



BANK OF FINLAND

Monthly Bulletin

Nordic foreign exchange cooperation

**The Finnish economy in 1979
and the current outlook**

Credit facility agreement

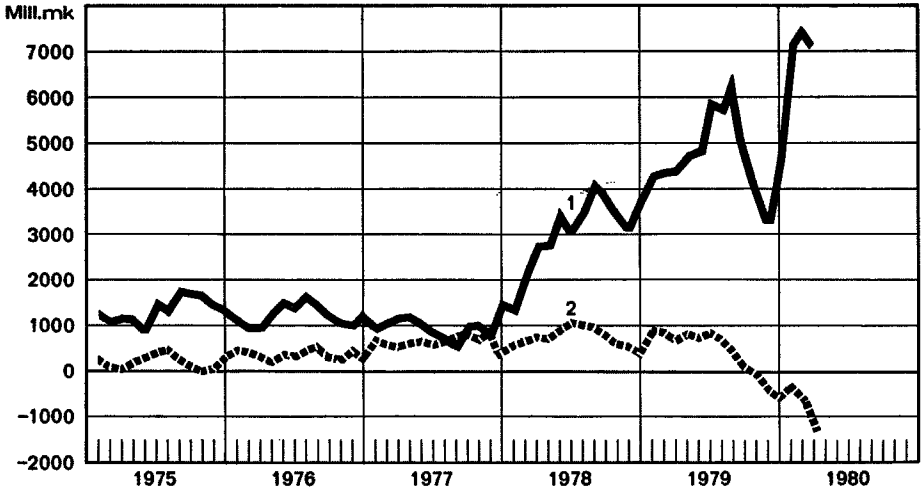
The 1-penny piece

**Automation of Finnish telephone
communications completed**

MAY 1980

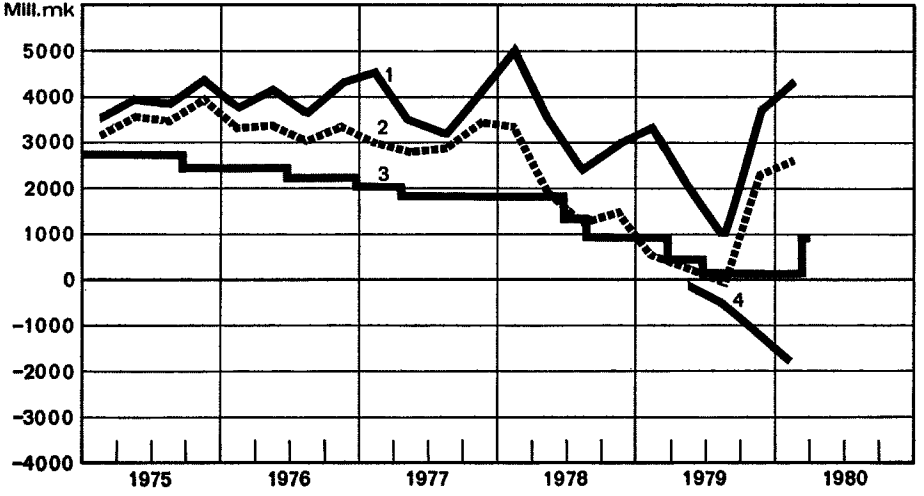
Vol. 54 No. 5

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



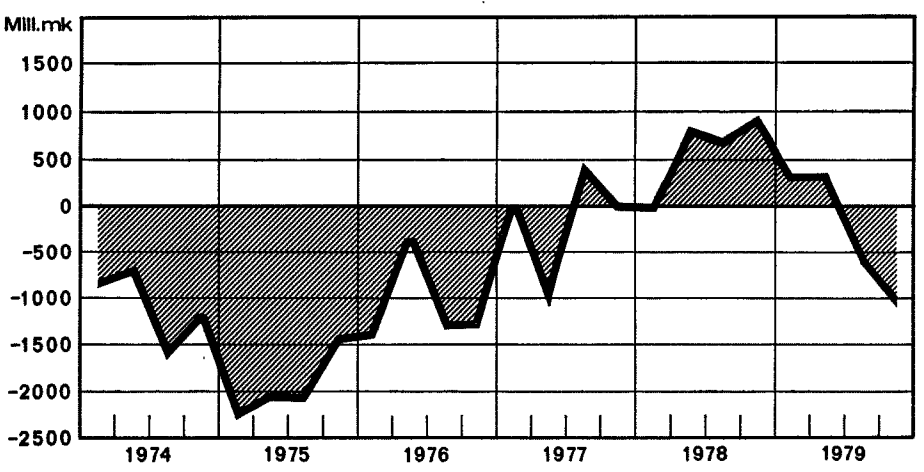
- 1. Gold and convertible currencies
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COMMERCIAL BANKS' CENTRAL BANK POSITION, 1975-80



- 1. Total central bank debt
 - 2. Actual central bank debt
 - 3. The quotas
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BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1974-79



Seasonally adjusted quarterly figures

NORDIC FOREIGN EXCHANGE COOPERATION

by Kerstin Heinonen, M.Pol.Sc.

Exchange Policy Department
Bank of Finland

The traditional cooperation between the Nordic countries in foreign exchange policy affairs has, on the one hand, assumed an informal consultative character and, on the other hand, involved the establishment of concrete agreements and official channels for the exchange of views. The desire to find common solutions to, inter alia, foreign exchange issues of mutual interest is embodied in the general agreement on cooperation between the Nordic countries (the Helsinki Agreement) concluded in 1962. In addition, the international obligations placed on the Nordic countries as members of international economic organizations and economic communities also provide a framework for cooperation.

