

# BANK OF FINLAND

## *Monthly Bulletin*

Real interest rates in Finland

Medium-term targets for the Finnish  
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finances

Monetary and foreign exchange policy  
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to July 1984

Bank of Finland Monthly Bulletin

Supplementary budgets

The Bank of Finland's investment  
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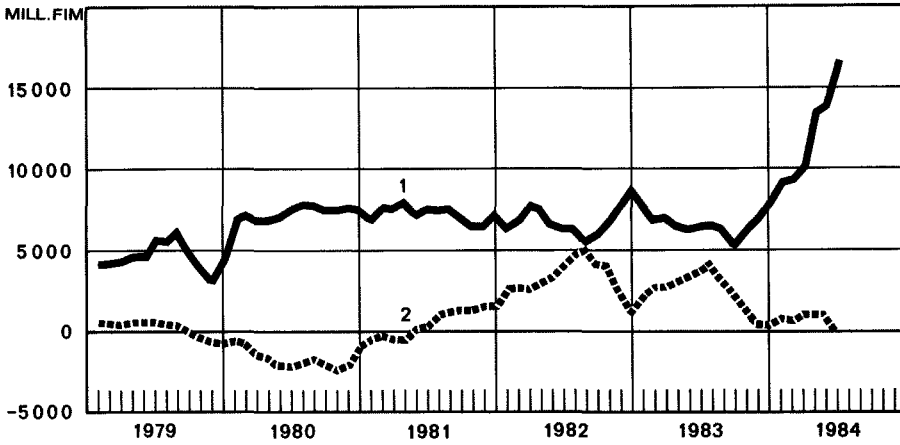
Revision of the base year for  
national accounting

Publication of the Bank of Finland

**AUGUST 1984**

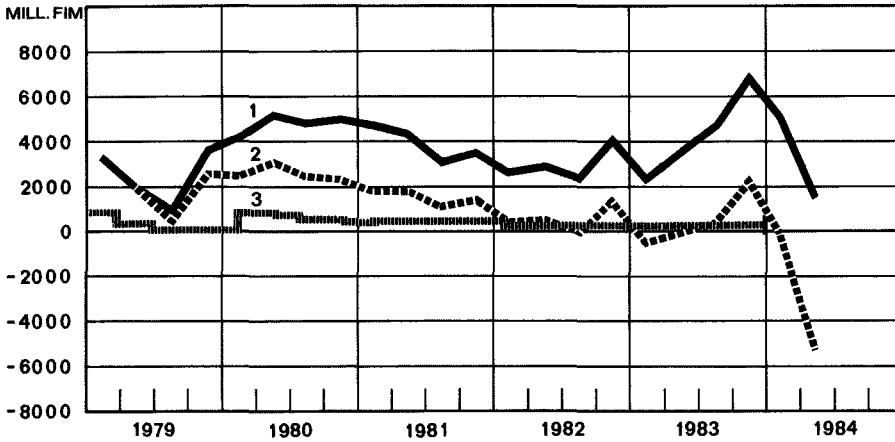
**Vol. 58 No. 8**

**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1979-84**



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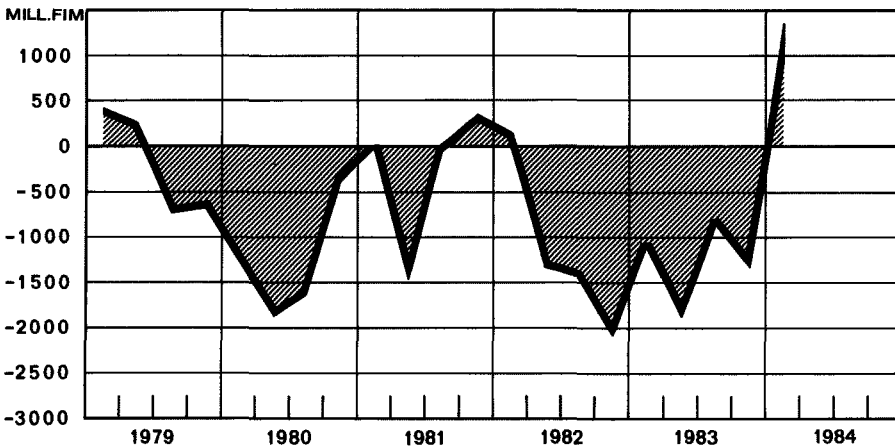
**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1979-84**



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Quarterly average of daily amounts (1 and 2)

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Seasonally adjusted quarterly figures

# REAL INTEREST RATES IN FINLAND

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Recently, real interest rates have been rising in Finland, mainly because of the downward trend in inflation. However, the real cost of capital differs considerably between sectors owing to interest rate differentials and differences between overall inflation and the rates of appreciation of various assets. The post-tax real rate of interest even varies among households on account of Finland's steeply progressive tax system. Furthermore, there is a marked discrepancy between real interest rates in the unregulated short-term money market and in the financial sector where nominal interest rates are subject to official regulation.

Traditionally, the lending rates applied by banks and some of the other financial institutions have been regulated by the Bank of Finland. In addition, for the past 50 years the banks have almost continuously maintained an agreement for applying similar interest rates to deposits. Since bank lending rates have been administered and therefore more or less rigid, the interest rate has not equilibrated the loan market. This has given rise to periods of excess demand for loans associated with credit rationing, especially when the real rate of interest has been negative for a longer time.

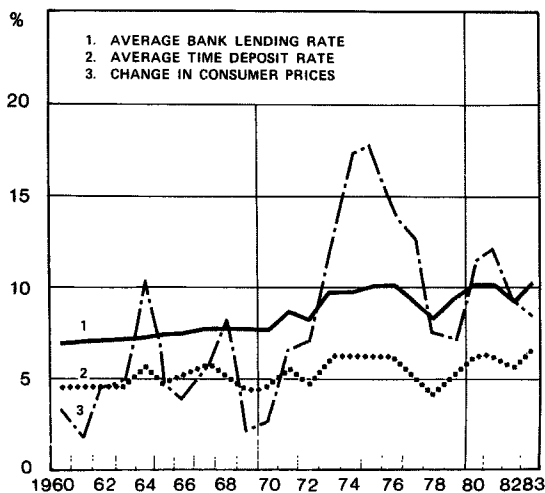
The average real rate of interest on time deposits, the chief form of household saving, has been negative since the 1970s (Chart). Nevertheless, the banking sector has maintained its dominant position as an intermediary of household savings, so that at the end of 1983 three-quarters of households' financial assets were held as bank deposits. One reason for this is that saving for down-payments in connection with housing loans has become a substitute non-price loan term in circumstances where banks cannot use the interest rate as the true price of lending. Moreover, even at a negative real rate of

return, bank deposits are required for liquidity and transactions purposes. Finally, bank saving has been encouraged directly by the exemption of interest earnings from income taxation and indirectly by restricting household saving in the form of alternative instruments such as foreign assets and private bond issues.

In recent years, Finland's financial markets have experienced a marked shift towards more market-oriented interest rate determination. The call money market between the banks and the Bank of Finland was established in 1975. In the 1980s, the short-term money market in which interest rates are unregulated has evolved into an important channel for the intermediation of finance between firms and banks.<sup>1</sup> The loan "packages" that banks grant to firms usually consist of funds raised in both the regulated and unregulated market segments. So far, the participation of the household sector in the unregulated rate market has been confined mainly to investments in debentures and other securities issued in that market. This activity has gradually

<sup>1</sup> See the August 1982 and August 1983 issues of the Bulletin.

**CHART. INTEREST RATES AND INFLATION**

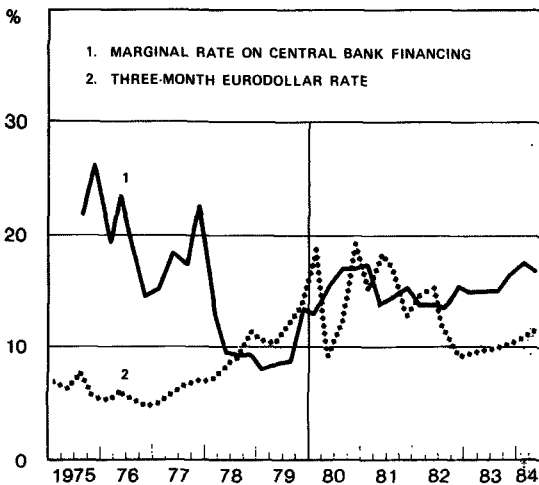


increased as the tax-free amount of capital income has been raised.

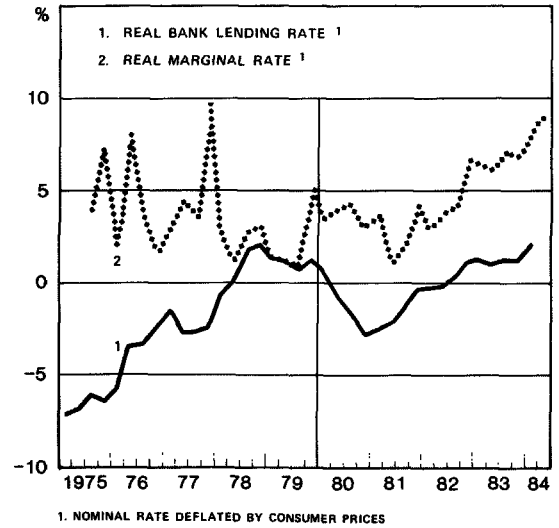
Because of the adopted policy rule of keeping controlled nominal rates fairly stable, real rates of interest in the regulated market have moved counter to changes in the rate of inflation. After having been generally positive from the 1950s onwards, real bank lending rates became clearly negative in the mid-1970s (Charts 1 and 3). Later, with the gradual deceleration in the rate of inflation, real rates have risen even though nominal rates have not been altered markedly. At the moment, the prospect is for inflation to go on declining for some time to come and hence at the prevailing level of nominal interest rates real rates are likely to continue rising. Even so, despite the upward trend in real rates, the effective post-tax real lending rate probably still remains negative for most firms and households.

There are, of course, differences between various price indices. Changes in, for instance, investment prices and house prices have tended to be more volatile than the rate of inflation as measured by the consumer price index (Chart 1). Thus the user costs influencing corporate and housing investments have usually fluctuated even more than the real rate of interest measured in terms of consumer prices. At present, however, all these indicators display upward trends, indicating rising real capital costs for firms and households alike.

**CHART 2. SHORT-TERM INTEREST RATES**



**CHART 3. REAL RATES OF INTEREST**



Movements in the unregulated interest rate have reflected fluctuations in both the supply of and demand for finance induced by overall cyclical developments in the economy as well as by monetary policy reactions. At the moment, both the short-term money market rate and the call money rate more or less equal the marginal rate of interest on the banks' central bank financing (Chart 2). In the past, the nominal marginal interest rate seems to have been positively correlated with the rate of inflation. The real marginal rate has generally been positive and relatively stable considering the large changes in the nominal rate.

The current level of the real rate of interest in the short-term money market is appreciably higher than the real lending rate in the regulated market (Chart 3). There is also a marked difference between domestic and foreign short-term interest rates (Chart 2), which, together with the prevalent exchange rate expectations among firms, has led to a substantial inflow of short-term foreign capital during the first half of this year. The tightness in the financial market, as indicated by the unregulated interest rate, is, however, necessary for curbing the current upswing in the economic cycle.

August 1, 1984

	1983		1984				
	July 29	Dec. 31	June 29	July 13	July 23	July 31	
<b>Assets</b>							
Gold and foreign currency claims	11 203	8 779	17 105	17 340	17 275	17 188	
Gold	1 383	1 383	1 383	1 383	1 383	1 383	
Special drawing rights	524	226	794	799	797	828	
IMF reserve tranche	461	751	750	755	753	759	
Foreign bonds	214	685	3 184	3 349	3 809	3 859	
Convertible currencies	4 253	5 184	10 729	10 377	10 009	10 078	
Tied currencies	4 368	550	265	677	524	281	
Other foreign claims	4 012	4 876	4 106	3 419	3 420	3 422	
Mark subscription to Finland's IMF quota	1 854	2 762	2 726	2 726	2 726	2 726	
Term credits	2 158	2 114	1 380	693	694	696	
Claims on financial institutions	5 585	8 788	3 827	5 334	4 765	4 578	
Banks' cheque accounts	320	445	22	38	197	84	
Call money market advances	2 984	5 785	541	2 053	1 115	1 041	
Till-money credits	879	942	1 119	1 103	1 294	1 279	
Bonds	1 358	1 546	2 100	2 101	2 102	2 104	
Other claims on financial institutions	44	70	45	39	57	70	
Claims on the public sector	1 662	2 178	2 103	2 103	2 069	2 109	
Government promissory notes	440	1 000	1 000	1 000	1 000	1 000	
Bonds	558	449	334	334	300	345	
Total coinage	661	710	758	761	761	761	
Other claims on the public sector	3	19	11	8	8	3	
Claims on corporations	4 933	5 079	4 842	4 822	4 793	4 756	
Financing of exports	1 692	1 867	1 814	1 816	1 789	1 760	
Financing of domestic deliveries	2 677	2 662	2 757	2 737	2 734	2 727	
Bonds	140	134	153	152	152	152	
Other claims on corporations	424	416	118	117	118	117	
Other assets	102	105	109	110	110	110	
	Total	27 497	29 805	32 092	33 128	32 432	32 163
<b>Liabilities</b>							
Foreign currency liabilities	85	34	179	54	50	104	
Convertible accounts	47	34	84	54	50	47	
Tied accounts	38	0	95	0	0	57	
Other foreign liabilities	4 680	5 670	3 596	3 602	3 600	3 606	
IMF mark accounts	1 854	2 762	2 726	2 726	2 726	2 726	
Allocations of special drawing rights	849	872	870	876	874	880	
Term liabilities	1 977	2 036	-	-	-	-	
Notes and coin in circulation	6 301	6 574	6 954	6 927	6 893	6 813	
Notes	5 775	6 029	6 350	6 312	6 270	6 185	
Coin	526	545	604	615	623	628	
Certificates of deposit in circulation	1 400	-	-	-	-	-	
Liabilities to financial institutions	6 454	5 712	10 498	8 988	8 401	9 874	
Banks' cheque accounts	3	2	7	52	57	70	
Call money market deposits	1 383	610	3 872	2 317	1 729	3 063	
Cash reserve deposits	4 948	5 039	6 480	6 480	6 475	6 604	
Capital import deposits	60	35	58	59	59	59	
Other liabilities to financial institutions	60	26	81	80	81	78	
Liabilities to the public sector	1	3 000	1 026	3 529	3 516	1 820	
Cheque accounts	1	0	0	1	0	1	
Government deposit account	-	3 000	1 000	3 500	3 500	1 800	
Export deposits	-	-	14	16	16	19	
Other liabilities to the public sector	0	0	12	12	0	0	
Liabilities to corporations	1 901	1 832	2 912	3 046	3 047	3 040	
Deposits for investment and ship purchase	1 428	1 290	1 679	1 788	1 788	1 803	
Capital import deposits	467	531	1 230	1 255	1 256	1 234	
Other liabilities to corporations	6	11	3	3	3	3	
Other liabilities	19	15	15	16	17	16	
Equalization accounts	2 006	2 057	1 571	1 615	1 553	1 530	
SITRA's capital	-	-	400	400	400	400	
Capital accounts	4 650	4 911	4 941	4 951	4 955	4 960	
Primary capital	3 000	3 000	3 000	3 000	3 000	3 000	
Reserve fund	1 365	1 365	1 638	1 638	1 638	1 638	
Undisposed profits	-	-	273	273	273	273	
Net earnings	285	546	30	40	44	49	
	Total	27 497	29 805	32 092	33 128	32 432	32 163

