturers Hanover Banque Nordique Paris	1967	KOP	10	3 441
Hanse Bank Luxemburg	1977	BH	10	3 118
Banque Scandinave en Suisse Geneva	1964	UBF	11.95	2 282
London & Continental Bankers Ltd London	1973	Okobank	2.55	2 279 ²
Banque Nordeurope Luxemburg	1973	Skopbank	12.5	1 763 ²
Banque Transatlantique Paris	1971 ³	BH	1	1 678
Nordic American Banking Corporation	1979 ⁴	KOP	25	1 236

¹ Consolidated balance sheet includes 60 per cent of the NBZ-balance sheet. KOP owns 5 per cent of the share capital; if KOP's share in the Nordic Bank and the Nordic Bank's share in Nordfinanz-Bank Zurich are taken into account, KOP owns indirectly another 15 per cent.

² Balance sheet total as at March 31, 1979.

³ The Bank of Helsinki Ltd became a shareholder in 1971; the bank was established in 1881.

⁴ KOP became a shareholder in 1979; the bank was established in 1975.

In 1971, the Bank of Helsinki Ltd became a shareholder in Banque Transatlantique in Paris. In addition, the Bank of Helsinki Ltd is a shareholder in Hanse Bank established in Luxemburg in 1977.

Skopbank, the central bank of the savings banks, became a shareholder in Banque Nordeurope in Luxemburg in 1973. In the same year, Okobank, the central bank of the co-operative banks of Finland, acquired shares in the London & Continental Bankers Ltd in London.

Apart from European markets, Finnish commercial banks have been particularly interested in entering the financial markets of the United States and the Far East. In 1979, Kansallis-Osake-Pankki became a shareholder in the Nordic American Banking Corporation, which was originally a subsidiary of Svenska Handels-

banken; in 1979, its ownership base was extended to include other Nordic banks as well.

SUBSIDIARIES

The 1970s saw a very vigorous expansion of the Euro-markets, which was particularly boosted by rises in the price of oil and the recycling of the current account surpluses of OPEC countries via international financial markets. On the other hand, persistent pressure on the dollar also enhanced the importance of other currencies, which accelerated the process of internationalization of banks. At the end of the 1970s, Finnish commercial banks also started to set up their own subsidiaries in Central Europe.

(continued on page 30)

BANK OF FINLAND

Mill. mk

	1979		1980				
	March 30	Dec. 31	March 7	March 14	March 21	March 31	
Assets							
Gold and foreign exchange receivables	5 276	4 860	7 868	7 843	7 684	7 346	
Gold ¹	169	1 073	1 073	1 073	1 073	1 073	
Special drawing rights	458	430	566	566	566	576	
IMF reserve tranche	243	225	225	225	225	225	
Foreign bonds ²	—	—	2 010	2 014	2 014	1 972	
Convertible currencies	3 638	2 978	3 847	3 819	3 658	3 353	
Tied currencies	768	154	147	146	148	147	
Other foreign receivables	2 288	2 803	1 054	1 054	1 054	1 054	
Foreign bonds ²	1 191	1 749	—	—	—	—	
Mark subscription to Finland's IMF quota	1 097	1 054	1 054	1 054	1 054	1 054	
Receivables from financial institutions	3 062	4 538	4 215	5 831	5 345	5 459	
Banks' cheque accounts	113	233	1 015	1 136	999	838	
Discounted bills	829	—	—	—	—	—	
Call money market advances	1 735	3 870	2 761	4 332	3 878	4 155	
Bonds	366	408	400	406	415	403	
Other financial institution receivables	19	27	39	57	53	63	
Receivables from the public sector	821	884	1 270	1 275	1 278	1 280	
Government promissory notes	346	346	700	700	700	700	
Bonds	107	145	168	173	178	180	
Total coinage	350	372	378	378	379	379	
Other public sector receivables	18	21	24	24	21	21	
Receivables from corporations	2 008	2 520	2 602	2 574	2 574	2 617	
Financing of exports	917	1 230	1 181	1 141	1 148	1 186	
Financing of domestic deliveries	776	952	1 106	1 116	1 112	1 119	
Bonds	201	205	197	197	195	193	
Other corporate receivables	114	133	118	120	119	119	
Other assets	67	73	74	74	74	74	
	Total	13 522	15 678	17 083	18 651	18 009	17 830
Liabilities							
Foreign exchange liabilities	53	846	950	1 156	1 264	1 486	
Convertible accounts	39	14	21	19	26	23	
Tied accounts	14	832	929	1 137	1 238	1 463	
Other foreign liabilities	2 213	1 818	1 951	1 951	1 951	1 951	
IMF mark accounts	1 759	1 385	1 385	1 385	1 385	1 385	
Allocations of special drawing rights	454	433	566	566	566	566	
Notes and coins in circulation	3 740	4 375	4 474	4 252	4 173	4 163	
Notes	3 431	4 020	4 128	3 906	3 827	3 816	
Coins	309	355	346	346	346	347	
Deposit certificates in circulation	2 068	1 700	3 040	3 340	3 340	3 340	
Claims of financial institutions	2 500	3 043	2 903	4 122	3 399	3 020	
Banks' cheque accounts	0	4	1	1	2	2	
Call money market deposits	2 138	1 131	627	1 844	1 120	592	
Cash reserve deposits	—	1 764	2 123	2 123	2 123	2 267	
Capital import deposits	351	140	148	149	150	148	
Other financial institution claims	11	4	4	5	4	11	
Claims of the public sector	113	387	62	63	62	63	
Cheque accounts	0	2	0	1	0	1	
Counter-cyclical reserves	40	42	42	42	42	42	
Capital import deposits	71	339	17	17	17	17	
Other public sector claims	2	4	3	3	3	3	
Claims of corporations	342	403	488	491	495	546	
Deposits for investment and ship purchase	41	133	153	154	155	207	
Capital import deposits	290	254	331	335	338	337	
Import levy deposits	3	2	—	—	—	—	
Other corporate claims	8	14	4	2	2	2	
Other liabilities	12	13	15	13	13	13	
Equalization accounts	317	1 252	1 349	1 408	1 452	1 388	
Capital accounts	2 164	1 841	1 851	1 855	1 860	1 860	
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400	
Reserve fund	636	636	441	441	441	441	
Undisposed profits	92	—	—	—	—	—	
Net earnings	36	-195	10	14	19	19	
	Total	13 522	15 678	17 083	18 651	18 009	17 830

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

End of year or month	Foreign sector ¹						Public sector				Deposit certificates in circulation
	Gold ² , SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	
1974	675	341	1 047	2 063	-388	-6	1 669	302	560	258	1 040
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	-
1977	337	543	1 212	2 092	496	-2 031	557	391	328	- 63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1979											
March	870	1 191	3 599	5 660	754	-1 116	5 298	821	113	-708	2 068
April	870	1 269	3 892	6 031	900	-1 116	5 815	822	113	-709	2 288
May	856	1 442	4 025	6 323	824	-971	6 176	828	112	-716	2 588
June	856	1 531	5 113	7 500	901	-971	7 430	844	41	-803	3 378
July	863	1 690	4 984	7 537	770	-971	7 336	853	373	-480	3 378
Aug.	853	1 865	5 644	8 362	504	-793	8 073	848	374	-474	3 378
Sept.	853	2 001	4 181	7 035	186	-793	6 428	859	364	-495	2 390
Oct.	858	1 860	3 316	6 034	-157	-793	5 084	866	388	-478	2 390
Nov.	855	1 783	2 582	5 220	-505	-793	3 922	867	381	-486	2 040
Dec.	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980											
Jan.	1 861	1 829	3 463	7 153	-462	-897	5 794	1 254	68	-1 186	2 200
Feb.	1 864	2 020	3 670	7 554	-700	-897	5 957	1 265	60	-1 205	2 740
March	1 874	1 972	3 330	7 176	-1 316	-897	4 963	1 280	63	-1 217	3 340