The scope for foreign exchange policy in the five Nordic countries is in many respects similar. The heavy dependence on foreign trade, characteristic of all the Nordic economies, accounts for the important consequences that changes in foreign exchange rates often have for domestic economic activity. On the other hand, the limited use of Nordic currencies in international transactions outside the area in principle allows the countries to conduct fairly independent exchange rate policies. The openness of the Nordic economies forms the basis for the support for stable and orderly international foreign exchange conditions expressed by Nordic representatives in international bodies such as the International Monetary Fund and the World Bank Group, where the Nordic countries have common representation.

Because of the limited market which the Nordic countries together constitute and their dependence on economic developments in countries outside the area, Scandinavian cooperation in foreign exchange policy has mainly taken place within larger international communities. In the early 1970s, Scandinavian cooperation was

focused on the joint European float (the »Snake»), in which Denmark, Norway and Sweden participated at an early stage. After Sweden and Norway had withdrawn from the joint float in 1977 and 1978 respectively, the Nordic countries chose to pursue to some extent dissimilar foreign exchange policies. As a member of the EEC, Denmark participates in the European Monetary System. Finland, Norway and Sweden have each decided to tie their currencies through a currency index to a basket of other currencies which are important in their foreign trade. Iceland maintains a floating rate of exchange for its currency.

By pursuing their individual exchange policies, the Nordic countries endeavour to satisfy their different national requirements for economic adaption to international economic conditions. These requirements reflect differences in the countries' foreign trade structure, economic position and competitive situation, their trade policy ties with the rest of the world and the priority given to foreign exchange policy within their general economic policy. Since also certain other economic and institutional conditions in the Nordic countries differ, it would be difficult to establish any firm linking of national policies to an overall Nordic policy. At the same time, however, a natural economic dependence exists between the Nordic countries: the influence of intra-Nordic trade, for example, is significant.

At recent annual sessions of the Nordic Council, the question of intensifying Nordic foreign exchange policy and monetary cooperation has been discussed. The ground for this was laid in 1978 in the form of a motion prompted by the desire to explore the prospects for supporting Nordic economic growth and employment during the persistent economic recession of that time. The motion resulted in a recom-

mentation presented by the Nordic Council to the Nordic Council of Ministers to strengthen and further develop exchange policy consultations and coordination so as to maintain stability within the Nordic currency area.

The Nordic Council of Ministers delegated the task of preparing a report on this matter to its subsidiary body, the Nordic Government Officials Committee on Finance and Foreign Exchange Questions. The report was included in the Annual Report for 1979 of the Nordic Council of Ministers which was presented to the 28th Session of the Nordic Council held in Reykjavik in March 1980.

The investigation resulted in a survey of the international foreign exchange system, foreign exchange policy and interrelated exchange rate developments in the Nordic countries, and the possibilities and limitations for extending cooperation in foreign exchange policy. The present forms of cooperation were summarized in the report, and these are briefly described below.

The Nordic Financial Commission, which can constitute itself as the Nordic Government Officials Committee, is an active organ for the exchange of views and experiences related to exchange policy questions. The meetings, where e.g. exchange rate developments in the Nordic countries are reviewed, take place whenever the need arises, usually several times a year. The Nordic central banks and other authorities involved in preparing monetary and credit policy in the various countries are represented in the Commission, which has operated as a body for Nordic cooperation since the 1950s. The Commission has prepared reports on plans for economic integration, such as the foundation of a Nordic credit institution, and has carried out surveys on an ad hoc basis, such as an examination of Nordic foreign exchange regulations. A currency index seminar for reviewing the Nordic experiences in this field was held last summer.

At the international level, the system with a common Nordic representative on the Executive Board of the International Monetary Fund

makes it necessary for frequent contacts between Nordic authorities so as to coordinate the line of action for the Nordic member of the Board.

No cooperation in official exchange rate policy has been formalized between the Nordic countries. It is usual, however, to give the other countries advance notice about any important exchange policy measures, e.g. exchange rate changes, that are likely to affect their economies. Regular channels of communication exist for keeping members up to date with current exchange rate policies.

An agreement on a swap system between the Nordic central banks was concluded in 1962, and last renewed in 1976. According to the agreement, the central banks may, whenever necessary, assist each other with short-term foreign exchange credit.

The Governors of the Nordic central banks gather once a year for discussions and an information meeting. At these meetings, which have been held regularly since the 1930s, the discussions have centred on one or two specially selected topics in addition to the economic and foreign exchange policy lines currently being pursued.

Nordic authorities tend to coordinate their presence on the international capital markets in order to avoid a crowding of new bond issues in the same market. The Nordic Investment Bank, founded by the five Nordic countries in 1976, has the potential to finance large intra-Nordic investment and export projects and can therefore provide a stimulus to cooperation in the field of industrial policy.