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 claims, net	Net claims (4+5+6)	Claims	Certificates of deposit and deposit account	Other liabilities	Net liabilities (9-8+10)
	1	2	3	4	5	6	7	8	9	10	11
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	1 900	591	1 266
1981	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	1 600	578	942
1982	2 444	765	5 796	9 005	1 525	-1 447	9 083	1 040	1 700	50	710
1983	2 360	685	5 150	8 195	550	-794	7 951	2 178	3 000	0	822
1983											
July	2 368	214	4 206	6 788	4 330	-668	10 450	1 662	1 400	1	-261
Aug.	2 376	232	4 090	6 698	3 193	-722	9 169	1 697	800	1	-896
Sept.	2 374	268	3 000	5 642	2 762	-701	7 703	1 905	800	1	-1 104
Oct.	2 377	302	3 913	6 592	1 546	-726	7 412	1 839	950	0	-889
Nov.	2 393	425	4 341	7 159	681	-772	7 068	1 880	2 500	1	621
Dec.	2 360	685	5 150	8 195	550	-794	7 951	2 178	3 000	0	822
1984											
Jan.	2 366	924	5 931	9 221	926	-846	9 301	2 136	500	12	-1 624
Feb.	2 333	1 143	5 923	9 399	841	88	10 328	2 094	800	12	-1 282
March	2 323	1 095	6 863	10 281	1 153	870	12 304	2 273	1 300	13	-960
April	2 819	1 920	9 041	13 780	1 027	858	15 665	2 175	600	17	-1 558
May	2 912	2 658	8 555	14 125	1 074	515	15 714	2 137	800	22	-1 315
June	2 927	3 184	10 645	16 756	170	510	17 436	2 103	1 000	26	-1 077
July	2 970	3 859	10 031	16 860	224	-184	16 900	2 109	1 800	20	-289

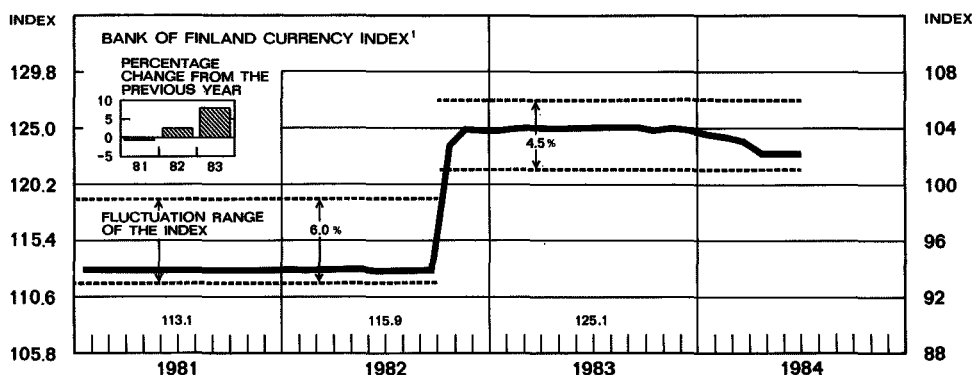
## FOREIGN EXCHANGE POSITION

Mill. FIM

	Net holdings, Dec. 31, 1983			Net holdings June, 30 1984			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	June	Jan.-June
Gold		1 383	1 383	1 383		1 383	-	-
Special drawing rights		226	226	794		794	+8	+568
IMF reserve tranche		751	751	750		750	+7	-1
Foreign bonds		685	685	3 184		3 184	+526	+2 499
Convertible currencies	5 150	-13 558	-8 408	10 644	-18 774	-8 130	+717	+278
Total	8 195	-13 558	-5 363	16 755	-18 774	-2 019	+1 258	+3 344
Tied currencies	550	-250	300	170	-298	-128	-889	-428
Grand total	8 745	-13 808	-5 063	16 925	-19 072	-2 147	+369	+2 916

End of year or month	Domestic financial sector							Corporate sector			Notes and coin in circulation
	Till-money credits	Claims on cheque accounts, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net claims (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net claims (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1980	643	480	3 674	290	3 317	-421	1 611	3 063	642	2 421	4 954
1981	768	495	1 796	1 080	2 492	-406	-107	3 865	749	3 116	5 595
1982	889	163	3 126	1 470	3 132	-1 042	618	4 302	999	3 303	6 062
1983	942	443	5 785	610	5 039	-1 555	3 076	4 529	1 282	3 247	6 574
1983											
July	879	317	2 984	1 383	4 948	-1 282	-869	4 369	1 337	3 032	6 301
Aug.	956	297	3 227	1 205	4 948	-1 427	-246	4 314	1 383	2 931	6 085
Sept.	852	274	5 812	2 294	4 994	-1 482	1 132	4 334	1 389	2 945	6 209
Oct.	1 032	298	5 876	2 226	5 015	-1 461	1 426	4 535	1 382	3 153	6 159
Nov.	953	322	6 565	997	5 053	-1 507	3 297	4 610	1 361	3 249	6 179
Dec.	942	443	5 785	610	5 039	-1 555	3 076	4 529	1 282	3 247	6 574
1984											
Jan.	1 038	62	4 087	2 907	5 250	-1 619	-1 351	4 572	1 106	3 466	6 195
Feb.	1 024	58	3 659	2 607	5 327	-1 605	-1 588	4 592	1 746	2 846	6 232
March	924	14	2 916	3 105	5 710	-1 612	-3 349	4 596	1 763	2 833	6 308
April	1 123	191	1 573	4 836	6 142	-1 605	-6 486	4 600	2 220	2 380	6 602
May	1 119	-136	1 244	3 892	6 432	-1 999	-6 098	4 572	2 142	2 430	6 647
June	1 119	15	541	3 872	6 480	-2 006	-6 671	4 571	2 641	1 930	6 954
July	1 279	14	1 041	3 063	6 604	-2 037	-5 296	4 487	2 771	1 716	6 813

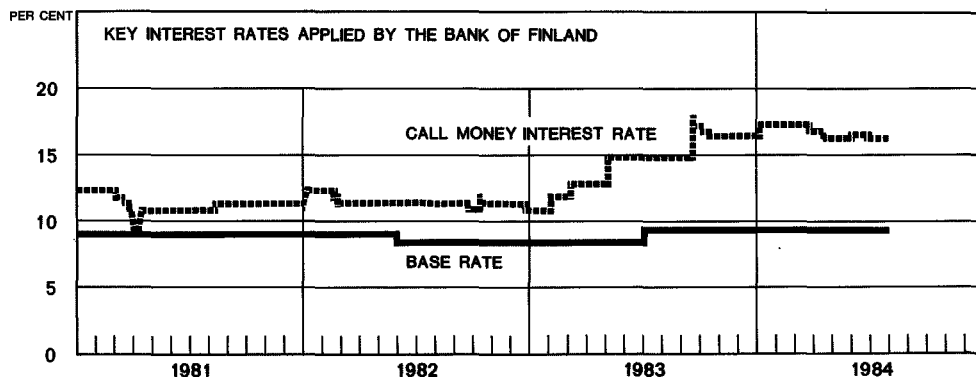
<sup>1</sup> The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



# MONETARY POLICY INDICATORS

Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks <sup>1</sup> %
	1	2	3	4	5	6	7	8	9
1979	2 769	372	447	1.0	321	9.74	9.11	7.46	8.03
1980	4 971	1 560	2 542	3.8	3 313	12.38	12.37	9.20	9.77
1981	4 095	-33	2 795	3.5	2 161	11.48	11.61	9.25	9.84
1982	3 201	-783	2 777	3.1	1 571	11.64	11.98	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	15.13	9.00	9.56
1983									
May	4 019	-1 473	4 149	4.7	2 271	15.00	14.54	8.50	9.00
June	3 873	-2 053	4 770	4.7	2 308	15.00	14.32	8.50	9.07
July	4 477	-1 856	4 889	4.7	2 627	15.00	14.67	9.50	10.09
Aug.	4 634	-1 972	4 920	4.7	2 541	15.00	14.68	9.50	10.10
Sept.	5 523	-912	4 945	4.7	3 627	16.67	16.13	9.50	10.16
Oct.	6 972	74	4 984	4.7	4 651	16.95	16.74	9.50	10.14
Nov.	7 075	238	5 008	4.7	4 837	16.70	16.27	9.50	10.15
Dec.	7 007	646	5 039	4.7	5 269	16.70	16.49	9.50	10.18
1984									
Jan.	6 794	-458	5 045	4.7	4 588	17.50	17.50	9.50	10.30
Feb.	5 327	-2 921	5 242	4.7	2 323	17.50	17.50	9.50	10.36
March	3 460	-4 482	5 351	5.0	869	17.50	17.50	9.50	10.38
April	2 051	-7 207	5 721	5.4	-1 487	16.77	16.82	9.50	10.42
May	1 471	-8 557	6 149	5.6	-2 407	16.53	16.52	9.50	10.43
June	1 175	-9 062	6 429	5.6	-2 633	16.80	16.80	9.50	10.48
July	1 463	-7 680	6 481	5.6	-1 199	16.53	16.51	9.50	..

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





# FORWARD EXCHANGE MARKETS IN FINLAND

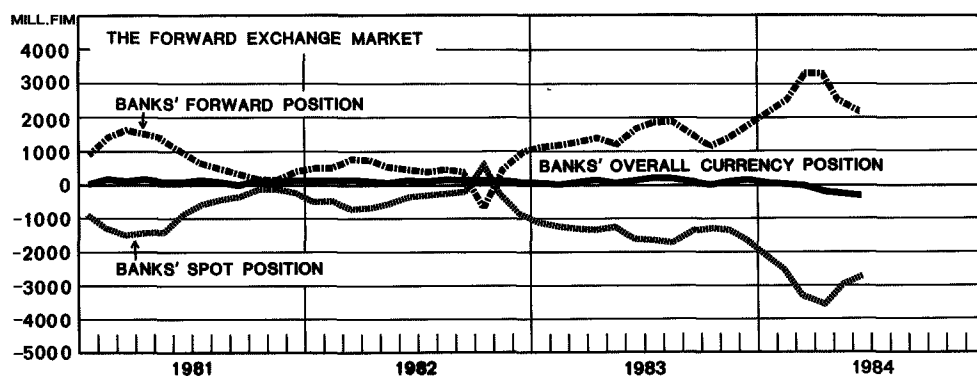
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1982 <sup>r</sup>	11 128	2 117	9 011	-865	-6 827	1 104	3.9	3.8	3.4
1983 <sup>r</sup>	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8

## 1983<sup>r</sup>

Jan.	11 336	2 144	9 192	-927	-6 759	1 363	3.8	3.9	3.7
Feb.	10 439	2 159	8 280	-918	-6 132	1 163	3.7	3.8	3.4
March	10 680	1 965	8 715	-1 020	-6 031	1 513	5.4	5.4	5.0
April	10 194	1 877	8 317	-929	-5 947	1 329	4.3	4.4	4.3
May	10 229	1 708	8 521	-955	-5 743	1 742	4.9	4.8	4.7
June	9 674	1 604	8 070	-1 296	-4 932	1 689	4.3	4.1	3.5
July	9 349	1 610	7 739	-1 299	-4 248	2 183	3.7	3.6	2.9
Aug.	8 618	1 784	6 834	-1 144	-3 791	1 813	3.6	3.3	2.8
Sept.	7 818	1 952	5 866	-1 575	-3 345	964	6.5	6.1	5.7
Oct.	8 087	1 942	6 145	-1 645	-2 792	1 711	5.5	5.2	4.8
Nov.	7 488	1 912	5 576	-1 411	-2 438	1 687	5.4	5.3	4.8
Dec.	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8

## 1984<sup>r</sup>

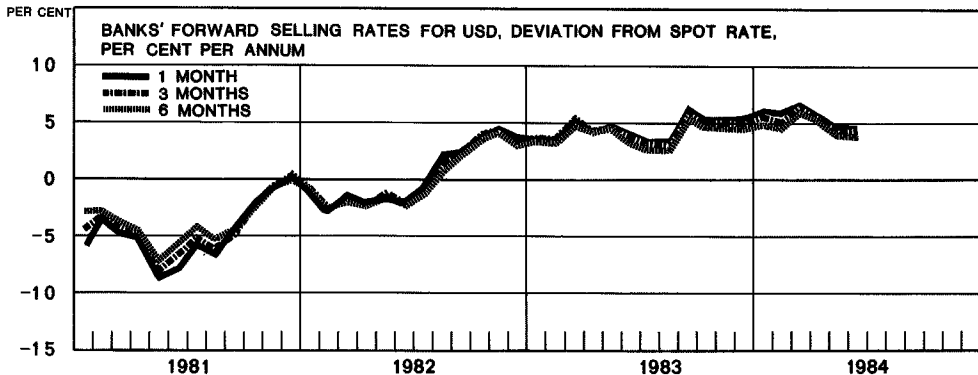
Jan.	7 292	1 661	5 631	-2 026	-1 235	2 304	6.3	5.3	5.1
Feb.	8 290	1 681	6 609	-1 871	-1 887	2 717	6.1	5.3	4.8
March	10 052	1 611	8 441	-1 676	-3 560	3 173	6.7	6.6	6.2
April	11 249	1 326	9 923	-841	-5 109	3 846	5.8	5.7	5.5
May	13 528	1 156	12 372	178	-10 041	2 529	4.9	4.5	4.1
June	15 547	1 145	14 402	1 389	-12 667	3 083	4.8	4.7	4.0



# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

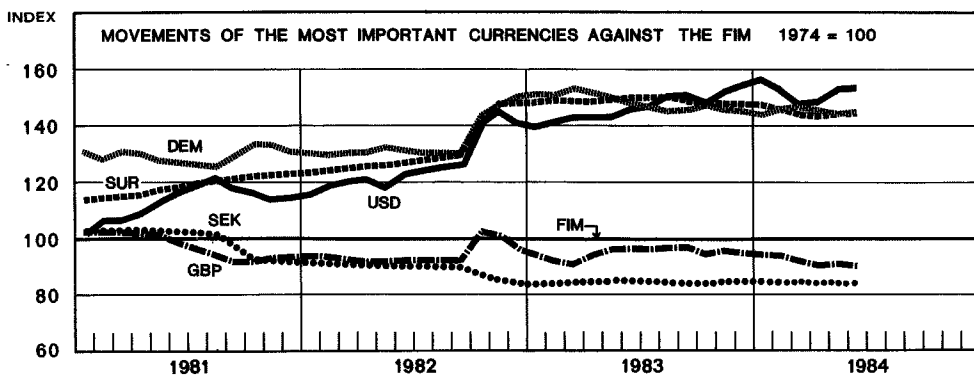
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC	BEL
	1	2	3	4	5	6	7	8	9	10	11
1979	3.896	3.330	8.275		91.12	77.22	74.38	212.75	194.43	13.338	12.979
1980	3.730	3.194	8.691	7.689	88.43	75.81	66.53	205.58	188.02	12.818	12.635
1981	4.315	3.602	8.731	6.976	85.74	75.54	60.96	191.31	173.43	11.688	11.095
1982	4.820	3.913	8.423	6.854	77.03	74.84	57.93	198.76	180.66	10.584	9.859
1983	5.570	4.524	8.456	6.957	72.75	76.44	61.07	218.61	195.66	10.934	10.742
1983											
June	5.546	4.503	8.608	6.878	72.72	76.46	60.84	217.76	194.30	10.902	10.866
July	5.592	4.544	8.558	6.840	72.80	76.47	60.25	216.44	193.48	10.816	10.762
Aug.	5.714	4.637	8.590	6.753	72.82	76.70	59.45	213.97	191.29	10.678	10.631
Sept.	5.713	4.642	8.575	6.727	72.65	77.04	59.64	214.38	191.70	10.632	10.513
Oct.	5.646	4.589	8.465	6.742	72.68	77.24	60.06	217.30	193.69	10.670	10.509
Nov.	5.754	4.661	8.511	6.686	72.83	77.19	59.56	214.73	191.61	10.574	10.474
Dec.	5.860	4.706	8.414	6.639	72.84	76.01	58.99	213.55	190.33	10.500	10.357
1984											
Jan.	5.940	4.764	8.389	6.579	72.85	75.65	58.56	211.96	188.64	10.395	10.225
Feb.	5.803	4.655	8.355	6.626	72.56	75.47	58.89	214.81	190.35	10.495	10.182
March	5.618	4.432	8.201	6.645	72.79	75.04	59.16	216.76	192.02	10.596	10.260
April	5.650	4.422	8.054	6.569	72.27	74.54	58.32	214.29	189.99	10.491	10.209
May	5.821	4.502	8.100	6.518	72.15	74.64	57.91	211.99	188.39	10.422	10.267
June	5.822	4.472	8.038	6.528	72.05	74.66	58.10	213.19	189.12	10.462	10.324
July	6.019	4.550	7.962	6.501	72.64	73.48	57.92	211.78	187.65	10.454	10.355



Average selling rates for foreign exchange. FIM

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 OS ATS	Lisbon 100 Esc PTE	Reykjavik 100 lkr ISK	Madrid 100 Ptas ESP	Tokyo 100 Y JPY	Moscow 1 CI Rbl SUR	I special drawing right SDR	Currency index <sup>1</sup>
12	13	14	15	16	17	18	19	20	21	22
234.36	91.88	0.473	29.19	8.13	1.14	5.84	1.797	5.941	5.016 78	117.3
222.87	88.65	0.440	28.90	7.60	0.81	5.25	1.662	5.741	4.842 55	113.6
220.34	79.92	0.385	27 17	7.17	60.35	4.72	1.967	5.986	5.071 40	113.1
237.79	73.65	0.358	28.31	6.13	40.79	4.41	1.943	6.624	5.305 63	115.9
265.70	73.53	0.369	31 11	5.14	23.25	3.91	2.351	7.491	5.943 25	125.1
262.74	72.53	0.368	30.93	5.29	20.55	3.89	2.313	7.529	5.915 65	125.2
264.53	72.13	0.367	30.80	4.76	20.49	3.80	2.331	7.550	5.934 78	125.3
264.52	71.24	0.361	30.47	4.69	20.67	3.79	2.342	7.559	5.991 35	125.2
264.40	71.10	0.358	30.53	4.64	20.63	3.77	2.359	7.507	5.995 33	125.2
267.91	71.25	0.359	30.93	4.59	20.49	3.75	2.430	7.439	5.989 58	125.0
265.52	70.72	0.355	30.53	4.55	20.72	3.74	2.452	7.438	6.043 58	125.1
267.20	70.15	0.353	30.33	4.49	20.76	3.73	2.506	7.439	6.101 77	125.0
266.26	69.47	0.350	30.10	4.41	20.58	3.74	2.547	7.425	6.145 38	103.8
263.17	69.92	0.349	30.48	4.35	20.05	3.78	2.488	7.343	6.065 12	103.6
262.10	70.46	0.350	30.80	4.32	19.63	3.77	2.498	7.252	5.969 10	103.3
258.71	69.79	0.347	30.48	4.25	19.66	3.78	2.515	7.239	5.965 91	102.5
257.05	69.14	0.345	30.18	4.21	19.94	3.80	2.528	7.252	6.050 38	102.5
255.83	69.50	0.346	30.39	4.16	19.87	3.78	2.501	7.257	6.044 21	102.5
250.57	69.13	0.346	30.20	4.08	20.17	3.75	2.484	7.296	6.131 93	102.5

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



# DEPOSITS BY THE PUBLIC

Mill. FIM

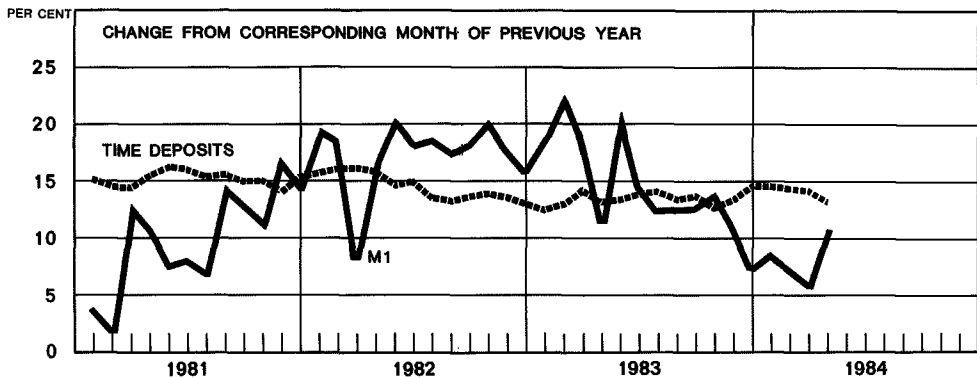
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6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

1983\*

April	5 919	3 788	3 916	13 623	30 857	26 944	22 163	8 841	88 805	102 428
May	7 321	4 088	4 037	15 446	31 159	27 181	22 264	8 985	89 589	105 035
June	7 127	3 998	4 150	15 275	31 513	27 685	22 650	9 071	90 919	106 194
July	6 198	4 084	4 346	14 628	31 476	27 999	22 899	9 304	91 678	106 306
Aug.	6 978	4 128	4 331	15 437	31 309	28 135	23 013	9 293	91 750	107 187
Sept.	6 964	4 185	4 324	15 473	31 364	28 230	23 194	9 388	92 176	107 649
Oct.	7 271	4 269	4 529	16 069	31 414	28 298	23 285	9 365	92 362	108 431
Nov.	7 521	4 182	3 625	15 328	31 702	28 447	23 424	9 492	93 065	108 393
Dec.	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1984\*

Jan.	7 438	4 163	4 442	16 043	33 658	29 724	24 641	10 241	98 264	114 307
Feb.	7 325	3 975	4 055	15 355	34 365	30 235	25 190	10 333	100 123	115 478
March	6 469	4 040	3 974	14 483	34 812	30 236	25 203	10 471	100 722	115 205
April	7 094	4 084	4 173	15 351	34 760	30 411	25 252	10 403	100 826	116 177



# ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

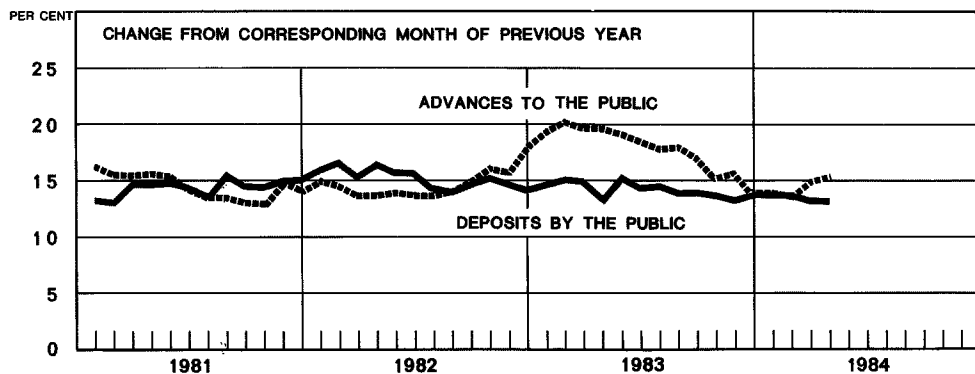
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi-Money
	1	2	3	4	5	6	7		8	9
1980	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601
1981	40 462	22 009	20 059	11 135	80 817	2 877	9 971	93 665	17 186	94 577
1982*	48 620	25 682	23 601	12 684	93 014	3 468	14 105	110 587	19 917	107 549
1983*	56 162	29 276	27 322	13 470	104 626	4 350	17 254	126 230	21 427	121 905

1983\*

April	51 855	26 685	24 415	12 842	96 664	4 745	14 388	115 797	19 374	110 890
May	52 478	27 075	24 733	12 909	97 942	4 453	14 800	117 195	21 325	113 729
June	52 635	27 460	25 095	13 072	98 935	4 700	14 627	118 262	21 362	115 242
July	52 374	27 711	25 371	13 193	99 508	4 669	14 472	118 649	20 634	115 283
Aug.	53 028	28 101	25 787	13 348	100 638	4 764	14 862	120 264	21 011	115 625
Sept.	53 682	28 594	26 228	13 456	102 188	4 902	14 870	121 960	21 403	116 469
Oct.	54 535	28 821	26 529	13 543	103 090	4 797	15 541	123 428	21 772	116 992
Nov.	56 197	29 040	26 946	13 666	104 024	4 851	16 974	125 849	21 105	117 008
Dec.	56 162	29 276	27 322	13 470	104 626	4 350	17 254	126 230	21 427	121 905

1984\*

Jan.	57 343	29 569	27 515	14 193	105 759	5 004	17 857	128 620	22 098	123 176
Feb.	58 398	29 762	27 706	14 017	106 328	4 989	18 566	129 883	21 334	124 666
March	59 625	29 961	27 990	14 011	106 930	5 142	19 515	131 587	20 606	125 049
April	61 338	30 142	28 191	14 317	107 812	5 466	20 710	133 988	21 464	126 269



# STATE FINANCES

Mill. FIM

Revenue	Jan.-April	
	1983	1984
Income and wealth tax (net)	5 233	6 346
Gross receipts	15 461	18 452
Refunds & local authorities	-10 228	-12 106
Other taxes on income and wealth	175	233
Employers' child allowance payments	1	1
Sales tax	5 184	6 738
Customs duties and import charges and levies	480	518
Excise duties	2 712	3 115
Excise duty on alcoholic bevs.	1 016	1 156
Excise duty on tobacco	374	430
Excise duty on liquid fuel	820	1 085
Other excise duties	502	444
Tax on autom. and motor-cycles	869	853
Stamp duties	520	671
Special diesel etc. vehicles tax	87	128
Other taxes and similar revenue	452	601
<b>Total taxes</b>	<b>15 713</b>	<b>19 204</b>
Miscellaneous revenue	1 606	1 849
Interest, dividends etc.	342	349
Surplus of state enterprises	712	738
Redemptions of loans granted	154	187
<b>Total revenue</b>	<b>18 527</b>	<b>22 327</b>
Foreign borrowing	1 629	1 833
Domestic borrowing	2 186	2 281
<b>Total borrowing</b>	<b>3 815</b>	<b>4 114</b>
<b>Deficit (+) or surplus (-)</b>	<b>2 413</b>	<b>2 024</b>
<b>Total</b>	<b>24 755</b>	<b>28 465</b>

Expenditure	Jan.-April	
	1983	1984
Wages, salaries, pensions etc.	3 635	4 068
Repair and maintenance	379	586
Other consumption expenditure	2 573	2 503
<b>Total consumption expenditure</b>	<b>6 587</b>	<b>7 157</b>
State aid to local authorities	4 853	5 812
State aid to industries	2 936	2 945
of which: agric. price subsidies	1 543	1 423
Child allowances	500	580
Share in national pensions and sickness insurance schemes	831	961
Deficit of State enterprises	493	388
Other transfer expenditure	3 291	3 655
<b>Total transfer expenditure</b>	<b>12 904</b>	<b>14 341</b>
Machinery and equipment	570	564
Construction of buildings	281	312
Land and waterway construction	659	608
<b>Total real investment</b>	<b>1 510</b>	<b>1 484</b>
Interest on State debt	1 303	1 661
Other expenditure	2	4
<b>Total other expenditure</b>	<b>1 305</b>	<b>1 665</b>
Increase in inventories	78	-230
Lending	1 172	1 136
Other financial investment	199	237
<b>Total expenditure</b>	<b>23 755</b>	<b>25 790</b>
Redemption of foreign loans	267	923
Redemption of domestic loans	733	1 752
<b>Total redemptions</b>	<b>1 000</b>	<b>2 675</b>
<b>Total</b>	<b>24 755</b>	<b>28 465</b>