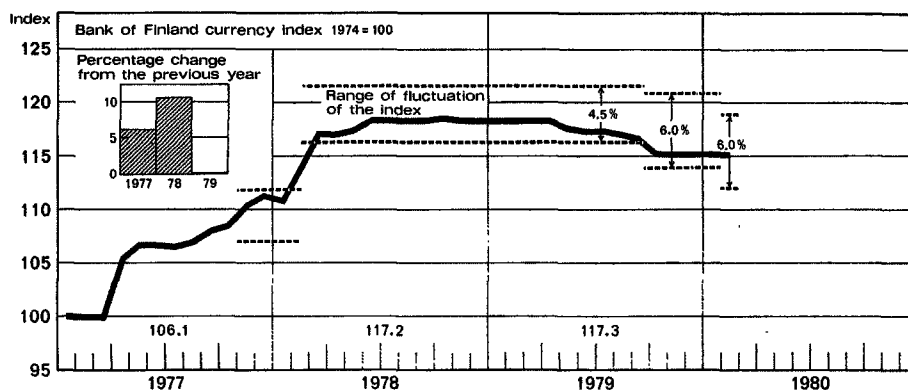
FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1979			Net holdings, Feb. 29, 1980 ¹			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Feb.	Jan.-Feb.
	Gold ²		1 073	—	1 073	1 073	—	1 073
Special drawing rights		430	—	430	566	—	566	+3
IMF reserve tranche		225	—	225	225	—	225	—
Foreign bonds		—	—	—	2 019	—	2 019	+190
Convertible currencies		2 964	-3 223	-259	3 671	-3 815	-144	+427
Total		4 692	-3 223	1 469	7 554	-3 815	3 739	+620
Tied currencies		-678	-30	-708	-700	-49	-749	-265
Grand total		4 014	-3 253	761	6 854	-3 864	2 990	+355

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

End of year or month	Domestic financial sector							Corporate sector			Notes and coins in circulation
	Dis-counted and re-dis-counted bills	Cheque account re-ceive-ables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net re-ceive-ables (1+2+3-4-5-6)	Permanent special financing schemes	Liabili-ties, net	Net re-ceive-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1974	3 034	110	—	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1979											
March	829	113	1 735	2 138	—	-23	562	1 693	27	1 666	3 740
April	349	176	1 808	2 078	—	-116	371	1 673	10	1 663	3 822
May	379	138	1 368	1 589	115	-174	355	1 742	98	1 644	3 923
June	295	116	736	1 246	235	-210	-124	1 827	67	1 760	4 186
July	—	376	935	1 104	482	-287	12	1 884	55	1 829	4 025
Aug.	—	330	392	1 038	730	-276	-770	1 909	60	1 849	4 022
Sept.	—	119	1 919	1 334	989	-312	27	1 923	144	1 779	4 072
Oct.	—	232	2 894	1 058	1 232	-284	1 120	2 173	150	2 023	3 963
Nov.	—	192	3 735	836	1 496	-262	1 857	2 233	107	2 126	4 156
Dec.	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980											
Jan.	—	375	2 989	1 376	2 095	-295	188	2 224	62	2 162	4 047
Feb.	—	910	3 005	1 370	2 123	-315	737	2 317	149	2 168	4 233
March	—	836	4 155	592	2 267	-307	2 439	2 305	234	2 071	4 163



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 ³ , mill. mk	Cash reserve deposits of the commercial banks ³ , mill. mk	Bank of Finland placements in the call money market, mill. mk	Basic discount rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9	10
1973	2 042	1 819	1 333	—	—	—	8.50	—	9.99	8.65
1974	3 204	2 840	2 494	—	—	—	9.25	—	10.57	9.52
1975	4 000	3 611	2 725	—	—	239 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

1979

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

1980

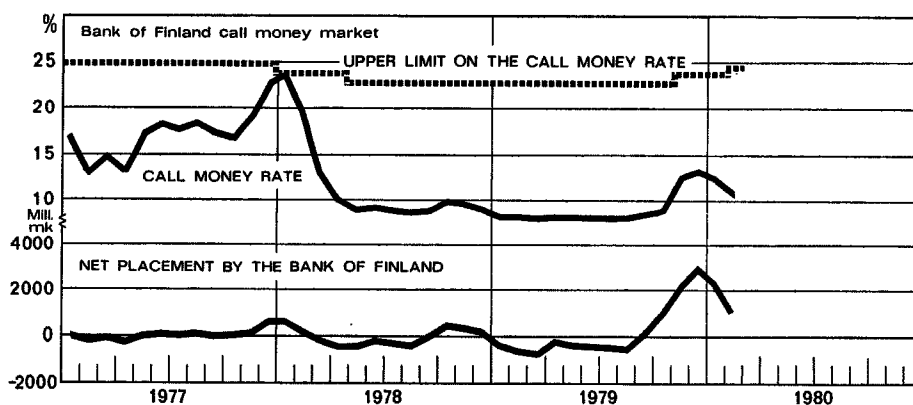
Jan.	4 471	2 627	200	1 775	1 553	2 399	8.50	12.70	11.79	9.08
Feb.	4 034	2 066	1 000	2 092	1 829	1 068	9.25	11.14	10.18	..
March	4 580	3 380	1 000	2 128	1 857	2 381	9.25	11.97

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

³ See Bulletin April, 1979, page 1.

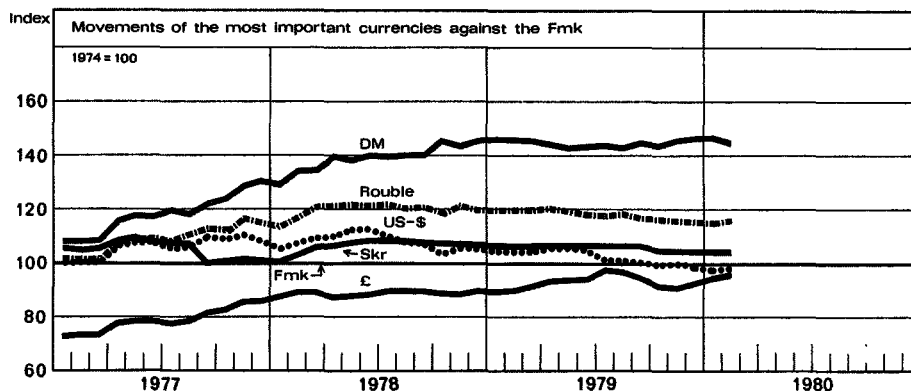


FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

Period	New York	London	Stockholm	Oslo	Copenhagen	Frankfurt	Zurich	Paris	Moscow	Currency index 1974=100
	1 US \$ USD	1 £ GBP	100 Skr SEK	100 Nkr NOK	100 Dkr DKK	100 DM DEM	100 Sfr CHF	100 FF FRF	1 CI Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3
1979										
March	3.983	8.132	91.49	78.45	77.05	214.34	237.14	93.23	6.024	118.5
April	4.012	8.332	91.65	78.33	76.40	212.10	234.14	92.55	6.055	118.5
May	4.013	8.276	91.59	77.63	74.76	210.53	232.49	91.31	6.032	117.8
June	3.973	8.390	91.71	77.29	73.35	210.71	233.39	91.21	5.956	117.5
July	3.851	8.716	91.52	76.66	73.75	211.37	234.03	91.04	5.915	117.5
Aug.	3.845	8.620	91.34	76.71	73.25	210.34	232.22	90.59	5.942	117.2
Sept.	3.821	8.415	91.38	76.95	73.85	212.88	236.64	91.23	5.858	116.9
Oct.	3.780	8.132	90.09	76.39	72.57	211.60	232.68	90.46	5.845	115.4
Nov.	3.794	8.097	90.03	75.82	72.41	213.96	230.42	91.43	5.828	115.4
Dec.	3.735	8.233	89.67	75.39	69.89	215.60	233.65	92.22	5.798	115.4
1980										
Jan.	3.703	8.396	89.55	75.69	69.07	214.92	232.60	92.00	5.788	115.4
Feb.	3.724	8.546	89.58	76.56	68.59	213.33	227.68	91.24	5.818	115.4
March	3.858	8.533	89.13	76.75	67.23	209.01	219.46	89.87	5.896	115.0

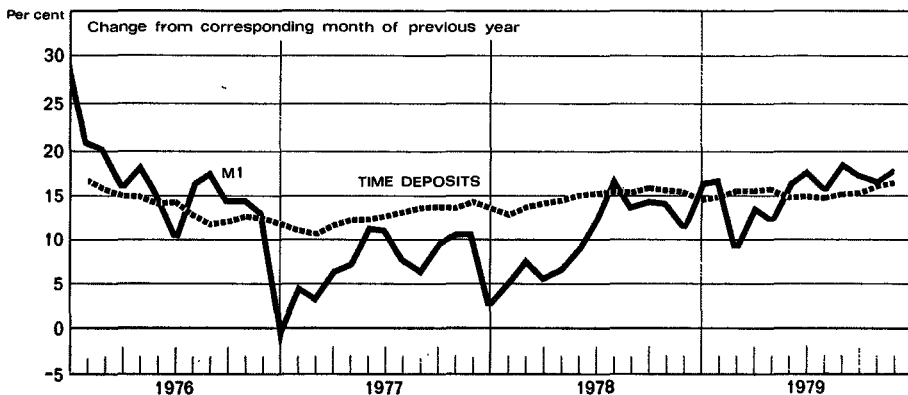
See explanations on page 22.