In dealing with the Nordic Council of Ministers' Annual Report, the Economic Committee of the Nordic Council found that the scope for cooperation in exchange rate policy was limited with regard to the introduction of firm exchange rate arrangements among the Nordic currencies and cooperation in the formation of uniform cur-

(continued on page 33)

BANK OF FINLAND

Mill. mk

	1979		1980			
	April 30	Dec. 31	April 8	April 15	April 23	April 30
Assets						
Gold and foreign exchange receivables	5 701	4 860	7 375	7 488	7 755	7 360
Gold ¹	169	1 073	1 073	1 073	1 073	1 073
Special drawing rights	458	430	576	576	576	576
IMF reserve tranche	243	225	225	225	225	225
Foreign bonds ²	—	—	1 941	1 955	1 960	1 976
Convertible currencies	3 920	2 978	3 409	3 504	3 768	3 352
Tied currencies	911	154	151	155	153	158
Other foreign receivables	2 366	2 803	1 054	1 054	1 054	1 054
Foreign bonds ²	1 269	1 749	—	—	—	—
Mark subscription to Finland's IMF quota	1 097	1 054	1 054	1 054	1 054	1 054
Receivables from financial institutions	2 711	4 538	5 633	6 043	4 965	5 484
Banks' cheque accounts	176	233	918	1 052	1 025	1 081
Discounted bills	349	—	—	—	—	—
Call money market advances	1 808	3 870	4 252	4 532	3 484	3 950
Bonds	358	408	393	392	404	399
Other financial institution receivables	20	27	70	67	52	54
Receivables from the public sector	822	884	1 266	1 268	1 266	1 267
Government promissory notes	346	346	700	700	700	700
Bonds	112	145	164	165	166	168
Total coinage	354	372	379	380	381	381
Other public sector receivables	10	21	23	23	19	18
Receivables from corporations	2 007	2 520	2 537	2 547	2 720	2 703
Financing of exports	891	1 230	1 106	1 091	1 225	1 200
Financing of domestic deliveries	782	952	1 120	1 142	1 180	1 188
Bonds	216	205	192	190	190	190
Other corporate receivables	118	133	119	124	125	125
Other assets	67	73	74	74	75	75
Total	13 674	15 678	17 939	18 474	17 835	17 943
Liabilities						
Foreign exchange liabilities	39	846	1 353	1 375	1 469	1 617
Convertible accounts	28	14	19	26	26	27
Tied accounts	11	832	1 334	1 349	1 443	1 590
Other foreign liabilities	2 213	1 818	1 951	1 951	1 951	1 951
IMF mark accounts	1 759	1 385	1 385	1 385	1 385	1 385
Allocations of special drawing rights	454	433	566	566	566	566
Notes and coins in circulation	3 822	4 375	4 161	4 060	4 034	4 281
Notes	3 504	4 020	3 811	3 711	3 686	3 931
Coins	318	355	350	349	348	350
Deposit certificates in circulation	2 288	1 700	3 340	3 340	3 340	2 940
Claims of financial institutions	2 340	3 043	3 274	3 864	3 133	3 193
Banks' cheque accounts	1	4	6	1	0	49
Call money market deposits	2 078	1 131	847	1 376	732	519
Cash reserve deposits	257	1 764	2 267	2 267	2 266	2 396
Capital import deposits	—	140	147	144	126	223
Other financial institution claims	4	4	7	76	9	6
Claims of the public sector	113	387	62	46	44	53
Cheque accounts	0	2	1	1	0	9
Counter-cyclical reserves	40	42	42	42	42	42
Capital import deposits	72	339	16	0	—	—
Other public sector claims	1	4	3	3	2	2
Claims of corporations	344	403	552	547	554	562
Deposits for investment and ship purchase	44	133	209	210	220	230
Capital import deposits	293	254	340	334	331	329
Import levy deposits	1	2	—	—	—	—
Other corporate claims	6	14	3	3	3	3
Other liabilities	12	13	14	13	13	13
Equalization accounts	326	1 252	1 371	1 414	1 429	1 462
Capital accounts	2 177	1 841	1 861	1 864	1 868	1 871
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	636	636	441	441	441	441
Undisposed profits	92	—	—	—	—	—
Net earnings	49	—195	20	23	27	30
Total	13 674	15 678	17 939	18 474	17 835	17 943

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

BANK OF FINLAND

Mill. mk

End of year or month	Foreign sector ¹							Public sector			Deposit certificates in circulation
	Gold ² , SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1974	675	341	1 047	2 063	-388	-6	1 669	302	560	258	1 040
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	—
1977	337	543	1 212	2 092	496	-2 031	557	391	328	-63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1979											
April	870	1 269	3 892	6 031	900	-1 116	5 815	822	113	-709	2 288
May	856	1 442	4 025	6 323	824	-971	6 176	828	112	-716	2 588
June	856	1 531	5 113	7 500	901	-971	7 430	844	41	-803	3 378
July	863	1 690	4 984	7 537	770	-971	7 336	853	373	-480	3 378
Aug.	853	1 865	5 644	8 362	504	-793	8 073	848	374	-474	3 378
Sept.	853	2 001	4 181	7 035	186	-793	6 428	859	364	-495	2 390
Oct.	858	1 860	3 316	6 034	-157	-793	5 084	866	388	-478	2 390
Nov.	855	1 783	2 582	5 220	-505	-793	3 922	867	381	-486	2 040
Dec.	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980											
Jan.	1 861	1 829	3 463	7 153	-462	-897	5 794	1 254	68	-1 186	2 200
Feb.	1 864	2 020	3 670	7 554	-700	-897	5 957	1 265	60	-1 205	2 740
March	1 874	1 972	3 330	7 176	-1 316	-897	4 963	1 280	63	-1 217	3 340
April	1 874	1 976	3 325	7 175	-1 432	-897	4 846	1 267	53	-1 214	2 940

