



BANK OF FINLAND

Monthly Bulletin

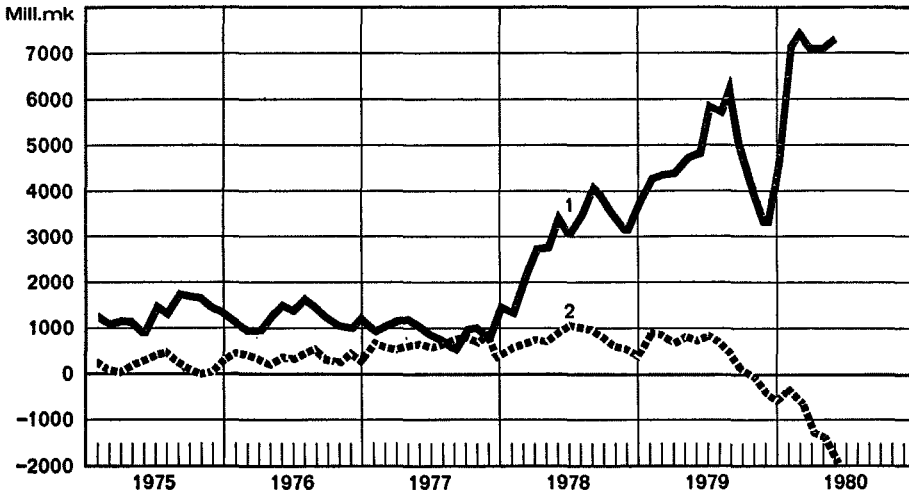
Developments in the security market

Monetary policy

JULY 1980

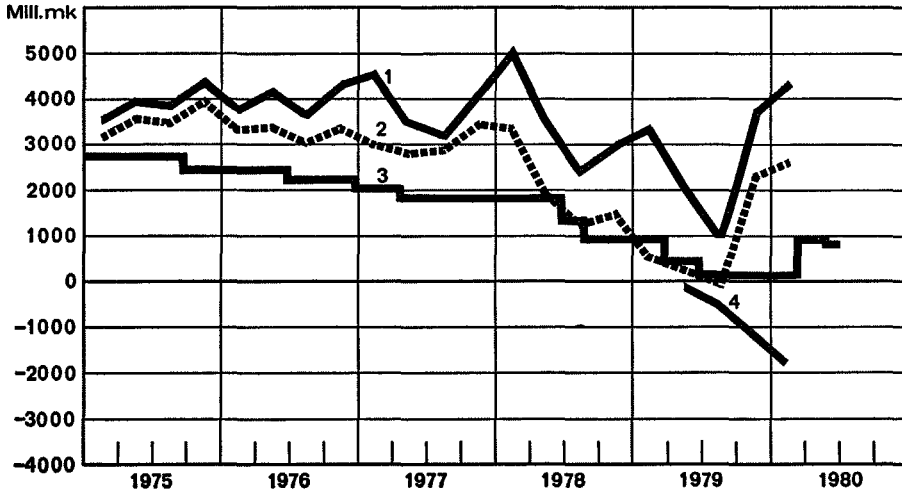
Vol. 54 No. 7

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



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

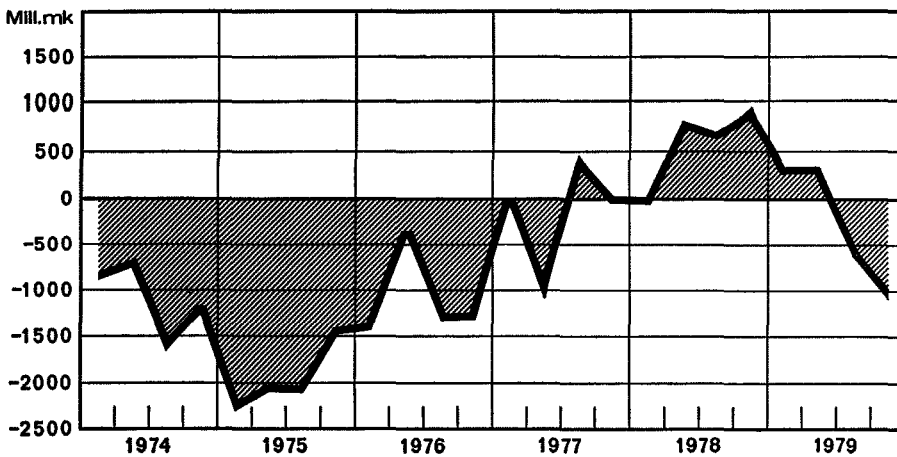
COMMERCIAL BANKS' CENTRAL BANK POSITION, 1975-80



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

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

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



Seasonally adjusted quarterly figures

DEVELOPMENTS IN THE SECURITY MARKET

by Olavi Rantala, Pol.Lic.Sc.

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Bank of Finland

Owing to the acceleration of foreign and domestic demand, the revival of the corporate sector continued in 1979. Rising capacity utilization and labour productivity improved the profitability of firms, and the prolonged recession in investment activity gradually came to an end as firms clearly increased both fixed and inventory investments.

As a result of these developments, the financial deficit of the corporate sector started to widen, although the financial position of most companies, measured in terms of indebtedness and liquidity, still remained fairly good. The financial deficit meant an increase in the demand for external finance both in the form of borrowing and new share issues. Circumstances favoured the raising of new equity capital, because, for the first time in many years, shares once again became attractive assets in investors' portfolios.

In addition, the decreased long-term domestic borrowing of the central Government made room for private share and bond issues. At the same time, the State reduced its long-term capital imports considerably.

SHARE AND BOND ISSUES

The improvement in real income prospects in both the household sector and corporate sector, certain personal income tax reliefs and fairly easy financial conditions all contributed to increased saving in securities and bank deposits in 1979. New share issues launched by companies quoted on the Helsinki Stock Exchange reached a record level of 639 million marks. Almost half of that amount was

issued by industrial companies, and nearly one third was launched by one nation-wide commercial bank alone.

At the end of 1979, the total of domestic bonds outstanding stood at 10 085 million marks, 25 per cent more than a year before. According to an agreement concluded with the banks, the central Government was to limit the amount of its bond issues intended for public subscription to 1 600 million marks, while the banks pledged to buy any portion of the issues not taken up by the public. In the event, the State raised 1 580 million marks from issues for public subscription and 213 million marks from other bonds. The growth of sales of new government bonds decelerated to 12 per cent compared with 71 per cent in the previous year.

In 1979, sales of new private bonds increased by 56 per cent. The mortgage banks raised 512 million marks from bonds intended for public subscription and 449 million marks from other bonds. In addition, industrial companies sold 525 million marks worth of bonds, mainly to financial institutions. Total sales of domestic bonds amounted to 3 279 million marks, exceeding the previous year's figure by 29 per cent.

The Bank of Finland raised the general level of interest rates by 1 ¼ percentage points in November 1979 and again by ¾ percentage point in February 1980. Since November 1979, the banks have raised rates on long-term deposits by a total of 2.5 percentage points. However, interest rates on government bonds have been increased by only one percentage point. In the second quarter of the current

year, the rates of interest on five and ten-year government bonds intended for public subscription were 10 and 11 per cent respectively, while the rate of interest on two-year bank deposits was 9 per cent.

STOCK EXCHANGE

In 1979, trading was brisk in both the primary and the secondary markets for securities, and the prices of shares quoted on the Helsinki Stock Exchange rose appreciably. At the end of the year, the Unitas-index was 19 per cent higher than a year earlier, the turnover of shares increasing by 69 per cent to 260 million marks.

The turnover of bonds grew by nearly as much, 62 per cent, and totalled 225 million marks, while transactions in government bonds doubled from the previous year's figure, rising to 199 million marks. All in all, the trade on the Helsinki Stock Exchange amounted to

557 million marks, exceeding the previous year's turnover by 70 per cent.

CURRENT DEVELOPMENTS

The rapid growth of export income, the revival of domestic demand and the relatively moderate increase in costs have also resulted in increased company profits during the current year. This has been reflected in rising share prices as well as in new share issues. Indeed, it seems quite probable that the share issues of the companies quoted on the Helsinki Stock Exchange will again reach record proportions.

On the other hand, the central Government has continued to sell quite a large amount of bonds intended for public subscription. According to the agreement made with the banks for the current year, the State will issue 2 200 million marks worth of bonds for public subscription.

June 18, 1980

BANK OF FINLAND

Mill. mk

	1979		1980			
	June 29	Dec. 31	June 6	June 13	June 23	June 30
Assets						
Gold and foreign exchange receivables	6 915	4 860	7 550	7 529	7 695	7 917
Gold ¹	169	1 073	1 073	1 073	1 073	1 073
Special drawing rights	451	430	570	570	570	570
IMF reserve tranche	236	225	225	225	225	225
Foreign bonds ²	—	—	1 983	2 028	2 028	2 017
Convertible currencies	5 143	2 978	3 627	3 557	3 719	3 948
Tied currencies	916	154	72	76	80	84
Other foreign receivables	2 637	2 803	1 054	1 054	1 054	1 054
Foreign bonds ²	1 531	1 749	—	—	—	—
Mark subscription to Finland's IMF quota	1 106	1 054	1 054	1 054	1 054	1 054
Receivables from financial institutions	1 542	4 538	5 906	6 729	6 278	5 752
Banks' cheque accounts	117	233	847	960	929	877
Discounted bills	295	—	—	—	—	—
Call money market advances	736	3 870	4 614	5 325	4 915	4 433
Bonds	362	408	400	400	397	400
Other financial institution receivables	32	27	45	44	37	42
Receivables from the public sector	844	884	1 262	1 264	1 264	1 257
Government promissory notes	346	346	700	700	700	700
Bonds	127	145	171	171	174	170
Total coinage	365	372	384	385	386	386
Other public sector receivables	6	21	7	8	4	1
Receivables from corporations	2 162	2 520	2 633	2 647	2 640	2 732
Financing of exports	1 009	1 230	1 093	1 108	1 115	1 202
Financing of domestic deliveries	818	952	1 215	1 213	1 203	1 207
Bonds	208	205	192	192	187	187
Other corporate receivables	127	133	133	134	135	136
Other assets	69	73	76	76	76	76
Total	14 169	15 678	18 481	19 299	19 007	18 788
Liabilities						
Foreign exchange liabilities	45	846	2 079	2 055	2 077	2 116
Convertible accounts	30	14	19	27	28	36
Tied accounts	15	832	2 060	2 028	2 049	2 080
Other foreign liabilities	2 077	1 818	1 931	1 931	1 931	1 931
IMF mark accounts	1 623	1 385	1 365	1 365	1 365	1 365
Allocations of special drawing rights	454	433	566	566	566	566
Notes and coins in circulation	4 186	4 375	4 370	4 416	4 496	4 572
Notes	3 861	4 020	4 018	4 062	4 138	4 215
Coins	325	355	352	354	358	357
Deposit certificates in circulation	3 378	1 700	2 490	3 340	3 340	2 640
Claims of financial institutions	1 666	3 043	3 462	3 400	3 023	3 251
Banks' cheque accounts	1	4	1	1	2	1
Call money market deposits	1 246	1 131	725	680	284	502
Cash reserve deposits	235	1 764	2 562	2 562	2 558	2 591
Capital import deposits	182	140	168	151	147	136
Other financial institution claims	2	4	6	6	32	21
Claims of the public sector	41	387	45	44	44	43
Cheque accounts	0	2	1	1	1	0
Counter-cyclical reserves	40	42	42	42	42	42
Capital import deposits	—	339	—	—	—	—
Other public sector claims	1	4	2	1	1	1
Claims of corporations	402	403	613	621	642	794
Deposits for investment and ship purchase	111	133	286	296	316	470
Capital import deposits	286	254	324	322	323	321
Import levy deposits	1	2	—	—	—	—
Other corporate claims	4	14	3	3	3	3
Other liabilities	14	13	14	13	13	21
Equalization accounts	166	1 252	1 562	1 560	1 520	1 488
Capital accounts	2 194	1 841	1 915	1 919	1 921	1 932
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	636	636	441	441	441	441
Undisposed profits	92	—	—	—	—	—
Net earnings	66	—195	74	78	80	91
Total	14 169	15 678	18 481	19 299	19 007	18 788

