



# BANK OF FINLAND

*Monthly Bulletin*

Cost and price developments

Monetary policy and financial markets

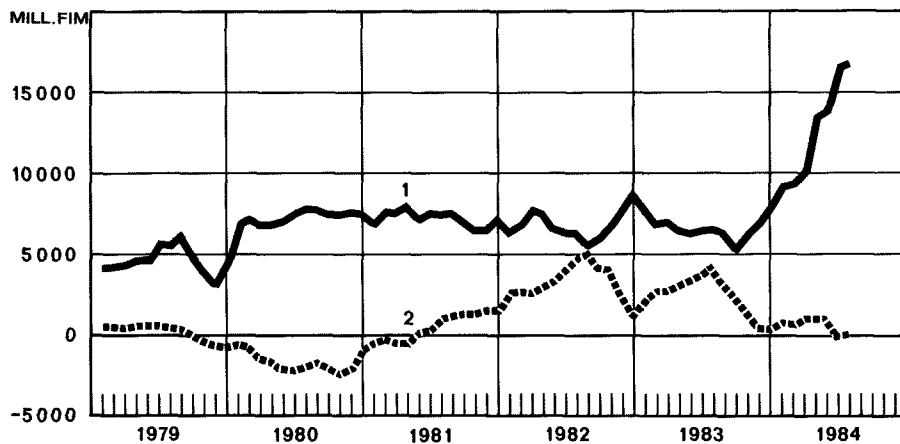
Monetary and foreign exchange policy  
measures from September 1983  
to September 1984

Finland's balance of payments January—  
June 1984

SEPTEMBER 1984

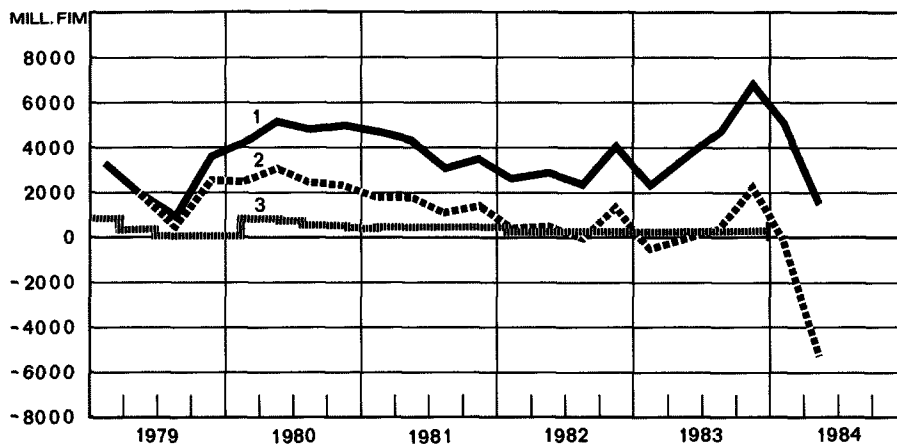
Vol. 58 No. 9

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



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

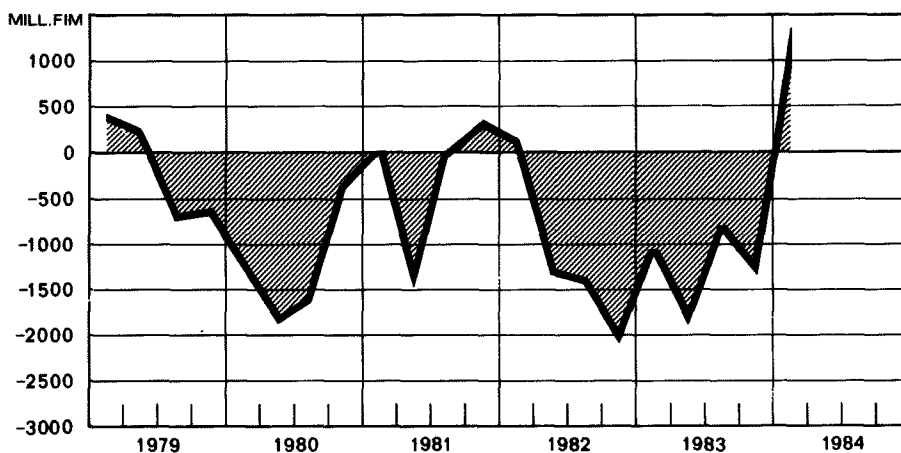
**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1979-84**



- 1. Gross central bank debt
- 2. Net central bank debt
- 3. Quotas

Quarterly average of daily amounts (1 and 2)

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1979-84**



Seasonally adjusted quarterly figures

# COST AND PRICE DEVELOPMENTS

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Bank of Finland

Since the oil price rises of 1979–80, inflation in Finland has been somewhat faster than in industrial countries on average (Chart 1). This has been attributable to somewhat stronger inflationary impulses from foreign trade prices as compared to the OECD countries in general and to Finland's higher relative level of activity, thanks in part to policies supporting demand. Rapid growth of manufacturing production and a concomitant increase in labour productivity has absorbed a major part of the differential in nominal labour costs, and hence in terms of unit labour costs the relative competitive position of the exposed sector has remained largely unchanged.<sup>1</sup>

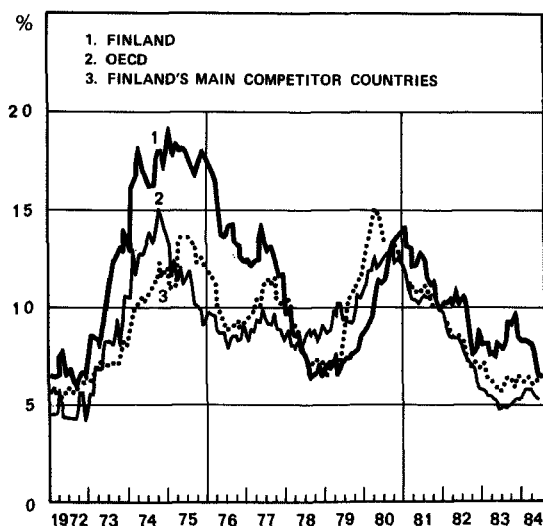
The world-wide recession following the second oil shock proved much less severe in Finland than in most other industrial countries. Exports to the Soviet Union were increased to match the oil price rise and, since the overall balance of the economy was fairly good, output and employment were supported by economic policies. This was in contrast to many other countries where the reduction of inflation and public sector deficits were set as the key objectives of economic policy. Accordingly, output in Finland grew at clearly faster rate than in the OECD area as a whole. In 1980–83, annual GDP growth averaged 3.3 per cent in Finland while the corresponding figure for the total OECD area was only 1.3 per cent.

Reflecting Finland's brisker pace of activity and better employment situation, the pressures for wage and salary increases have been greater than in many other countries. The annual rate of growth of average earnings has not slowed

down to any significant extent, staying close to 10 per cent and exceeding the rate in Finland's main competitor countries. Finland's faster growth of labour productivity has, however, largely absorbed the faster growth in wage costs in recent years. In addition, the rise in labour costs has been alleviated by reducing employers' statutory social security contributions. Accordingly, the increase in unit labour costs in Finnish manufacturing did not exceed that in the main competitor countries in 1980–83. Minor changes in Finland's relative price competitiveness, measured in common currency, mainly reflect exchange rate movements, e.g. the devaluations of the Finnish markka by altogether some 10 per cent in the autumn of 1982 (Chart 2). Similarly, a major weakening of profitability in industry was avoided during the last recession.

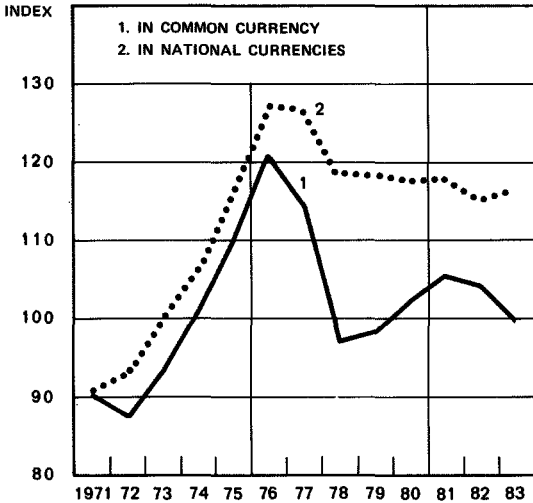
In addition to the effects of the devaluations, the deceleration of inflation was also delayed by the increase in the general sales tax rate by

**CHART 1. CHANGES IN CONSUMER PRICES**



<sup>1</sup> For more on inflation in Finland, see the back article in the November 1983 issue of the Bulletin.

**CHART 2. RELATIVE UNIT LABOUR COSTS:  
FINLAND IN RELATION TO 14 COMPETITOR COUNTRIES,  
1963—82 = 100**



2 percentage points from the beginning of June, 1983. Moreover, rises in public prices and charges and in other taxes on consumption gave a slight boost to consumer price inflation in 1983. Thus, the underlying rate of price increases in 1983 as measured by wholesale or producer prices was 5–6 per cent, substantially lower than the 8.3 per cent shown by the consumer price index.

In the current year, conditions have been opportune for a slowdown in inflation, since external inflationary pressures have remained relatively weak and domestic cost pressures have been diminishing markedly. With the exception of some forest-based products, foreign trade prices have been rising at an annual rate of 4–5 per cent reflecting the sluggish developments in world-market prices of both raw materials and manufactured goods. Furthermore, some of the price rise in foreign currency terms has been offset by a slight appreciation of the Finnish markka vis-à-vis Finland's main trading currencies.