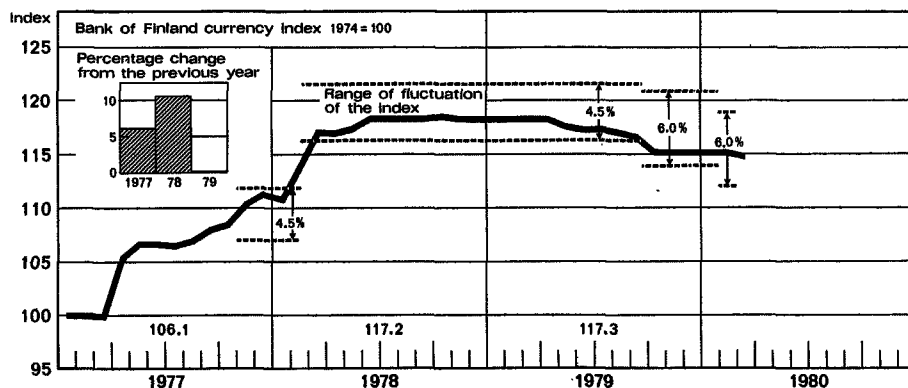
FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1979			Net holdings, March 31, 1980 ¹			Change		
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	March	Jan.-March	
Gold ²		1 073	—	1 073	1 073	—	1 073	—	—
Special drawing rights		430	—	430	576	—	576	+10	+146
IMF reserve tranche		225	—	225	225	—	225	—	—
Foreign bonds		—	—	—	1 972	—	1 972	-47	+222
Convertible currencies		2 964	-3 223	-259	3 330	-3 753	-423	-279	-164
Total		4 692	-3 223	1 469	7 176	-3 753	3 423	-316	+204
Tied currencies		-678	-30	-708	-1 316	-78	-1 394	-645	-686
Grand total		4 014	-3 253	761	5 860	-3 831	2 029	-961	-482

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

End of year or month	Domestic financial sector							Corporate sector			Notes and coins in circulation
	Discounted and rediscounted bills	Cheque account receivables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receivables (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net receivables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1974	3 034	110	—	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1979											
April	349	176	1 808	2 078	—	-116	371	1 673	10	1 663	3 822
May	379	138	1 368	1 589	115	-174	355	1 742	98	1 644	3 923
June	295	116	736	1 246	235	-210	-124	1 827	67	1 760	4 186
July	—	376	935	1 104	482	-287	12	1 884	55	1 829	4 025
Aug.	—	330	392	1 038	730	-276	-770	1 909	60	1 849	4 022
Sept.	—	119	1 919	1 334	989	-312	27	1 923	144	1 779	4 072
Oct.	—	232	2 894	1 058	1 232	-284	1 120	2 173	150	2 023	3 963
Nov.	—	192	3 735	836	1 496	-262	1 857	2 233	107	2 126	4 156
Dec.	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980											
Jan.	—	375	2 989	1 376	2 095	-295	188	2 224	62	2 162	4 047
Feb.	—	910	3 005	1 370	2 123	-315	737	2 317	149	2 168	4 233
March	—	836	4 155	592	2 267	-307	2 439	2 305	234	2 071	4 163
April	—	1 032	3 950	519	2 396	-224	2 291	2 388	247	2 141	4 281



MONETARY POLICY INDICATORS

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

1979

April	2 682	417	500	—	—	—143	7.25	8.42	7.76	7.82
May	2 343	292	500	4	3	—226	7.25	8.35	7.65	7.83
June	1 499	200	500	123	108	—308	7.25	8.35	7.52	7.83
July	1 257	—180	200	243	212	—388	7.25	8.31	7.68	7.84
Aug.	784	—708	200	490	427	—407	7.25	8.36	7.61	7.83
Sept.	1 427	395	200	756	658	198	7.25	8.68	8.03	7.85
Oct.	2 905	1 216	200	997	868	1 018	7.25	9.13	8.50	7.85
Nov.	3 760	2 512	200	1 241	1 078	2 298	8.50	12.87	11.94	8.98
Dec.	4 603	3 350	200	1 505	1 316	3 151	8.50	13.53	12.76	9.06

1980

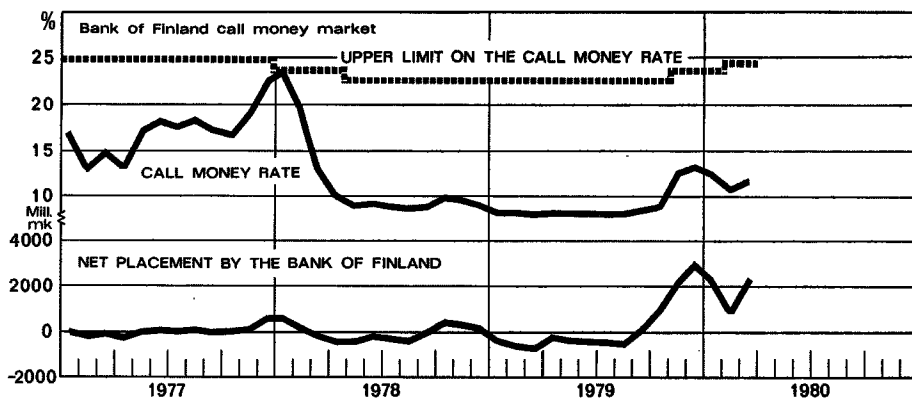
Jan.	4 471	2 627	200	1 775	1 553	2 399	8.50	12.70	11.79	9.08
Feb.	4 074	2 066	1 000	2 092	1 829	1 068	9.25	11.14	10.18	9.77
March	4 580	3 380	1 000	2 128	1 857	2 381	9.25	11.97	11.19	..
April	5 156	4 204	1 000	2 271	1 987	3 204	9.25	12.36

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

³ See Bulletin April, 1979, page 1.