State debt	1982	1983	1984			
	Dec.	Dec.	Feb.	March	April	May
<b>Foreign debt</b>	18 807	21 723	21 383	22 167	22 391	22 867
Long-term debt	11 378	16 383	16 822	17 056	16 903	17 027
Short-term credit	63	18	15	24	37	37
<b>Domestic debt</b>	11 441	16 401	16 837	17 080	16 940	17 064
<b>Total State debt</b>	<b>30 248</b>	<b>38 124</b>	<b>38 220</b>	<b>39 247</b>	<b>39 331</b>	<b>39 931</b>
Total debt mill. \$	5 651	6 506	6 586	6 986	6 961	6 860

# FOREIGN TRADE

Mill. FIM

Period	Value, mill. FIM		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
1979	43 430	44 222	-792
1980	52 795	58 250	-5 455
1981	60 308	61 269	-961
1982	63 026	64 751	-1 725
1983*	69 692	71 528	-1 836

1983*			
Sept.	5 478	6 536	-1 058
Oct.	6 095	6 569	-474
Nov.	6 512	6 378	+134
Dec.	6 834	7 084	-250

1984*			
Jan.	6 691	5 610	+1 081
Feb.	6 421	5 271	+1 150
March	6 667	5 879	+788
April	6 790	6 044	+746
May	6 629	6 263	+366

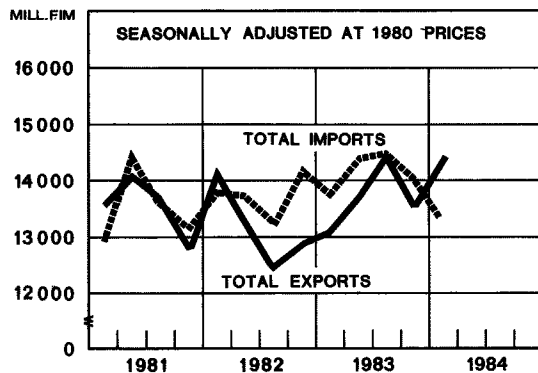
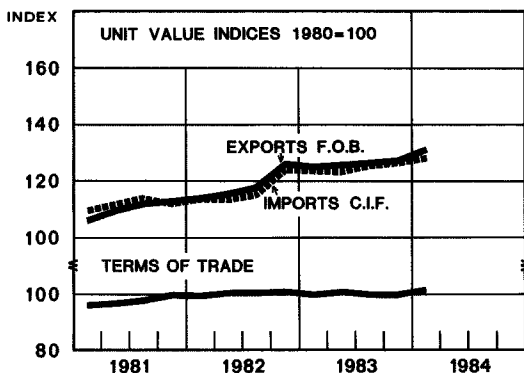
Jan.-May			
1983*	28 701	28 307	+394
1984*	33 198	29 067	+4 131

Period	Indices of exports and imports 1980 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1979	92	89	90	86	105
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	100	95	119	117	101
1983*	104	98	127	125	101

1982					
Jan.-March	106	88	115	115	100
Apr.-June	102	92	116	114	101
July-Sept.	85	90	118	116	101
Oct.-Dec.	107	107	127	125	101

1983*					
Jan.-March	101	90	126	125	101
Apr.-June	103	95	126	124	101
July-Sept.	97	97	127	126	100
Oct.-Dec.	115	108	128	127	100

1984*					
Jan.-March	114	89	132	129	102



# FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1983*	1 723	6 944	19 327	20 211	21 487	44 757	5 006	10 860	10 572	333

## 1983\*

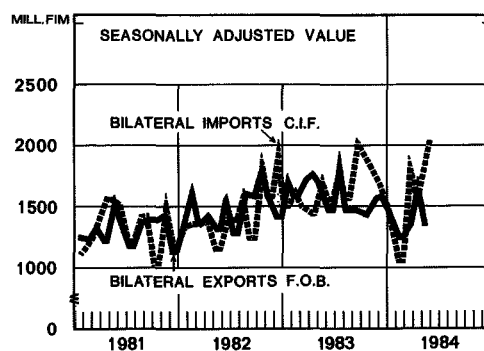
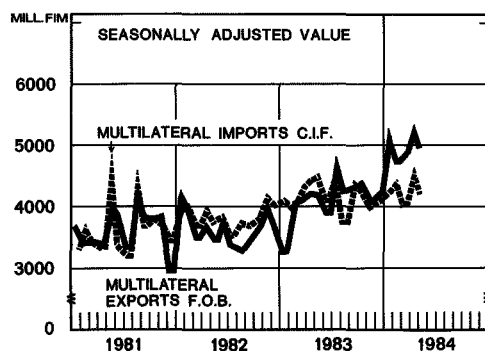
Sept.	41	534	1 746	1 499	1 658	4 125	702	850	849	10
Oct.	124	623	1 765	1 574	2 009	4 257	578	818	892	24
Nov.	78	643	1 851	2 054	1 886	4 122	435	935	869	17
Dec.	238	658	1 815	1 931	2 192	4 505	434	1 216	923	6

## 1984\*

Jan.	222	502	1 625	2 395	1 947	3 161	407	1 108	869	65
Feb.	332	538	1 703	1 798	2 050	3 113	339	818	989	12
March	355	628	1 990	1 766	1 928	3 829	273	793	976	8
April	263	567	1 880	1 739	2 341	3 695	265	1 085	980	19
May	234	632	2 128	1 840	1 795	4 123	452	776	909	3

## Jan.-May

1983*	1 049	2 857	7 418	8 596	8 781	17 500	1 416	4 492	4 774	124
1984*	1 406	2 867	9 326	9 538	10 061	17 921	1 736	4 580	4 723	107





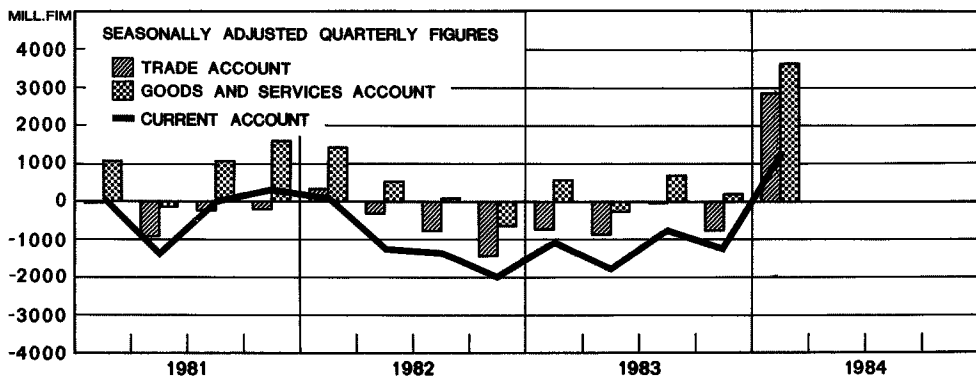
## FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January-May				January-May			
	1983*		1984*		1983*		1984*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
<b>OECD countries in Europe</b>	54.2	15 554	58.5	19 405	54.8	15 500	56.3	16 378
Austria	0.7	193	0.7	240	1.3	374	1.1	334
Belgium and Luxembourg	1.7	477	1.5	502	2.0	558	1.9	550
Denmark	3.4	965	4.3	1 413	2.7	758	2.6	766
France	4.5	1 289	4.4	1 464	3.6	1 029	3.4	980
Federal Republic of Germany	10.4	2 982	10.2	3 387	14.5	4 111	14.7	4 265
Italy	2.0	572	2.2	739	3.3	924	3.5	1 004
Netherlands	3.9	1 122	3.6	1 193	2.8	787	2.9	853
Norway	3.2	925	5.5	1 806	2.6	729	2.2	650
Portugal	0.2	65	0.2	79	0.7	198	0.8	221
Spain	0.7	203	0.7	244	0.8	211	0.9	265
Sweden	11.4	3 274	12.1	4 002	11.4	3 231	13.5	3 914
Switzerland	1.4	389	1.2	401	1.8	506	1.7	497
United Kingdom	9.5	2 737	10.5	3 488	6.8	1 936	6.4	1 864
Other	1.2	361	1.4	447	0.5	148	0.7	215
<b>OECD countries outside Europe</b>	6.4	1 841	10.7	3 554	13.2	3 737	12.5	3 627
Canada	0.7	213	0.7	238	0.6	178	0.7	204
Japan	1.2	329	1.4	452	5.6	1 571	6.3	1 843
United States	3.7	1 073	7.6	2 531	6.6	1 874	5.2	1 500
Other	0.8	226	1.0	333	0.4	114	0.3	80
<b>CMEA countries</b>	30.0	8 598	21.9	7 281	24.0	6 803	24.4	7 084
Czechoslovakia	0.4	124	0.4	121	0.5	133	0.4	126
German Democratic Republic	0.4	121	0.4	141	0.7	188	0.5	156
Poland	0.2	43	0.3	108	1.1	311	1.3	365
Soviet Union	28.5	8 166	20.3	6 741	21.3	6 036	21.7	6 294
Other	0.5	144	0.5	170	0.4	135	0.5	143
<b>Latin America</b>	1.2	352	0.8	268	2.6	735	2.7	776
Argentina	0.1	38	0.1	23	0.1	40	0.2	45
Brazil	0.3	83	0.2	51	0.8	217	0.9	267
Colombia	0.1	41	0.1	46	0.6	157	0.6	185
Other	0.7	190	0.4	148	1.1	321	1.0	279
<b>Other</b>	8.2	2 356	8.1	2 690	5.4	1 532	4.1	1 202
<b>GRAND TOTAL</b>	100.0	28 701	100.0	33 198	100.0	28 307	100.0	29 067
of which								
<b>EFTA countries</b>	17.0	4 878	19.8	6 569	17.9	5 063	19.5	5 675
<b>EEC countries</b>	36.4	10 433	37.7	12 531	36.1	10 225	35.8	10 416
<b>OECD countries</b>	60.6	17 395	69.2	22 959	68.0	19 237	68.8	20 005

# BALANCE OF PAYMENTS

Period	Exports f.o.b.	Imports c.i.f.	Trade account	Transport, net	Travel, net	Other services, net	Goods and services account	Invest- ment income, net	Un- required transfers, net	Other, net	Current account
1980	52 860	58 315	-5 455	+3 064	+320	+587	-1 484	-3 308	-454	+91	-5 155
1981	60 260	61 697	-1 437	+3 261	+405	+1 286	+3 515	-4 359	-499	+132	-1 211
1982*	62 943	65 168	-2 225	+2 934	-286	+811	+1 234	-5 446	-626	+140	-4 698
1983*	69 593	72 107	-2 514	+3 298	-749	+1 172	+1 207	-5 811	-721	+25	-5 300
1981											
Apr.-June	15 489	15 810	-321	+801	+78	-100	+458	-1 252	-127	+48	-873
July-Sept.	14 100	15 737	-1 637	+856	+443	+466	+128	-1 023	-109	+53	-951
Oct.-Dec.	16 202	16 527	-325	+747	-29	+770	+1 163	-1 100	-133	+22	-48
1982*											
Jan.-March	16 082	14 858	+1 224	+703	-156	+350	+2 121	-1 083	-182	-11	+845
Apr.-June	15 587	15 390	+197	+719	-85	+181	+1 012	-1 688	-163	+44	-795
July-Sept.	13 311	15 420	-2 109	+773	+149	+327	-860	-1 357	-135	+61	-2 291
Oct.-Dec.	17 963	19 500	-1 537	+739	-194	-47	-1 039	-1 318	-146	+46	-2 457
1983*											
Jan.-March	16 796	16 469	+327	+807	-291	+190	+1 033	-1 553	-217	-29	-766
Apr.-June	17 154	17 500	-346	+787	-229	+299	+511	-1 492	-149	+35	-1 095
July-Sept.	16 236	18 002	-1 766	+934	+44	+336	-452	-1 459	-147	+45	-2 013
Oct.-Dec.	19 407	20 136	-729	+770	-273	+347	+115	-1 307	-208	-26	-1 426
1984*											
Jan.-March	19 736	16 845	+2 891	+978	-383	+154	+3 640	-1 998	-236	-56	+1 350



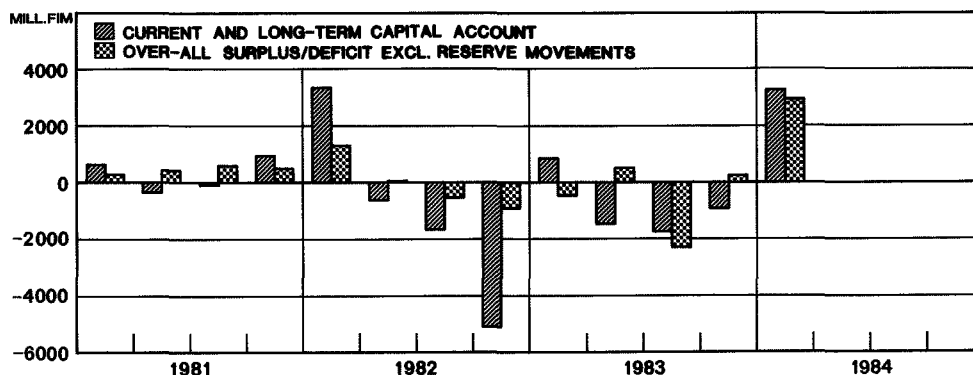
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net <sup>2</sup>	Miscellaneous, short-term capital terms, incl. errors and omissions <sup>2</sup>	Over-all surplus deficit excl. reserve movements <sup>2</sup>	Bank of Finland foreign exchange reserves
+5 183	-4 140	-433	-428	+182	-4 973	+3 255	-967	+3 930	-250 <sup>3</sup>	+995	-995
+8 312	-4 643	-518	-826	+2 325	+1 114	-1 067	+437	-406	+1 725 <sup>3</sup>	+1 803	-1 803
+10 213	-4 721	-1 239	-3 634	+619	-4 079	-2 003	+1 235	+1 798	+2 923	-126	+126
+10 112	-7 273	+423	-1 367	+1 895	-3 405	+3 273	-3 422	+1 272	+120	-2 162	+2 162
+1 948	-1 213	+11	-233	+513	-360	+867	+790	-21	-846	+430	-430
+1 932	-797	-91	-200	+844	-107	+95	-571	-822	+1 993	+588	-588
+3 028	-1 678	-211	-158	+981	+933	-1 556	-571	+600	+1 070	+476	-476
+3 637	-806	-114	-165	+2 552	+3 397	-898	+569	-1 509	-247	+1 312	-1 312
+2 332	-1 555	-328	-298	+151	-644	+134	+571	+108	-124	+45	-45
+1 859	-883	-127	-247	+602	-1 689	-586	+48	-516	+2 199	-544	+544
+2 385	-1 477	-670	-2 924	-2 686	-5 143	-653	+47	+3 715	+1 095	-939	+939
+2 985	-1 271	+100	-182	+1 632	+866	-115	+647	-1 214	-666	-482	+482
+2 435	-2 895	+273	-204	-391	-1 486	+1 261	-353	+699	+276	+397	-397
+1 479	-1 269	+142	-128	+224	-1 789	+1 197	-1 671	-593	+543	-2 313	+2 313
+3 213	-1 838	-92	-853	+430	-996	+930	-2 045	+2 380	-33	+236	-236
+4 075	-1 887	-207	-47	+1 934	+3 284	-923	+1 281	+2 144	-2 800	+2 986	-2 986