DEPOSITS BY THE PUBLIC

Mill. mk

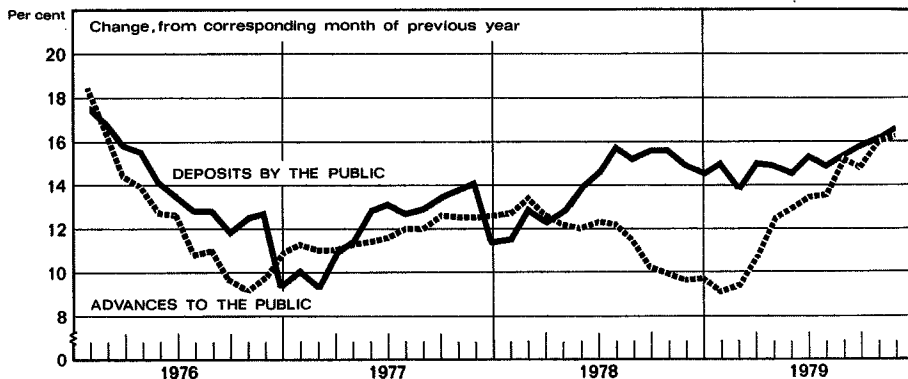
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	10
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1978										
July	3 712	1 594	2 352	7 658	16 440	13 679	10 567	4 600	45 286	52 944
Aug.	3 716	1 718	2 237	7 671	16 323	13 956	10 796	4 681	45 756	53 427
Sept.	3 475	1 699	2 226	7 400	16 328	14 008	10 818	4 707	45 861	53 261
Oct.	3 792	1 756	2 106	7 654	16 484	14 081	10 890	4 696	46 151	53 805
Nov.	3 774	1 793	2 039	7 606	16 550	14 342	11 139	4 820	46 851	54 457
Dec.	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979										
Jan.	4 138	1 579	2 089	7 806	16 951	14 720	11 454	4 917	48 042	55 848
Feb.	3 544	1 629	2 081	7 254	17 267	15 045	11 716	5 004	49 032	56 286
March	3 717	1 589	2 108	7 414	17 521	15 231	11 803	5 085	49 640	57 054
April	3 837	1 670	1 995	7 502	17 816	15 405	11 966	5 112	50 299	57 801
May	4 244	1 777	2 271	8 292	17 692	15 584	12 140	5 140	50 556	58 848
June	4 373	1 842	2 678	8 893	17 978	15 932	12 330	5 176	51 416	60 309
July	4 160	1 944	2 700	8 804	18 189	16 153	12 481	5 253	52 076	60 880
Aug.	4 195	1 969	2 747	8 911	18 389	16 390	12 698	5 304	52 781	61 692
Sept.	3 900	2 053	2 818	8 771	18 441	16 447	12 716	5 350	52 954	61 725
Oct.	4 232	2 111	2 493	8 836	18 877	16 556	12 852	5 403	53 688	62 524
Nov.	4 316	2 078	2 486	8 880	19 315	16 832	13 059	5 469	54 675	63 555



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by				Types of advances			Total (1 to 7) (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 ₁	M ₁ +Quasi- Money
	1	2	3	4	5	6	7		8	9
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1978										
July	26 017	13 048	11 148	6 753	49 217	1 761	5 988	56 966	11 351	58 025
Aug.	25 771	13 241	11 367	6 650	49 649	1 659	5 721	57 029	11 177	58 501
Sept.	25 774	13 477	11 596	6 682	50 317	1 769	5 443	57 529	11 071	58 328
Oct.	25 862	13 658	11 755	6 670	51 022	1 772	5 151	57 945	11 129	58 611
Nov.	26 091	13 846	11 951	6 707	51 673	1 759	5 163	58 595	11 108	59 300
Dec.	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979										
Jan.	26 250	14 214	12 272	6 986	52 889	1 746	5 087	59 722	11 544	61 064
Feb.	26 735	14 373	12 348	7 160	53 558	1 876	5 182	60 616	11 102	61 615
March	27 186	14 446	12 446	7 196	53 701	1 805	5 768	61 274	11 442	62 463
April	28 170	14 598	12 548	7 342	54 374	1 816	6 468	62 658	11 577	63 203
May	28 384	14 826	12 747	7 423	55 035	1 761	6 584	63 380	12 435	64 350
June	28 860	14 991	12 940	7 631	55 528	1 781	7 113	64 422	13 269	65 833
July	28 758	15 224	13 124	7 603	56 256	1 839	6 614	64 709	13 161	66 293
Aug.	29 072	15 489	13 372	7 803	57 002	1 798	6 936	65 736	13 274	67 140
Sept.	28 923	15 732	13 595	7 848	57 931	1 914	6 253	66 098	13 008	67 117
Oct.	29 456	16 040	13 796	7 987	59 330	1 928	6 021	67 279	13 003	67 919
Nov.	29 764	16 306	14 056	8 039	60 234	2 031	5 900	68 165	13 131	69 012



STATE FINANCES

Mill. mk

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

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

FOREIGN TRADE

Mill. mk

Value mill. mk

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

1979*			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.	3 438	3 564	-126
Feb.	2 813	2 389	+424
March	3 459	3 163	+296
April	3 375	3 159	+216
May	4 008	3 660	+348
June	3 495	3 325	+170
July	3 523	3 791	-268
Aug.	3 362	3 857	-495
Sept	3 357	3 869	-512
Oct.	4 374	4 297	+77
Nov.	4 380	4 390	-10
Dec.	3 846	4 581	-735

1980*			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.	4 243	4 865	-622

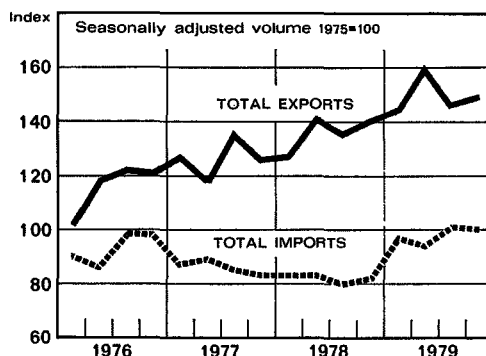
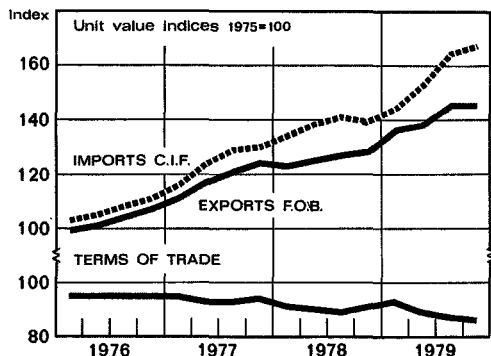
Indices of exports and imports
1975 = 100

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

1977					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	123	83	112	117	96
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95

1978					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	139	91
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92

1979*					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	140	90	137	145	94
Apr.-June	154	94	139	154	90
July-Sept.	138	99	146	165	88
Oct.-Dec.	171	113	146	168	87



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

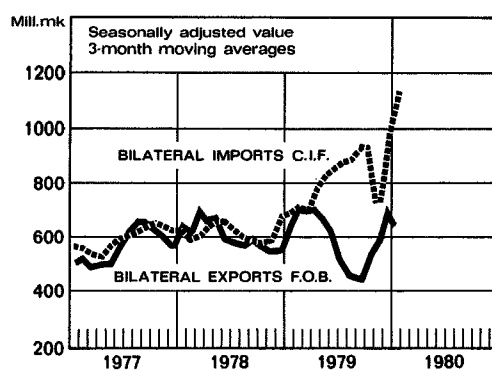
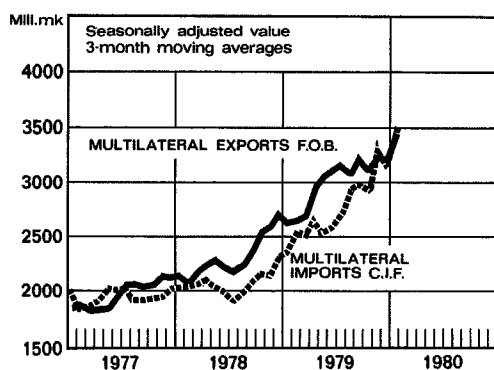
Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods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