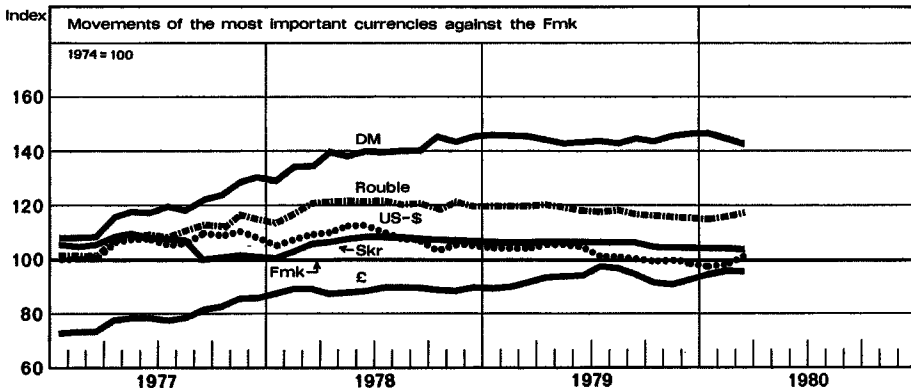


FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

Period	Average selling rates for foreign exchange, mk									Currency index 1974=100
	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3
1979										
April	4.012	8.332	91.65	78.33	76.40	212.10	234.14	92.55	6.055	118.5
May	4.013	8.276	91.59	77.63	74.76	210.53	232.49	91.31	6.032	117.8
June	3.973	8.390	91.71	77.29	73.35	210.71	233.39	91.21	5.956	117.5
July	3.851	8.716	91.52	76.66	73.75	211.37	234.03	91.04	5.915	117.5
Aug.	3.845	8.620	91.34	76.71	73.25	210.34	232.22	90.59	5.942	117.2
Sept.	3.821	8.415	91.38	76.95	73.85	212.88	236.64	91.23	5.858	116.9
Oct.	3.780	8.132	90.09	76.39	72.57	211.60	232.68	90.46	5.845	115.4
Nov.	3.794	8.097	90.03	75.82	72.41	213.96	230.42	91.43	5.828	115.4
Dec.	3.735	8.233	89.67	75.39	69.89	215.60	233.65	92.22	5.798	115.4
1980										
Jan.	3.703	8.396	89.55	75.69	69.07	214.92	232.60	92.00	5.788	115.4
Feb.	3.724	8.546	89.58	76.56	68.59	213.33	227.68	91.24	5.818	115.4
March	3.858	8.533	89.13	76.75	67.23	209.01	219.46	89.87	5.896	115.0
April	3.828	8.482	87.85	75.78	65.85	204.42	218.11	88.39	5.791	113.1

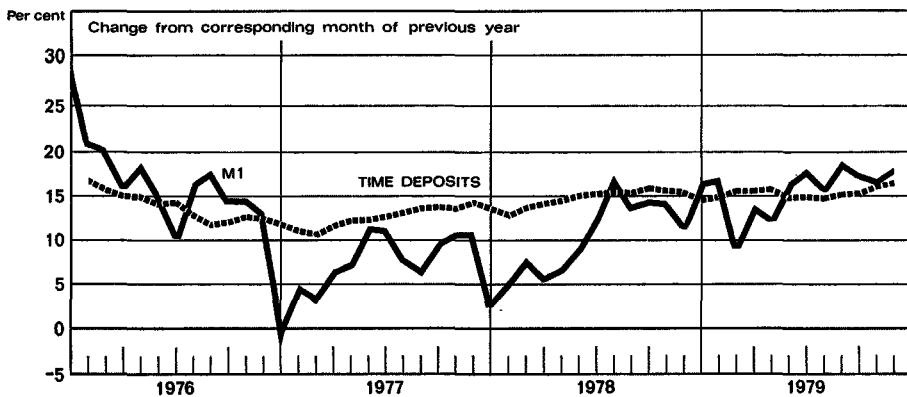
See explanations on page 22.



DEPOSITS BY THE PUBLIC

Mill. mk

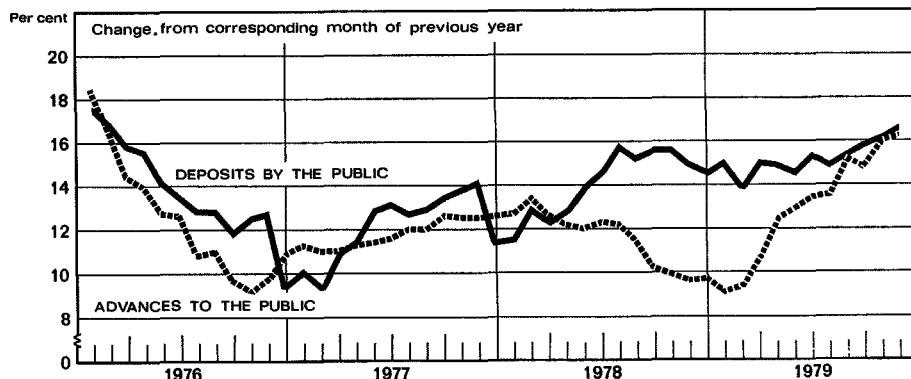
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1978										
Nov.	3 774	1 793	2 039	7 606	16 550	14 342	11 139	4 820	46 851	54 457
Dec.	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979										
Jan.	4 138	1 579	2 089	7 806	16 951	14 720	11 454	4 917	48 042	55 848
Feb.	3 544	1 629	2 081	7 254	17 267	15 045	11 716	5 004	49 032	56 286
March	3 717	1 589	2 108	7 414	17 521	15 231	11 803	5 085	49 640	57 054
April	3 837	1 670	1 995	7 502	17 816	15 405	11 966	5 112	50 299	57 801
May	4 244	1 777	2 271	8 292	17 692	15 584	12 140	5 140	50 556	58 848
June	4 373	1 842	2 678	8 893	17 978	15 932	12 330	5 176	51 416	60 309
July	4 160	1 944	2 700	8 804	18 189	16 153	12 481	5 253	52 076	60 880
Aug.	4 195	1 969	2 747	8 911	18 389	16 390	12 698	5 304	52 781	61 692
Sept.	3 900	2 053	2 818	8 771	18 441	16 447	12 716	5 350	52 954	61 725
Oct.	4 232	2 111	2 493	8 836	18 877	16 556	12 852	5 403	53 688	62 524
Nov.	4 316	2 078	2 486	8 880	19 315	16 832	13 059	5 469	54 675	63 555
Dec.	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1980										
Jan.	4 688	1 983	2 778	9 449	19 964	17 501	13 683	5 685	56 833	66 282