A marked easing in cost pressures has also been taking place on the domestic side. The rise in labour costs is decelerating, thanks to the relatively moderate comprehensive incomes policy agreement concluded in the spring. According to the agreement, contrac-

tual wages and salaries will be raised by a total of 7.4 per cent over the entire two-year period.<sup>2</sup> Even if, as usual, some wage drift emerges, the agreement should ensure a lowering in the rate of growth of nominal annual earnings. In addition, since the growth in labour productivity is currently at its cyclically fastest, labour cost pressures should ease notably in 1984–1985.

The impact of other domestic costs on overall cost developments seems likely to remain rather moderate. Movements in stumpage prices are linked to export prices of wood and paper industry products. Interest rates in regulated money markets have been somewhat lower than international long-term rates on average. The growth of unregulated money markets has, however, led to a rise in the average cost of borrowing. The effect of public charges on the overall price level will remain significantly lower in 1984 than during the past few years.

Despite the cyclical upswing industrial producer prices have shown only a weak tendency to rise over the past few months, while the rise in consumer prices has clearly slowed down. Last spring, the year-on-year increase in consumer prices fell below the OECD European rate and is now approaching the average for the total OECD area. In July, the 12-month change in consumer prices was 6.4 per cent in Finland and the inflation differential between Finland and the OECD area was around one percentage point, compared with three percentage points at the end of last year (Chart 1). The rise in consumer prices is also expected to slow down further, falling close to the international average towards the end of the year and remaining at this level throughout 1985.

August 22, 1984

<sup>2</sup> For details of this agreement, see the front article in the May 1984 issue of the Bulletin.

## BANK OF FINLAND

Mill. FIM

	1983		1984				
	Aug. 31	Dec. 31	Aug. 8	Aug. 15	Aug. 23	Aug. 31	
<b>Assets</b>							
Gold and foreign currency claims	9 962	8 779	17 793	16 909	17 906	18 221	
Gold	1 383	1 383	1 383	1 383	1 383	1 383	
Special drawing rights	528	226	826	826	837	835	
IMF reserve tranche	465	751	758	759	759	757	
Foreign bonds	232	685	4 311	4 149	5 018	5 673	
Convertible currencies	4 130	5 184	10 264	9 544	9 661	9 317	
Tied currencies	3 224	550	251	248	248	256	
Other foreign claims	4 007	4 876	3 425	3 422	3 423	3 424	
Markka subscription to Finland's IMF quota	1 854	2 762	2 726	2 726	2 726	2 726	
Term credits	2 153	2 114	699	696	697	698	
Claims on financial institutions	5 940	8 788	4 535	5 654	4 675	4 446	
Banks' cheque accounts	297	445	41	69	-	18	
Call money market advances	3 227	5 785	1 053	2 201	1 267	1 149	
Till-money credits	956	942	1 269	1 205	1 250	1 108	
Bonds	1 410	1 546	2 104	2 108	2 109	2 130	
Other claims on financial institutions	50	70	68	71	49	41	
Claims on the public sector	1 697	2 178	2 082	2 083	2 083	2 080	
Government promissory notes	440	1 000	1 000	1 000	1 000	1 000	
Bonds	583	449	314	313	307	302	
Total coinage	671	710	761	763	766	769	
Other claims on the public sector	3	19	7	7	10	9	
Claims on corporations	4 881	5 079	4 730	4 708	4 724	4 701	
Financing of exports	1 647	1 867	1 735	1 715	1 711	1 695	
Financing of domestic deliveries	2 667	2 662	2 728	2 727	2 747	2 740	
Bonds	137	134	150	148	148	148	
Other claims on corporations	430	416	117	118	118	118	
Other assets	102	105	110	111	111	110	
	Total	26 589	29 805	32 675	32 887	32 922	32 982
<b>Liabilities</b>							
Foreign currency liabilities	71	34	289	303	348	674	
Convertible accounts	40	34	50	45	45	43	
Tied accounts	31	0	239	258	303	631	
Other foreign liabilities	4 729	5 670	3 606	3 606	3 607	3 605	
IMF markka accounts	1 854	2 762	2 726	2 726	2 726	2 726	
Allocations of special drawing rights	856	872	880	880	881	879	
Term liabilities	2 019	2 036	-	-	-	-	
Notes and coin in circulation	6 085	6 574	6 718	6 681	6 704	6 776	
Notes	5 559	6 029	6 085	6 046	6 064	6 135	
Coin	526	545	633	635	640	641	
Certificates of deposit in circulation	800	-	-	-	-	-	
Liabilities to financial institutions	6 186	5 712	9 808	9 161	9 308	10 930	
Banks' cheque accounts	0	2	22	0	74	13	
Call money market deposits	1 205	610	3 053	2 446	2 507	4 109	
Cash reserve deposits	4 948	5 039	6 604	6 589	6 589	6 670	
Capital import deposits	28	35	59	59	59	59	
Other liabilities to financial institutions	5	26	70	67	79	79	
Liabilities to the public sector	1	3 000	2 320	3 226	3 226	1 230	
Cheque accounts	1	0	0	0	0	1	
Government deposit account	-	3 000	2 300	3 200	3 200	1 200	
Export deposits	-	-	20	26	26	29	
Other liabilities to the public sector	0	0	0	0	0	0	
Liabilities to corporations	1 950	1 832	3 035	3 033	2 934	3 019	
Deposits for investment and ship purchase	1 448	1 290	1 806	1 813	1 821	1 863	
Capital import deposits	496	531	1 224	1 215	1 108	1 151	
Other liabilities to corporations	6	11	5	5	5	5	
Other liabilities	18	15	20	15	15	16	
Equalization accounts	2 049	2 057	1 513	1 494	1 407	1 354	
SITRA's capital	-	-	400	400	400	400	
Capital accounts	4 700	4 911	4 966	4 968	4 973	4 978	
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	335	546	55	57	62	67	
	Total	26 589	29 805	32 675	32 887	32 922	32 982

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											
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
Aug.	2 975	5 673	9 274	17 922	-375	-181	17 366	2 080	1 200	30	-850

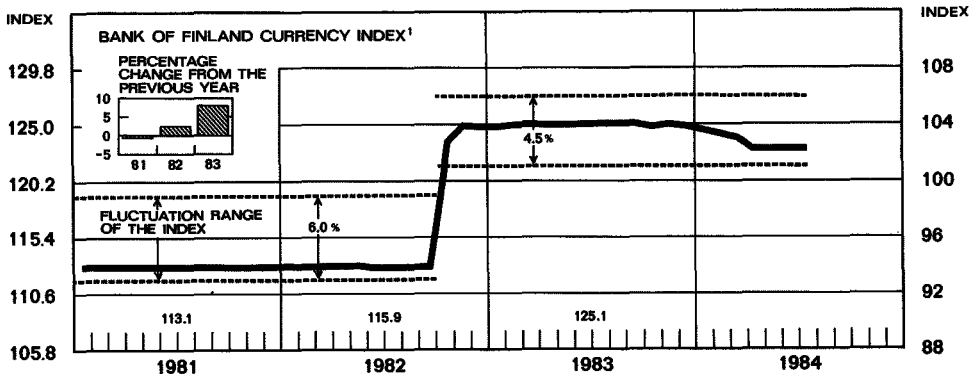
## FOREIGN EXCHANGE POSITION

Mill. FIM

	Net holdings, Dec. 31, 1983			Net holdings July, 31 1984			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	July	Jan.-July
Gold		1 383	1 383	1 383		1 383	-	-
Special drawing rights		226	226	828		828	+34	+602
IMF reserve tranche		751	751	759		759	+9	+8
Foreign bonds		685	685	3 859		3 859	+675	+3 174
Convertible currencies	5 150	-13 558	-8 408	10 032	-17 816	-7 784	+346	+624
Total	8 195	-13 558	-5 363	16 861	-17 816	-955	+1 064	+4 408
Tied currencies		550	300	224	-334	-110	+18	-410
Grand total		8 745	-5 063	17 085	-18 150	-1 065	+1 082	+3 998

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											
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
Aug.	1 108	5	1 149	4 109	6 670	-2 033	-6 484	4 435	2 753	1 682	6 776

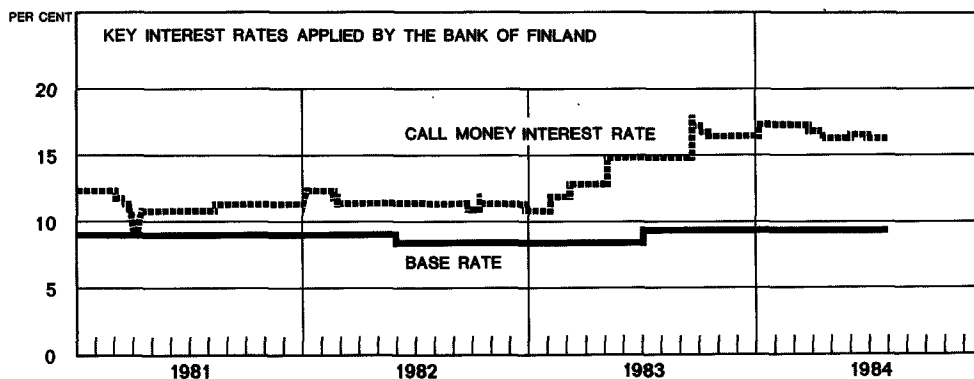
<sup>1</sup> The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



# 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									
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	10.48
Aug.	1 462	-8 136	6 598	5.6	-1 538	16.50	16.50	9.50	..