1979*

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

1980*

Jan.	285	601	1 203	751	1 403	3 082	431	652	681	19
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FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1979		1980*		1979		1980*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	65.6	2 257	71.3	3 025	60.2	2 145	56.4	2 743
Austria	0.8	27	0.8	32	1.3	48	1.2	58
Belgium and Luxembourg	1.5	52	1.6	69	1.8	66	1.8	89
Denmark	3.5	119	3.7	157	3.0	108	2.6	126
France	4.5	154	5.1	218	3.8	134	3.6	173
Federal Republic of Germany	13.8	473	12.8	543	14.5	516	13.4	652
Italy	2.6	89	2.9	123	2.2	79	2.6	124
Netherlands	3.4	116	4.3	182	2.9	102	2.9	143
Norway	3.7	128	3.9	165	1.9	67	1.9	93
Portugal	0.3	12	0.2	7	0.4	14	0.4	21
Spain	0.9	30	0.8	35	1.0	34	1.0	48
Sweden	15.6	537	19.5	826	15.7	558	13.8	673
Switzerland	2.6	91	2.4	101	2.2	80	1.7	83
United Kingdom	10.9	376	11.9	507	8.7	310	9.0	436
Other	1.5	53	1.4	60	0.8	29	0.5	24
OECD countries outside Europe	8.7	297	5.5	232	9.8	349	9.1	444
Canada	0.6	20	0.5	20	0.9	32	0.7	34
Japan	2.1	71	1.0	43	3.0	107	2.9	142
United States	5.2	179	3.2	136	5.7	204	5.4	261
Other	0.8	27	0.8	33	0.2	6	0.1	7
CMEA countries	16.0	550	14.8	628	21.5	765	25.8	1 254
Czechoslovakia	0.4	13	0.3	13	0.4	15	0.5	26
German Democratic Republic	0.7	23	0.7	28	0.6	20	0.5	24
Poland	0.6	20	0.5	20	1.0	35	1.5	72
Soviet Union	13.3	459	12.5	531	18.7	667	22.5	1 093
Other	1.0	35	0.8	36	0.8	28	0.8	39
Latin America	1.5	51	1.0	44	4.0	143	2.7	134
Argentina	0.2	8	0.3	15	0.1	4	0.1	3
Brazil	0.5	16	0.3	12	1.4	51	0.9	45
Colombia	0.2	5	0.2	8	1.1	38	1.6	79
Other	0.6	22	0.2	9	1.4	50	0.1	7
Other	8.2	283	7.4	314	4.5	162	6.0	290
GRAND TOTAL	100.0	3 438	100.0	4 243	100.0	3 564	100.0	4 865
of which								
EFTA countries	23.2	799	26.8	1 139	21.7	774	19.3	938
EEC countries	40.8	1 401	43.2	1 833	37.1	1 321	36.0	1 752
OECD countries	74.3	2 554	76.8	3 257	70.0	2 494	65.5	3 187

¹ New series. See explanations on page 22.

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Unrequited transfers, net	Current account
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507
1977	30 766	30 625	+ 141	+1 392	- 3	+411	+1 941	-2 434	-147	- 640
1978 *	35 024	32 243	+2 781	+1 683	+166	+958	+5 588	-2 853	-211	+2 524

1977

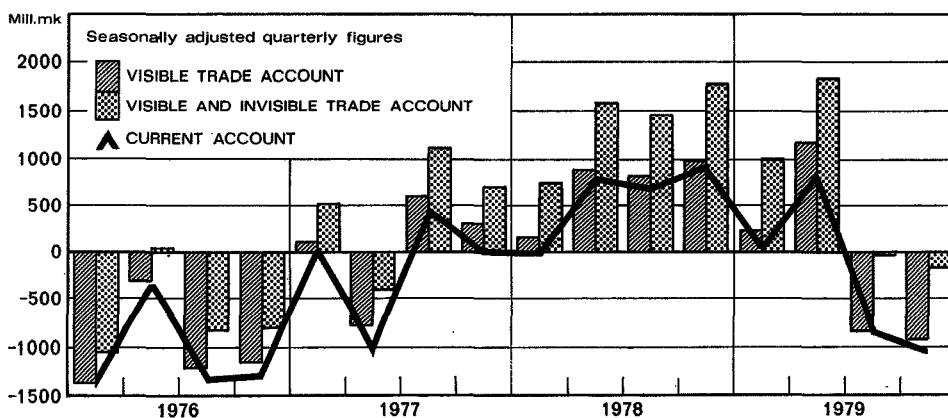
Jan.-March	6 977	6 765	+ 212	+ 331	- 80	+ 82	+ 545	- 506	-46	- 7
Apr.-June	6 817	7 689	- 872	+ 299	+ 10	+ 49	- 514	- 726	-12	-1 252
July-Sept.	7 931	7 671	+ 260	+ 377	+118	+180	+ 935	- 532	-30	+ 373
Oct.-Dec.	9 041	8 500	+ 541	+ 385	- 51	+100	+ 975	- 670	-59	+ 246

1978*

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

1979*

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

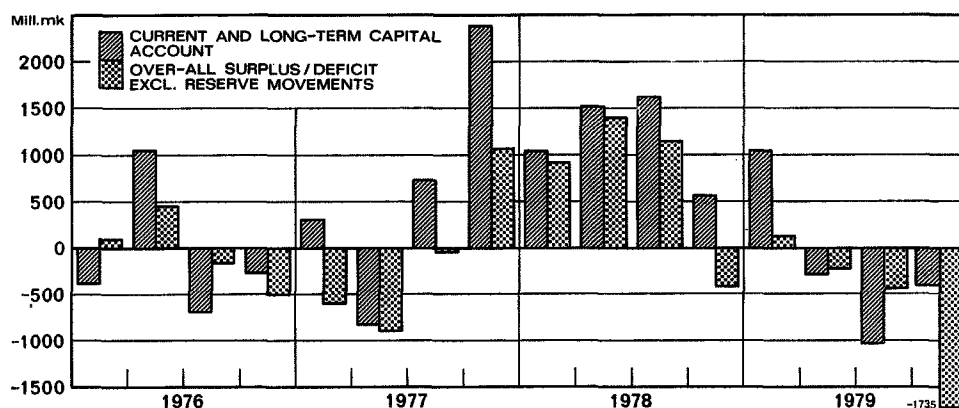


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+ 638	+1 449	+ 8	- 747	- 444	+1191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+ 138	-1 288	+1 327	- 128	+ 78	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 599	-1 547	- 470	-1 071	- 489	- 170	+ 659
+9 007	-5 743	-774	-229	+2 261	+4 785	+ 130	-2 188	+ 313	+3 040	-2 339	- 701
+1 022	- 550	-127	- 24	+ 321	+ 314	- 799	+ 149	- 269	- 605	- 140	+ 745
+1 273	- 857	+ 35	- 37	+ 414	- 838	- 333	+ 149	+ 116	- 906	+ 358	+ 548
+1 252	- 647	-156	- 89	+ 360	+ 733	+ 227	- 384	- 631	- 55	- 319	+ 374
+2 907	- 691	+ 7	- 79	+2 144	+2 390	- 642	- 384	- 287	+1 077	- 69	-1 008
+1 876	- 854	-166	- 17	+ 839	+1 056	- 479	- 402	+ 749	+ 924	-1 556	+ 632
+2 900	-1 733	- 1	- 51	+1 115	+1 531	+ 328	- 402	- 57	+1 400	- 687	- 713
+2 265	-1 089	- 96	- 39	+1 041	+1 622	+ 20	- 692	+ 194	+1 144	- 607	- 537
+1 966	-2 067	-511	-122	- 734	+ 576	+ 261	- 692	- 573	- 428	+ 511	- 83
+2 202	-1 626	- 8	+ 50	+ 618	+1 059	- 46	- 63	- 823 ²	+ 127	- 913	+ 786
+1 267	-1 453	-218	-175	- 579	- 297	- 34	- 62	+ 157	- 236	-1 760	+1 996
+1 258	- 892	-336	-105	- 75	-1 045	+ 387	- 98	+ 300	- 456	+1 455	- 999

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

¹ Including Direct investment, net.

² Including Allocations of special drawing rights 139 million.

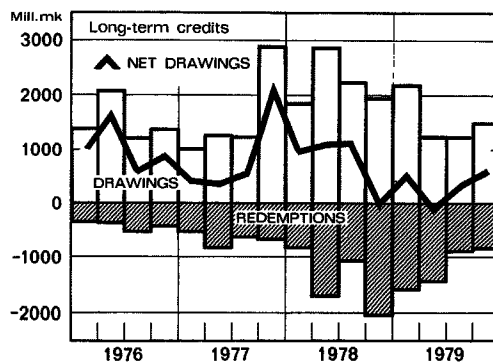
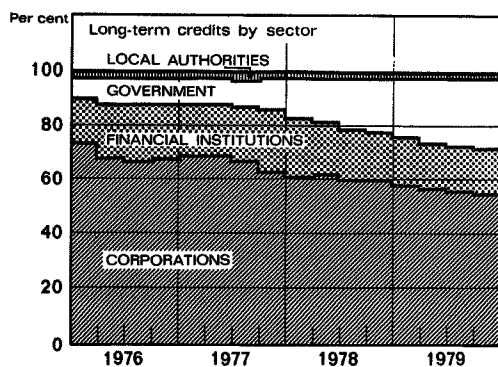


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

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

See explanations on page 22.