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

BANK OF FINLAND

Mill. mk

End of year or month	Foreign sector ¹						Public sector				Deposit certificates in circulation
	Gold ² , SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1974	675	341	1 047	2 063	-388	-6	1 669	302	560	258	1 040
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	-
1977	337	543	1 212	2 092	496	-2 031	557	391	328	- 63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1979											
June	856	1 531	5 113	7 500	901	-971	7 430	844	41	-803	3 378
July	863	1 690	4 984	7 537	770	-971	7 336	853	373	-480	3 378
Aug.	853	1 865	5 644	8 362	504	-793	8 073	848	374	-474	3 378
Sept.	853	2 001	4 181	7 035	186	-793	6 428	859	364	-495	2 390
Oct.	858	1 860	3 316	6 034	-157	-793	5 084	866	388	-478	2 390
Nov.	855	1 783	2 582	5 220	-505	-793	3 922	867	381	-486	2 040
Dec.	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980											
Jan.	1 861	1 829	3 463	7 153	-462	-897	5 794	1 254	68	-1 186	2 200
Feb.	1 864	2 020	3 670	7 554	-700	-897	5 957	1 265	60	-1 205	2 740
March	1 874	1 972	3 330	7 176	-1 316	-897	4 963	1 280	63	-1 217	3 340
April	1 874	1 976	3 325	7 175	-1 432	-897	4 846	1 267	53	-1 214	2 940
May	1 868	1 976	3 510	7 354	-1 946	-877	4 531	1 264	45	-1 219	2 490
June	1 868	2 017	3 912	7 797	-1 996	-877	4 924	1 257	43	-1 214	2 640

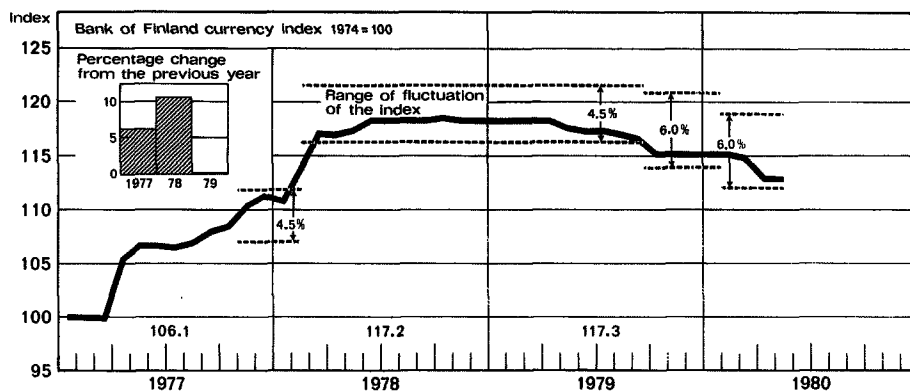
FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1979			Net holdings, May 31, 1980 ¹			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	May	Jan.-May
Gold ²	1 073	-	1 073	1 073	-	1 073	-	-
Special drawing rights	430	-	430	570	-	570	-6	+140
IMF reserve tranche	225	-	225	225	-	225	-	-
Foreign bonds	-	-	-	1 976	-	1 976	-	+226
Convertible currencies	2 964	-3 223	-259	3 511	-4 439	-928	-547	-669
Total	4 692	-3 223	1 469	7 355	-4 439	2 916	-553	-303
Tied currencies	-678	-30	-708	-1 946	-66	-2 012	-520	-1 304
Grand total	4 014	-3 253	761	5 409	-4 505	904	-1 073	-1 607

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

End of year or month	Domestic financial sector							Corporate sector			Notes and coins in circulation
	Dis-counted and redis-counted bills	Cheque account receiv-ables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receiv-ables (1+2+3-4-5-6)	Permanent special financing schemes	Liabili-ties, net	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1974	3 034	110	—	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1979											
June	295	116	736	1 246	235	-210	-124	1 827	67	1 760	4 186
July	—	376	935	1 104	482	-287	12	1 884	55	1 829	4 025
Aug.	—	330	392	1 038	730	-276	-770	1 909	60	1 849	4 022
Sept.	—	119	1 919	1 334	989	-312	27	1 923	144	1 779	4 072
Oct.	—	232	2 894	1 058	1 232	-284	1 120	2 173	150	2 023	3 963
Nov.	—	192	3 735	836	1 496	-262	1 857	2 233	107	2 126	4 156
Dec.	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980											
Jan.	—	375	2 989	1 376	2 095	-295	188	2 224	62	2 162	4 047
Feb.	—	910	3 005	1 370	2 123	-315	737	2 317	149	2 168	4 233
March	—	836	4 155	592	2 267	-307	2 439	2 305	234	2 071	4 163
April	—	1 032	3 950	519	2 396	-224	2 291	2 388	247	2 141	4 281
May	—	978	3 981	245	2 562	-272	2 424	2 333	273	2 060	4 389
June	—	876	4 433	502	2 591	-285	2 501	2 409	471	1 938	4 572



MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks ² mill. mk	Cash reserve deposits of the commercial banks ² mill. mk	Bank of Finland placements in the call money market, mill. mk	Basic discount rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9	10
1973	2 042	1 819	1 333	—	—	—	8.50	—	9.99	8.65
1974	3 204	2 840	2 494	—	—	—	9.25	—	10.57	9.52
1975	4 000	3 611	2 725	—	—	239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03

1979

June	1 499	200	500	123	108	—308	7.25	8.35	7.52	7.83
July	1 257	—180	200	243	212	—388	7.25	8.31	7.68	7.84
Aug.	784	—208	200	490	427	—407	7.25	8.36	7.61	7.83
Sept.	1 427	395	200	756	658	198	7.25	8.68	8.03	7.85
Oct.	2 905	1 216	200	997	868	1 018	7.25	9.13	8.50	7.85
Nov.	3 760	2 512	200	1 241	1 078	2 298	8.50	12.87	11.94	8.98
Dec.	4 603	3 350	200	1 505	1 316	3 151	8.50	13.53	12.76	9.06

1980

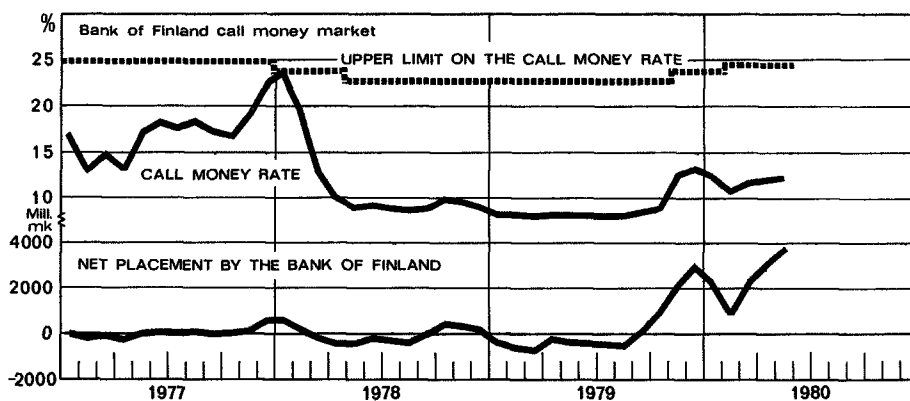
Jan.	4 471	2 627	200	1 775	1 553	2 399	8.50	12.70	11.79	9.08
Feb.	4 034	2 066	1 000	2 092	1 829	1 068	9.25	11.14	10.18	9.77
March	4 580	3 380	1 000	2 128	1 857	2 381	9.25	11.97	11.19	9.82
April	5 156	4 204	1 000	2 271	1 987	3 204	9.25	12.36	11.62	9.85
May	5 216	4 802	1 000	2 406	2 104	3 802	9.25	12.49	12.01	
June	5 734	5 130	900	2 561	2 233	4 231	9.25	12.50		

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

³ See Bulletin April., 1979, page 1.