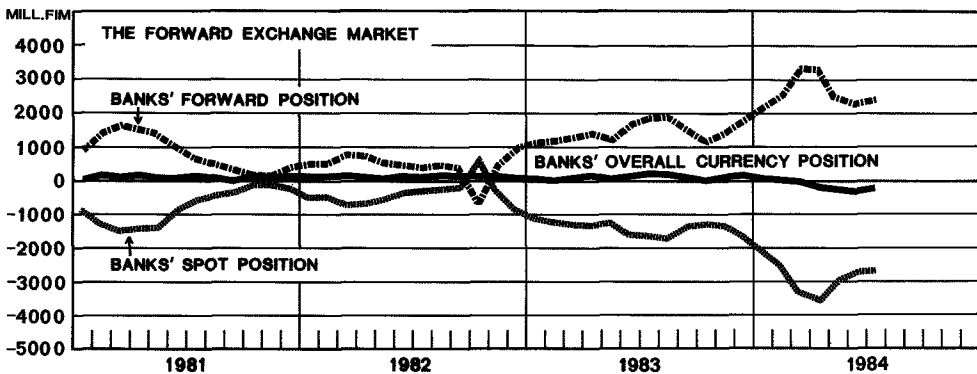
<sup>1</sup> End of period.





# FORWARD EXCHANGE MARKETS IN FINLAND

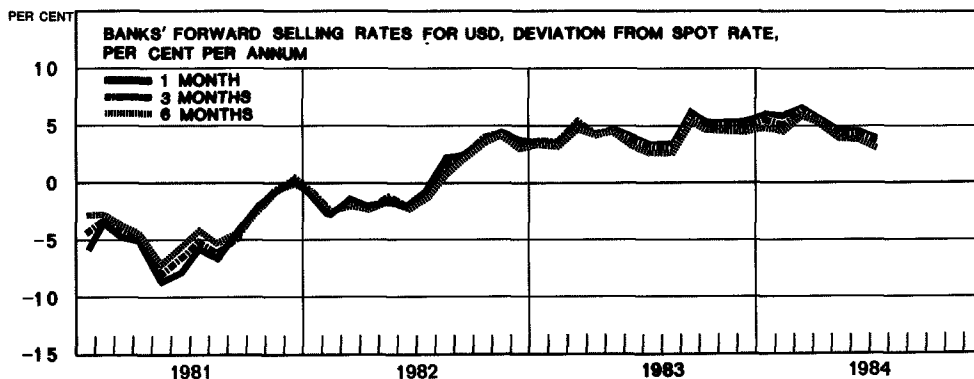
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
1	2	3	4	5	6	7	8	9	
1982	11 128	2 117	9 011	-865	-6 827	1 104	3.9	3.8	3.4
1983	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1983									
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									
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
July	15 956	1 306	14 650	1 541	-13 011	3 240	4.1	3.9	3.3



# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

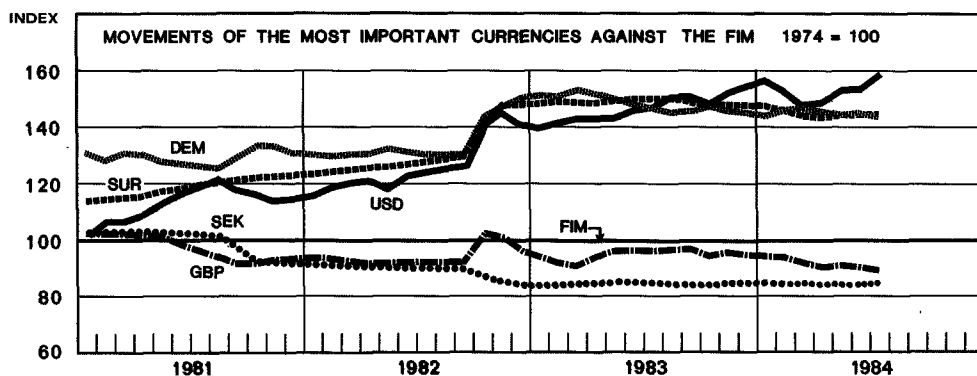
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC BEL	
	1	2	3	4	5	6	7	8	9	10	11
1979	3.896	3.330	8.275	.	91.12	77.22	74.38	212.75	194.43	13.338	12.979
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											
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
Aug.	6.072	4.661	7.987	6.502	72.78	73.27	57.78	210.61	186.72	10.433	10.336



## Average selling rates for foreign exchange, FIM

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 ÖS ATS	Lisbon 100 Esc PTE	Reykjavik 100 lkr ISK	Madrid 100 Ptas ESP	Tokyo 100 Y JPY	Moscow 1 Cl Rbl SUR	1 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
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
251.43	68.75	0.343	30.01	4.08	19.78	3.71	2.511	7.340	6.162 64	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

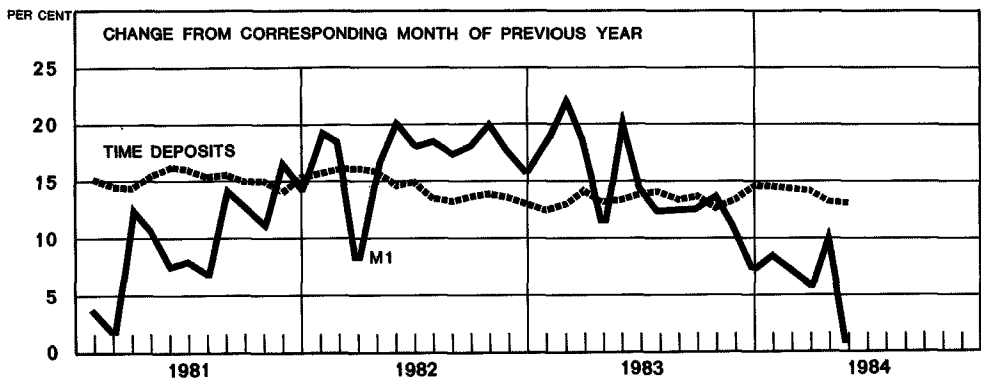
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	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\*

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
May	6 978	4 216	3 960	15 154	34 485	30 801	25 653	10 552	101 491	116 645



# ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

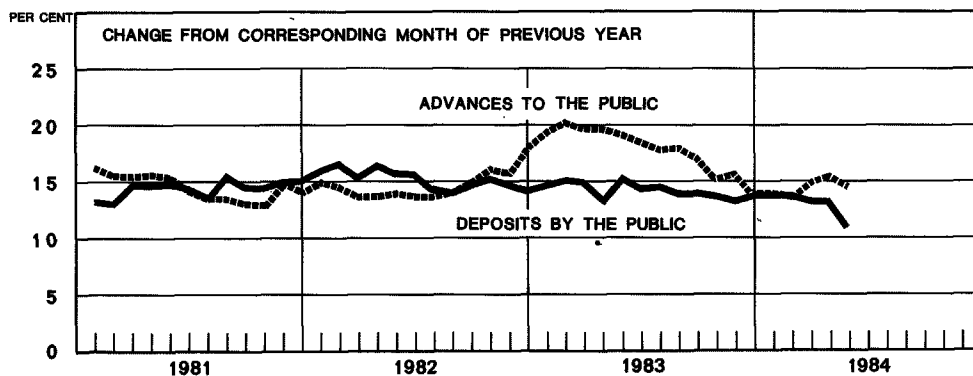
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi-Money
	1	2	3	4	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	13 471	104 627	4 350	17 254	126 231	21 427	121 905

1983\*

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
May	60 965	30 522	28 535	14 362	109 106	5 140	20 138	134 384	21 486	126 686



## STATE FINANCES

Mill. FIM

Revenue	Jan.-May		Expenditure	Jan.-May	
	1983	1984		1983	1984
Income and wealth tax (net)	6 706	8 017	Wages, salaries, pensions etc.	4 632	5 141
Gross receipts	19 321	22 844	Repair and maintenance	500	563
Refunds & local authorities	-12 615	-14 827	Other consumption expenditure	3 157	3 207
Other taxes on income and wealth	239	306	<b>Total consumption expenditure</b>	<b>8 289</b>	<b>8 911</b>
Employers' child allowance payments	1	1	State aid to local authorities	6 158	7 450
Sales tax	6 810	8 538	State aid to industries	3 350	3 801
Customs duties and import charges and levies	668	661	of which: agric. price subsidies	1 636	1 706
Excise duties	3 775	4 119	Child allowances	1 071	1 150
Excise duty on alcoholic bevs.	1 327	1 439	Share in national pensions and sickness insurance schemes	1 034	1 172
Excise duty on tobacco	526	551	Deficit of State enterprises	599	477
Excise duty on liquid fuel	1 257	1 551	Other transfer expenditure	4 109	4 689
Other excise duties	665	578	<b>Total transfer expenditure</b>	<b>16 321</b>	<b>18 739</b>
Tax on autom. and motor-cycles	1 150	1 058	Machinery and equipment	738	699
Stamp duties	674	871	Construction of buildings	380	442
Special diesel etc. vehicles tax	92	135	Land and waterway construction	853	767
Other taxes and similar revenue	575	786	<b>Total real investment</b>	<b>1 971</b>	<b>1 908</b>
<b>Total taxes</b>	<b>20 690</b>	<b>24 492</b>	Interest on State debt	1 678	2 046
Miscellaneous revenue	1 961	2 344	Other expenditure	2	5
Interest, dividends etc.	571	680	<b>Total other expenditure</b>	<b>1 680</b>	<b>2 051</b>
Surplus of state enterprises	861	1 007	Increase in inventories	91	-289
Redemptions of loans granted	655	457	Lending	1 539	1 493
<b>Total revenue</b>	<b>24 738</b>	<b>28 980</b>	Other financial investment	250	282
Foreign borrowing	1 960	2 420	<b>Total expenditure</b>	<b>30 141</b>	<b>33 095</b>
Domestic borrowing	3 042	3 134	Redemption of foreign loans	833	1 020
<b>Total borrowing</b>	<b>5 002</b>	<b>5 554</b>	Redemption of domestic loans	978	2 482
<b>Deficit (+) or surplus (-)</b>	<b>2 212</b>	<b>2 063</b>	<b>Total redemptions</b>	<b>1 811</b>	<b>3 502</b>
<b>Total</b>	<b>31 952</b>	<b>36 597</b>	<b>Total</b>	<b>31 952</b>	<b>36 597</b>