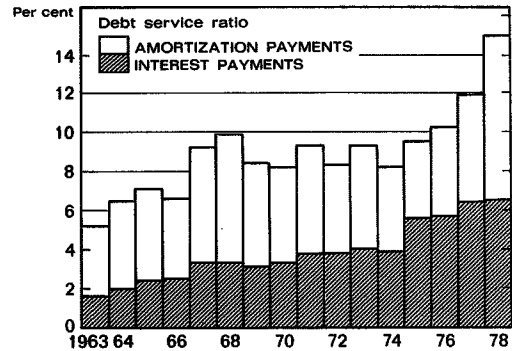
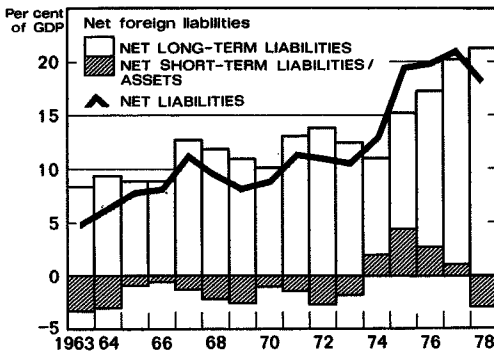


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

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

See explanations on page 22.



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100 ¹						Building costs 1973 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1978	727	125.8	124.1	131.8	119.2	140.3	129.5	180.8	161.0	186.0
1979	791	138.0	135.0	148.7	133.1	150.7	139.2	198.8	177.6	204.1
1979										
May	772	134.9	132.4	143.7	129.0	148.5	137.6	197.1	179.1	200.8
June	783	136.8	133.6	148.0	131.9	148.9	138.5	199.2	179.1	203.7
July	800	139.1	135.9	150.3	134.4	150.5	140.5	199.7	179.1	204.3
Aug.	796	139.9	136.5	151.6	135.4	151.9	140.6	201.0	179.1	206.5
Sept.	813	142.1	138.3	155.1	138.2	153.9	141.4	203.5	179.1	210.3
Oct.	822	143.6	139.9	156.8	139.8	155.5	142.9	205.0	179.1	212.4
Nov.	829	145.0	141.2	158.3	141.5	156.1	143.9	206.0	179.1	214.0
Dec.	834	145.7	141.8	159.6	142.4	156.4	144.7	208.3	181.0	216.2
1980										
Jan.	849	148.3	144.3	162.4	145.6	158.4	146.2	212.0	182.1	220.0
Feb.	859	150.2	146.3	163.8	147.3	161.0	148.2	214.0	182.1	222.9

¹ New series, see item Bulletin 10/1979.

Period	Consumer prices 1977 = 100 ¹										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1979											
May	114.8	107.9	129.4	116.0	113.0	108.9	112.9	123.4	117.8	115.5	117.4
June	115.6	108.1	129.4	116.0	113.0	114.3	113.5	123.4	120.4	115.7	117.9
July	116.2	109.1	129.5	114.6	113.0	114.9	114.9	123.8	122.1	115.8	118.3
Aug.	116.7	109.0	129.5	116.1	115.1	115.1	115.5	123.9	122.0	116.2	118.7
Sept.	117.7	109.8	129.5	118.4	115.1	120.5	116.3	124.9	123.4	116.8	119.4
Oct.	118.4	111.2	129.5	120.8	115.1	121.0	118.9	124.7	123.2	117.0	120.6
Nov.	119.3	112.3	129.4	122.8	115.6	121.4	119.4	126.9	123.3	117.8	123.0
Dec.	119.9	112.1	129.6	123.0	115.6	124.1	119.7	126.9	126.0	118.0	123.4
1980											
Jan.	121.3	113.3	138.6	121.1	115.6	124.7	122.2	131.1	126.3	118.8	125.6
Feb.	123.1	114.4	138.6	123.8	116.0	130.5	122.9	133.2	130.6	119.2	127.8

¹ New series.

WAGES

Index of wage and salary earnings 1975 = 100¹

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
1977	134.7	127.6	118.3	124.1	124.9	123.1	125.6	124.6	125.8	125.2
1978*	146.3	137.0	124.7	131.8	131.5	128.0	135.1	132.9	134.4	133.6
1978*										
Jan.-March	139.4	132.1	122.0	126.9	127.4	124.6	130.4	128.5	129.9	129.2
Apr.-June	144.3	135.6	123.0	128.9	128.8	125.5	133.1	130.3	132.7	131.5
July-Sept.	146.7	137.2	124.1	133.3	132.6	128.2	136.1	134.0	135.0	134.5
Oct.-Dec.	152.4	143.1	129.4	138.2	137.1	133.6	140.8	138.7	139.9	139.3
1979*										
Jan.-March	155.7	147.3	132.5	145.2	141.8	138.8	146.4	144.7	144.6	144.7
Apr.-June	159.9	154.3	136.7	148.8	145.4	142.0	151.3	147.8	150.4	149.1
July-Sept.	163.0	154.6	137.9	149.5	145.7	142.1	152.7	148.8	151.6	150.2

¹ New series, see item Bulletin 1/1980.

PRODUCTION

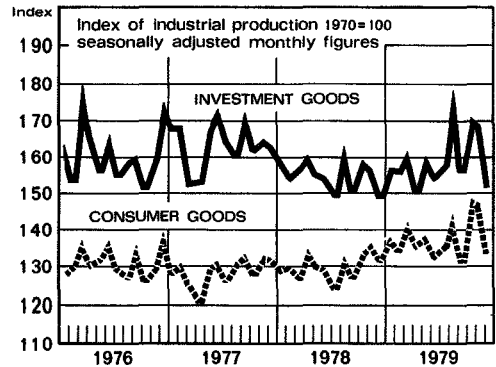
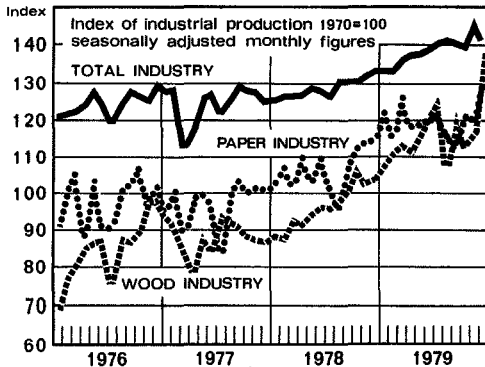
Volume indices of production 1975 = 100

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

PRODUCTION

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1976	125	162	116	132	110	85	99	153	121	150	125
1977	125	165	117	129	108	89	98	149	122	149	126
1978*	130	156	125	131	115	97	108	159	123	146	129
1979*	140	163	136	140	121	115	124	178	129	154	140
1978*											
Nov.	147	177	141	150	142	112	127	166	130	167	133
Dec.	129	145	125	131	114	87	105	154	109	142	134
1979*											
Jan.	145	172	142	142	113	104	128	190	118	164	134
Feb.	136	161	133	132	103	106	118	181	113	152	134
March	153	177	149	151	117	131	135	202	135	168	137
April	135	151	132	137	117	119	112	176	125	148	138
May	152	180	148	150	129	148	131	197	141	173	138
June	130	162	123	134	118	126	97	145	140	152	140
July	85	72	89	80	108	54	114	125	79	66	141
Aug.	147	176	139	153	129	105	130	185	142	164	142
Sept.	142	169	137	142	118	121	129	175	143	157	141
Oct.	159	195	152	162	147	131	138	191	160	182	141
Nov.	159	194	152	163	142	129	133	197	151	180	147
Dec.	133	147	131	132	110	103	116	166	105	143	145



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978	3 578	2 253	2 084	169	7.5	29 021	110	120
1979	3 593	2 223	2 134	139	6.1	37 986	118	136
1979*								
March	3 590	2 210	2 048	162	7.3	4 352	115	133
April	3 592	2 201	2 052	149	6.8	4 828	113	133
May	3 593	2 246	2 111	135	6.0	4 536	124	150
June	3 591	2 439	2 304	135	5.5	2 760	120	133
July	3 594	2 441	2 300	141	5.8	984	120	118
Aug.	3 592	2 347	2 227	120	5.1	1 368	124	145
Sept.	3 594	2 250	2 140	110	4.9	2 054	118	140
Oct.	3 597	2 247	2 131	116	5.2	3 007	122	153
Nov.	3 596	2 227	2 121	106	4.8	3 421	119	153
Dec.	3 598	2 250	2 119	131	5.8	3 373	147	138
1980*								
Jan.	3 601	2 232	2 098	134	6.0	3 644

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1976	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
1977	41.88	18.86	4.22	12.11	3.71	43.70	18.10	3.07	16.80	3.33	48.12
1978*	41.98	17.90	4.97	12.72	3.68	42.56	18.21	3.77	13.59	4.21	42.78
1978*											
Apr.-June	12.92	6.51	2.17	2.59	0.69	10.12	4.43	0.60	3.62	0.94	47.46
July-Sept.	11.07	4.12	1.04	4.33	0.85	10.31	3.83	1.21	3.19	1.12	48.76
Oct.-Dec.	7.79	3.54	0.74	1.74	1.21	13.07	6.02	1.29	3.44	1.38	42.78
1979*											
Jan.-March	7.75	3.32	1.23	1.95	0.77	7.38	3.37	0.69	2.42	0.62	39.45
Apr.-June	19.16	7.45	2.77	7.22	0.68	6.99	3.24	0.45	2.16	0.79	47.04
July-Sept.	11.74	4.47	1.32	3.79	1.16	7.92	3.18	1.15	2.06	0.87	52.84

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

MONETARY POLICY INDICATORS

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

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

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

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

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

FOREIGN EXCHANGE RATES

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

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

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

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

Foreign trade by countries: (p. 13): from January 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 addition to the Board of Customs figures, exports include grants in kind but exclude stevedoring expenses and imports include seamen's duty-free imports, grants in kind and adjusted allowance for smuggling.