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ +Quasi- Money
	1	2	3	4	5	6	7	8	9	10
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157
1978										
Nov.	26 091	13 846	11 951	6 707	51 673	1 759	5 163	58 595	11 108	59 300
Dec.	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979										
Jan.	26 250	14 214	12 272	6 986	52 889	1 746	5 087	59 722	11 544	61 064
Feb.	26 735	14 373	12 348	7 160	53 558	1 876	5 182	60 616	11 102	61 615
March	27 186	14 446	12 446	7 196	53 701	1 805	5 768	61 274	11 442	62 463
April	28 170	14 598	12 548	7 342	54 374	1 816	6 468	62 658	11 577	63 203
May	28 384	14 826	12 747	7 423	55 035	1 761	6 584	63 380	12 435	64 350
June	28 860	14 991	12 940	7 631	55 528	1 781	7 113	64 422	13 269	65 833
July	28 758	15 224	13 124	7 603	56 256	1 839	6 614	64 709	13 161	66 293
Aug.	29 072	15 489	13 372	7 803	57 002	1 798	6 936	65 736	13 274	67 140
Sept.	28 923	15 732	13 595	7 848	57 931	1 914	6 253	66 098	13 008	67 117
Oct.	29 456	16 040	13 796	7 987	59 330	1 928	6 021	67 279	13 003	67 919
Nov.	29 764	16 306	14 056	8 039	60 234	2 031	5 900	68 165	13 131	69 012
Dec.	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157
1980										
Jan.	30 524	16 754	14 395	8 399	61 745	2 158	6 169	70 072	13 767	71 810



STATE FINANCES

Mill. mk

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

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

FOREIGN TRADE

Mill. mk

Value mill. mk

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

1979*

Feb.	2 813	2 392	+421
March	3 459	3 163	+296
April	3 375	3 159	+216
May	4 008	3 660	+348
June	3 495	3 325	+170
July	3 523	3 791	-268
Aug.	3 362	3 857	-495
Sept	3 357	3 869	-512
Oct.	4 374	4 297	+77
Nov.	4 380	4 390	-10
Dec.	3 846	4 581	-735

1980*

Jan.	4 245	4 940	-695
Feb.	3 796	4 150	-354

Jan.-Feb.

1979*	6 251	5 956	+295
1980*	8 041	9 090	-1 049

Indices of exports and imports
1975 = 100

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

1977

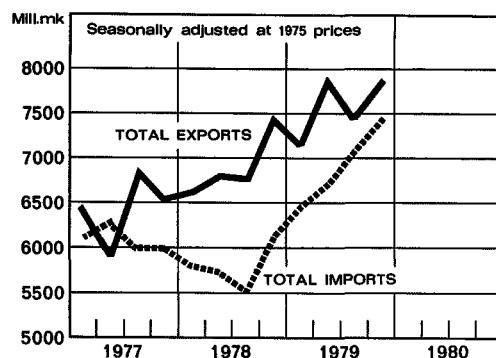
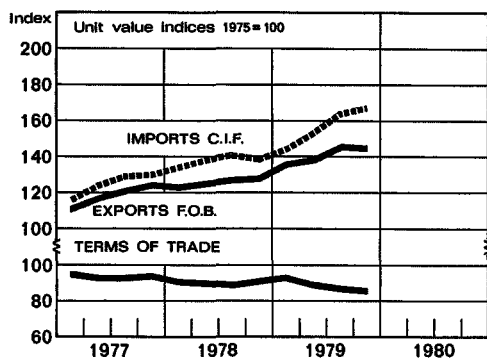
Jan.-March	123	83	112	117	96
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95

1978

Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	139	91
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92