State debt	1982	1983	1984			
	Dec.	Dec.	March	April	May	June
<b>Foreign debt</b>	18 807	21 723	22 167	22 391	22 867	23 282
Long-term debt	11 378	16 383	17 056	16 903	17 027	17 194
Short-term credit	63	18	24	37	37	45
<b>Domestic debt</b>	11 441	16 401	17 080	16 940	17 064	17 239
<b>Total State debt</b>	<b>30 248</b>	<b>38 124</b>	<b>39 247</b>	<b>39 331</b>	<b>39 931</b>	<b>40 521</b>
Total debt mill. \$	5 651	6 506	6 986	6 961	6 860	6 960

# FOREIGN TRADE

Mill. FIM

Value, 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\*

Oct.	6 095	6 569	-474
Nov.	6 512	6 378	+134
Dec.	6 834	7 084	-250

1984\*

Jan.	6 691	5 737	+ 954
Feb.	6 421	5 296	+1 125
March	6 666	5 921	+745
April	6 790	6 066	+724
May	6 629	6 298	+331
June	6 378	6 366	+12

Jan.-June

1983*	33 993	33 648	+345
1984*	39 575	35 684	+3 891

Indices of exports and imports  
1980 = 100

Period	Indices of exports and imports 1980 = 100				Terms of trade
	Volume		Unit value		
	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

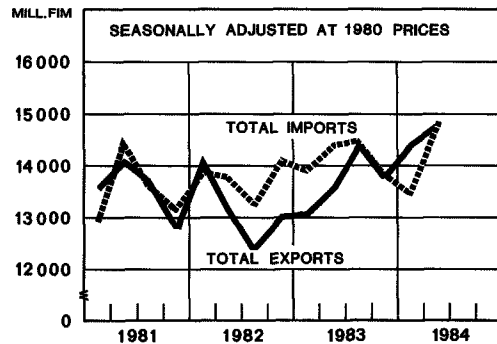
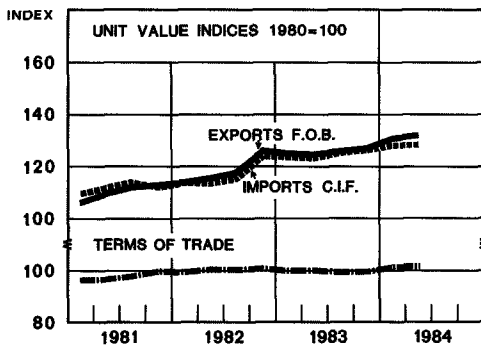
Apr.-June	102	92	116	114	101
July-Sept.	85	90	118	116	101
Oct.-Dec.	107	107	127	125	101

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\*

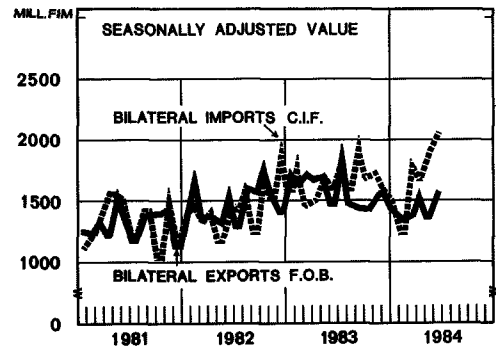
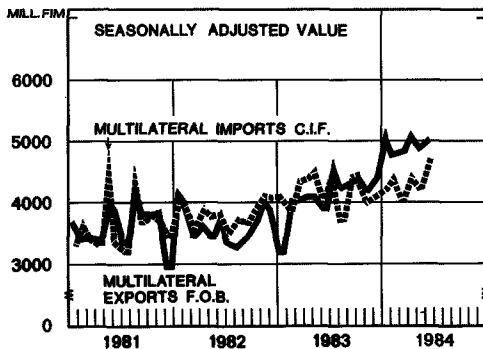
Jan.-March	114	90	132	129	102
Apr.-June	113	99	133	129	103



# 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*										
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	3 162	407	1 171	932	65
Feb.	331	541	1 703	1 797	2 049	3 116	339	824	1 005	12
March	355	626	1 990	1 766	1 929	3 828	273	813	999	8
April	263	567	1 880	1 739	2 341	3 695	265	1 096	992	18
May	234	632	2 128	1 840	1 795	4 124	453	788	930	3
June	250	641	1 768	1 686	2 033	4 214	532	851	767	2
Jan.-June										
1983*	1 117	3 432	8 911	10 204	10 329	20 778	1 856	5 334	5 503	177
1984*	1 655	3 509	11 094	11 223	12 094	22 139	2 269	5 543	5 625	108





## FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January-June				January-June			
	1983*		1984*		1983*		1984*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
<b>OECD countries in Europe</b>	54.1	18 391	58.3	23 082	54.7	18 392	55.5	19 814
Austria	0.7	227	0.7	290	1.3	433	1.1	393
Belgium and Luxembourg	1.7	589	1.5	606	2.0	662	2.0	717
Denmark	3.4	1 143	4.3	1 703	2.7	901	2.5	908
France	4.4	1 504	4.4	1 739	3.6	1 202	3.3	1 166
Federal Republic of Germany	10.1	3 442	10.3	4 089	14.3	4 830	14.4	5 144
Italy	2.0	677	2.2	882	3.2	1 097	3.4	1 206
Netherlands	3.8	1 300	3.7	1 441	2.8	930	2.8	992
Norway	3.3	1 134	5.0	1 987	2.5	845	2.2	772
Portugal	0.3	82	0.2	92	0.7	223	0.7	254
Spain	0.7	244	0.7	289	0.7	249	0.9	320
Sweden	11.4	3 878	12.0	4 723	11.6	3 901	12.9	4 614
Switzerland	1.3	454	1.2	486	1.8	594	1.7	594
United Kingdom	9.7	3 291	10.6	4 182	6.8	2 288	6.9	2 473
Other	1.3	426	1.5	573	0.7	237	0.7	261
<b>OECD countries outside Europe</b>	6.3	2 136	10.4	4 130	12.8	4 308	11.8	4 215
Canada	0.7	227	0.8	303	0.7	215	0.6	226
Japan	1.2	425	1.3	522	5.4	1 829	6.0	2 124
United States	3.6	1 212	7.3	2 889	6.3	2 129	4.9	1 756
Other	0.8	272	1.0	416	0.4	135	0.3	109
<b>CMEA countries</b>	29.8	10 120	22.2	8 797	24.8	8 339	25.3	9 018
Czechoslovakia	0.4	135	0.4	150	0.5	154	0.4	150
German Democratic Republic	0.5	159	0.5	184	0.6	214	0.5	184
Poland	0.1	51	0.3	124	1.2	395	1.3	474
Soviet Union	28.3	9 612	20.5	8 126	22.0	7 399	22.6	8 039
Other	0.5	163	0.5	213	0.5	177	0.5	171
<b>Latin America</b>	1.7	596	0.8	300	2.5	855	2.7	960
Argentina	0.1	42	0.1	30	0.1	48	0.2	56
Brazil	0.3	106	0.2	60	0.8	270	1.0	365
Colombia	0.1	50	0.1	51	0.5	170	0.6	209
Other	1.2	398	0.4	159	1.1	367	0.9	330
<b>Other</b>	8.1	2 750	8.3	3 266	5.2	1 754	4.7	1 677
<b>GRAND TOTAL</b>	100.0	33 993	100.0	39 575	100.0	33 648	100.0	35 684
of which								
<b>EFTA countries</b>	17.1	5 814	19.4	7 666	18.4	6 025	18.8	6 696
<b>EEC countries</b>	36.2	12 284	38.0	15 058	35.7	12 114	35.8	12 773
<b>OECD countries</b>	60.5	20 527	68.8	27 212	67.7	22 700	67.3	24 030

# BALANCE OF PAYMENTS <sup>1</sup>

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- requited transfers, net	Other, net	Current account
1980 <sup>r</sup>	52 594	58 046	-5 452	+2 824	+320	+679	-1 629	-3 292	-454	+164	-5 211
1981 <sup>r</sup>	60 243	61 703	-1 460	+3 088	+405	+1 049	+3 082	-4 423	-498	+107	-1 732
1982 <sup>r</sup>	62 867	65 147	-2 280	+2 856	-277	+1 732	+2 031	-5 447	-643	+161	-3 898
1983*	69 593	72 107	-2 514	+3 298	-749	+1 172	+1 207	-5 811	-721	+25	-5 300

## 1981<sup>r</sup>

July-Sept.	14 096	15 738	-1 642	+813	+443	+303	-83	-1 026	-109	+53	-1 165
Oct.-Dec.	16 197	16 528	-331	+706	-28	+287	+634	-1 120	-133	+9	-610

## 1982<sup>r</sup>

Jan.-March	16 078	14 858	+1 220	+699	-154	+484	+2 249	-1 078	-187	-6	+978
Apr.-June	15 577	15 376	+201	+700	-83	+451	+1 269	-1 682	-167	+50	-530
July-Sept.	13 308	15 419	-2 111	+789	+151	+478	-693	-1 359	-139	+75	-2 116
Oct.-Dec.	17 904	19 494	-1 590	+668	-191	+319	-794	-1 328	-150	+42	-2 230