FOREIGN ASSETS AND LIABILITIES

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

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

Columns 21 and 22 during the year and the quarter.

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

PRICE INDICES

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

WAGES — PRODUCTION

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

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

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

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

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

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

DISTRIBUTION BY AREA (1978): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 484 879 inhabitants, Tampere (Tammerfors) 165 519 Turku (Åbo) 164 586.

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

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

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

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

TRADE AND TRANSPORT

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

FOREST RESOURCES (1978). The growing stock comprised of 1 553 million m³ (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 668 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 59.9 million m³ and the total removal, calculated on the basis of roundwood consumption was 42.5 million m³.

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

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

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

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

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

FINNISH AIRLINES (March 1, 1980): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9, 7 DC-9-51, 2 DC-10-30 and 1 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 37 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 18.6, Skr 17.7, £ 14.0, DM 13.4, \$ 9.7, other currencies 26.6. The permissible range of fluctuation is about 3% cent on either side of the arithmetic mean. The fluctuation limits are 119.0 and 112.0.

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

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

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

FORWARD EXCHANGE MARKETS IN FINLAND

by Tom Nordman, M.Sc. (Econ.)

Exchange Policy Department
Bank of Finland

The role of forward exchange markets and their importance to business have increased greatly in the last ten years. In the period of relatively stable exchange rates prior to 1971, the exposure of business to exchange risks was much less important under normal conditions. Thus the need and demand for forward cover in foreign exchange transactions was rather limited. With the abandonment of the fixed exchange rate regime risks have increased immensely. In the major currency centres of the world the forward markets have also become an important indicator of expectations as well as a channel for genuine speculation.

Truly free forward markets exist only in the major currency centres of the world. Most smaller economies maintain some degree of restrictions on their capital transactions, including the forward market. The purpose of these restrictions is usually to safeguard the stability of the exchange rates vis-à-vis one or several currencies, to reduce speculation by limiting market access to those with commercially-based foreign exchange risks, and to isolate domestic monetary markets from foreign ones. Under calm market conditions the forward exchange rate is primarily determined by interest rate differentials between various currencies. However, in times of disturbance and strong exchange rate expectations the forward rate may diverge substantially from interest parity.

In most countries central banks do not intervene in the forward market under normal conditions. If the exchange rate and/or exchange reserves are under pressure, central banks do sometimes intervene with a view to dampening fluctuations in reserves and stabilizing ex-

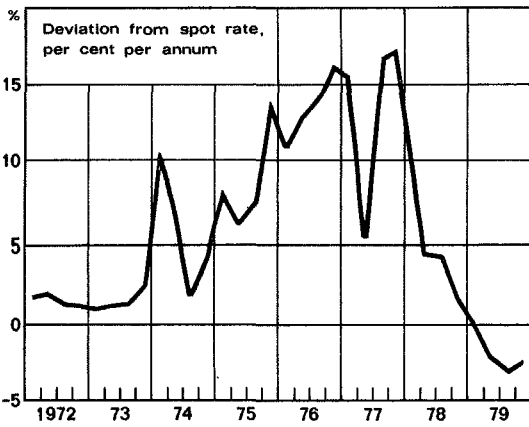
change rates. Most of the time forward intervention is used only as a defensive instrument aimed mainly at supporting the spot market and reserves, but in some countries a more active role has been adopted. Forward intervention can thus also be used as an instrument for influencing domestic monetary developments, i.e. domestic liquidity and short-term interest rates.

FINNISH FORWARD MARKETS IN THE 1970s

The development of Finnish forward markets has been affected by local circumstances. In 1958, the Bank of Finland gave commercial banks permission to make forward contracts with firms to cover the firms' currency risks incurred in transactions permitted under exchange regulations. However, neither banks nor firms showed any noticeable interest in developing a genuine forward market. This was also partly due to the fact that at the time there was no domestic interbank market. The forward exchange market was thus very underdeveloped when the fixed exchange rate regime began to break up in 1971.

Faced with this situation, the Bank of Finland decided that it was essential to provide Finnish firms with opportunities of covering exchange risks similar to those possessed by their competitors in other countries. In order to develop these possibilities the Bank of Finland decided to enter the forward market by giving the banks access to forward cover with the Bank of Finland for their forward contracts with firms.

CHART 1. DEVIATION FROM SPOT RATE OF BANK OF FINLAND'S THREE-MONTH FORWARD SELLING RATE FOR U.S. DOLLARS. QUARTERLY AVERAGES OF DAILY QUOTATIONS



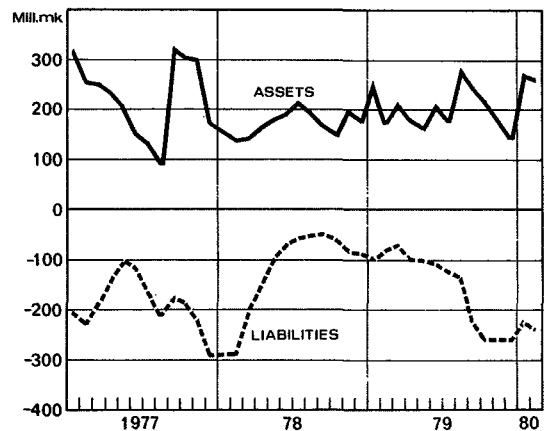
The Bank of Finland undertook to quote forward exchange rates daily for the U.S. dollar for periods from one month up to twelve months, and contracts could be made for these periods. While the major objective of the arrangement was to provide firms with forward cover against the exchange risks associated with authorized assets and liabilities denominated in foreign currencies, the Bank of Finland at the same time also tried to keep its own forward exposure within reasonable limits. Furthermore, it was thought that forward rates should not be too favourable to importers and others with debts denominated in foreign currencies. These objectives were all taken into account in determining the forward rate quoted by the Bank of Finland. The three-month forward selling rate for the U.S. dollar quoted by the Bank of Finland is shown in relation to the spot rate in Chart 1. Due to the other factors taken into account in determining the forward rate, it has at times deviated from what might have been regarded as normal interest rate parity. However, parity has been strictly observed during the past year. At the same time, foreign interest rates have risen substantially, as a result of which the markka has lately been at an increasing premium against the U.S. dollar.

The banks have not been obligated to cover their open positions in the forward market by making use of the Bank of Finland's cover arrangements. They have been able to freely match forward purchases and sales against each other, and they have also been able to cover by changing their spot positions. It must be noted, however, that banks have not been allowed to borrow abroad in order to cover forward purchases.

About one fifth of Finland's foreign trade takes place within the framework of bilateral payments agreements with state-trading countries. By far the most important one is with the Soviet Union. Trade with the Soviet Union takes place in roubles, and the rouble/dollar spot rate is adjusted regularly by the State Bank in Moscow to take account of developments in international foreign exchange markets. This is also reflected in the markka/rouble rate. In order to provide cover against exchange risks in this important area of Finland's foreign trade, the Bank of Finland started in 1974 to provide cover for rouble-denominated forward contracts between banks and firms.

In 1974, the Bank of Finland increased the minimum period for forward contracts into

CHART 2. BANK OF FINLAND'S FORWARD ASSETS AND LIABILITIES. END-OF-MONTH FIGURES



which it was willing to enter from one to three months. This was done in order to discourage speculatively-induced action in that part of the forward market where the Bank of Finland operated. Banks and firms have been free to make forward contracts for any period they wish if these contracts have not been covered at the Bank of Finland.

The development of the Bank of Finland's forward purchases (assets) and forward sales (liabilities) in recent years is shown in Chart 2. As one might expect, the general conditions and expectations prevailing in the exchange markets have also been reflected in the forward market, where either purchases or sales often dominate.