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

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

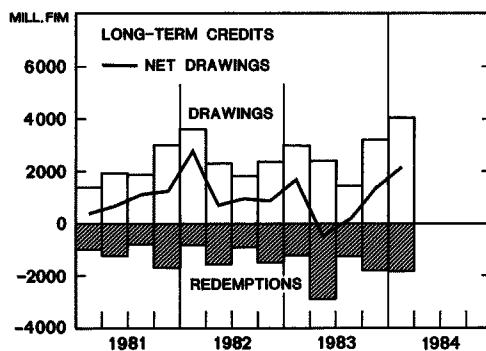
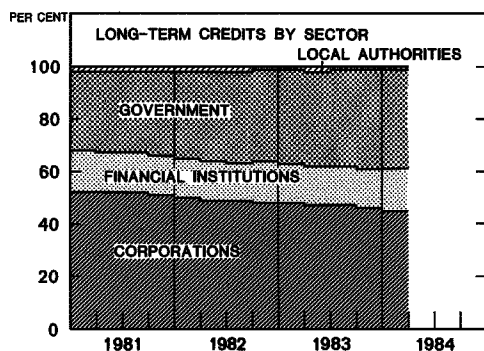
<sup>2</sup> Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

<sup>3</sup> Including allocations of special drawing rights: 133 million in 1980 and 131 million in 1981.

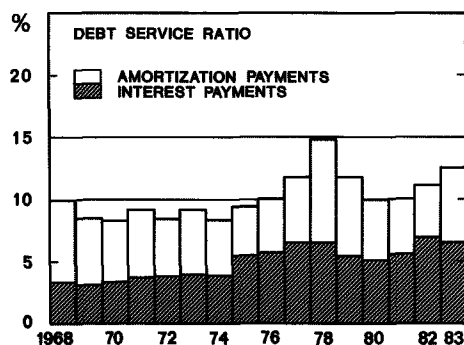
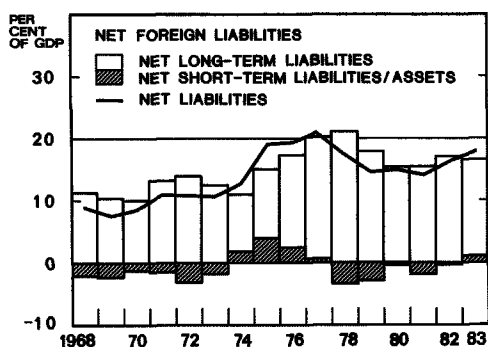


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities						Net long-term liabilities (10-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Portfolio investment	Other	Total (5 to 9)	
	1	2	3	4	5	6	7	8	9	10	11
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
1982*	6 628	4 626	3 796	15 050	47 547	4 608	2 223	..	752	55 130	40 080
1983*	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808
1981											
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
1982*											
March	4 960	3 616	1 415	9 991	38 669	4 623	2 263	..	709	46 264	36 273
June	5 361	3 741	1 471	10 573	39 847	4 456	2 313	..	696	47 312	36 739
Sept.	5 556	4 084	1 466	11 106	41 198	4 515	2 345	..	687	48 745	37 639
Dec.	6 628	4 626	3 796	15 050	47 547	4 608	2 223	..	752	55 130	40 080
1983*											
March	6 672	5 003	3 892	15 567	49 897	4 759	2 288	..	846	57 790	42 223
June	6 458	4 998	3 956	15 412	49 921	4 462	2 306	..	812	57 501	42 089
Sept.	6 411	5 392	3 935	15 738	50 705	4 566	2 303	..	798	58 372	42 634
Dec.	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808
1984*											
March	6 658	6 687	3 539	16 884	54 014	4 225	2 354	987	731	62 311	45 427



Short-term assets				Short-term liabilities				Net short-term liabilities (19-15)	Net liabilities (11+20)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (12 to 14)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (16 to 18)				
12	13	14	15	16	17	18	19	20	21	22	23
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	13 749	14 176	39 287	2 427	20 218	13 538	36 183	-3 104	30 034	7 930	3 494
12 737	22 562	13 498	48 797	5 348	31 331	11 593	48 272	-525	39 555	9 068	3 464
11 842	29 263	15 387	56 492	5 705	39 443	16 138	61 286	4 794	49 602	11 585	5 621
10 817	12 627	13 152	36 596	2 403	18 487	14 690	35 580	-1 016	31 165	1 638	595
11 362	13 749	14 176	39 287	2 427	20 218	13 538	36 183	-3 104	30 034	2 387	1 270
12 795	13 614	13 581	39 990	3 074	18 592	12 390	34 056	-5 934	30 339	1 761	600
12 846	14 322	13 118	40 286	3 077	19 349	12 767	35 193	-5 093	31 646	2 736	1 017
12 456	17 151	13 142	42 749	4 097	21 737	12 490	38 324	-4 425	33 214	2 038	662
12 737	22 562	13 498	48 797	5 348	31 331	11 593	48 272	-525	39 555	2 533	1 185
12 365	22 166	14 580	49 111	4 637	29 530	15 105	49 272	161	42 384	2 531	942
12 905	23 008	14 878	50 791	4 705	31 137	16 546	52 388	1 597	43 686	3 788	2 243
10 556	23 605	15 681	49 842	4 737	31 289	16 779	52 805	2 963	45 597	2 538	1 049
11 842	29 263	15 387	56 492	5 705	39 443	16 138	61 286	4 794	49 602	2 728	1 387
14 740	25 651	14 235	54 626	3 657	37 974	15 323	56 954	2 328	47 755	3 095	1 089



# PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100 <sup>1</sup>						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1982	1 122	120.8	122.1	116.7	120.8	122.4	119.0	117.7	116.8	117.8
1983	1 189	127.6	128.8	124.2	125.9	130.8	128.5	128.7	124.4	129.3
1983										
Nov.	1 215	130.2	131.3	127.0	128.2	133.3	132.0	132.8	128.8	133.0
Dec.	1 219	130.6	131.7	127.3	128.6	133.7	132.6	133.0	128.8	133.1
1984										
Jan.	1 228	131.6	132.5	128.7	129.6	134.7	133.0	133.5	129.6	133.5
Feb.	1 231	131.8	133.0	128.1	129.6	135.2	133.7	133.6	129.6	133.6
March	1 238	132.0	133.5	127.6	129.6	135.7	134.1	134.2	129.6	134.5
April	1 246	132.7	134.5	127.5	130.6	136.3	134.3	134.7	130.1	135.0
May	1 251	133.4	134.9	128.8	131.4	136.7	134.8	136.6	134.9	135.8
June	1 254	134.1	135.5	129.7	131.8	137.2	136.3	137.0	134.9	136.4

<sup>1</sup> New series calculated by the Central Statistical Office.

Period	Consumer prices 1981 = 100 <sup>1</sup>									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1982	109.6	112.3	112.9	105.3	111.7	105.9	110.2	106.8	106.0	109.6
1983	118.7	120.0	125.1	112.8	118.4	114.3	126.6	117.4	116.9	120.7
1983										
Nov.	122.4	123.1	132.1	117.4	120.6	118.0	136.3	119.3	122.1	125.4
Dec.	122.3	121.5	132.1	117.5	120.8	118.4	136.3	120.3	122.3	125.6
1984										
Jan.	123.3	122.6	132.1	113.2	121.1	119.2	139.4	123.1	123.8	128.1
Feb.	123.8	123.6	132.1	115.0	121.1	120.9	139.4	123.4	124.0	128.3
March	124.7	125.4	132.1	117.8	121.5	121.4	139.4	124.3	124.3	128.6
April	125.6	127.3	132.1	119.2	121.6	121.8	143.4	125.0	125.4	128.9
May	126.9	128.4	132.5	119.7	126.0	122.4	144.8	123.6	125.9	130.6
June	127.2	128.8	132.6	119.7	126.0	122.4	144.7	124.7	126.2	130.7

<sup>1</sup> New series calculated by the Central Statistical Office.

## 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							
1981	201.3	192.5	165.6	186.1	182.2	174.8	191.9	187.4	188.8	188.1
1982	225.7	213.5	181.8	206.9	201.1	195.0	212.0	207.4	208.9	208.1
1983*	246.2	234.4	202.5	228.2	222.0	215.1	233.4	229.1	229.3	229.2
1983*										
Jan.-March	240.2	224.3	194.0	217.6	214.1	205.8	222.9	219.0	219.7	219.4
Apr.-June	247.1	236.7	201.0	227.8	222.3	214.1	233.9	229.0	230.2	229.6
July-Sept.	243.3	234.8	202.8	228.9	222.5	215.9	234.3	229.9	230.4	230.1
Oct.-Dec.	253.7	242.0	208.3	238.8	230.5	224.7	242.1	238.3	237.8	238.1
1984*										
Jan.-March	254.7	244.6	215.5	242.8	231.3	230.5	244.9	241.2	240.7	241.0

## 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
1982										
Jan.-March	115	132	71	134	72	89	113	96	133	120
Apr.-June	121	136	83	135	80	94	122	109	133	125
July-Sept.	120	120	202	64	106	95	123	111	135	121
Oct.-Dec.	133	143	94	154	135	100	136	127	137	129
1983*										
Jan.-March	119	132	81	141	81	86	115	100	138	123
Apr.-June	125	142	88	126	87	94	124	114	138	130
July-Sept.	125	126	224	57	114	94	127	111	140	126
Oct.-Dec.	136	149	95	139	141	94	143	123	142	133
1984*										
Jan.-March	123	..	..	..	..	..	..	..	..	..

# PRODUCTION

Index of industrial production 1980 = 100

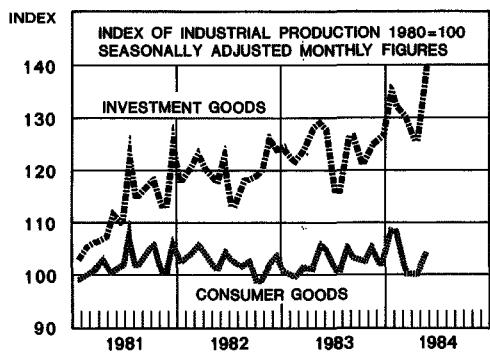
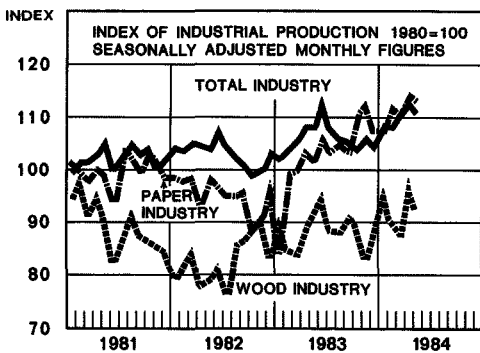
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1981	102.6	114.1	103.4	100.1	104.0	89.6	100.8	103.0	101.2	106.9	102.9
1982*	103.7	121.0	103.4	100.6	106.4	83.5	96.1	98.1	108.4	114.0	103.8
1983*	106.8	125.3	103.3	105.1	106.4	88.9	103.9	103.4	112.2	117.3	106.8

## 1983\*

May	116.3	144.5	112.6	112.9	112.9	115.0	103.3	102.2	119.3	133.9	108.9
June	112.0	145.2	103.2	110.2	104.6	107.1	98.9	105.7	121.9	129.5	113.8
July	67.5	49.3	63.6	72.6	90.6	35.1	106.3	66.9	67.0	51.2	108.2
Aug.	111.3	118.8	108.0	111.5	113.2	86.5	115.4	113.4	122.5	113.9	106.4
Sept.	114.3	138.3	109.8	112.2	111.1	107.3	104.7	112.6	140.9	129.4	105.9
Oct.	112.8	126.0	111.3	111.2	125.2	100.1	115.9	114.3	130.0	119.3	104.8
Nov.	118.5	139.2	117.8	115.1	127.5	89.1	117.4	118.9	112.4	130.3	106.7
Dec.	106.6	128.9	103.7	104.0	103.4	77.6	98.7	105.6	102.0	120.2	105.2

## 1984\*

Jan.	113.4	135.1	109.4	111.4	100.0	91.7	111.3	109.8	98.3	125.7	108.9
Feb.	108.2	130.4	103.2	106.7	87.5	85.7	112.9	102.1	88.2	120.9	108.4
March	116.4	142.0	109.7	114.9	97.1	98.6	118.2	119.4	106.5	129.3	111.1
April	107.8	132.1	100.5	106.8	95.4	102.2	102.9	114.3	91.9	121.6	113.3
May	121.3	157.0	110.5	120.1	113.1	118.2	120.5	115.9	112.1	143.0	111.3





## LABOUR – TIMBER FELLINGS – INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1980 = 100	Wholesale volume index 1980 = 100
1982*	3 659	2 526	2 377	149	5.9	41 435	106	109
1983*	3 681	2 546	2 390	156	6.1	39 324	107	110
1983*								
April	3 677	2 482	2 315	167	6.8	5 227	102	112
May	3 676	2 528	2 383	145	5.7	3 067	123	135
June	3 678	2 715	2 549	166	6.1	2 089	100	95
July	3 682	2 730	2 577	153	5.6	1 084	104	85
Aug.	3 682	2 555	2 426	128	5.0	1 303	105	113
Sept.	3 682	2 540	2 397	143	5.6	2 153	107	119
Oct.	3 687	2 520	2 369	151	6.0	2 860	106	116
Nov.	3 695	2 507	2 355	152	6.1	3 391	106	117
Dec.	3 695	2 526	2 369	157	6.2	4 109	132	125
1984*								
Jan.	3 699	2 510	2 339	171	6.8	3 577	97	94
Feb.	3 700	2 498	2 329	169	6.8	4 209	95	101
March	3 694	2 520	2 353	168	6.6	4 734	105	111
April	3 693	2 523	2 356	167	6.6	4 207	101	98
May	3 697	2 579	2 438	140	5.4	3 734	..	..