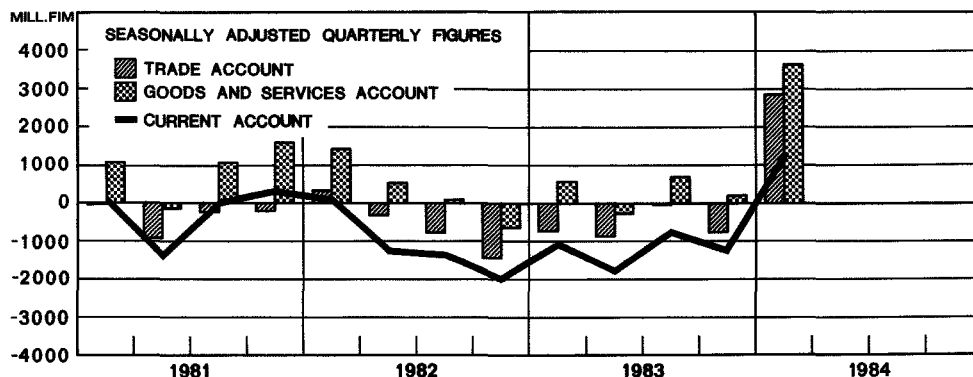
## 1983\*

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	19 733	17 051	+2 682	+1 016	-371	-139	+3 188	-2 099	-232	-56	+801
Apr.-June	19 754	18 896	+858	+1 025	-337	-293	+1 253	-1 309	-143	-2	-201

<sup>1</sup> Revised figures. See explanations on p. 24.



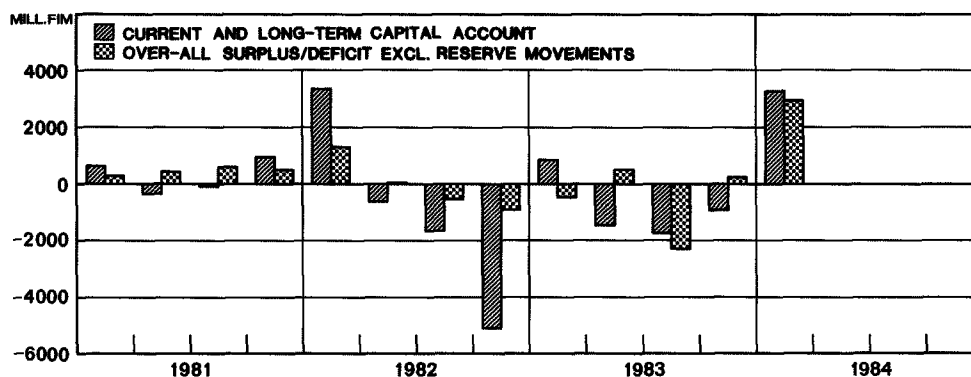
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	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	-5 029	+3 255	-967	+3 696	+40 <sup>3</sup>	+995	-995
+8 312	-4 643	-518	-826	+2 325	+593	-148	+723	-421	+1 056 <sup>3</sup>	+1 803	-1 803
+10 213	-4 721	-1 239	-3 642	+611	-3 287	-914	+771	+1 493	+1 811	-126	+126
+10 112	-7 273	+423	-1 367	+1 895	-3 405	+3 273	-3 422	+1 272	+120	-2 162	+2 162
+1 932	-797	-91	-200	+844	-321	+329	-364	-827	+1 771	+588	-588
+3 028	-1 678	-211	-157	+982	+372	-1 309	+46	+601	+766	+476	-476
+3 637	-806	-114	-165	+2 552	+3 530	-676	+762	-1 517	-787	+1 312	-1 312
+2 332	-1 555	-328	-301	+148	-382	+367	+581	-171	-350	+45	-45
+1 859	-883	-127	-246	+603	-1 513	-277	-143	-520	+1 909	-544	+544
+2 385	-1 477	-670	-2 930	-2 692	-4 922	-328	-429	+3 701	+1 039	-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	-235	-47	+1 906	+2 707	-767	+959	+2 443	-2 356	+2 986	-2 986
+3 858	-2 351	-181	+271	+1 597	+1 396	+1 162	+485	+3 139	-960	+5 222	-5 222

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.

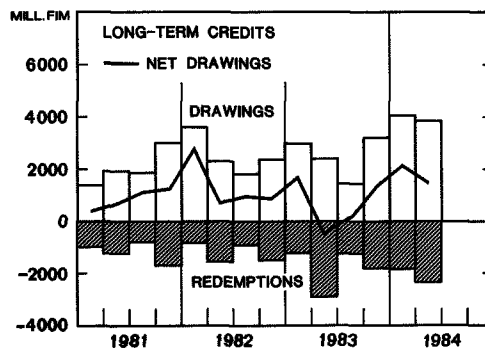
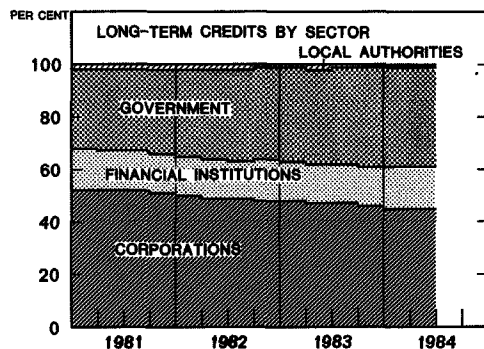
<sup>3</sup> Including allocations of special drawing rights: 133 million in 1980 and 131 million in 1981.



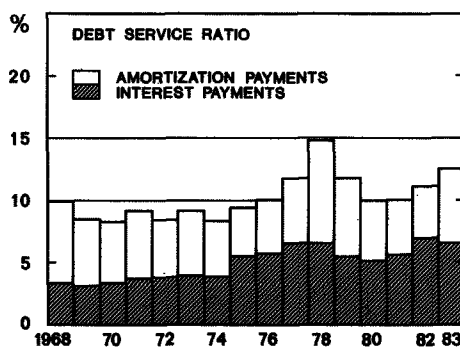
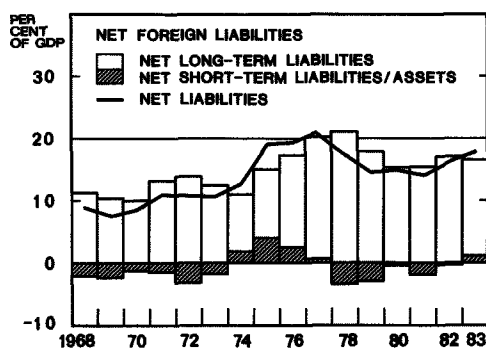
# FINLAND'S FOREIGN ASSETS AND LIABILITIES <sup>1</sup>

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											
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
June	7 000	7 435	3 230	17 665	57 198	3 937	2 393	1 640	729	65 897	48 232

<sup>1</sup> Revised figures. See explanations on p. 24.



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	10 061	12 532	32 488	3 089	16 240	11 849	31 178	-1 310	27 483	6 700	3 274
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	8 067	3 567
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	9 268	3 663
11 842	29 263	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	11 670	5 706
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	2 466	1 329
12 795	13 654	13 791	40 240	3 074	18 592	14 218	35 884	-4 356	31 917	1 757	600
12 846	14 641	13 536	41 023	3 077	19 349	15 048	37 474	-3 549	33 190	2 850	1 137
12 456	17 474	13 531	43 461	4 097	21 737	14 859	40 693	-2 768	34 871	2 077	699
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	2 584	1 227
12 365	22 166	14 580	49 111	4 637	29 530	15 105	49 272	161	42 384	2 573	984
12 905	23 008	14 878	50 791	4 705	31 137	16 546	52 388	1 597	43 686	3 831	2 286
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	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	2 728	1 387
14 740	25 724	15 677	56 141	3 657	37 966	15 789	57 412	1 271	46 698	3 249	1 089
20 705	31 916	14 971	67 592	3 775	47 081	17 202	68 058	466	48 698	2 959	1 624



# PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
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										
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
July	1 261	134.8	136.0	131.0	132.9	137.6	136.5	137.5	135.5	136.6

Period	Consumer prices 1981 = 100									
	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										
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
July	127.7	130.2	132.7	118.6	126.0	122.7	147.7	125.7	126.1	131.0

# 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 1980 = 100<sup>1</sup>

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1982 <sup>r</sup>										
Jan.-March	98	103	64	92	75	98	95	91	107	103
Apr.-June	103	106	75	94	84	104	103	103	107	109
July-Sept.	103	95	182	45	112	105	104	106	109	107
Oct.-Dec.	115	111	85	110	144	110	116	121	111	116
1983* <sup>r</sup>										
Jan.-March	101	103	73	99	83	95	97	95	111	108
Apr.-June	107	112	80	90	91	104	105	109	111	115
July-Sept.	107	99	204	41	120	104	108	105	113	112
Oct.-Dec.	117	116	87	101	149	104	123	117	114	120
1984* <sup>r</sup>										
Jan.-March	104	109	74	90	81	92	105	97	115	111

<sup>1</sup> Revised figures. See explanations on p. 24.