FOREIGN EXCHANGE RATES

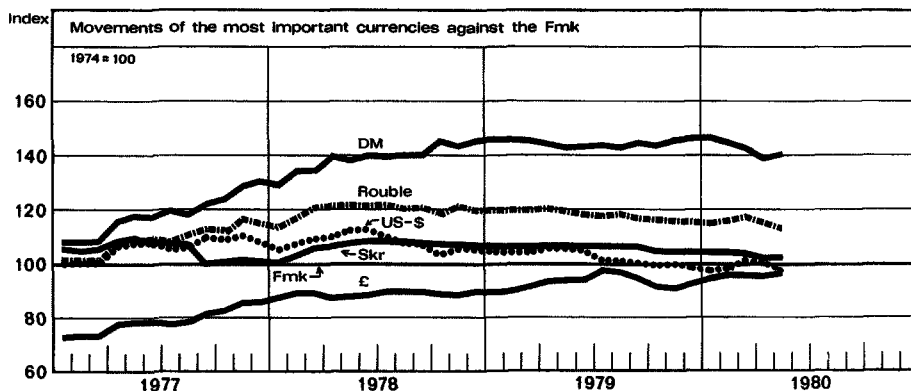
Average selling rates for foreign exchange, mk

Period	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	Currency index 1974=100
	1	2	3	4	5	6	7	8	9	10
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3

1979										
June	3.973	8.390	91.71	77.29	73.35	210.71	233.39	91.21	5.956	117.5
July	3.851	8.716	91.52	76.66	73.75	211.37	234.03	91.04	5.915	117.5
Aug.	3.845	8.620	91.34	76.71	73.25	210.34	232.22	90.59	5.942	117.2
Sept.	3.821	8.415	91.38	76.95	73.85	212.88	236.64	91.23	5.858	116.9
Oct.	3.780	8.132	90.09	76.39	72.57	211.60	232.68	90.46	5.845	115.4
Nov.	3.794	8.097	90.03	75.82	72.41	213.96	230.42	91.43	5.828	115.4
Dec.	3.735	8.233	89.67	75.39	69.89	215.60	233.65	92.22	5.798	115.4

1980										
Jan.	3.703	8.396	89.55	75.69	69.07	214.92	232.60	92.00	5.788	115.4
Feb.	3.724	8.546	89.58	76.56	68.59	213.33	227.68	91.24	5.818	115.4
March	3.858	8.533	89.13	76.75	67.23	209.01	219.46	89.87	5.896	115.0
April	3.828	8.482	87.85	75.78	65.85	204.42	218.11	88.39	5.791	113.1
May	3.699	8.541	88.07	75.65	66.35	206.72	222.71	88.80	5.689	113.1
June	3.653	8.553	87.92	75.54	66.83	206.83	223.78	89.13	5.675	113.1

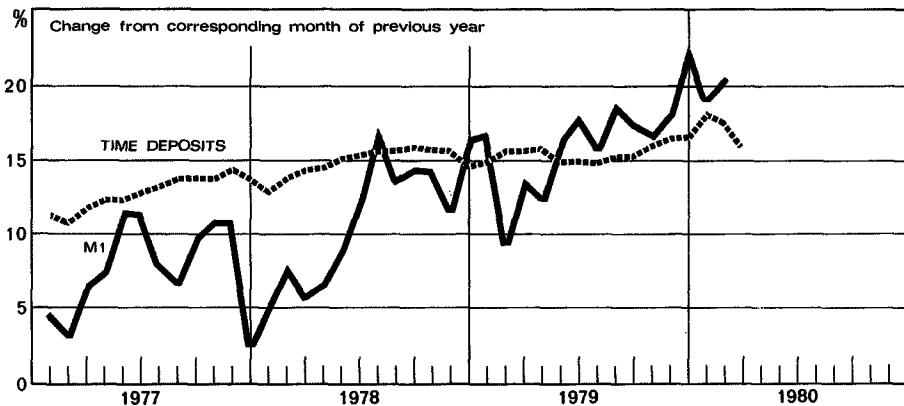
See explanations on page 22.



DEPOSITS BY THE PUBLIC

Mill. mk

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	10
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1979										
Jan.	4 138	1 579	2 089	7 806	16 951	14 720	11 454	4 917	48 042	55 848
Feb.	3 544	1 629	2 081	7 254	17 267	15 045	11 716	5 004	49 032	56 286
March	3 717	1 589	2 108	7 414	17 521	15 231	11 803	5 085	49 640	57 054
April	3 837	1 670	1 995	7 502	17 816	15 405	11 966	5 112	50 299	57 801
May	4 244	1 777	2 271	8 292	17 692	15 584	12 140	5 140	50 556	58 848
June	4 373	1 842	2 678	8 893	17 978	15 932	12 330	5 176	51 416	60 309
July	4 160	1 944	2 700	8 804	18 189	16 153	12 481	5 253	52 076	60 880
Aug.	4 195	1 969	2 747	8 911	18 389	16 390	12 698	5 304	52 781	61 692
Sept.	3 900	2 053	2 818	8 771	18 441	16 447	12 716	5 350	52 954	61 725
Oct.	4 232	2 111	2 493	8 836	18 877	16 556	12 852	5 403	53 688	62 524
Nov.	4 316	2 078	2 486	8 880	19 315	16 832	13 059	5 469	54 675	63 555
Dec.	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1980										
Jan.	4 688	1 983	2 778	9 449	19 964	17 501	13 683	5 685	56 833	66 282
Feb.	4 009	1 903	2 697	8 609	20 150	17 787	13 983	5 772	57 692	66 301
March	4 187	1 930	2 767	8 884	20 061	17 789	13 874	5 910	57 634	66 518



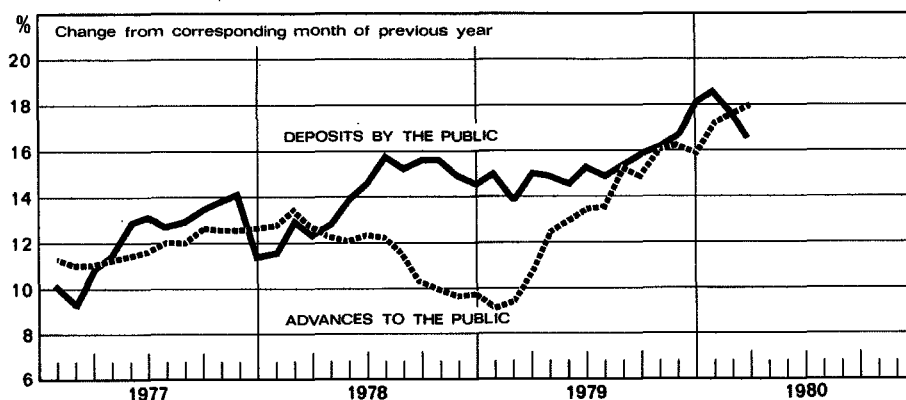
ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ +Quasi- Money
	1	2	3	4	5	6	7		8	9
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157

1979										
Jan.	26 250	14 214	12 272	6 986	52 889	1 746	5 087	59 722	11 544	61 064
Feb.	26 735	14 373	12 348	7 160	53 558	1 876	5 182	60 616	11 102	61 615
March	27 186	14 446	12 446	7 196	53 701	1 805	5 768	61 274	11 442	62 463
April	28 170	14 598	12 548	7 342	54 374	1 816	6 468	62 658	11 577	63 203
May	28 384	14 826	12 747	7 423	55 035	1 761	6 584	63 380	12 435	64 350
June	28 860	14 991	12 940	7 631	55 528	1 781	7 113	64 422	13 269	65 833
July	28 758	15 224	13 124	7 603	56 256	1 839	6 614	64 709	13 161	66 293
Aug.	29 072	15 489	13 372	7 803	57 002	1 798	6 936	65 736	13 274	67 140
Sept.	28 923	15 732	13 595	7 848	57 931	1 914	6 253	66 098	13 008	67 117
Oct.	29 456	16 040	13 796	7 987	59 330	1 928	6 021	67 279	13 003	67 919
Nov.	29 764	16 306	14 056	8 039	60 234	2 031	5 900	68 165	13 131	69 012
Dec.	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157

1980										
Jan.	30 524	16 754	14 395	8 399	61 745	2 158	6 169	70 072	13 767	71 810
Feb.	31 247	16 960	14 525	8 618	62 648	2 378	6 324	71 350	13 389	72 421
March	31 902	17 114	14 640	8 720	63 256	2 584	6 536	72 376



STATE FINANCES

Revenue	Jan.—April		Expenditure	Jan.—April		Mill. mk
	1979	1980		1979	1980	
Income and wealth tax (net)	3 178	3 880	Wages, salaries, pensions etc.	2 184	2 384	
Gross receipts	9 713	11 247	Repair and maintenance	243	266	
Refunds & local authorities	(—6 535)	(—7 367)	Other consumption expenditure	1 166	1 487	
Other taxes on income and wealth	106	151	Total consumption expenditure	3 593	4 137	
Employers'child allowance payments	230	36	State aid to local authorities	2 670	2 994	
Sales tax	3 176	3 632	State aid to industries	1 985	2 372	
Customs duties and import charges and levies	345	457	of which: agric. price subsidies	(993)	(1 068)	
Excise duties	2 295	2 537	Child allowances	286	348	
Excise duty on alcoholic beverages	690	769	Share in national pensions and sickness insurance schemes	109	163	
Excise duty on tobacco	280	357	Other transfer expenditure	1 752	1 907	
Excise duty on liquid fuel	709	805	Total transfer expenditure	6 802	7 784	
Other excise duties	616	606	Machinery and equipment	491	439	
Tax on autom. and motor-cycles	413	513	Construction of buildings	202	223	
Stamp duties	266	322	Land and waterway construction	481	577	
Special diesel etc. vehicles tax	51	60	Total real investment	1 174	1 239	
Other taxes and similar revenue	278	257	Interest on State debt	224	323	
Total taxes	10 338	11 845	Net deficit of State enterprises	—225	—185	
Miscellaneous revenue	952	1 253	Other expenditure	16	3	
Interest, dividends etc.	202	239	Total other expenditure	15	141	
Redemptions of loans granted	115	138	Increase in inventories	—115	—113	
Total revenue	11 607	13 475	Lending	740	937	
Foreign borrowing	1 146	1 054	Other financial investment	119	142	
Domestic borrowing	972	1 289	Total expenditure	12 328	14 267	
Total borrowing	2 118	2 343	Redemption of foreign loans	50	86	
Deficit (+) or surplus (—)	—876	—1 060	Redemption of domestic loans	471	405	
			Total redemptions	521	491	
Total	12 849	14 758	Total	12 849	14 758	

State debt	1978	1979	1980			
	Dec.	Dec.	Jan.	Feb.	March	April
Foreign debt	7 360	8 964	8 894	9 055	9 514	9 522
Loans	4 607	6 050	6 231	6 185	6 408	6 499
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	193	171	161	133
Cash debt (net)	—735	—596	—946	—110	—970	—449
Domestic debt	4 132	5 658	5 478	6 246	5 599	6 183
Total State debt	11 492	14 622	14 372	15 301	15 113	15 705
Total debt mill \$	2 859	3 915	3 881	4 109	3 917	4 246

FOREIGN TRADE

Mill. mk

Value mill. mk

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

1979			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
April	3 376	3 161	+215
May	4 008	3 653	+355
June	3 494	3 333	+161
July	3 523	3 788	-265
Aug.	3 363	3 857	-494
Sept	3 355	3 865	-510
Oct.	4 375	4 298	+77
Nov.	4 382	4 398	-16
Dec.	3 845	4 749	-904

1980*			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.	4 245	4 940	-695
Feb.	3 795	4 232	-437
March	4 736	4 404	+332
April	3 809	4 483	-674

Jan.-April			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1979*	13 085	12 275	+810
1980*	16 585	18 059	-1 474