## 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											
1982	52.17	19.30	6.73	19.12	3.50	43.74	18.0	6.02	14.35	2.67	50.32
1983*	51.78	19.66	6.44	18.34	3.65	47.37	18.43	5.92	16.32	3.55	51.44
1982											
Oct.-Dec.	10.88	3.32	0.88	4.91	0.97	16.55	6.18	2.82	5.87	0.71	50.32
1983*											
Jan.-March	9.85	4.18	1.28	3.23	0.70	10.29	4.06	1.13	3.80	0.66	45.55
Apr.-June	19.12	7.95	3.14	5.43	1.01	10.56	4.29	0.85	3.77	0.90	52.74
July-Sept.	14.22	4.23	1.07	6.90	0.91	11.06	3.96	1.86	3.52	0.96	58.14
Oct.-Dec.	8.59	3.31	0.95	2.78	1.02	15.46	6.12	2.07	5.24	1.02	51.44
1984*											
Jan.-March	8.70	3.68	1.06	2.95	0.60	7.81	3.40	0.60	2.81	0.44	48.08

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

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

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

## MONETARY POLICY INDICATORS

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

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

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

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

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

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

## FORWARD EXCHANGE MARKETS IN FINLAND

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

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

## FOREIGN EXCHANGE RATES

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

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

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

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

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

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

*Money Supply M<sub>1</sub>* = Finnish notes and coins in circulation - Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

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

## STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations.

## FOREIGN TRADE

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

## BALANCE OF PAYMENTS

Pages 16-17. Figures are calculated by the Bank of Finland. In the current account, the figures for trade- and goods and services account 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 18-19. Figures calculated by the Bank of Finland. Long-term assets: Other = financial loans + development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

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

Columns 22 and 23 during the year and the quarter.

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

## PRICE INDICES

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

## WAGES - PRODUCTION

Pages 21-22. Figures supplied by the Central Statistical Office. Page 22. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II.

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

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

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

# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

From 1 155 to 1 809 Finland formed a part of the kingdom of Sweden. Connected from 1 809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

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

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

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

NUMBER OF INHABITANTS (1982): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1982): In South Finland 47.1, in East and Central Finland 14.2, in North Finland 4.2 and in the whole country an average of 15.9 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1982): 40 % of the population inhabit the rural areas, 60 % towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 260 inhabitants, Tampere (Tammerfors) 167 211, Turku (Åbo) 163 484.

EMPLOYMENT (1983): Agriculture and forestry 13 %, industry and construction 33 %, commerce 14 %, transport and communication 7 %, financing, insurance, real estate and business services 6 %, community and personal services 27 %.

LANGUAGE (1982): Finnish speaking 93.5 %, Swedish speaking 6.3 %, others 0.2 %.

EDUCATION (1984): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1982): births 13.7 ‰, deaths 9.0 ‰, change + 6.2 ‰, net immigration + 1.5 ‰. Deaths in France 10.1 ‰ and Great Britain 11.8 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1982), in million marks: Gross domestic product at factor cost by industrial origin: agriculture 8 993 (4 %) forestry and fishing 9 729 (5 %), manufacturing 64 416 (31 %), construction 15 271 (7 %), trade, restaurants and hotels 24 017 (11 %), transport and communication 17 052 (8 %), banking and insurance 8 633 (4 %), ownership of dwellings 15 009 (7 %) other services 47 323 (23 %), total 210 443. Index of real domestic product 124 (1975 = 100).

FOREST RESOURCES (1981). The growing stock comprised of 1 638 million m<sup>3</sup> (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 674 million m<sup>3</sup> was up to the standard required for logs, 52 % of these being pine. The annual growth was 66 million m<sup>3</sup> and the total drain calculated on the basis of roundwood consumption was 56 million m<sup>3</sup>.

AGRICULTURE (1981). Cultivated land 2.4 million hectares. Number of holdings 218 904 of which 151 956 are of more than 5 ha. Measure of self-sufficiency in bread cereals (1982) 56 %.

INDUSTRY (1982). Gross value of industrial production 203 910 mill. marks, number of workers 405 013, salaried employees 144 435, motive power 8.3 mill. kW. Index of industrial production 103.7 for 1982 (1980 = 100).

STATE RAILWAYS (Dec. 31, 1983): Length 6 069 km.

MERCHANT FLEET (June 30, 1984): Passenger vessels 157 (237 882 gross reg. tons), tankers 46 (1 176 972 gross reg. tons), dry cargo vessels 177 (854 600 gross reg. tons), other vessels 100 (13 951 gross reg. tons), total 479 (2 283 405 gross reg. tons).

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

FINNISH AIRLINES (May 1, 1984) Finnair has in use 1 DC-8, 6 DC-9-10, 5 DC-9-41, 12 DC-9-51, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 2 Fokker F-27. The company has scheduled flights to 38 foreign and 21 domestic destinations.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is tradeweighted and as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 20.2, DEM 18.7, GBP 14.6, USD 10.6, other currencies 35.9. The permissible range of fluctuation is about 2.25 per cent on either side of the theoretical arithmetic mean. The fluctuation limits are 106.0 and 101.3.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1983). There are two big and eight small commercial banks with in all 924 offices, 270 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 48 private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1984). The Bank of Finland's base rate is 9 ½ %. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 7 % and 12 %. Other credit institutions: time deposits 5 ¼ %; 6 month deposits 6 ½ %; 12 month deposits 8 %; 24 month deposits 9 ¼ % and sight deposits 2 ¼ %. The highest lending rate is 14 %.

# MEDIUM-TERM TARGETS FOR THE FINNISH ECONOMY AND CENTRAL GOVERNMENT FINANCES

by Kauko Mannermaa, Head of Bureau

Economics Department  
of the Ministry of Finance

The Ministry of Finance annually assesses the medium-term prospects for the Finnish economy and central government finances so as to provide background information for economic policy decision-making. Last year's survey examined developments up to 1988 and also presented two growth scenarios. One of these scenarios — the so-called target alternative — formed the basis for the economic policy programme adopted by the Government appointed in the spring of 1983. In studies carried out in the current year the targets set in the alternative have been revised, and it has been estimated to what extent the recommended economic policies will have to be altered in the light of these changes. Special attention has been paid to the problems of central government finances.

## MEDIUM-TERM ECONOMIC PROSPECTS

Although many problems have attached to the development of the Finnish economy in recent years, they have, nonetheless, been appreciably less severe than those experienced in most other countries. In the medium-term assessment, unemployment, susceptibility to inflation and the adjustment of public finances to macroeconomic developments in the years ahead are identified as the major problems. Though the unemployment rate and central government debt are not high by international standards, the situation could deteriorate if the country does not succeed in curbing the kind of structural inflation typical of the Finnish economy.

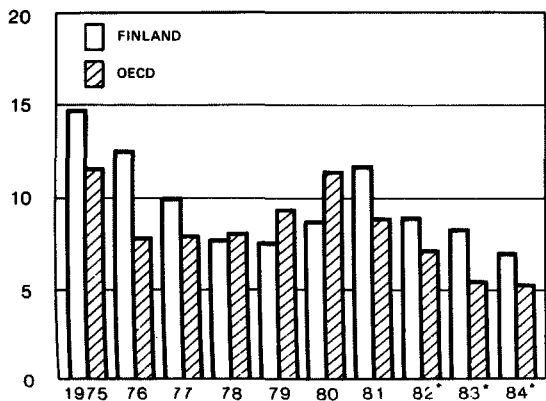
The economic policies — both fiscal and monetary — pursued over the past few years have supported domestic demand, with the

result that Finland's growth performance has been rather favourable in comparison to many other countries. Nevertheless, exports developed poorly in 1981–1983 because of sluggish demand abroad and a weakening in Finnish price competitiveness. At the same time, the level of central government indebtedness rose rapidly. Since the scope for boosting domestic demand through central government budget operations is very limited, developments in the years to come will depend primarily on increasing market shares in Finland's western trade. This will require the maintenance of both real and price competitiveness.

Recently, economic developments have been more favourable than expected. Exports to western markets have picked up rapidly since the end of 1983, and investment activity has also remained buoyant. With the consolidation of the economic revival in Western Europe, the conditions for the continuation of favourable developments have improved. However, the medium-term growth prospects for the world economy remain fairly modest. Output growth in Finland's main export markets is estimated to average around 2 per cent per year during the coming five-year period.

The deceleration in international inflation sets strict limits for the curbing of inflation in Finland. Although Finland's inflation rate is expected to exceed the international average in 1984, it should slow down distinctly during the course of the year (Chart 1). Moreover, it seems possible that Finland's inflation can be brought down to the international level in the course of 1985. Contributing to the easing of inflation will be the two-year incomes policy agreement concluded in the spring of 1984.

**CHART 1. GDP DEFLATOR IN FINLAND AND TOTAL OECD AREA, ANNUAL PERCENTAGE CHANGES**



The projections in the target growth scenario were drawn up on the assumption that incomes settlements from 1986 onwards would be formulated so that the rate of inflation in Finland would be more than one percentage point slower than the rise in prices in competitor countries. Thus, it is implicitly assumed that in the years to come Finland will continue to resolutely pursue a very moderate incomes policy stance supporting price stability and employment. It is also assumed that indirect labour costs will not rise.

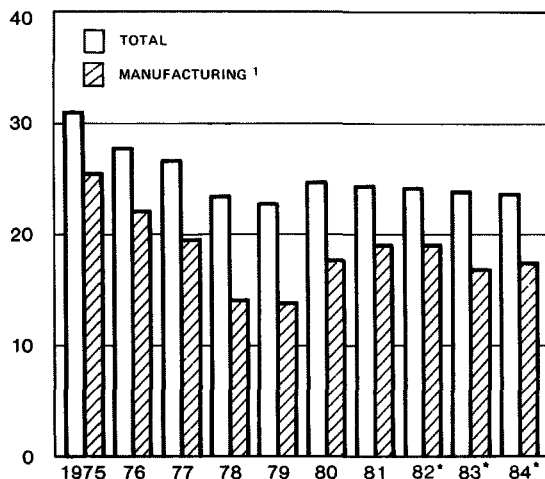
If Finland succeeds in curbing inflation during the period examined to the extent indicated above, exports can be expected to grow on average by 5 per cent a year up to 1988. An expansion of this magnitude will be necessary to ensure employment. A prerequisite for the growth of exports is that sufficient quantities of timber will be available at competitive prices, since forest industry products will continue to account for a significant share of exports.

In Finland's bilateral trade, deliveries to eastern markets — predominantly the Soviet Union — have declined in recent years. It is assumed in the scenario that bilateral export volumes will turn up during the latter part of the period examined. Under the next five-year trade agreement with the Soviet Union, covering the period 1986—1990, the volume of trade is likely

to rise slightly from the level of the current agreement period. Shipments can be assumed to be concentrated in the initial years of the agreement period, which would at the same time contribute to dampening cyclical fluctuations in Finland.

As in many other countries, the investment ratio has fallen in Finland (Chart 2). The growth of investment is estimated to average more than 3 per cent a year for the period as a whole, although the actual growth may of course display substantial variations from year to year. An increase of this magnitude would maintain the investment ratio at approximately the average level of the early 1980s. In view of the balanced growth of the economy, it would be necessary to schedule the closed sector's investments mainly for the second half of the period examined. The growth of investment will take place primarily in manufacturing.

**CHART 2. INVESTMENT RATIO: GROSS FIXED INVESTMENT AS A PERCENTAGE OF GDP**



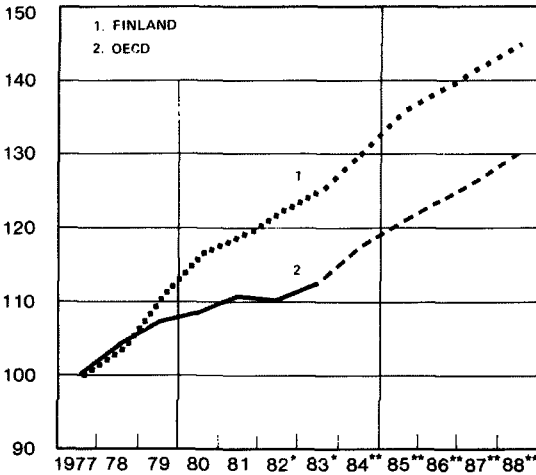
1 SHARE OF VALUE ADDED IN MANUFACTURING

Private consumption is estimated to grow by 2.5 per cent per annum. The increase in households' real disposable income is likely to be of the same order of magnitude. Real earnings would grow at a distinctly slower pace than this, although with the rise in the numbers employed the increase in the total

wage bill of the economy can be expected to almost match the growth of output.

It seems that the three per cent average growth rate of output set out last year as a target for the coming years can be achieved. Hence, the growth of the Finnish economy is estimated to remain faster than the average for the OECD area (Chart 3). In 1988, the level of output would be clearly higher than forecast earlier owing to the unexpectedly favourable developments in 1982–1984.