It should be noted that the effect on exchange reserves arising from intervention in the forward market has not been seen as an end in itself, although it has usually contributed to a reduction in foreign exchange reserve fluctuations. The Bank of Finland's net forward position is shown in Chart 3 and its monthly changes in Chart 4. The latter shows the effect, but with the opposite sign, of changes in the forward position on the foreign exchange reserves, assuming that forward sales (purchases) are a substitute for spot sales (purchases).

CHART 3. BANK OF FINLAND'S NET FORWARD POSITION. END-OF-MONTH FIGURES

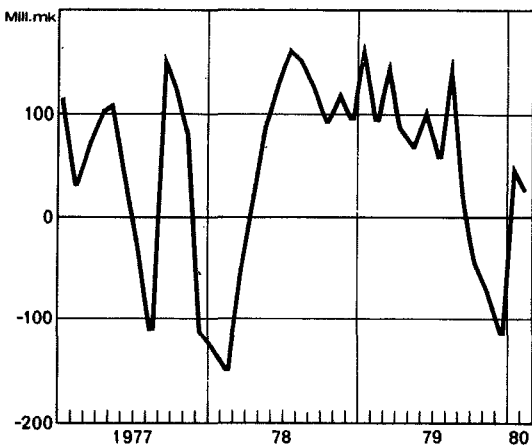
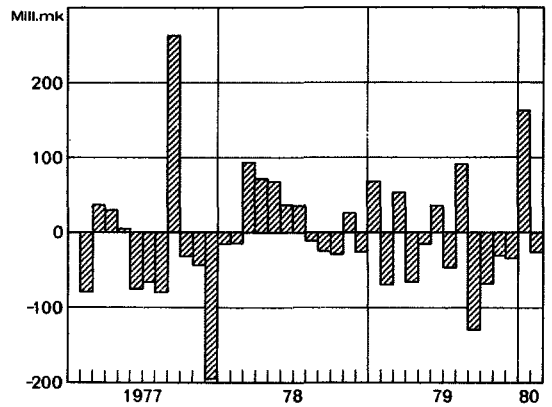


CHART 4. MONTHLY CHANGES IN THE BANK OF FINLAND'S NET FORWARD POSITION



THE CHANGING ROLE OF THE BANK OF FINLAND

Under the system described above, firms have gradually learned to use forward contracts to cover exchange risks, and the volume of contracts has risen. At the same time, recourse to cover at the Bank of Finland has fallen in relative terms, which means that an increasing share of the forward market has been functioning without the support of the central bank. Over time the market has thus changed from one completely dominated by the central bank into one where the central bank has played a gradually declining role.

In the light of these developments and general practice prevailing in other industrialized countries, it became necessary to reconsider the role of the Bank of Finland in the forward market. It was becoming increasingly evident that the forward market was no longer so dependent on the participation of the central bank in order to function properly.

NEW GUIDELINES FOR THE FORWARD MARKET

The Bank of Finland has recently issued new guidelines to the authorized banks concerning the forward market. These guidelines took effect on April 1, 1980. The objective is to

normalize the forward market for convertible currencies in Finland by withdrawing central bank intervention under normal conditions. This will bring the forward market in Finland into line with the system adopted in other industrialized countries. The banks have also been given guidelines concerning their behaviour in the forward market.

An important new feature of the guidelines concerns the banks' open foreign exchange positions. In most countries these positions are regulated in one way or another. In order to ensure the functioning of the forward market and to create safeguards against open foreign exchange positions on the part of the banks of a size that could cause foreign exchange and domestic liquidity disturbances, the banks have been advised that they should not maintain unduly large open positions. In judging the size of open positions, account is taken of the total volume of each bank's assets and liabilities denominated in foreign currencies. Thus no absolute limits for the open positions have been established, but the banks are now obliged to report their daily spot and forward positions as well as their market forward rates to the Bank of Finland. The total open position is defined as the sum of spot and forward positions. These daily reports from the banks provide the Bank of Finland with additional and timely information about developments in the foreign exchange market and thus also improve its readiness to act rapidly if necessary.

In addition, the banks are obliged to report, on a monthly basis, all their actual forward transactions with other banks and firms as well as the breakdown of their outstanding forward position at the end of each month.

In order for the forward market to function normally, banks must have access to foreign short-term capital markets to cover their forward transactions. This is provided for in a directive allowing the banks to borrow abroad in connection with forward operations. Deposits abroad by banks were already permitted under the old system.

The Bank of Finland will continue to provide forward cover for rouble-denominated forward contracts between banks and firms. This is necessary as the banks do not have access to any other facility for covering forward positions in roubles. The rules concerning reporting and open positions naturally also apply to rouble contracts.

THE FUTURE ROLE OF THE BANK OF FINLAND IN THE FORWARD MARKET

In the future, the Bank of Finland will not intervene in the forward market for convertible currencies in normal conditions. Even if intervention takes place, it will probably not be directly related to individual forward transactions between banks and firms, or to developments confined exclusively to the forward market. Intervention could be aimed at influencing foreign exchange reserve developments by bringing about changes in the banks' forward positions. Changes in foreign exchange reserves for their part have a bearing on the cost and quantity of domestic liquidity. Moreover, it would be natural to use forward intervention in concert with other policy instruments in a consistent overall strategy. One possible use of forward intervention would be to dampen unexpectedly rapid changes in exchange reserves, the volume of intervention being dependent upon the initial level of reserves and the use of other supplementary measures. Overall, however, a very active role is not foreseen for the Bank of Finland in the immediate future.

EFFECTS ON FIRMS OF THE NEW GUIDELINES

The starting point in preparing the new guidelines for the forward market was that they would not materially affect firms' opportunities of acquiring forward cover. To the extent that banks through increased access to short-term capital markets abroad have a broader basis for quoting forward rates for

contracts of less than three months, firms' opportunities of acquiring forward cover may actually be enhanced. In most forward markets the bulk of transactions usually involve contracts of less than three months.

The Bank of Finland will carefully monitor developments in the forward market in order to ensure that it functions in an appropriate manner. If the need arises, the guidelines for forward market operations may be reviewed.

ITEMS

Revaluation of the Finnish mark. On March 25, the Board of Management of the Bank of Finland decided on the basis of the powers granted to the Bank in the Currency Act to raise the external value of the Finnish mark by 2 per cent within the range of fluctuation of the Finnish currency index. This decision does not affect the upper and lower limits, 119.0 and 112.0 respectively, set for the range of fluctuation by the Council of State on January 30.

Credit facility agreement. On March 19th in London, the Bank of Finland concluded a credit facility agreement for 150 million U.S. dollars with an international banking consortium. The credit facility is arranged by Nordic Bank Ltd, Midland Bank Ltd, Orion Bank Ltd and Scandinavian Bank Ltd. The credit facility will be available for eight years.

Including the present agreement, the Bank of Finland now has credit facility arrangements with foreign banks to the total value of about 780 million U.S. dollars, or the equivalent of nearly 3 000 million Finnmarks. The credit

facilities can be used, whenever needed, to support the country's foreign exchange reserves and foreign liquidity.

Revised IMF classification. In December 1979, the International Monetary Fund decided to revise the classification of countries used in Fund documents. As part of the regrouping, Finland, together with some other countries, has been transferred to the »industrial country» category. The new groupings have been used in Fund publications, e.g. International Financial Statistics, since March 1980.

Publication of the Bank of Finland. In series B, the following publication has appeared: 34, Peter Nyberg, Emigration, ekonomisk tillväxt och stabilitet. En teoretisk undersökning kring emigrationens orsaker och effekter på medellång sikt (Emigration, Economic Growth, and Stability. A theoretical inquiry into causes and effects of emigration in the medium term). Doctoral thesis, published in Swedish with an English summary. Helsinki 1980, 135 pp. ISBN 951-686-058-3, ISSN 0357-4776.

(continued from page 2)

Luxemburg developed into a new banking centre, and it was here that the Union Bank of Finland Ltd established its first subsidiary, the Union Bank of Finland International S.A., in 1976. In the following year, Kansallis-Osake-Pankki set up a subsidiary called Kansallis International Bank S.A. in Luxemburg; the Pohjola Insurance Company Ltd owns 15 per cent of this bank. A very vigorous growth has been recorded for the balance sheet totals of these two banks.

Until recently, Finnish commercial banks have managed their relations with Far Eastern customers mainly through a few representative offices and their network of correspondent banks. As quite significant export outlets have been opened in the Far East and new financial centres have developed there, it has also been considered worth entering these markets directly. A subsidiary of the Union Bank of Finland Ltd, the Union Bank of Finland (Singapore) Ltd, has started its operations in Singapore this year.