Indices of exports and imports
1975 = 100

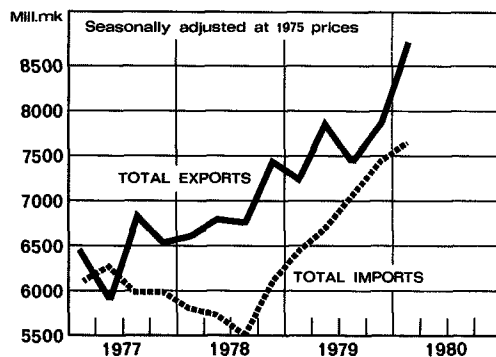
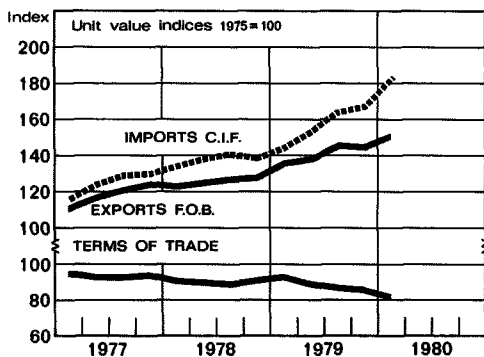
Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1975	100	100	100	
1976	117	96	103	107	96
1977	129	88	119	124	96
1978	138	84	126	138	91
1979	151	99	142	159	89

1977					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Oct.-Dec.	143	93	125	131	95

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

1979*					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	140	90	137	145	94
Apr.-June	154	94	140	154	91
July-Sept.	138	100	147	164	90
Oct.-Dec.	171	113	146	170	86

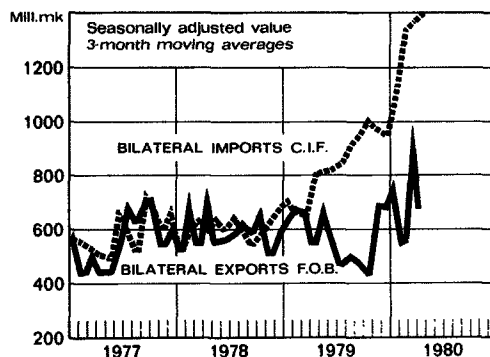
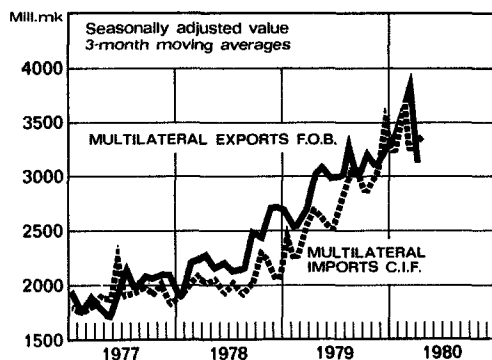
1980 *					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	166	105	152	184	83



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1979										
April	17	441	1 107	896	915	1 952	110	585	511	3
May	187	590	1 148	923	1 160	2 331	275	434	612	1
June	47	599	1 010	815	1 023	2 205	319	366	433	10
July	59	557	1 034	891	982	2 319	523	463	467	16
Aug.	58	514	1 151	639	1 001	2 529	429	424	471	4
Sept.	52	495	949	833	1 026	2 469	385	472	497	42
Oct.	56	577	1 308	1 093	1 341	2 910	364	474	548	2
Nov.	151	624	1 191	1 115	1 301	2 896	338	592	568	4
Dec.	199	554	1 158	821	1 113	3 427	276	526	516	4
1980*										
Jan.	285	601	1 203	751	1 405	3 157	431	652	681	19
Feb.	40	566	1 170	829	1 190	2 809	200	534	632	57
March	247	554	1 270	1 087	1 578	2 918	190	593	702	1
April	39	542	1 009	966	1 253	2 962	150	620	749	2
Jan.-April										
1979*	557	1 563	4 043	3 212	3 710	7 786	491	1 967	2 022	9
1980*	611	2 263	4 652	3 633	5 426	11 846	971	2 399	2 764	79



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—April				January—April			
	1979		1980*		1979		1980*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	65.8	8 600	68.2	11 317	63.4	7 780	55.4	10 008
Austria	0.7	88	0.8	127	1.4	174	1.3	228
Belgium and Luxembourg	1.5	191	1.5	252	2.1	254	1.9	346
Denmark	3.8	490	3.5	583	2.8	347	2.4	440
France	4.6	596	4.9	805	3.9	480	3.3	595
Federal Republic of Germany	11.7	1 534	11.7	1 934	14.7	1 801	13.1	2 373
Italy	2.1	269	2.5	411	2.6	317	2.7	484
Netherlands	3.6	477	5.1	852	2.9	361	2.6	472
Norway	5.5	722	4.2	704	2.8	344	2.0	355
Portugal	0.2	27	0.4	61	0.5	62	0.6	104
Spain	0.9	123	0.8	137	1.2	147	1.1	196
Sweden	15.6	2 038	18.2	3 017	16.5	2 020	13.3	2 401
Switzerland	2.0	266	1.9	314	2.2	272	1.6	297
United Kingdom	12.1	1 583	11.4	1 897	9.2	1 124	9.0	1 627
Other	1.5	196	1.3	223	0.6	77	0.5	90
OECD countries outside Europe	7.8	1 024	5.9	984	9.3	1 144	10.1	1 820
Canada	0.5	70	0.6	94	0.7	84	0.9	154
Japan	1.6	204	0.8	135	3.2	390	3.4	613
United States	4.8	626	3.5	583	5.3	647	5.7	1 030
Other	0.9	124	1.0	172	0.1	23	0.1	23
CMEA countries	17.1	2 233	15.6	2 579	19.2	2 355	24.6	4 437
Czechoslovakia	0.3	34	0.3	50	0.5	67	0.6	106
German Democratic Republic	0.4	54	0.8	129	0.7	81	0.6	107
Poland	0.5	64	0.9	148	0.9	110	1.5	272
Soviet Union	14.9	1 955	12.6	2 093	16.2	1 990	21.0	3 786
Other	1.0	126	1.0	159	0.9	107	0.9	166
Latin America	1.4	189	1.5	250	3.7	459	3.3	599
Argentina	0.2	30	0.3	52	0.1	17	0.1	24
Brazil	0.5	64	0.4	63	1.0	119	0.8	143
Colombia	0.1	12	0.2	28	1.2	142	1.1	198
Other	0.6	83	0.6	107	1.4	181	1.3	234
Other	7.9	1 039	8.8	1 455	4.4	537	6.6	1 195
GRAND TOTAL	100.0	13 085	100.0	16 585	100.0	12 275	100.0	18 059
of which								
EFTA countries	24.2	3 161	25.6	4 253	23.6	2 895	18.9	3 420
EEC countries	40.0	5 238	41.3	6 842	38.3	4 707	35.3	6 373
OECD countries	73.6	9 624	74.2	12 302	72.7	8 924	65.5	11 828

¹ New series. See explanations on page 22.

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Invest- ment income, net	Un- requited transfers net	Current account
1975	20 185	27 939	-7 754	+994	+105	+247	-6 408	-1 415	-129	-7 952
1976	24 379	28 472	-4 093	+1 223	+22	+314	-2 534	-1 749	-172	-4 455
1977	30 767	30 625	+142	+1 414	-3	+499	+2 052	-2 434	-198	-580
1978	35 024	32 243	+2 781	+1 683	+166	+1 004	+5 634	-2 853	-211	+2 570
1979*	43 227	44 073	-846	+2 384	+174	+556	+2 268	-2 985	-386	-1 103

1977

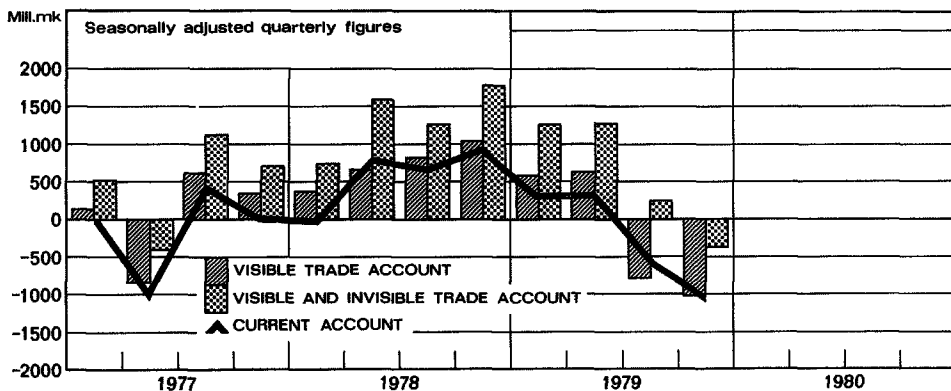
Jan.-March	6 959	6 765	+194	+355	-80	+103	+572	-506	-65	+1
Apr.-June	6 816	7 689	-873	+301	+10	+72	-490	-726	-32	-1 248
July-Sept.	7 932	7 671	+261	+386	+118	+202	+967	-532	-50	+385
Oct.-Dec.	9 060	8 500	+560	+372	-51	+122	+1 003	-670	-51	+282

1978

Jan.-March	7 745	7 357	+388	+378	-66	+222	+922	-613	-80	+229
Apr.-June	8 614	8 004	+610	+403	+11	+263	+1 287	-820	-40	+427
July-Sept.	8 271	7 816	+455	+415	+222	+186	+1 278	-644	-42	+592
Oct.-Dec.	10 394	9 066	+1 328	+487	-1	+333	+2 147	-776	-49	+1 322

1979*

Jan.-March	9 674	9 066	+608	+483	-105	+344	+1 330	-686	-193	+451
Apr.-June	10 818	10 085	+733	+619	+21	-15	+1 358	-1 003	-80	+275
July-Sept.	10 193	11 463	-1 270	+603	+259	+133	-275	-711	-40	-1 026
Oct.-Dec.	12 542	13 459	-917	+679	-1	+94	-145	-585	-73	-803