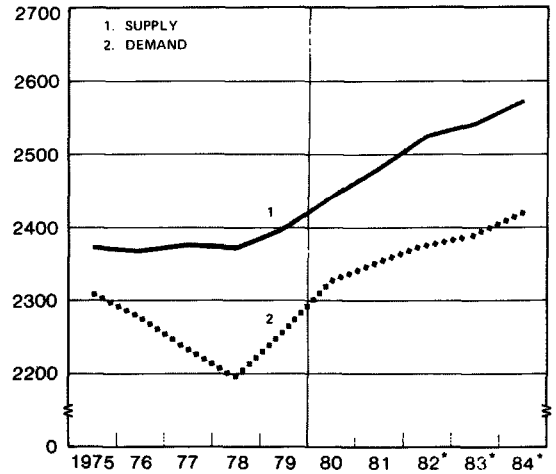
**CHART 3. VOLUME INDEX OF GDP IN FINLAND AND TOTAL OECD AREA, 1977 = 100**



Since the late 1970s, the demand for labour has developed favourably, but the supply of labour has also increased rapidly, among other things because of a rise in labour force participation rates (Chart 4). The number of employed in 1988 is estimated to be 75 000–80 000 higher than in 1983. However, as the supply of labour is likely to go on growing at a fast rate, the unemployment rate would remain virtually the same as in 1983 (6 %).

Developments in unemployment are, however, very sensitive to output growth, and unemployment is likely to rise if the growth target is not attained. The growth in the labour supply is gradually decelerating with the decline in the numbers in the younger age

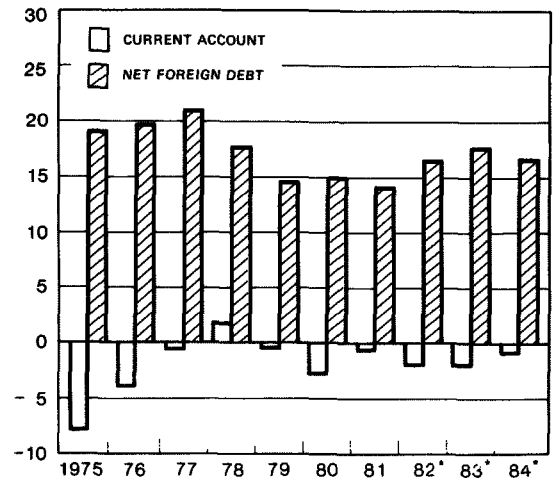
**CHART 4. THE SUPPLY OF AND DEMAND FOR LABOUR, 1000 PERSONS**



groups, and the prospects for managing the employment situation will improve by the turn of the decade.

In recent years, the current account has been in deficit. Because of this and exchange rate changes, the ratio of foreign debt to GDP grew from 1981 to 1983 (Chart 5). The target scenario outlined above would lead to a relatively well-balanced current account, particularly as the terms of trade seem likely to improve this and next year. The ratio of foreign debt to GDP would not change to any significant extent.

**CHART 5. BALANCE OF PAYMENTS ON CURRENT ACCOUNT AND NET FOREIGN DEBT, PER CENT OF GDP**



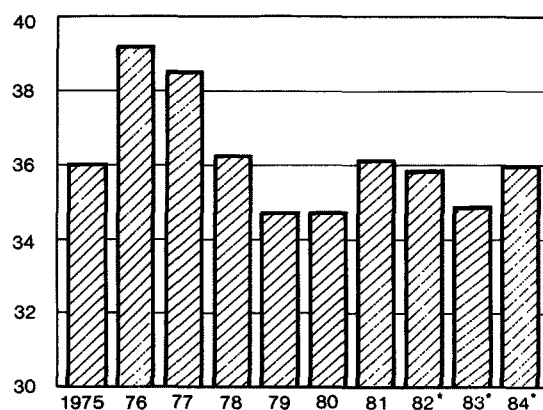
Nevertheless, the uncertainty attaching to the estimate of the external balance should be emphasized. The faster rate of growth in Finland as compared with the other OECD countries will increase the pressures on the current account. On the other hand, the propensity to import of the economy has fallen since the 1970s. Even a fairly small shortfall in the growth of exports or an acceleration in the growth of imports will weaken the current account appreciably.

**TABLE 1. BALANCE OF SUPPLY AND DEMAND IN 1983–1988 ACCORDING TO THE REVISED TARGET ALTERNATIVE**

	1983* FIM billion	Average annual change in 1988/1983 per cent volume price deflator		1988 volume at 1983 prices FIM billion
GDP in purchasers' values	265	3	5½	306
Imports	83	3%	5½	99
Aggregate supply	348	3	5½	405
Exports	84	5	6	108
Consumption expenditure	198	2¼	6	222
Private	145	2½	5½	163
Public	53	2¼	7	59
Gross fixed capital formation	65	3¼	5½	76
Change in stocks and statistical discrepancy	2	..	..	..
Aggregate demand	348	3	5½	405

Curbing the rise in the gross tax ratio has for long been a key objective of economic policy, and, indeed, the Government has had a large measure of success in achieving it (Chart 6). However, with the deterioration in the financial position of the central government, the pressures for raising the tax ratio have mounted. In the spring of 1983, the Government decided that, in order to restore balance, the gross tax ratio could be allowed to rise by at most one percentage point by 1986. Even then, there would be pressures for raising the tax ratio further.

**CHART 6. TAX RATIO: TOTAL TAXES AS A PERCENTAGE OF GDP**



## DEVELOPMENTS IN PUBLIC FINANCE UP TO 1988

Over the last two decades or so, the public sector has expanded considerably. Since the early 1970s, the growth of public expenditure has outstripped that of revenue, resulting in a weakening in the general government financial position. The financial surplus (net lending) accounted on average for 4.5 per cent of total output in the first half of the 1970s and for 2.5 per cent in the second half. In 1982–1983, the general government sector showed a financial deficit for the first time. The weakening in public finances has been most pronounced in the central government sector, i.e. central government finances have borne the main burden of the costs of the policies supporting productive conditions pursued in recent years.

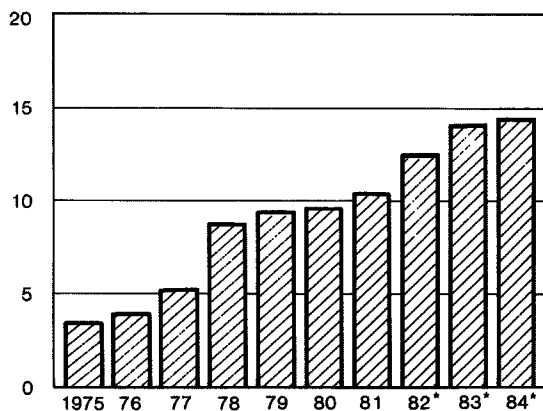
For the Government's tax ratio target to be achieved, local government taxation and public social security contributions should not exert undue pressures on the tax ratio. Hence, special attention has been paid to the adjustment of local government finances to the demands placed by economic policy on the entire public sector. Local authorities have expanded their services particularly in those areas where a large proportion of expenditure is financed out of central government funds. The system regulating the allocation of costs between local and central government is complicated, and it does not foster efficiency in the provision of services. A number of revisions have already been made to this system and more are planned to follow. One of the problems is that the municipalities are highly heterogeneous with respect to their individual needs and finances.

The deficit in central government finances can be regarded as partly structural in nature. According to estimates, the deficit (the net financing requirement) will account for more than 2 per cent of GDP in the upswing year of 1984. In fact, the ratio of central government debt to GDP has been rising continuously (Chart 7). Lowering the deficit means that the increase in central government expenditure will be less than the increase in revenue, and hence the impact of general government operations on the growth of output would be restrictive in the coming years. But, since the 'crowding out' effect of general government operations on the private sector and the upward pressures on inflation and interest rates would be reduced at the same time, this could have a positive effect on the growth of the private sector in the longer term.

The projections of central government expenditure in the target scenario are based on expenditure trends as estimated in ministries' medium-term planning in accordance with current decisions and approved plans. In practice, actual expenditure has generally exceeded the figures based on existing decisions by a clear margin.

If central government revenue were to rise in line with the target growth scenario presented above and expenditure only in accordance with existing decisions, revenue would rise more rapidly than expenditure. Even in this case, however, central government finances would not show a revenue surplus until 1988.

**CHART 7. STATE DEBT, PER CENT OF GDP**



In assessing the prospects for balancing central government finances, it should be noted that economic developments and developments in central government income could prove worse than forecast, in which case the need for expenditure on, for example, the maintenance of employment would also grow. Furthermore, there are certain to be new items of necessary expenditure and changes in circumstances which cannot be provided for in advance. Areas where it is considered important that additional funds should be made available include the advancement of technology, the improvement of certain forms of education and the increasing of development aid.

Efforts are, in fact, being made to achieve savings in central government expenditure. Transfers constitute the major category of expenditure, and it is here, too, that the pressures on growth are at their strongest. The largest single item of expenditure in this category consists of central government contributions and grants to local government, and the curtailment of their growth is considered essential. Attempts are also being made to reduce income transfers to the business sector that tend to distort competitive conditions, create excess capacity and marketing problems, and preserve obsolete productive structures. In Finland, the amount of such support is, admittedly, very small by international standards. The Government has instructed that in all administrative areas the appropriateness of the present scale of central government support should be examined in detail in connection with the medium-term plans.

Increasing attention will be paid to raising productivity in the provision of public services. It is also intended to intensify public payments policy, both to increase finance and to influence the demand for services.

As regards the development of the structure of taxation, it is considered important to implement changes which support the enhancement of competitiveness, the curbing of price rises, the restoration of balance between labour sup-



ply and demand, the development of the productive structure and the reduction of efficiency losses in the economy. The best way of achieving these targets would seem to be through changes in the structure of taxation entailing the alleviation of personal income taxation, the maintenance of employers' social security contributions at a moderate level and the focussing of the emphasis of indirect taxation increasingly on consumption. Changes in corporate taxation will also be necessary so as to improve the neutrality and consistency of taxation, to raise the proportion of equity financing in corporate investment and to improve the financial structure of firms.

Lowering the marginal tax rate in personal income taxation will require compensatory measures to maintain the overall level of the tax ratio. This would largely involve lowering deductions in income taxation, widening the tax base of both income taxation and indirect taxation, and otherwise increasing the yield from indirect taxes.

#### PREREQUISITES FOR THE REALIZATION OF THE TARGET ALTERNATIVE

As regards economic policies, the target scenario places special emphasis on a very moderate incomes policy, the improvement of the financial structure of firms, the promotion of factor mobility, the securing of raw material supply in the forest industries, the intensification of policies fostering competition and the smoothing out of business cycles. In public expenditure, exceptional stringency will need to be shown so as to curb the rise in the level of indebtedness and to forestall the emergence of tax-generated inflation. Given the limited scope for growth in central government finances, priority should be given to the intensification of manpower policy, the development of education and the strengthening of real competitiveness.

Hence, the growth of the economy in the coming years would be highly dependent on the activities of the private sector. The Government should therefore endeavour to ensure that firms' operating conditions remain good and stable. Firms' profitability should be adequate, thus enabling them to improve their financial structure and increasing their willingness to innovate and take risks.

Under conditions of stiffening international competition, special attention should be paid to strengthening the productive potential of the economy. Of key importance in this respect will be an adequate level of industrial investment. It is estimated that unemployment cannot be reduced permanently unless the economy's competitiveness remains good and exports grow to a sufficient extent.

To secure price competitiveness, it should be possible — given the prospects for international inflation — to keep the annual increase in consumer prices at a level of not more than 5 per cent. Although this target may seem extreme in the light of past developments, there is a good chance that it will come close to being achieved as early as 1985.

Capital flows between sectors and companies could be promoted by revisions to existing tax legislation. These amendments should at the same time be aimed at eliminating those aspects of taxation favouring indebtedness and hence inflation.

Renewing companies' product ranges to correspond to the changes that have occurred in markets and keeping pace with the rapid advances in technology will be vital factors in seeking to ensure the adjustment of the economy to changes in the world economy. In particular, the importance of supporting the growth of intangible investments will be underlined.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM JULY 1983 TO JULY 1984

**1983**

**July**

*Interest rate policy.* On July 1, the Bank of Finland raises the base rate from 8.5 to 9.5 per cent, whereby the banks' lending and deposit rates also rise by an average of one percentage point. In addition, the upper limit on lending rates is raised from 13 to 14 per cent.

*Financial futures agreements.* As from July 1, the Finnish banks are permitted by the Bank of Finland to participate in financial futures markets either on their own or their customers' behalf.

**September**

*Credits for the financing of imports.* As from September 1, the Bank of Finland extends the maximum period of import credits granted by the authorized banks from 3 to 6 months on certain conditions.

*Changes in the payments agreement between Finland and the German Democratic Republic.* An agreement between the two countries, involving a changeover to the use of the Finnish markka as the clearing currency instead of US dollars, enters into force on September 1. On the same date, the credit limit on the clearing account is raised to 70 million markkaa.

*Call money market.* The Bank of Finland raises the call money rate from 15.0 to 18.0 per cent on September 15 and lowers it to 17.5 per cent on September 23.

**October**

*Regulation of average lending rates.* On October 1, the Bank of Finland raises the proportion of the cost of borrowing on the unregulated money market which the banks may pass on in their lending rates from 40 to 50 per cent.

*Call money market.* The Bank of Finland lowers the call money rate from 17.5 to 17.1 per cent on October 6, to 17.0 per cent on October 12 and to 16.7 per cent on October 17.

**November**

*Government deposit account/certificates of deposit.* On the proposal of the Board of Management, the Bank Supervisors of Parliament decide that the Bank of Finland may pay interest on a deposit account opened by the government up to a rate which is half a percentage point below the base rate. The deposit account replaces the earlier transactions with the government in certificates of deposits, the interest payment permit for which is to terminate at the end of 1983.

**1984**

**January**

*Quotas at base rate.* The commercial banks' central bank quotas at base rate are abolished as from January 1.

*Call money market.* Foreign-owned banks are extended the same rights as the domestic banks to participate in the call money market

as from January 1. At the same time, an upper limit is imposed on call money deposits of 20 per cent of each bank's balance sheet total.

The Bank of Finland raises the call money rate from 16.7 to 17.5 per cent on January 1.

*Regulation of average lending rates.* On January 1, the Bank of Finland raises the proportion of the banks' funding costs in the unregulated money market which they may pass on in their lending rates from 50 to 60 per cent. In the same context, the 14 per cent upper limit on the banks' lending rates is abolished for credit extended to corporations in the form of cheque account overdrafts and bills.

*Currency index.* As from January 1, only the convertible currencies most important for Finland's foreign trade are taken into account when calculating the currency index number expressing the external value of the markka.