# PRODUCTION

Index of industrial production 1980 = 100

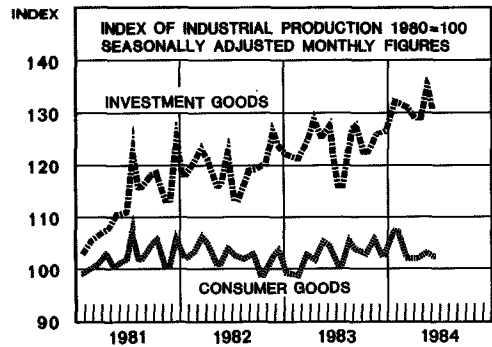
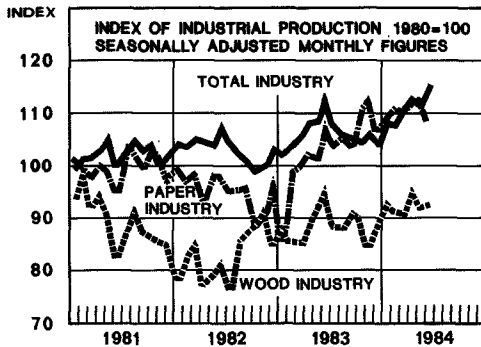
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1981	102.6	114.1	103.4	100.1	104.0	89.6	100.8	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\*

June	112.0	145.1	103.3	110.2	105.2	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	121.8	158.5	110.9	120.4	114.0	118.2	120.5	115.5	112.4	144.1	111.8
June	110.0	149.0	102.1	106.8	101.2	100.8	93.3	102.3	108.7	132.0	115.4





## 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								
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	101	95
July	3 682	2 730	2 577	153	5.6	1 084	105	86
Aug.	3 682	2 555	2 426	128	5.0	1 303	106	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	115
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	124
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	113	120
June	3 695	2 745	2 570	175	6.4	2 664	..	..

## 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 are in accordance with the 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.

The items of the current account and the short-term capital account have been adjusted as from 1973, in accordance with the 1984 revision of the National Accounts.

## 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.

Net short-term liabilities have been adjusted as from 1976, and debt service costs as from 1980, in accordance with the revisions of the current account and the short-term capital account of the Balance of Payments Statistics.

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 21. Production. The volume indices of production have been changed due to the 1984 revision of the National Accounts. This revision covers the years from 1960 onwards.

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 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Kolivisto.

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 67, 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 (1983), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 11 747 (5 %), forestry 9 007 (4 %), manufacturing 73 782 (30 %), construction 20 442 (8 %), trade, restaurants and hotels 27 803 (11 %), transport and communication 19 129 (8 %), banking and insurance 9 671 (4 %), ownership of dwellings 16 460 (7 %), other services 58 100 (23 %), total 246 141. Index of real domestic product 108 (1980 = 100).

FOREST RESOURCES (1982). The growing stock comprised of 1 658 million m<sup>3</sup> (solid volume with bark) of which 45 % was pine and 37 % spruce the remaining 18 % being broad-leaved trees chiefly birch. Of the growing stock 667 million m<sup>3</sup> was up to the standard required for logs, 52 % of these being pine. The annual growth was 67 million m<sup>3</sup> and the total drain calculated on the basis of roundwood consumption was 48.5 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 20.1, DEM 18.8, GBP 14.7, USD 10.5, 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 ½ %, 6 month deposits 6 ½ %, 12 month deposits 8 %, 24 month deposits 9 ½ % and sight deposits 2 ¼ %. The highest lending rate is 14 %.

# MONETARY POLICY AND FINANCIAL MARKETS

by Peter Johansson, M.Sc. (Econ.)  
and Timo Taivalaho, M.Sc. (Econ.)

Bank of Finland

Finland's financial markets have undergone considerable changes during the past years. The traditional "overdraft economy" is giving way to liquidity management based on asset-holding. Both domestic factors and increasing international linkages are reflected in growing market-orientation in financial intermediation, and the role of credit rationing is being correspondingly reduced. These developments have important implications for the conduct of monetary policy, particularly with respect to its independence from external considerations i.e. the degree of autonomy of monetary policy.

## OVERALL TRENDS

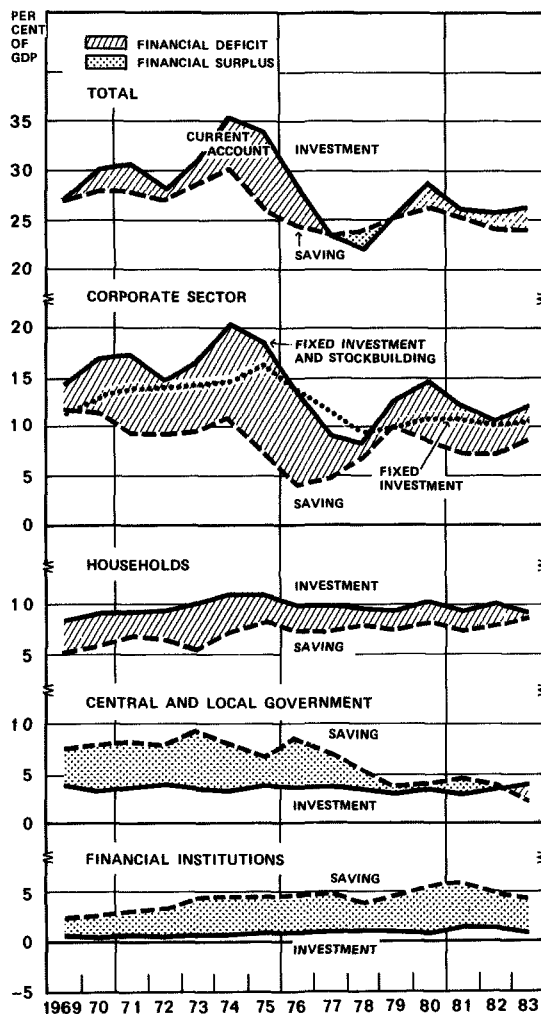
Tight monetary and fiscal policies were used to correct the substantial external imbalance and rapid inflation of the mid-1970s. The policy stance adopted undoubtedly involved temporary output and employment losses, but it also set the stage for an improvement in competitiveness and a sustained resumption of economic growth. In fact, Finland's GDP growth averaged 4.1 per cent per year in the 1979–83 period, and is likely to reach 4–5 per cent in the current year.

Despite higher growth rates in Finland than in her main trading partners, the balance of payments has recently given much less cause for concern than has generally been the case in the past. With the exception of the oil-induced deficit in 1980, the balance on goods and services has been positive since 1977. However, owing to interest payments on Finland's foreign debt, the current account has been in deficit. In the first half of the current year also the current account showed a surplus.

In recent years, total investment has exceeded domestic saving by an amount equivalent to

some 2 per cent of GDP (Chart 1). The overall financial balance of the economy reflects largely the improved financial position of the corporate sector due to the somewhat lower level of investment and improved profitability. In the household sector, investment has been slowly declining as essential housing needs have been satisfied, while saving by households has continued to rise.

CHART 1. SAVING AND INVESTMENT BY SECTORS



The public sector has long been a net lender in the economy but expansionary policies of the early 1980s have reduced saving in the public sector, with the result that the traditional financial surplus turned into a deficit in 1983. Starting from a low point of 3 per cent of GDP in 1974, gross state debt had risen to 14 per cent of GDP by the end of 1983. The policies designed to strengthen the corporate sector have also made a dent in the saving by financial institutions, since the Government has, by lowering contribution rates, limited the growth of employment pension funds, which in Finland are managed by private institutions. This has been a countercyclical measure, and both public sector saving and saving by financial institutions should show some growth again in 1984.

#### CHANGES IN FINANCIAL INTERMEDIATION<sup>1</sup>

Finland's financial markets have traditionally been bank-dominated. At the end of 1983, almost one half of the outstanding total credits to the public had been granted by banks, slightly under one third by other financial institutions and the rest by foreign lenders and the state. Since the significance of capital markets has been limited, monetary policy has operated principally through the banks.

The Bank of Finland has endeavoured to influence bank lending mainly by varying the cost of central bank finance to the banks. Given regulated lending rates, an increase in the cost of central bank funds reduces banks' willingness to expand credits, since non-compliance with the policy would squeeze profitability. Cash reserve requirements have been used to keep banks in debt to the central bank.

Changes in the Bank of Finland's base rate and ensuing changes in the banks' deposit and lending rates have been neither frequent nor large. The interest rates have generally not been high enough to clear the markets, and elements of credit rationing have been

prevalent. In other words, availability of domestic finance has traditionally been important and the cost less important.

The notably high level of the call money rate following the introduction of the call money market in 1975 led to extensive credit rationing as well as to a rise in the shadow rate of interest, giving impetus to the birth of new financial markets alongside the traditional market in which interest rates are administratively controlled. Direct financial transactions between firms started to increase at rates clearly above the regulated level. On the other hand, banks were willing to pay a higher price for funds which would enable them to reduce their borrowing from the central bank at an even higher rate. Initially, banks could not lend new funds to the public at rates higher than those set by the Bank of Finland, although they could undertake such lending to finance companies, for example. This rule has been eased and banks are now allowed to pass on part of their funding costs to borrowers in cases where these costs exceed the ceiling on lending rates. This has improved the banks' possibilities to compete for high interest rate funds. With a strengthening of the liquidity position of the private sector and growing sophistication in cash management techniques, the short-term unregulated rate market has expanded strongly.

Participation in the unregulated market has so far mainly been confined to the corporate sector, and the share of this market in total bank deposits is still relatively small — a little over 10 per cent — but is increasing quite rapidly. In the commercial banks, the share already exceeds 20 per cent of deposits.