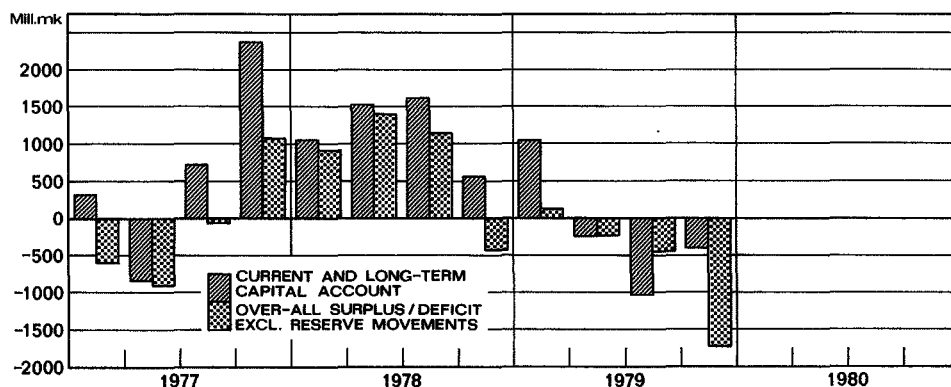


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+62	+5 132	-2 820	+638	+1 449	-14	-747	-444	+1 191
+6 130	-1 785	-191	+48	+4 202	-253	+138	-1 288	+1 275	-128	+78	+50
+6 454	-2 745	-241	-229	+3 239	+2 659	-1 547	-470	-1 131	-489	-170	+659
+9 007	-5 743	-774	-229	+2 261	+4 831	+130	-2 188	+267	+3 040	-2 339	-701
+6 230	-4 843	-541	-455	+391	-712	+582	-834	-1 336 ²	-2 300	+877	+1 423
+1 022	-550	-127	-24	+321	+322	-799	+149	-277	-605	-140	+745
+1 273	-857	+35	-37	+414	-834	-333	+149	+112	-906	+358	+548
+1 252	-647	-156	-89	+360	+745	+227	-384	-643	-55	-319	+374
+2 907	-691	+7	-79	+2 144	+2 426	-642	-384	-323	+1 077	-69	-1 008
+1 876	-854	-166	-17	+839	+1 068	-479	-402	+737	+924	-1 556	+632
+2 900	-1 733	-1	-51	+1 115	+1 542	+328	-402	-68	+1 400	-687	-713
+2 265	-1 089	-96	-39	+1 041	+1 633	+20	-692	+183	+1 144	-607	-537
+1 966	-2 067	-511	-122	-734	+588	+261	-692	-585	-428	+511	-83
+2 202	-1 626	-8	+50	+618	+1 069	-46	-63	-833 ²	+127	-913	+786
+1 267	-1 453	-218	-174	-578	-303	-34	-62	+163	-236	-1 760	+1 996
+1 258	-892	-336	-105	-75	-1 101	+387	-354	+612	-456	+1 455	-999
+1 503	-872	+21	-226	+426	-377	+275	-355	-1 278	-1 735	+2 095	-360

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

¹ Including Direct investment, net.

² Including Allocations of special drawing rights 139 million.



FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities				Net long-term liabilities (9-4)	
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other		Total (5 to 8)
	1	2	3	4	5	6	7	8		9
1976	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675

1977

March	2 094	1 312	489	3 895	17 598	4 974	1 632	163	24 367	20 472
June	2 175	1 404	508	4 087	19 150	5 483	1 708	156	26 497	22 410
Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741

1978

March	2 499	1 673	840	5 012	25 107	6 068	1 774	159	33 108	28 096
June	2 517	1 759	862	5 138	26 769	6 134	1 865	159	34 927	29 789
Sept.	2 548	1 785	885	5 218	28 212	5 812	1 885	187	36 096	30 878
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660

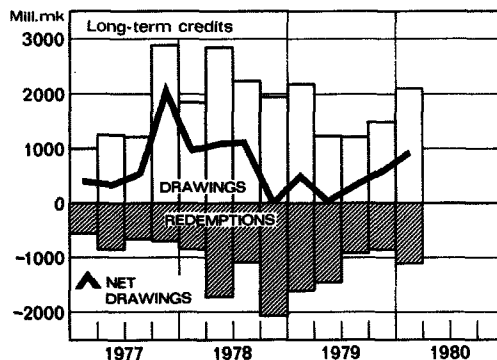
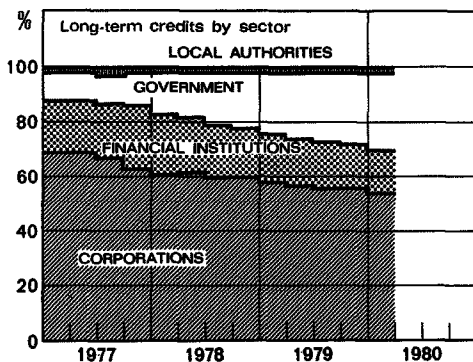
1979*

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

1980*

March	3 625	2 456	932	7 013	29 122	4 692	1 971	288	36 073	29 060
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See explanations on page 22.

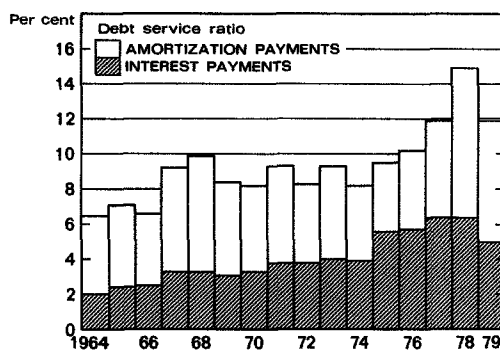
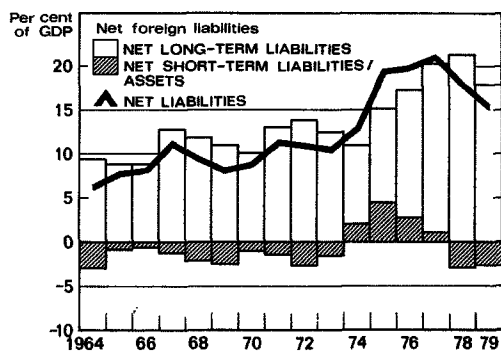


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	6 622	3 769
7 918	6 504	9 129	23 551	2 340	9 333	7 566	19 239	-4 312	24 363	6 457	3 472
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
5 491	3 409	7 233	16 133	1 293	6 594	7 559	15 446	-687	27 409	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 751	16 133	-2 168	27 621	1 493	673
7 003	4 412	7 779	19 194	1 483	6 264	7 419	15 166	-4 028	26 850	1 628	984
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	2 109	1 333
7 804	4 072	8 289	20 165	1 611	6 692	7 305	15 608	-4 557	25 405	1 970	1 284
9 871	3 939	8 482	22 292	1 604	8 404	7 376	17 384	-4 908	23 879	2 085	1 082
8 601	4 141	8 788	21 530	1 579	7 620	7 673	16 872	-4 658	23 473	1 315	604
7 918	6 504	9 129	23 551	2 340	9 333	7 566	19 239	-4 312	24 363	1 087	502

See explanations on page 22.



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100 ¹						Building costs 1973 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1978	727	125.8	124.1	131.8	119.2	140.3	129.5	180.8	161.0	186.0
1979	791	138.0	135.0	148.7	133.1	150.7	139.2	198.8	177.6	204.1
1979										
Aug.	796	139.9	136.5	151.6	135.4	151.9	140.6	201.0	179.1	206.5
Sept.	813	142.1	138.3	155.1	138.2	153.9	141.4	203.5	179.1	210.3
Oct.	822	143.6	139.9	156.8	139.8	155.5	142.9	205.0	179.1	212.4
Nov.	829	145.0	141.2	158.3	141.5	156.1	143.9	206.0	179.1	214.0
Dec.	834	145.7	141.8	159.6	142.4	156.4	144.7	208.3	181.0	216.2
1980										
Jan.	849	148.3	144.3	162.4	145.6	158.4	146.2	212.0	182.1	220.0
Feb.	859	150.2	146.3	163.8	147.3	161.0	148.2	214.0	182.1	222.9
March	882	154.1	150.1	168.1	153.1	161.5	150.1	216.1	182.6	225.8
April	899	157.2	152.4	173.9	157.6	162.7	151.3	218.8	182.6	229.0
May	912	159.4	154.9	175.3	159.9	165.5	153.1	224.6	194.5	232.1

¹ New series, see item Bulletin 10/1979.

Period	Consumer prices 1977 = 100 ¹										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1979											
Aug.	116.7	109.0	129.5	116.1	115.1	115.1	115.5	123.9	122.0	116.2	118.7
Sept.	117.7	109.8	129.5	118.4	115.1	120.5	116.3	124.9	123.4	116.8	119.4
Oct.	118.4	111.2	129.5	120.8	115.1	121.0	118.9	124.7	123.2	117.0	120.6
Nov.	119.3	112.3	129.4	122.8	115.6	121.4	119.4	126.9	123.3	117.8	123.0
Dec.	119.9	112.1	129.6	123.0	115.6	124.1	119.7	126.9	126.0	118.0	123.4
1980											
Jan.	121.3	113.3	138.6	121.1	115.6	124.7	122.2	131.1	126.3	118.8	125.6
Feb.	123.1	114.4	138.6	123.8	116.0	130.5	122.9	133.2	130.6	119.2	127.8
March	124.3	115.4	138.6	126.0	116.0	133.6	123.6	133.4	134.3	119.3	128.6
April	126.7	120.3	139.2	131.4	116.0	133.9	125.8	134.7	135.7	122.7	129.8
May	128.1	122.4	139.3	131.9	118.1	142.7	126.1	134.8	136.9	123.3	130.1

¹ New series.

WAGES

Index of wage and salary earnings 1975 = 100¹

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1978	146.3	137.0	123.2	131.8	131.5	128.0	135.1	132.9	134.4	133.6
1979*	162.1	151.6	134.1	149.0	145.6	141.7	150.8	148.4	149.2	148.8
1978										
Oct.-Dec.	152.4	143.1	127.8	138.2	137.1	133.6	140.8	138.7	139.9	139.3
1979*										
Jan.-March	155.8	147.3	130.6	144.8	142.1	138.8	146.2	144.9	144.3	144.6
Apr.-June	159.8	153.1	135.0	148.4	145.8	142.0	150.9	147.8	150.1	148.9
July-Sept.	162.6	151.3	133.4	149.2	145.9	141.7	151.3	148.9	149.4	149.1
Oct.-Dec.	163.8	154.6	137.5	153.5	148.5	144.3	154.9	152.1	152.9	152.5
1980*										
Jan.-March	172.3	159.9	139.2	157.6	152.4	148.1	158.8	156.0	156.9	156.4

¹ New series, see item Bulletin 1/1980.