1979*

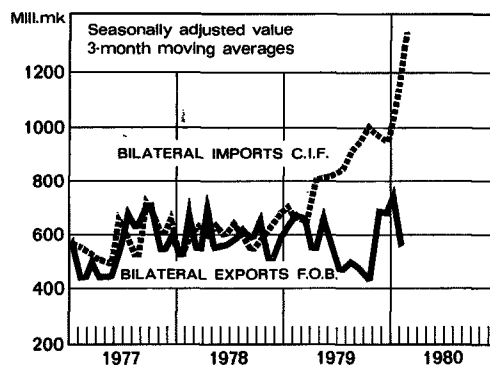
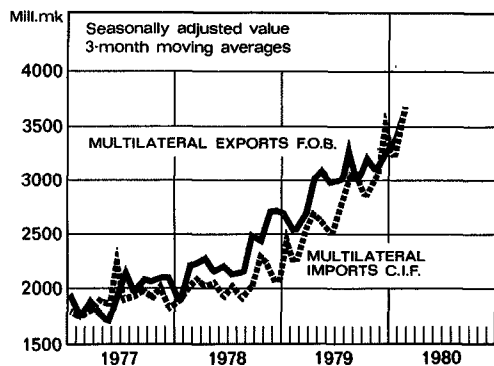
Jan.-March	140	90	137	145	94
Apr.-June	154	94	139	154	90
July-Sept.	138	99	146	165	88
Oct.-Dec.	171	113	146	168	87



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979*	1 366	6 073	12 990	10 341	12 660	28 701	3 401	5 719	6 133	91
1979*										
Jan.	266	458	918	794	1 002	2 249	235	539	539	2
Feb.	16	337	890	725	845	1 626	83	315	367	1
March	258	327	1 128	797	949	1 964	64	529	604	2
April	17	441	1 107	896	914	1 950	110	585	511	3
May	187	590	1 148	923	1 160	2 338	275	434	612	1
June	47	599	1 010	815	1 024	2 197	319	366	433	10
July	59	557	1 034	891	982	2 322	523	463	467	16
Aug.	58	514	1 151	639	1 000	2 529	429	424	471	4
Sept.	52	495	949	833	1 028	2 473	385	472	497	42
Oct.	56	577	1 308	1 093	1 340	2 909	364	474	548	2
Nov.	151	624	1 189	1 115	1 301	2 888	338	592	568	4
Dec.	199	554	1 158	820	1 115	3 259	276	526	516	4
1980*										
Jan.	285	601	1 203	751	1 405	3 157	431	652	681	19
Feb.	40	566	1 170	829	1 191	2 727	200	534	632	57
Jan.-Feb.										
1979*	282	795	1 808	1 519	1 847	3 875	318	854	906	3
1980*	325	1 167	2 373	1 580	2 596	5 884	631	1 186	1 313	76



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January—February				January—February			
	1979		1980*		1979		1980*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	64.3	4 016	70.1	5 640	60.0	3 570	56.4	5 127
Austria	0.8	48	0.8	61	1.4	86	1.3	114
Belgium and Luxembourg	1.6	92	1.7	139	2.0	118	1.8	166
Denmark	3.8	241	4.1	333	3.0	178	2.5	226
France	4.5	285	5.1	414	3.8	229	3.3	297
Federal Republic of Germany	12.5	781	11.6	931	14.6	868	13.3	1 206
Italy	2.2	135	2.7	218	2.5	149	2.6	238
Netherlands	3.4	216	4.4	352	3.0	177	2.8	250
Norway	3.9	242	4.4	355	2.2	129	1.9	170
Portugal	0.3	18	0.2	18	0.4	26	0.5	47
Spain	1.0	60	0.9	75	0.9	52	1.5	137
Sweden	16.0	1 000	18.8	1 508	15.4	914	13.5	1 225
Switzerland	2.2	139	2.0	157	2.3	136	1.6	149
United Kingdom	10.4	652	12.0	962	7.8	467	9.4	858
Other	1.7	107	1.4	117	0.7	41	0.4	44
OECD countries outside Europe	7.4	462	5.9	473	9.7	579	9.0	815
Canada	0.5	33	0.4	34	0.9	56	0.9	80
Japan	1.5	97	0.7	58	3.2	188	2.9	266
United States	4.4	272	3.4	274	5.4	324	5.0	456
Other	1.0	60	1.4	107	0.2	11	0.2	13
CMEA countries	18.3	1 161	14.5	1 162	21.2	1 264	26.1	2 368
Czechoslovakia	0.3	21	0.3	26	0.5	30	0.6	50
German Democratic Republic	0.5	45	0.7	55	0.7	44	0.6	50
Poland	0.6	38	0.5	41	0.8	46	1.3	120
Soviet Union	15.8	988	12.1	969	18.2	1 084	22.3	2 031
Other	1.1	69	0.9	71	1.0	60	1.3	117
Latin America	1.7	95	1.5	123	4.2	251	3.9	361
Argentina	0.3	16	0.4	32	0.1	6	0.1	6
Brazil	0.4	27	0.3	27	1.0	61	0.7	67
Colombia	0.1	9	0.2	19	1.5	89	1.4	132
Other	0.9	43	0.6	45	1.6	95	1.7	156
Other	8.3	517	8.0	643	4.9	292	4.6	419
GRAND TOTAL	100.0	6 251	100.0	8 041	100.0	5 956	100.0	9 090
of which								
EFTA countries	23.3	1 458	26.3	2 113	21.9	1 304	18.9	1 721
EEC countries	39.4	2 456	42.4	3 411	36.9	2 194	35.9	3 259
OECD countries	71.7	4 478	76.0	6 113	69.7	4 149	65.4	5 942

¹ New series. See explanations on page 22.