Traditional deposits are tax-exempt for households. Tax considerations would call for appreciably higher returns from taxable placements in the unregulated market than the current deposit rates of 5 ¼ — 9 ¼ per cent. Participation by private persons has also been hindered by the large denominations of the instruments offered. However, certain deduc-

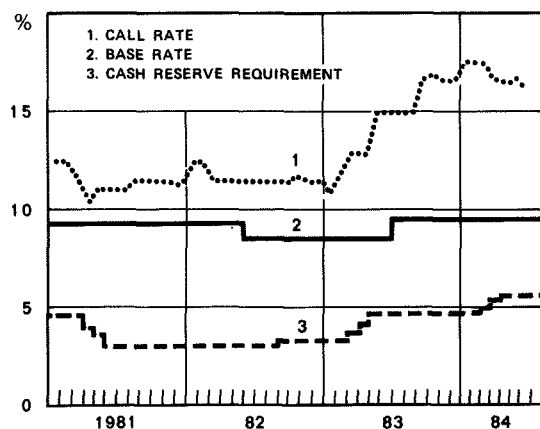
<sup>1</sup> See also the articles in the August 1982 and August 1983 issues of the Bulletin.

tions can be made for capital income, and banks have recently shown interest in offering "investment accounts" aimed at small savers.

## RECENT MONETARY POLICY<sup>2</sup>

In view of the continued strengthening of economic activity and in order to contain inflationary pressures, the stance of monetary policy has already been tight for some time. The banks' cash reserve requirement has been progressively increased in both 1983 and 1984, and the Bank of Finland's call money rate has been kept high (Chart 2). Despite these measures, bank lending has continued to grow at a

**CHART 2. MAIN MONETARY POLICY INSTRUMENTS**

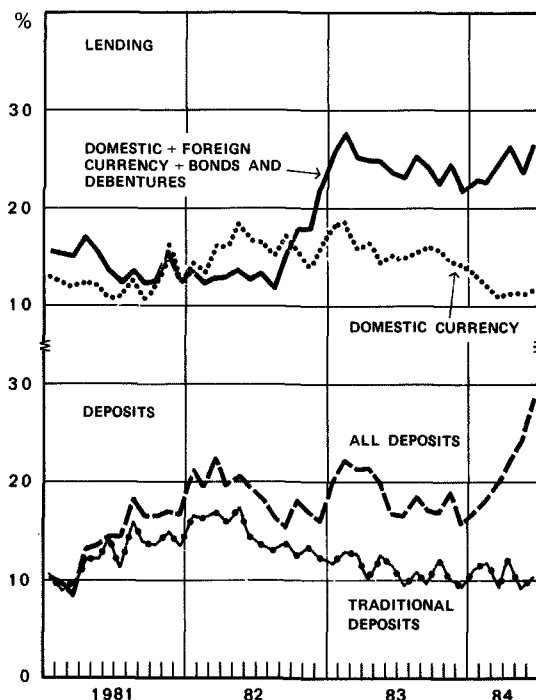


rather rapid rate (Chart 3). Growth has, however, been confined mainly to credits denominated in foreign currencies and to bank purchases of bonds and debentures. As a parallel to this development, funds other than traditional deposits played an important role in the growth of total deposits in the January–June period.

The most outstanding feature of recent money market developments has been the substantial increase in foreign exchange reserves. The net foreign assets of the Bank of Finland more than doubled between December and June (Chart 4). Of this increase of FIM 10 billion,

<sup>2</sup> For specific measures, see the chronological list following this article. Monetary policy measures were also discussed in the front article of the June–July 1984 issue of the Bulletin. Real interest rates were reviewed in the front article of the August 1984 issue of the Bulletin.

**CHART 3. COMMERCIAL BANKS' LENDING AND DEPOSITS, 12-MONTH PERCENTAGE CHANGE**



slightly under one billion was due to a surplus in the current account and approximately two billion to long-term capital inflows. The residual inflow of short-term capital mainly represents the refinancing of export receivables and the covering of export receivables in the forward market. In the case of refinanced export receivables, funds have in many cases first appeared as deposits in the unregulated rate market; to a large extent banks have then channelled these funds to the Bank of Finland through the call money market. Short-term capital imported by banks to cover their forward purchases has also contributed to the substantial increase in banks' call money deposits at the central bank. As a consequence, the net central bank debt of the banks has decreased by an amount almost equivalent to the growth in foreign exchange reserves. This has led to a novel situation in which the banks have a net claim on the central bank.

The high call money rate has, at least so far, effectively restrained banks' willingness to expand credit, inducing them to place their

funds in the central bank instead. Since the call money rate strongly influences the rate of interest in the unregulated rate market, this market currently sets a high yield requirement for investments. Thus it ties up funds in financial assets in a way that at present appears well-founded from a cyclical point of view. However, the high call money rate, together with the strong confidence displayed in the Finnish markka in the foreign exchange market, has at the same time been a major factor behind the substantial inflow of foreign capital. Care must be taken to ensure that the improved liquidity of the banks and the corporate sector does not lead to excessive growth of lending and domestic demand, especially if profitability continues to improve significantly. On the other hand, the high interest rate in the call money market has increased financial flows arising from arbitrage in connection with the interest rate differential between the regulated and unregulated segments of the market. This phenomenon has recently complicated the interpretation of figures for credit expansion.

## AUTONOMY OF MONETARY POLICY

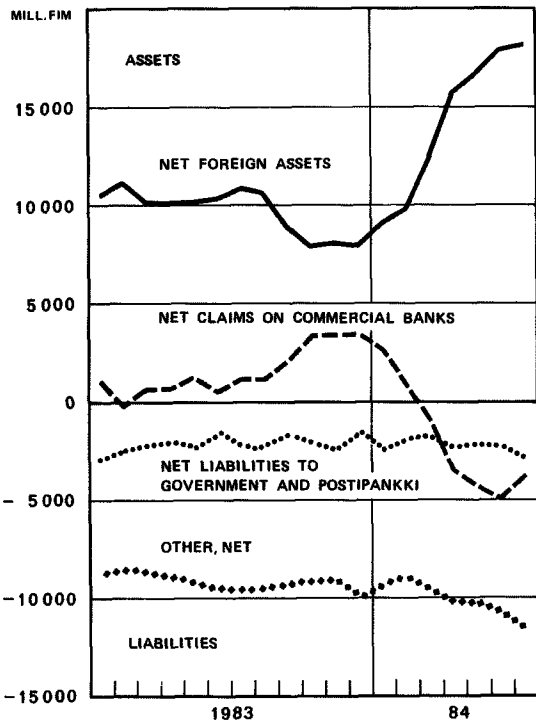
The administrative control of interest rates in Finland has been supported by the regulation of capital imports and exports. Imports and exports of long-term capital require prior approval, and short-term capital movements must be related to commercial transactions.

The imperfect substitutability between domestic and foreign assets resulting from foreign exchange controls has allowed the Bank of Finland to conduct a fairly independent monetary policy. However, the openness of the Finnish economy has continued to increase. In addition to direct trade links, industrial firms, banks and even insurance companies are going through an intense process of internationalization, which is also reflected in the utilization of new and versatile sources of finance. After the establishment of the call money market, the domestic market for unregulated funds and foreign financial markets have become more closely linked, with the call money rate acting as a sort of reference rate for domestic short-term funds. Since general interest rate awareness has increased at the same time, better utilization of opportunities has been taking place in two directions instead of the earlier one-way imports of capital.

In addition to the quest for better yields, institutional changes and exchange rate uncertainties have undoubtedly also influenced the extent of leakage through capital movements. Upon joining the OECD in 1968, Finland signed the organisation's code on the liberalisation of capital movements and gave up certain forms of exchange control. A period of increased financial autonomy followed the transition to floating exchange rates in 1973. On the other hand, the developments in the domestic money market since the mid-1970s have increased the sensitivity of short-term capital movements and thus reduced the degree of autonomy of monetary policy in Finland.

The increasing importance of international linkages is also reflected in empirical studies of the

**CHART 4. KEY ITEMS IN CENTRAL BANK BALANCE SHEET, MONTHLY AVERAGES**



effects of monetary policy. Studies undertaken at the Bank of Finland indicate that roughly half of the monetary policy impact on domestic credit expansion is offset by a corresponding change in short-term capital flows. These results are of the same order of magnitude as in

other countries with partial regulation of capital movements, and thus Finland's autonomy in monetary policy probably does not differ materially from that of comparable countries.



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

## 1983

### 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 FIM 70 million.

*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  $\frac{3}{4}$  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  $\frac{1}{2}$  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 8  $\frac{3}{4}$  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.

## **September**

*Central bank financing.* The Bank of Finland decides to extend to Peruspankki Ltd, as from the beginning of September, the same rights to central bank financing and the use of the call money market as the other commercial banks.

## ITEMS

**Finland's balance of payments January—June 1984.** According to the Bank of Finland's preliminary figures, the current account showed a surplus of FIM 600 million in January—June of this year. The net inflow of long-term capital amounted to FIM 3 503 million and that of short-term capital to FIM 4 105 million. Hence, the foreign exchange reserves of the Bank of Finland grew by FIM 8 208 million. In the first half of 1983, the current account had shown a deficit of FIM 1 861 million.

*Current account.* The trade account (including adjustment items) registered a surplus of FIM 3 540 million in January—June, as against a deficit of FIM 19 million in the corresponding period last year. Commodity exports grew by 16 per cent in value and by 10 per cent in volume as compared with January—June 1983. The largest increase in export volumes occurred in the chemical industries and the paper and graphical industries. The value of commodity imports rose by 6 per cent and the volume by 2 per cent. Import volumes of investment and consumer goods declined, whereas imports of raw materials and producer goods increased slightly as compared with January—June 1983.

The surplus on the services account amounted to FIM 901 million in January—June, which was FIM 662 million less than in the corresponding period last year. At FIM 2 041 million, the surplus on the transport account was FIM 447 million greater than in the corresponding period last year. Travel receipts grew by 7 per cent and expenditure by 16 per cent, giving rise to a deficit of FIM 708 million on the travel account. The "other services account" recorded a deficit of FIM 432 million.