PRODUCTION

Volume indices of production 1975 = 100

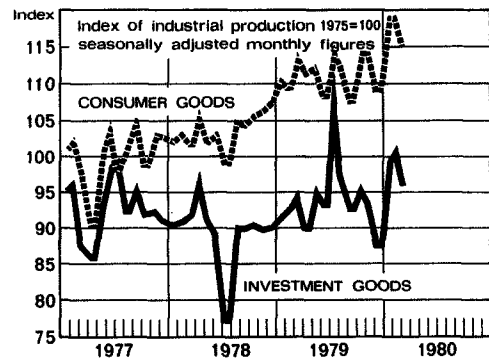
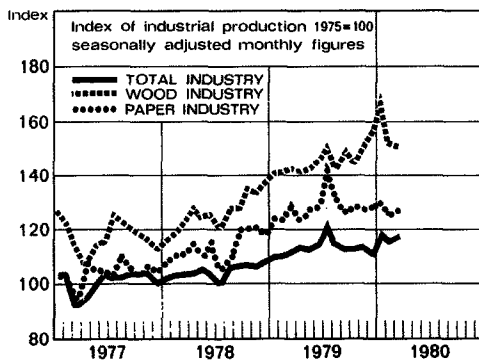
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1977										
July-Sept.	98	88	163	66	99	87	102	95	111	101
Oct.-Dec.	106	107	72	123	112	92	109	100	112	108
1978*										
Jan.-March	100	106	70	122	77	87	91	83	115	104
Apr.-June	102	107	80	110	79	90	101	92	115	108
July-Sept.	97	90	148	62	99	86	102	91	115	104
Oct.-Dec.	109	111	71	149	104	88	112	101	117	109
1979*										
Jan.-March	106	116	74	148	72	85	99	88	118	107
Apr.-June	109	113	80	175	72	90	111	100	118	112
July-Sept.	104	100	145	75	95	87	113	99	118	107
Oct.-Dec.	117	120	68	162	115	91	126	108	120	113

PRODUCTION

Index of industrial production 1975 = 100¹

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1976	101.2	100.9	101.6	100.3	96.6	112.1	105.5	103.7	93.2	99.9	101.3
1977	101.8	93.6	104.4	100.9	96.3	119.0	104.6	101.0	94.7	98.7	101.9
1978	105.3	90.1	109.8	104.2	102.4	127.4	114.4	108.0	93.2	97.2	105.4
1979*	113.8	94.9	119.6	111.7	109.2	146.2	129.4	118.5	102.2	103.0	114.0
1979*											
Feb.	110.5	93.4	115.8	108.8	92.4	133.8	124.9	118.0	85.5	102.2	110.9
March	124.4	103.2	130.9	122.2	105.1	165.2	141.1	135.3	102.7	113.1	112.9
April	110.3	88.8	115.7	110.7	104.5	154.1	117.0	117.2	96.9	98.5	114.1
May	124.0	105.3	130.6	119.9	115.4	187.7	136.2	134.3	113.9	115.7	113.5
June	107.4	94.1	111.8	105.2	105.2	163.1	103.5	108.8	110.4	101.6	115.3
July	70.2	45.0	79.5	64.2	98.9	73.2	118.0	71.8	68.3	46.0	123.1
Aug.	118.6	99.7	123.8	117.8	117.7	134.8	137.1	127.6	116.2	108.0	114.9
Sept.	115.1	97.2	121.3	111.8	110.1	149.6	136.8	116.3	111.4	105.2	113.4
Oct.	129.4	113.3	134.5	127.3	132.6	165.2	144.9	129.5	125.3	121.2	113.4
Nov.	129.3	112.3	134.1	128.5	128.1	162.8	139.6	134.1	118.3	119.8	114.2
Dec.	108.3	86.8	114.1	108.0	99.2	132.1	121.4	101.3	82.2	95.7	112.0
1980*											
Jan.	127.1	108.4	132.6	125.9	105.0	156.7	138.9	133.6	105.2	115.4	119.4
Feb.	120.1	101.4	125.7	118.5	100.1	149.5	130.5	130.8	102.7	109.5	116.3
March	126.2	105.2	132.8	123.6	105.8	167.7	139.2	144.0	105.9	113.6	118.2

¹ New series.



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978	3 578	2 253	2 084	169	7.5	29 021	110	120
1979	3 593	2 223	2 134	139	6.1	37 986	118	136
1979*								
May	3 593	2 246	2 111	135	6.0	4 536	124	150
June	3 591	2 439	2 304	135	5.5	2 760	120	133
July	3 594	2 441	2 300	141	5.8	984	120	118
Aug.	3 592	2 347	2 227	120	5.1	1 368	124	145
Sept.	3 594	2 250	2 140	110	4.9	2 054	118	140
Oct.	3 597	2 247	2 131	116	5.2	3 007	122	153
Nov.	3 596	2 227	2 121	106	4.8	3 421	119	153
Dec.	3 598	2 250	2 119	131	5.8	3 373	147	138
1980*								
Jan.	3 601	2 232	2 098	134	6.0	3 644	107	133
Feb.	3 603	2 228	2 110	118	5.3	4 579	105	130
March	3 602	2 240	2 113	127	5.6	3 735	111	142
April	3 603	2 229	2 114	115	5.2	2 541

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											
1977	41.88	18.86	4.22	12.11	3.71	43.70	18.10	3.07	16.80	3.33	48.12
1978	41.98	17.90	4.97	12.72	3.68	42.56	18.21	3.77	13.59	4.21	42.78
1979*	48.64	18.71	6.34	16.55	3.99	37.80	16.54	4.20	11.82	3.23	48.38
1978											
July-Sept.	11.07	4.12	1.04	4.33	0.85	10.31	3.83	1.21	3.19	1.12	48.76
Oct.-Dec.	7.79	3.54	0.74	1.74	1.21	13.07	6.02	1.29	3.44	1.38	42.78
1979*											
Jan.-March	7.75	3.32	1.23	1.95	0.77	7.38	3.37	0.69	2.42	0.62	39.45
Apr.-June	19.16	7.45	2.77	7.22	0.68	6.99	3.24	0.45	2.16	0.79	47.04
July-Sept.	11.74	4.47	1.32	3.79	1.16	7.92	3.18	1.15	2.06	0.87	52.84
Oct.-Dec.	9.99	3.46	1.02	3.59	1.38	13.64	6.23	1.72	4.20	0.87	48.38

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

MONETARY POLICY INDICATORS

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

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

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

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

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

FOREIGN EXCHANGE RATES

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

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

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

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

BALANCE OF PAYMENTS

Pages 14—15. Figures are calculated by the Bank of Finland. In addition to the Board of Customs figures, exports include grants in kind but exclude stevedoring expenses and imports include seamen's duty-free imports, grants in kind and adjusted allowance for smuggling.

FOREIGN ASSETS AND LIABILITIES

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

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

Columns 21 and 22 during the year and the quarter.

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

PRICE INDICES

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

WAGES — PRODUCTION

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

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1156 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. Mr. Urho Kekkonen has been President since 1956 and he was re-elected for the period March 1, 1978, to March 1, 1984.

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

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

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

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

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

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

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

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

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

TRADE AND TRANSPORT

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

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

AGRICULTURE (1978): Cultivated land 2.3 million hectares. Number of holdings 232 800 of which 159 600 are of more than 5 ha. Measure of self-sufficiency in bread cereals 44%.

INDUSTRY (1978). Gross value of industrial production 115 120 mill. marks, number of workers 388 322, salaried employees 132 712, motive power (1978) 7.6 mill. kW. Index of industrial production 105 for 1978 (1975 = 100).

STATE RAILWAYS (Dec. 31, 1979): Length 6 080 km.

MERCHANT FLEET (May 31, 1980): Passenger vessels 138 (210 112 gross reg. tons), tankers 41 (1 194 372 gross reg. tons), dry cargo vessels 216 (1 038 430 gross reg. tons), other vessels 86 (11 406 gross reg. tons), total 481 (2 454 320 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1979): Passenger cars 1 169 501 lorries and vans 143 095, buses 8 826, others 8 136, total 1 329 558.

FINNISH AIRLINES (March 1, 1980): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9, 7 DC-9-51, 2 DC-10-30 and 1 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 37 airports and to 20 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 18.7, Skr 17.8, £ 14.0, DM 13.3, \$ 9.6, other currencies 26.6. The permissible range of fluctuation is about 3 per cent on either side of the arithmetic mean. The fluctuation limits are 119.0 and 112.0.

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

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

RATES OF INTEREST (Feb. 1, 1980). The base rate applied by the Bank of Finland on credit extended to the banks in the context of the quota facility is 9 ½%. The range of rates for other credits granted by the Bank of Finland is between 7 ½% and 10 ½%. Other credit institutions time deposits 5%; 6 month deposits 6 ½%; 12 month deposits 7 ½%; 24 month deposits 9%; 36 month deposits 9 ½% + savings premium; 36 month deposits 9 ½% + tax concession and sight deposits 2%. The highest lending rate 12 ½%.

MONETARY POLICY

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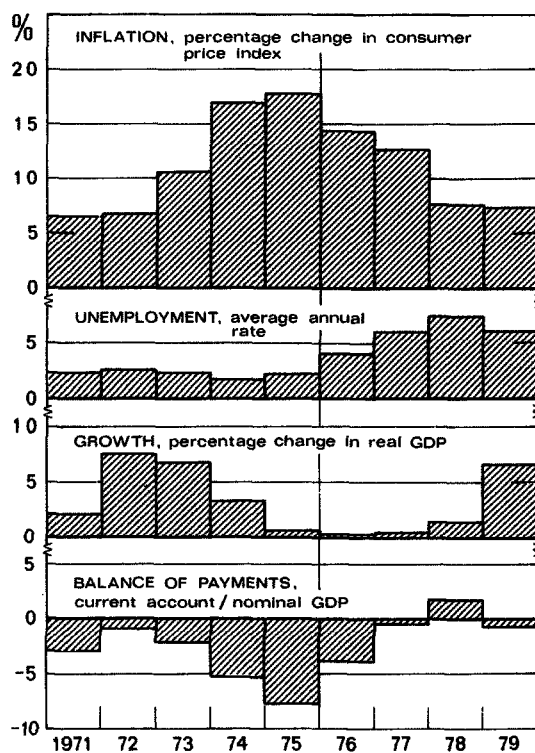
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Bank of Finland

In the latter part of the 1970s, the Finnish economy went through successive periods of monetary stringency and ease. The direct depressive impact of the first oil crisis was much smaller in Finland than elsewhere, but the spur it gave to inflation was greater because of the energy intensity of economic activity and the responsiveness of Finnish export prices to movements in world market prices. Moreover, the impetus to inflation came after a period of strong expansion which had set the economy on an inflationary course. This, together with the oil-induced stagnation abroad, caused the current account deficit to swell to record proportions. To restore external equilibrium and price stability, a stringent monetary policy was implemented between 1975 and 1977. The rate of inflation was more than halved and the current account was turned round from a deficit of 8 per cent of GDP in 1975 to a surplus of 2 per cent in 1978 (Chart 1).