THE DUTIES OF SUBSIDIARIES AND CONSORTIUM BANKS

The major duty of subsidiaries and consortium banks is to supplement their parent bank's activities on the international financial markets

and to arrange finance for Finnish firms. In recent years, fluctuations in international capital markets have been quite heavy, owing particularly to an acceleration in inflation and growing current account deficits.

In recent years, foreign subsidiaries and consortium banks have been very active in granting and arranging credits for financing investments of Finnish firms. Consortium banks and subsidiaries finance foreign trade by arranging finance ranging from short-term credits to long-term suppliers' credits. In addition, they arrange bid bonds and performance guarantees for their customers.

Foreign subsidiaries and consortium banks carry out transactions in bonds and foreign exchange in their place of location. They also quote the Finnmark and carry out exchange transactions in FIM. However, they do not accept deposits from the public. Most of their credits are granted to customers of their parent banks. Their supply of special services includes the collection and provision of market information on new export areas. They can be consulted about investment and they participate in direct investment when an industrial or commercial enterprise is being established in a new country. The wide range of services rendered to corporate customers also includes other forms, such as the arrangement of potential leasing agreements and the acquisition of other kinds of special financing to meet the customer's needs.

TABLE 2. FOREIGN SUBSIDIARIES OF FINNISH BANKS

Subsidiaries	Year of establishment	Parent company	Parent company's shareholding, per cent	Balance sheet total on Dec. 31, 1979, mill. mk
Union Bank of Finland International S.A. Luxemburg	1976	Union Bank of Finland Ltd	100	2 714
Kansallis International Bank S.A. Luxemburg	1977	KOP Pohjola Insurance Company Ltd	85 15	1 527
Union Bank of Finland (Singapore) Ltd. Singapore	1980	Union Bank of Finland Ltd	100	—

TABLE 3. REPRESENTATIVE OFFICES ABROAD

Representative offices		Year of establishment	Type of ownership
Kansallis-Osake-Pankki	Moscow	1973	Fully owned
	Frankfurt am Main	1973	Fully owned
	Sao Paulo	1968	Common Nordic office
	Singapore	1970	Common Nordic office
	Hongkong	1977	Common Nordic office
	Sydney	1979	Common Nordic office
Union Bank of Finland Ltd	Moscow	1975	Fully owned
	A representative office for the Federal Republic of Germany and the Benelux countries, Luxemburg	1978 ¹	Fully owned
	Tokyo	1972	Common Nordic office
	Rio de Janeiro	1974	Common Nordic office
Postipankki	London	1979	Fully owned
Skopbank	London	1979	Fully owned

¹ Originally in Frankfurt am Main.

REPRESENTATIVE OFFICES

Towards the end of the 1960s, Finnish commercial banks set up their first representative offices in countries which, albeit very distant, were developing into quite important new export regions. At this time, Kansallis-Osake-Pankki and the Union Bank of Finland Ltd opened representative offices in South America and the Far East. In the early 1970s, the major commercial banks even set up their representative offices in Moscow. At the end of the 1970s, Postipankki and Skopbank also opened their representative offices in London.

Representative offices are not engaged in actual banking activities. They do not accept deposits nor do they grant credits. They are primarily intended to provide information on the country in which they are located, particularly its economy, and to create and maintain contacts with local authorities, banks and firms. Representative offices have proved particularly appropriate in distant regions and in countries where the banking system differs very greatly from the normal international banking system.

Representative offices are able to supplement their parent bank's contacts with financial

centres in which the bank is not otherwise represented. Naturally, the establishment of a representative office is also a fairly cheap way of penetrating into a certain region which, for example, is expected to become increasingly important in the future for Finnish firms, and consequently for Finnish banks.

LEGISLATION

The internationalization of Finnish commercial banks started in the 1960s, when the norms of various foreign banking activities were still not precisely defined in the Finnish banking laws. The practices in use were incorporated into the banking laws in connection with the revision which became effective at the beginning of 1979. According to the new laws, the establishment of a subsidiary and the acquisition of shares in an foreign consortium bank are subject to the permission of the Ministry of Finance, which has to apply for a relevant statement from the Bank of Finland. The establishment of a representative office requires only that the Ministry of Finance be informed in advance; however, for special reasons, the Ministry may forbid the establishment of such an office.

The revised banking laws include provisions for the establishing of a foreign branch office or service point. So far, Finnish commercial banks have not set up branch offices abroad. The establishment of a foreign branch office is subject to the permission of the Ministry of Finance, which has to apply for a statement from both the Bank of Finland and the Bank Inspectorate. The establishment of a domestic branch office is subject to the permission of the Bank Inspectorate.

March 21, 1980

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor, absent as Prime Minister

Ahti Karjalainen

Deputy Governor, Acting Governor

Pentti Uusivirta

Rolf Kullberg

Deputy Governor, ad int.

Ele Alenius

Harri Holkeri

Seppo Lindblom
ad int.

Directors

Markku Punttila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Senior officials

Pertti Kukkonen

Director ADP-planning

Ralf Pauli

Deputy, Monetary Policy

Raimo Hyvärinen

Domestic Financial Operations

Kari Pekonen

Foreign Exchange Policy

Raine Panula

Foreign Exchange

Kari Holopainen

Eastern Trade

Antti Saarlo

Special Eastern Affairs

Pekka Tukiainen

Foreign Financing

J. Ojala

Foreign Exchange Control

Sirkka Hämäläinen

Deputy, Economics Dept.

Heikki Koskenkylä

Research Dept.

Markku Pietinen

Information and Publications

H. T. Hämäläinen

Administration and Legal Affairs

Timo Männistö

Internal Audit

U. Levo

International Legal Affairs

Erkki Vehkamäki

Automatic Data Processing

Anton Mäkelä

Personnel

Stig G Björklund

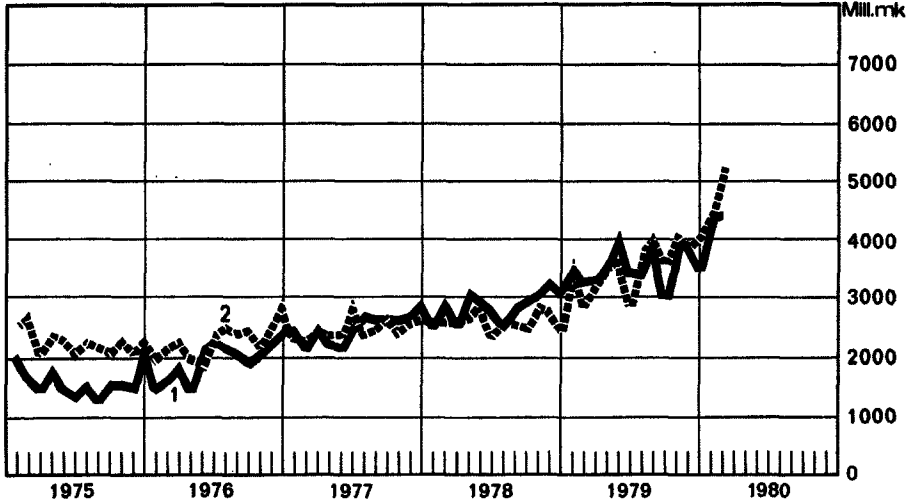
Banking Services

Reijo Mäkinen

Cash

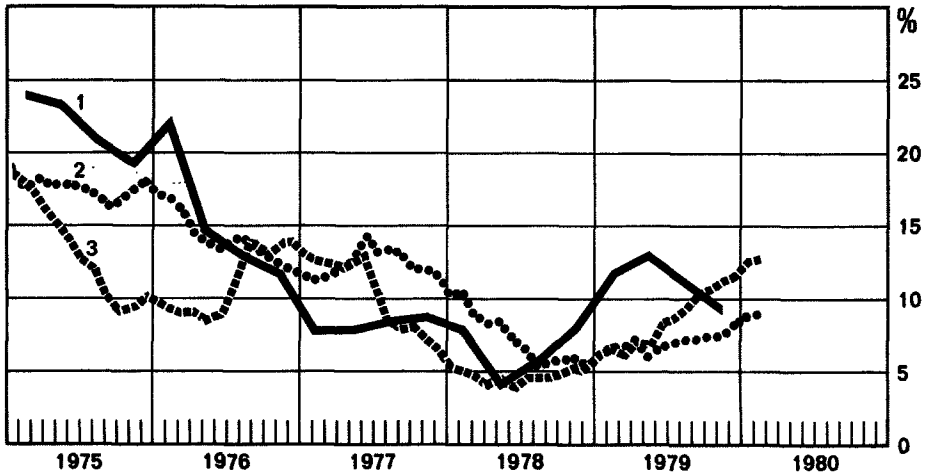
FOREIGN TRADE, 1975 - 80

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



PRICES AND WAGES, 1975 - 80

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



PRODUCTION, 1974 - 79

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