Interest payments on foreign loans amounted to FIM 5 375 million. With interest earnings on foreign assets reaching FIM 1 967 million, the investment income account showed a deficit of FIM 3 408 million in January—June. This

was FIM 363 million more than in January—June 1983. The unrequited transfers account registered a deficit of FIM 375 million.

*Capital account.* Drawings of long-term loans amounted to FIM 7 933 million in January—June, which was FIM 2 513 million more than in January—June 1983. The central government accounted for FIM 2 957 million of the drawings. Redemptions of long-term loans totalled FIM 4 238 million, or FIM 72 million more than in the corresponding period last year. Drawings of long-term export credits granted to foreign customers reached FIM 1 200 million and redemptions of outstanding export credits FIM 784 million. Finnish direct investment abroad totalled FIM 1 275 million and foreign direct investment in Finland FIM 82 million. The total net inflow of long-term capital amounted to FIM 3 503 million, which was FIM 2 262 million more than in the corresponding period last year.

The inflow of short-term capital (including errors and omissions) totalled FIM 4 105 million in January—June. Short-term liabilities related to imports grew by FIM 395 million, while net prepayments and receivables related to exports declined by FIM 1 444 million. The net short-term liability of the authorized banks grew by FIM 5 582 million.

As a result of the current account surplus and the large net capital inflow, the foreign exchange reserves of the Bank of Finland increased by FIM 8 208 million. The Bank's convertible foreign exchange reserves grew by FIM 8 581 million, whereas claims in tied currencies fell by FIM 373 million. At the end of June, the convertible foreign exchange reserves of the Bank of Finland totalled FIM 16 755 million and the tied foreign exchange reserves FIM 170 million.

At the end of June, Finland's net foreign debt amounted to FIM 48 698 million, of which the central government accounted for FIM 21 974 million. The net long-term debt totalled FIM 48 232 million and the net short-term debt FIM 466 million.

**MAJOR BALANCE OF PAYMENTS ITEMS  
JANUARY—JUNE 1984, MILLION FIM<sup>1</sup>**

	Receipts	Expendi- ture	Net
Trade (exports f.o.b., imports c.i.f.)	39575	35684	3891
Adjustment items	-88	263	-351
Trade account	39487	35947	3540
Transport (c.i.f.)	3341	1300	2041
Travel	1272	1980	-708
Other services	2399	2831	-432
Services account	7012	6111	901
<b>GOODS AND SERVICES ACCOUNT</b>	<b>46499</b>	<b>42058</b>	<b>4441</b>
Investment income, net	1967	5375	-3408
Unrequited transfers	242	617	-375
Other	1549	1607	-58
<b>A. CURRENT ACCOUNT</b>	<b>50257</b>	<b>49657</b>	<b>600</b>
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits:			
drawings	-1200	7933	6733
redemptions	784	-4238	-3454
Direct investment	-1275	82	-1193
Other long-term capital	658	759	1417
<b>B. LONG-TERM CAPITAL ACCOUNT</b>	<b>-1033</b>	<b>4536</b>	<b>3503</b>
<b>BASIC BALANCE (A + B)</b>			<b>4103</b>
Prepayments and liabilities related to imports			395
Prepayments and receivables related to exports			1444
Short-term capital of authorized banks			5582
Other short-term capital			-3286
Errors and omissions			-30
<b>C. SHORT-TERM CAPITAL ACCOUNT</b>			<b>4105</b>
<b>D. ALLOCATIONS OF SDRs</b>			<b>-</b>
<b>OVERALL BALANCE (A + B + C + D)</b>			<b>8208</b>
Change in the foreign exchange reserves of the Bank of Finland			-8208

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

<sup>1</sup> Preliminary figures

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# BANK OF FINLAND

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## Board of Management

Rolf Kullberg

*Chairman*

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom

*Absent as Minister  
of Trade and Industry*

Esko Ollila

Markku Puntila

*Acting Member of the Board*

---

## Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Sirkka Hämäläinen

Matti Vanhala

---

## Senior officials

Timo Männistö

*Internal Audit*

Ralf Pauli

*Monetary Policy*

Raimo Hyvärinen

*Domestic Financing*

Stig G. Björklund

*Payments*

H.T. Hämäläinen

*Administration*

U. Levo

*International Legal Affairs*

Ossi Leppänen

*Accounting*

Anton Mäkelä

*Personnel*

Reijo Mäkinen

*Cash*

Heikki Koskenkylä

*Research Dept.*

Johnny Åkerholm

*Exchange Policy*

Kari Pekonen

*Foreign Exchange*

Kari Holopainen

*Bilateral Trade*

Markus Fogelholm

*Foreign Financing*

J. Ojala

*Exchange Control*

Seppo Kostiainen

*Deputy, Economics Dept.*

Erkki Vehkamäki

*Data Processing*

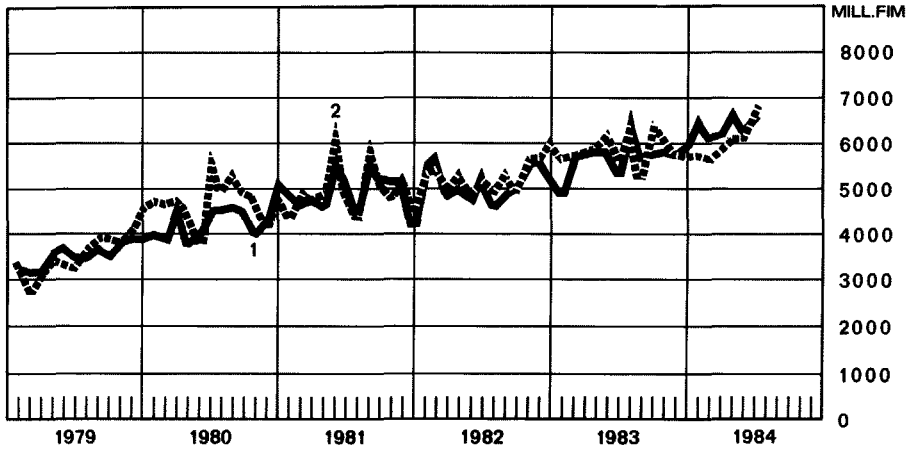
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**FOREIGN TRADE, 1979 - 84**

1. Exports f.o.b.

2. Imports c.i.f.

Seasonally adjusted monthly figures



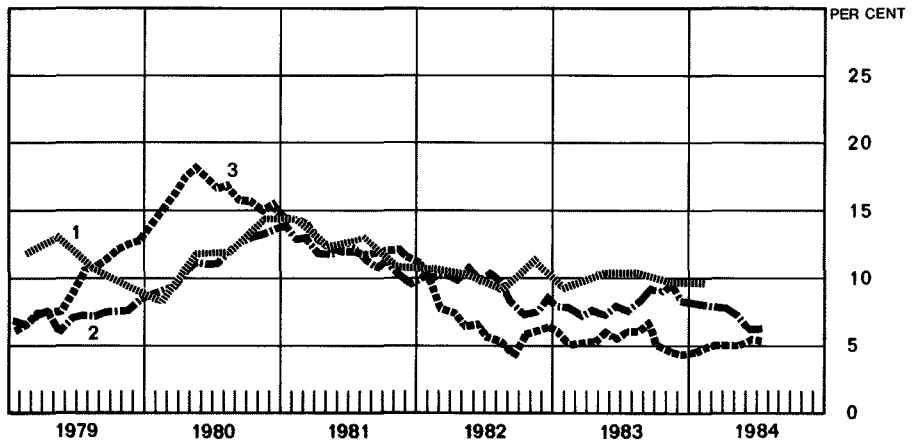
**PRICES AND WAGES, 1979 - 84**

1. Index of wage and salary earnings 1975=100, quarterly figures

2. Consumer price index 1981 = 100, monthly figures

3. Basic price index for domestic supply 1980=100, monthly figures

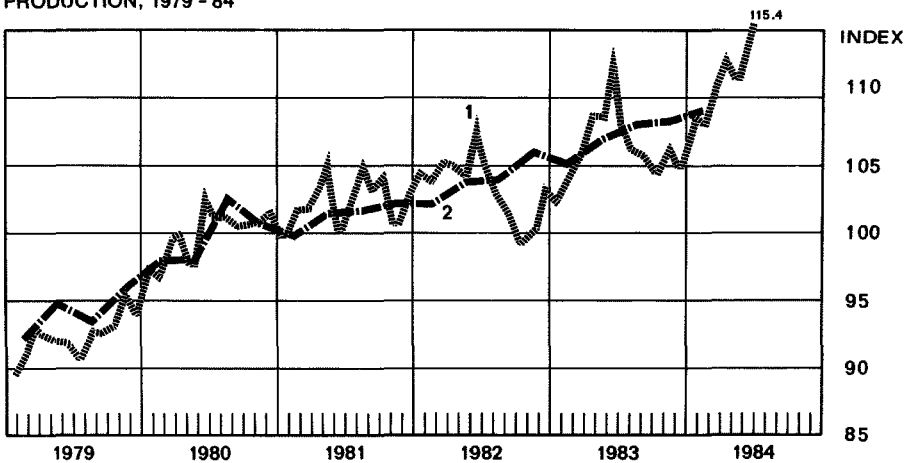
Percentage change on previous year



**PRODUCTION, 1979 - 84**

1. Total index of industrial production 1980=100, seasonally adjusted monthly figures

2. Volume index of gross domestic product 1980=100, seasonally adjusted quarterly figures



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