*Revised Nordic agreement on short-term foreign exchange support.* According to the revised swap agreement entering into force on January 1, the central banks of Denmark, Finland, Norway and Sweden are each entitled to receive credit up to a maximum of SDR 150 million. In addition, each bank is required to extend credit up to a maximum of SDR 100 million. In the case of the central bank of Iceland, the right to credit is SDR 30 million and the lending requirement SDR 20 million.

*Liberalization of Foreign Exchange Regulations.* The provision prohibiting the export and import of 500 markka banknotes is cancelled on January 1.

As from the same date, most of the upper limits on the markka amounts specified in the Foreign Exchange Regulations are raised by slightly more than an adjustment for inflation requires. For example, the maximum value of the means of payment that may be freely exported from the country is raised from FIM 5 000 to FIM 10 000 per person per journey.

*Payments arrangements between Finland and Czechoslovakia.* Finland and Czechoslovakia agree that in 1984 and 1985 payments between the two countries can be effected in any convertible currency.

*Export deposits.* On January 17, the Council of State decides to collect export deposits for pine sawnwood as from January 20. The deposits are to be made at the Bank of Finland, and will bear interest at a rate of 8 ¾ per cent.

*Investment reserves.* On January 17, the Government decides to raise maximum permissible transfers to investment reserves from 50 per cent to 70 per cent of profits for accounting periods ending in 1984. The Bank of Finland decides to pay interest at a rate of 1 ½ percentage points below the base rate, i.e. 8 per cent, on investment deposits made on the basis of this decision. These decisions enter into force on January 26.

## **February**

*Cash reserve requirement.* At the end of February, the Bank of Finland raises the reserve requirement from 4.7 to 5.0 per cent.

*Repayment of standby credit.* On February 29, 1984, the Bank of Finland repays a USD 150 million standby credit.

## **March**

*Repayment of standby credit.* On March 23, 1984, the Bank of Finland repays its last standby credit in use, amounting to USD 200 million.

*The external value of the markka.* On March 27, 1984, the Bank of Finland raises the external value of the markka by about one per cent within the range of fluctuation of the currency index number.

*Financing of domestic suppliers' credits.* The Bank of Finland reduces its share in the financing of domestic suppliers' credits from 40 to 30 per cent as from March 27, 1984.

*Arrangement for the financing of short-term export credits.* On March 27, 1984, the Bank of Finland decides to reduce the maximum annual average amount of the Bank's financing of short-term export credits from FIM 50 to FIM 30 million as from January 1, 1984.

*Cash reserve requirement.* The Bank of Finland raises the cash reserve requirement from 5.0 per cent to 5.4 per cent at the end of March.

## **April**

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

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

*Revisions in Foreign Exchange Regulations.* In a decision of the Council of State, the foreign

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

## **May**

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

## **June**

*Export deposits.* On June 5, the Council of State decides to collect export deposits for pulp to be exported between June 8, 1984 and June 7, 1985. The deposits are to be made at the Bank of Finland, and will bear interest at a rate of 8¾ per cent.

## **July**

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

## ITEMS

**Bank of Finland Monthly Bulletin.** After a dedicated service with the Bulletin spanning more than three decades, Ms. Eevi Mattila, the Editor, retired on April 30, 1984. Ms. Marja Hirvensalo has been appointed as the new Editor. Effective August 1, the new Editor-In-Chief of the Bulletin is Mr. Antero Arimo, Head of the Publications Office. Ms. Sirkka Hämäläinen, Director, continues as the Chairwoman of the Editorial Board.

**Supplementary budgets.** The first and second supplementary budgets for 1984 were approved by Parliament in May and June, respectively. Together, the supplementary budgets provide for additional expenditure totalling FIM 1.3 billion. However, in order to balance state finances, previously budgeted expenditure has been cut by FIM 0.9 billion and thus the two supplementary budgets involve a net increase of only FIM 0.4 billion in budgeted central government expenditure in 1984.

The first supplementary budget consists of a net increase in expenditure of FIM 90 million, which is mainly due to export subsidies for agricultural surpluses.

The expenditure in the second supplementary budget is largely attributable to greater-than-forecast rises in costs. However, it also includes outlays of FIM 130 million for additional employment measures and vocational training designed to mitigate seasonal unemployment during the latter part of the year. In addition, there is an allocation for the establishment of the United Nations Institute of Development Research (the Wider Institute). So far, budgeted state expenditure in 1984 amounts to FIM 85.0 billion or 28.4 per cent of GDP.

A major objective of the Government is to restore balance to central government finances so as to provide more room for manoeuvre in fiscal policy once the present upswing is over.

To facilitate the attainment of this target, and at the same time to adjust fiscal policy to the rapid expansion of the economy, the restrictive stance of the ordinary budget has been strengthened.

Thus, to finance the second supplementary budget, both employers' and employees' social security contribution rates were raised by 0.5 percentage point from July 1, 1984. Certain excise taxes were also raised. Other things being equal, these measures would increase tax revenue by FIM 0.7 billion in 1984 and raise the gross tax ratio by 0.2 percentage point. Owing to the deflationary effect of the tax increases on GDP and domestic demand, however, the overall impact on state revenue will be somewhat less. Budgeted gross central government borrowing in 1984 remains unchanged at FIM 10.7 billion, and the net borrowing requirement at about FIM 5.5 billion, or less than 2 per cent of GDP.

**The Bank of Finland's investment inquiry of June 1984.** According to the Bank of Finland's investment inquiry, there will be a clear upturn in the volume of industrial<sup>1</sup> investment in the current year. The improvement in investment prospects is reflected by the fact that companies now expect the value of their investment to rise by nearly 15 per cent, while in the inquiry conducted one year ago a substantial decline was forecast for this year. The growth is centred on state-owned companies, whereas in private companies the relatively stable developments in investment activity of recent years seem to be continuing. The replies to the investment inquiry suggest that the value of industrial investment will continue to grow next year, although at a slower rate than this year.

*Industrial investment in 1983.* On the basis of revised data, last year's investment performance seems to have been weaker than anticipated in November. According to the inquiry, the volume of industrial investment

<sup>1</sup> In addition to manufacturing industries, industry includes mining and quarrying, and electricity, gas and water supply.

was 6 per cent less than in the previous year and investment declined in almost all industrial sectors.

*Planned investment for 1984.* The total volume of investment planned for 1984 exceeds last year's level by 6 per cent. In particular, the forest industries and the metal industry forecast their investment activity to pick up. Unlike last year, acquisitions of fixed assets will increase especially in large companies. State-owned companies estimate their investment to grow by almost 40 per cent in volume terms. The volume of investment planned by private companies for this year is nearly the same as one year earlier. Industrial investment will centre on investments in machinery and equipment, whereas building investment will decline.

As could be expected, companies have revised their investment plans upwards since last November. Compared with the previous inquiry, the increase in planned outlays has been sharpest in the forest and metal industries, and in electricity, gas and water supply.

*Planned investment for 1985.* The investment inquiry points to an increase of 2 per cent in the value of industrial investment in 1985. The investment plans of the forest industries for next year slightly exceed this year's level in markka terms, whereas investments planned in other manufacturing sectors are expected to decline in both volume and value terms. Unlike other industrial sectors, the growth in investment in electricity, gas and water supply is not anticipated to start until next year.

In previous inquiries, companies' estimates of industrial investment for the following year given in the spring investment inquiry have, on average, fallen more than 15 per cent short of their actual investment. In addition, underestimation has generally been more pronounced during an upturn in investment activity. On the basis of past experience, the growth in investment can hence be expected to continue at a rapid rate next year.

*Capacity utilization.* Companies estimate that industrial capacity utilization has remained unchanged during the first half of the current year. In manufacturing industries, capacity utilization is anticipated to rise in all major sectors in the course of both this and next year, although it will be slightly lower in 1985 than during the previous cyclical peak.<sup>2</sup>

**TABLE 1. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1983 AND PLANNED CHANGES FOR 1984 AND 1985, BY INDUSTRIAL SECTOR, PER CENT**

	1983	1984	1985
Forest industries	-13	13	-1
Metal industry	-1	22	-8
Other manufacturing	-2	2	-15
TOTAL MANUFACTURING	-6	11	-8
Electricity, gas and water	-4	-7	19
TOTAL INDUSTRY	-6	6	-5

**TABLE 2. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1983 AND PLANNED CHANGES FOR 1984 AND 1985, BY TYPE OF INVESTMENT, PER CENT**

	1983	1984	1985
Building investment	-4	-6	-13
Investment in machinery and equipment	-6	13	0

**Revision of the base year for national accounting.** The new base year for national accounting will be 1980, instead of 1975 as at present. In addition, the definitions of certain economic activities, the calculation methods used in accounting and the level of the domestic product will be revised.

The changes will not alter the contents of the present national accounts to any significant extent. The most important changes are, first, the introduction in all industrial sectors, for the purpose of estimating operating surpluses, of estimates of capital consumption based on the capital stock, and, secondly, the replacement of unit values by the price indices of the

<sup>2</sup> As from this spring's inquiry, the size classification employed in the investment inquiry has been revised in the capital-intensive sectors — the forest, metal and chemical industries — so that all companies employing not less than 300 people (previously 500) are now classified as large companies.

Central Statistical Office of Finland in calculations of foreign trade volumes.

The value of GDP will rise at the 1980 level by about 3 per cent on the former figures.

The national accounts based on the new base year, as well as the accompanying time series at current and constant prices, will be completed during the summer and published in September.

The selection of the year 1980 as the new base year is based on an international recommendation. The base year for several indices has also been changed to 1980.

**Publication of the Bank of Finland.** The Bank of Finland Year Book for 1983 has been published. The first section reviews the Finnish economy in 1983, and the subsequent three sections examine the Central Bank's monetary and foreign exchange policy, the Bank of Finland's balance sheet and income statement and the Bank's relations with international organizations. A summary of new items relating to monetary and foreign exchange policy measures taken during the year is included. The Bank's financial statements and various banking transactions during the year under review are included in a statistical appendix. Helsinki 1984. 68 pp. ISSN 0081-9468.







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# BANK OF FINLAND

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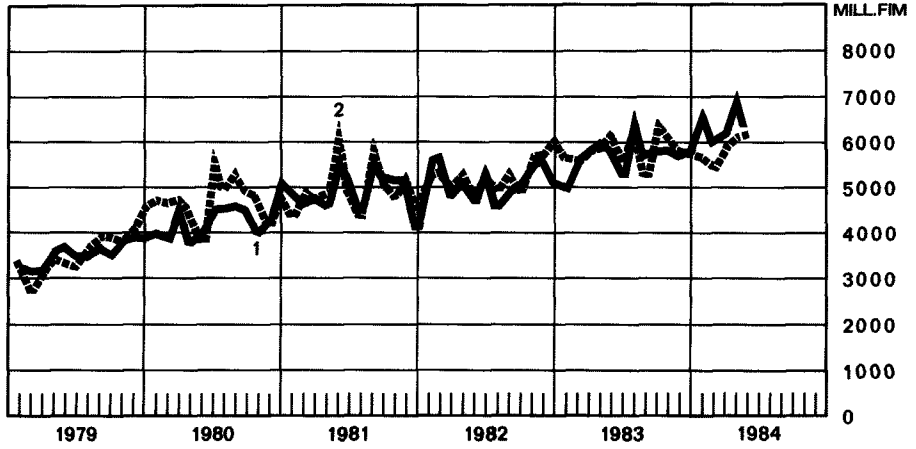
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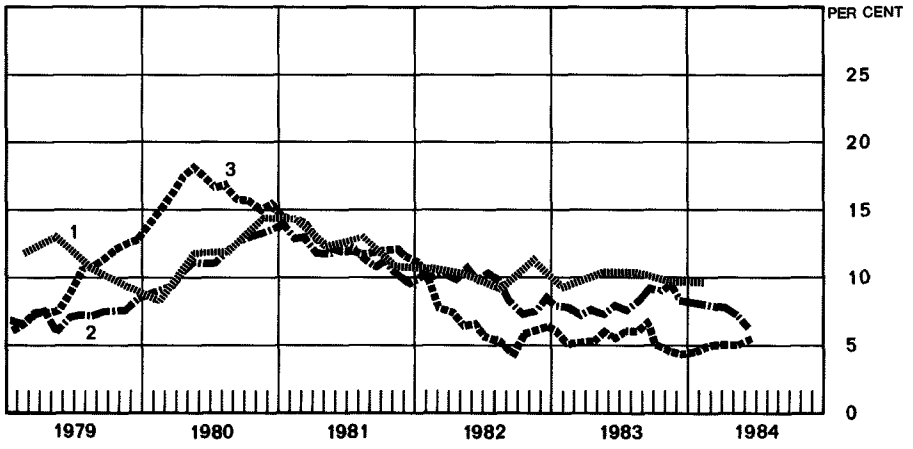
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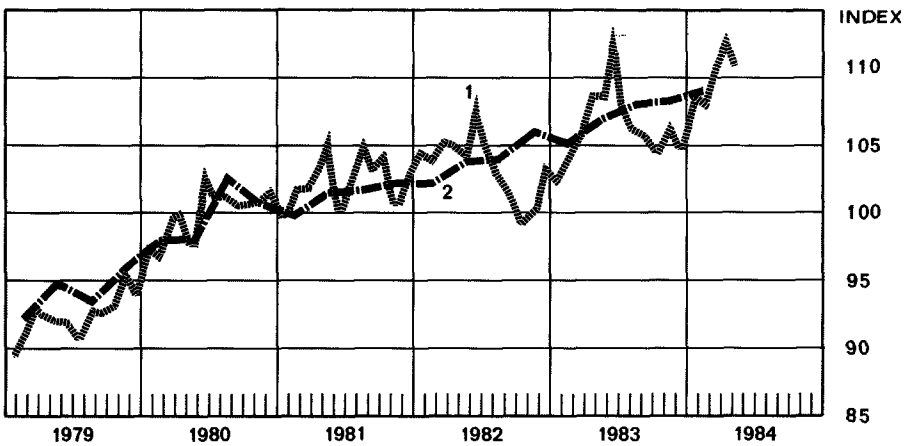
**FOREIGN TRADE, 1979 - 84**



**PRICES AND WAGES, 1979 - 84**



**PRODUCTION, 1979 - 84**



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ISSN 0005-5174  
Helsinki 1984. Government Printing Centre