The immediate cost of achieving external and price equilibria was the rise of unemployment to a peak of 8 per cent and a three year period of virtually no growth. Between 1977 and mid-1979, economic policy was designed to promote economic recovery, mainly by restoring international competitiveness. Fiscal, incomes and exchange rate policy bore the brunt of the burden in this endeavour while monetary policy was framed to ensure that a shortage of finance would not hobble investment and that surplus liquidity would not grow to such an extent that subsequent price stability would be endangered. In 1979 growth picked up, and in that year Finland recorded the highest growth rate in the OECD area, reduced unemployment, kept inflation rate well below the OECD average and had a satisfactory balance of payments.

The second oil crisis and domestic multiplier effects pose a threat to the continuation of this strong performance. Emerging bottlenecks in production and rising foreign trade prices, although partially offset through a currency appreciation of about 5 per cent in total in 1979 and 1980, are placing upward pressure on Finnish prices at the same time that a fall off in the growth of demand abroad looks imminent. Forestalling the re-emergence of simultaneous inflation and stagnation has thus come to be the primary aim of economic policy in Finland, and monetary policy is being used in harness with other policies to achieve this goal.

CHART 1. MAIN ECONOMIC INDICATORS



DOMESTIC LIQUIDITY

Traditionally demand for finance has exceeded the domestic supply as is indicated by the economy's longstanding propensity to import capital. Bank lending has also tended to exceed deposits, with the difference being financed by credit from the Bank of Finland and from abroad. During the protracted slump of 1975—1978, fairly pronounced changes occurred in the pattern of financial flows. Some of the country's net foreign debt was repaid and all types of economic agents built up their liquidity.

For the first time in a number of years, the growth of bank deposits exceeded the growth of bank lending (Chart 2). The recovery of 1979, which has continued unabated in the current year, is causing the financial markets to return to their traditional stringent state. Demand for bank credit is now outstripping the growth of bank deposits and capital is once again being imported on a net basis.

These changes are clearly reflected in movements in the main aggregates in the balance sheet of the Bank of Finland (Chart 3). In the period of high liquidity, the banks reduced their indebtedness to the central bank, and for a short time in the summer of 1979, actually

CHART 2. DEPOSITS AND LENDING OF COMMERCIAL BANKS, PERCENTAGE CHANGE FROM CORRESPONDING MONTH OF PRECEDING YEAR

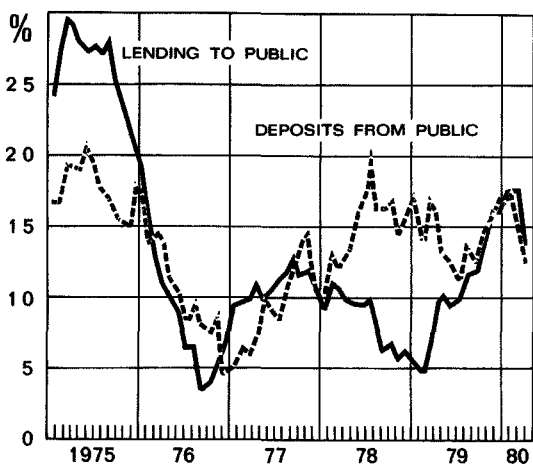
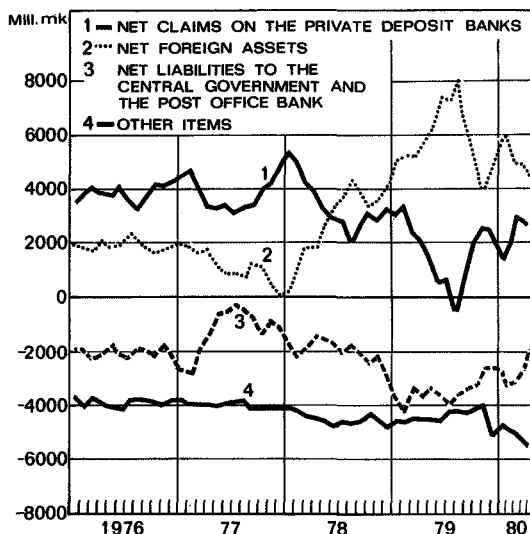


CHART 3. BALANCE SHEET OF THE BANK OF FINLAND

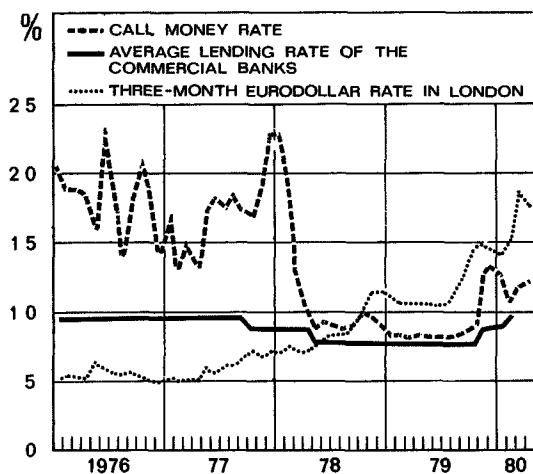


held net claims on the Bank of Finland. Subsequently, however, their liabilities to the central bank rose, in part because of a recovery in demand for investment and consumer finance and in part because of an outflow of capital induced by interest rate differentials.

The increase in the net foreign assets up until the end of the summer of 1979 can be attributed to the current account surplus and long-term capital imports by the State. Revaluation expectations contributed to the increase in the foreign exchange reserves in the summer. Even before the Finnmark was revalued in September, expectations were revised and short-term capital began to flow out of the country. Added impetus was given to this trend by growing differentials between international and domestic interest rates. At the beginning of the current year, however, revaluation expectations emerged again, and the net foreign assets of the Bank of Finland grew rapidly despite still substantial interest rate differentials in favour of foreign currency.

Government liquidity increased after 1977 and has remained fully sufficient for current needs since then. This can be seen in the level of the claims on the Bank of Finland of the central government and Postipankki, banker to the State. The high liquidity of the government

CHART 4. KEY INTEREST RATES



can be attributed to the unexpectedly strong upswing and government borrowing in excess of cash requirements. On occasion, deposit certificates have been sold by the Bank of Finland to the State to mop up excess liquidity.

During the period of monetary ease in 1977 and 1978, the call money rate fell to close to the average bank lending rate (Chart 4). Subsequently, however, it was allowed to rise in step with the increase in the central bank debt of the commercial banks and reached 13 per cent at the end of 1979. Since modification of the system for regulating the banks' central bank debt in February of this year, the rate has not exceeded 12.5 per cent, but it no longer reflects the marginal cost of liquidity for the banking system in all conditions.

REGULATION OF BANK LIQUIDITY

Finnish monetary policy, more than that of most other countries, operates by influencing bank profitability. One reason for this is that the tax system favours the bank intermediation of finance. Another reason is the dominance of the variable rate clause in financial contracts which raises the costs and lowers the benefits of using the interest rate as an instrument of counter-cyclical policy. Commercial banks traditionally finance a portion of their lending by borrowing from the central bank. Since the

banks' average and maximum lending rates are regulated by the Bank of Finland, an increase in the cost of central bank finance tends to reduce bank profitability and, in time, to curb lending. In principle, monetary policy can be fairly effective under these institutional arrangements, but its incisive use as an instrument of counter-cyclical policy is tempered by another and equally important task of the central bank: maintenance of the stability of the financial system. Since banks need sufficient earnings to preserve their capital ratios, draconian counter-cyclical monetary policy is not entered upon lightly. Instead the Bank of Finland attempts to restrain bank lending by charging high marginal rates on central bank borrowing while keeping average rates comparatively low. However, should the stability of the economy require, the Bank of Finland is prepared to raise the average cost of central bank finance to penal levels as the period after the first oil crisis shows.

CENTRAL BANK FINANCE

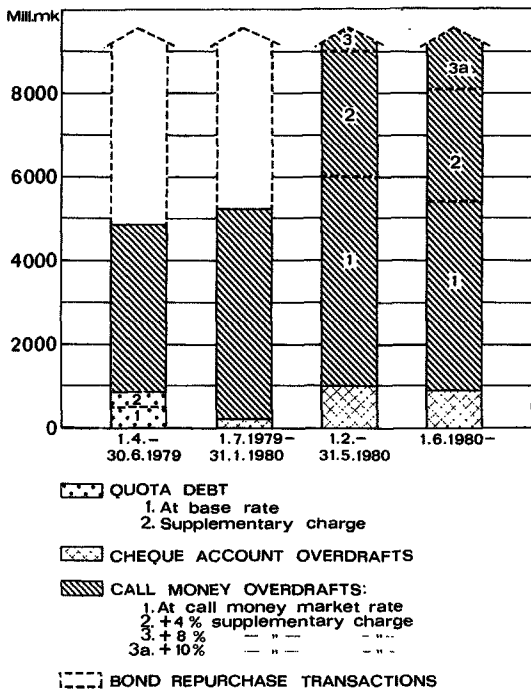
For most of the post-war period, Finnish monetary policy has operated through a system of quotas and supra-quota borrowing facilities on which supplementary interest charges are levied. In 1975 this system was supplemented by the establishment of a call money deposit and overdraft facility where differences in the banks' short-term liquidity positions and liquidity fluctuations caused by the government's cash transactions can be evened out.

During the period of high liquidity running from 1977 to 1979, the Bank of Finland gradually reduced the quotas to absorb excess liquidity (see middle chart on inside cover). As a result, the relative importance of the call money market increased. In July 1979, the regulations governing the central bank finance of the banks were revised to take account of these developments (Chart 5) ¹.

The aggregate quotas were reduced to a nominal level of 200 million marks, and the

¹ These changes are discussed in more detail in an article in the August 1979 number of this Bulletin.

CHART 5. SCHEMATIC DIAGRAM OF REGULATIONS GOVERNING CENTRAL BANK FINANCE OF COMMERCIAL BANKS



vestigial supra-quota borrowing facility, which had ceased to be of any quantitative significance, was dismantled. Banks were not permitted to exceed their quotas on average over the month but they could meet daily liquidity needs as long as their borrowing did not exceed 2.5 times their individual quotas on any given day. The technical details of the quota facility were modified at this time. Borrowing in the form of discounting was discontinued and instead the banks were given credit in the form of cheque account overdrafts at base rate up to their quotas,¹ and thereafter in the form of call money account overdrafts up to an aggregate ceiling of 5 000 million marks. Further central bank credit could be obtained only through bond repurchase transactions. Since at that time the banks' debt to the Bank of Finland had almost disappeared, the distinction between marginal and average rates lost much of its significance: all central bank finance was marginal to the banking system and the interest rate could and had to vary substantially to induce changes in bank behaviour.

¹ The term base rate has been adopted in place of the earlier discount rate because of the discontinuation of discounting.

The growth in borrowing by the banks from the Bank of Finland towards the end of 1979 created a need to re-introduce the distinction between the average and marginal cost of central bank finance. Consequently the regulations governing bank borrowing from the central bank were modified as from the beginning of February 1980. The aggregate quotas were set at 1 000 million marks. The coefficient establishing daily limits on quota borrowing was reduced from 2.5 to 1.3 of the monthly average quotas, and the right to obtain finance by engaging in bond repurchase transactions was rescinded. The ceiling on call money credit was eliminated, but supplementary interest charges were set for call money market credit in excess of certain limits.

A supplementary interest charge of 4 per cent was to be levied on average monthly call money borrowing in excess of five times the quota and a supplementary charge of 8 per cent was to be paid on average monthly call money borrowing in excess of eight times the quota. Apart from increasing the distinction between marginal and average costs for individual banks, these technical reforms meant that the system became easier to administer because henceforth all the central bank finance of the banks would be taken in the form of either cheque account or call money overdrafts. The replacement of absolute daily limits on call money borrowing with monthly average limits increased the banks' scope for evening out day-to-day fluctuations in liquidity.

From the beginning of June of this year the regulations were tightened in order to impede overheating and to dampen inflation. The aggregate quotas were lowered to 900 million marks. The coefficient for first and second tranche call money borrowing remained unchanged at 5 and 8 times the quota, but the supplementary interest charge on second tranche borrowing was increased from 8 to 10 per cent. With the call money rate currently at 12.5 per cent, this means that banks which borrow in the second tranche pay a marginal rate of 22.5 per cent. The average rate on central bank finance was 12.0 per cent in May.

CASH RESERVE DEPOSITS

In early 1979 it was forecast that ease in the financial market would continue and that the banks might consequently repay their entire debt to the central bank. In order to retain the ability to implement counter-cyclical monetary policy, a reserve deposit scheme was negotiated with the banks in March 1979.¹ Reserve deposits affect bank liquidity by obliging the banks to place up to 5 per cent of their deposits with the central bank. Although bank borrowing from the central bank increased after the summer of 1979 for the reasons mentioned above, the Bank of Finland continued to collect reserve deposits for two main reasons.

The cash reserve system applies not only to the commercial banks but also to the savings and co-operative banks which are not entitled to borrow at the central bank and which thus are not directly affected by the most important instrument of monetary policy in Finland, the regulation of the banks' central bank finance. Secondly, in conditions in which speculative short-term capital movements add an extra element of uncertainty and instability to normal financial operations, changes in reserve requirements are a good indicator of the tone of monetary policy. The reserve requirement has been raised steadily and at the end of June 1980 stood at 3.8 per cent. A total of 2 563 million marks in reserve deposits was held by the Bank of Finland at the end of May.

INTEREST RATE POLICY

Traditionally general changes in interest rates have played a minor role in Finnish monetary policy. During recent years, however, a more active interest rate policy has been pursued. The comparatively small impact of interest rate changes on the timing of investment arising from the dominance of the variable interest rate clause is one reason why the interest rate increases of 1979 and 1980 were made not merely to restrain domestic activity but also

to reduce differences between domestic and foreign interest rates and to defend the foreign exchange reserves. Both of the interest rate changes were decided upon simultaneously with other policy measures. In September 1979, in connection with the decision to widen and lower the fluctuation band of the Finnish currency index, the Bank of Finland raised the base rate on central bank credit from 7.25 to 8.5 per cent as from 1st November. In February 1980 the base rate was raised to 9.25 per cent in connection with the lowering of the fluctuation limits for the Finnish currency index. Interest rates on the great bulk of financial assets rise when the base rate is increased.

CREDIT POLICY GUIDELINES

In keeping with its standard practices, the Bank of Finland issued credit policy guidelines to the financial institutions in November 1979. The financial institutions were asked to favour profitable productive investment, especially energy conservation investment. At the same time the banks were asked to try to affect the timing of investment projects so that the impact on employment would be greatest towards the end of 1980 or later. On the other hand it was recommended that the banks take a very reserved attitude towards applications for consumer credits and finance for the production and acquisition of dwellings.

In a circular to the banks issued in March 1980, the Bank of Finland re-iterated its request that the banks be more strict in the granting of housing loans and other personal credits. This request was again called to the banks' attention when the regulations governing bank borrowing from the central bank were tightened in June.

SPECIAL FINANCIAL ARRANGEMENTS

To promote structural change in the economy, the Bank of Finland has established several special financial arrangements which are administered in co-operation with the banks.

¹ The cash reserve scheme is described in the April 1979 number of the Bulletin.

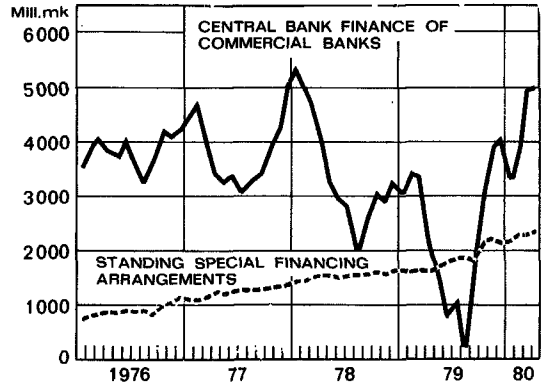
The three permanent financing schemes are the domestic suppliers' credit scheme, the short-term export credit arrangement and the new export credit scheme. A growing amount of central bank credit has been channelled through these arrangements (Chart 6).

In connection with the June 1980 measures tightening the terms on central bank credit, the Bank of Finland announced that it would be more strict in vetting applications for domestic suppliers' credit in sectors where overheating appears the most serious.

PROSPECTS

In the recent past the Bank of Finland has steered a middle course in the conduct of its monetary policy. After a prolonged slump, investment in productive capacity is clearly welcome. It has been hoped that the experience following the first oil crisis would be fresh enough in the mind to obviate the need

CHART 6. CENTRAL BANK CREDIT TO THE DOMESTIC PRIVATE SECTOR



for a highly restrictive policy. However, the threat of an acceleration in inflation has increased, and monetary policy has become more stringent with the growth in that threat. The Bank is convinced that price stability is the sine qua non of stable and sustainable growth and will take further measures to that end if the need arises.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor, absent as Prime Minister

Ahti Karjalainen

Deputy Governor, Acting Governor

Pentti Uusivirta

Rolf Kullberg

Deputy Governor, ad int.

Ele Alenius

Harri Holkeri

Seppo Lindblom

ad int.

Directors

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Senior officials

Pertti Kukkonen

Director, ADP-planning

Ralf Pauli

Deputy, Monetary Policy

Raimo Hyvärinen

Domestic Financing

Kari Pekonen

Exchange Policy

Osmo Soikkeli

Deputy, Foreign Exchange

Kari Holopainen

Bilateral Trade

Antti Saarlo

Special Bilateral Affairs

Pekka Tukiainen

Foreign Financing

J. Ojala

Exchange Control

Sirkka Hämäläinen

Deputy, Economics Dept.

Heikki Koskenkylä

Research Dept.

Markku Pietinen

Information

H. T. Hämäläinen

Administration

Timo Männistö

Internal Audit

U. Levo

International Legal Affairs

Erkki Vehkamäki

Data Processing

Anton Mäkelä

Personnel

Stig G Björklund

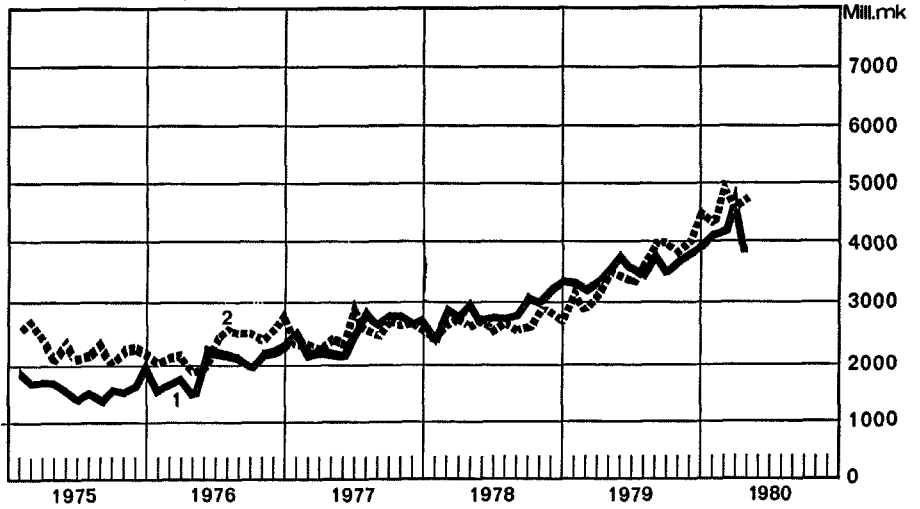
Payments

Reijo Mäkinen

Cash

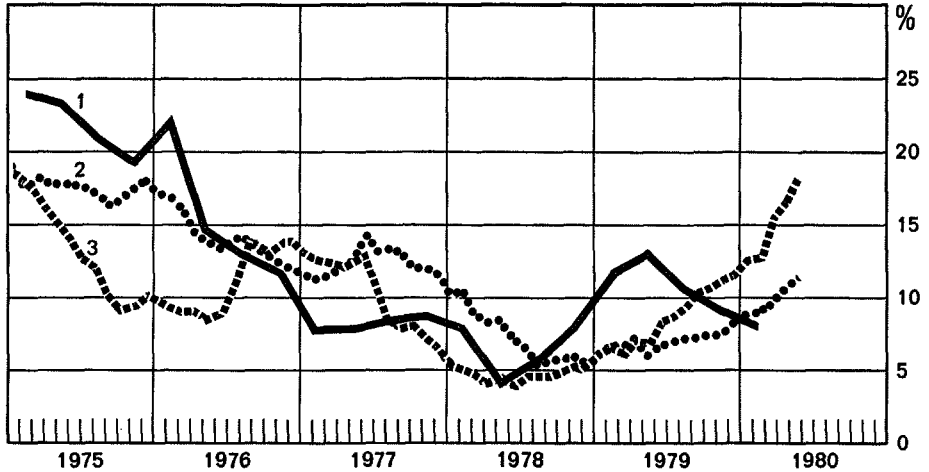
FOREIGN TRADE, 1975 - 80

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



PRICES AND WAGES, 1975 - 80

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



PRODUCTION, 1975-80

- 1. Total index of industrial production 1975 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1970 = 100, seasonally adjusted quarterly figures