BALANCE OF PAYMENTS

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

1977

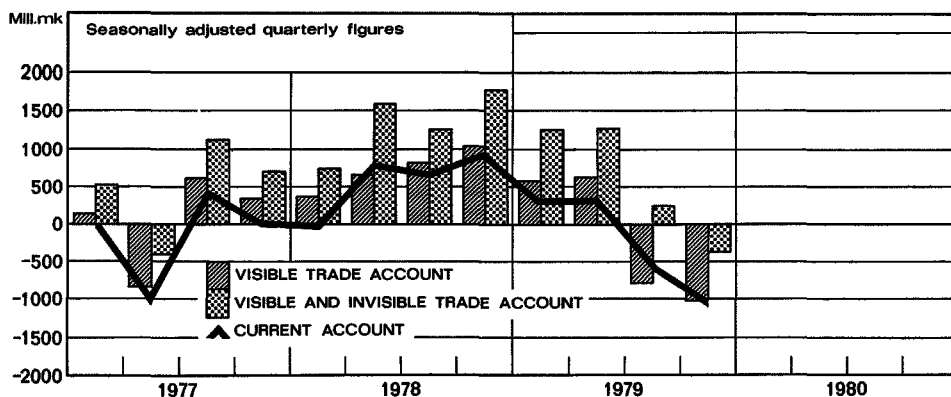
Jan.-March	6 959	6 765	+194	+355	-80	+103	+572	-506	-65	+1
Apr.-June	6 816	7 689	-873	+301	+10	+72	-490	-726	-32	-1 248
July-Sept.	7 932	7 671	+261	+386	+118	+202	+967	-532	-50	+385
Oct.-Dec.	9 060	8 500	+560	+372	-51	+122	+1 003	-670	-51	+282

1978

Jan.-March	7 745	7 357	+388	+378	-66	+222	+922	-613	-80	+229
Apr.-June	8 614	8 004	+610	+403	+11	+263	+1 287	-820	-40	+427
July-Sept.	8 271	7 816	+455	+415	+222	+182	+1 278	-644	-42	+592
Oct.-Dec.	10 394	9 066	+1 328	+487	-1	+333	+2 147	-776	-49	+1 322

1979*

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

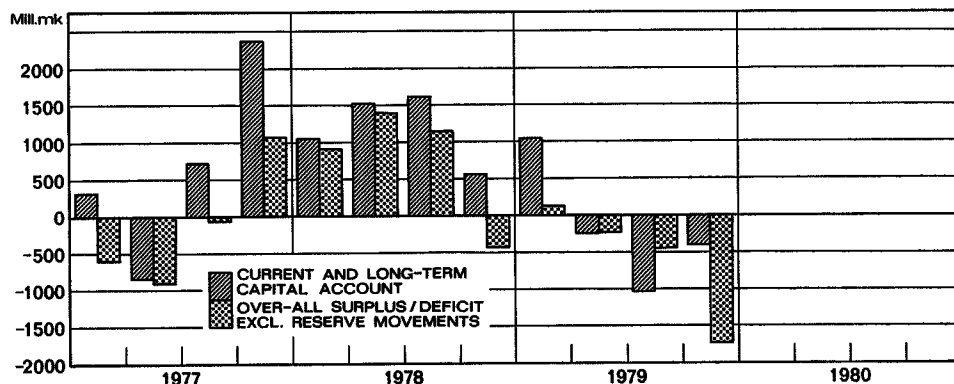


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+62	+5 132	-2 820	+638	+1 449	-14	-747	-444	+1 191
+6 130	-1 785	-191	+48	+4 202	-253	+138	-1 288	+1 275	-128	+78	+50
+6 454	-2 745	-241	-229	+3 239	+2 659	-1 547	-470	-1 131	-489	-170	+659
+9 007	-5 743	-774	-229	+2 261	+4 831	+130	-2 188	+267	+3 040	-2 339	-701
+6 230	-4 843	-541	-455	+391	-712	+582	-834	-1 336 ²	-2 300	+877	+1 423
+1 022	-530	-127	-24	+321	+322	-799	+149	-277	-605	-140	+745
+1 273	-857	+35	-37	+414	-834	-333	+149	+112	-906	+358	+548
+1 252	-647	-156	-89	+360	+745	+227	-384	-643	-55	-319	+374
+2 907	-691	+7	-79	+2 144	+2 426	-642	-384	-323	+1 077	-69	-1 008
+1 876	-854	-166	-17	+839	+1 068	-479	-402	+737	+924	-1 556	+632
+2 900	-1 733	-1	-51	+1 115	+1 542	+328	-402	-68	+1 400	-687	-713
+2 265	-1 089	-96	-39	+1 041	+1 633	+20	-692	+183	+1 144	-607	-537
+1 966	-2 067	-511	-122	-734	+588	+261	-692	-585	-428	+511	-83
+2 202	-1 626	-8	+50	+618	+1 069	-46	-63	-833 ²	+127	-913	+786
+1 267	-1 453	-218	-174	-578	-303	-34	-62	+163	-236	-1 760	+1 996
+1 258	-892	-336	-105	-75	-1 101	+387	-354	+612	-456	+1 455	-999
+1 503	-872	+21	-226	+426	-377	+275	-355	-1 278	-1 735	+2 095	-360

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

¹ Including Direct investment, net.

² Including Allocations of special drawing rights 139 million.

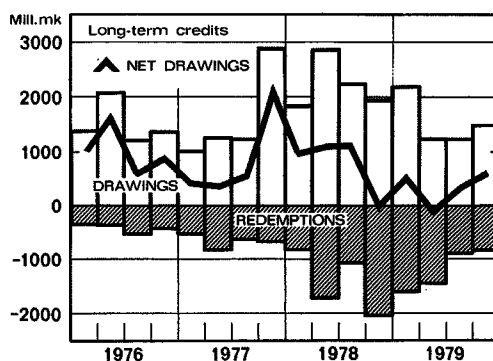
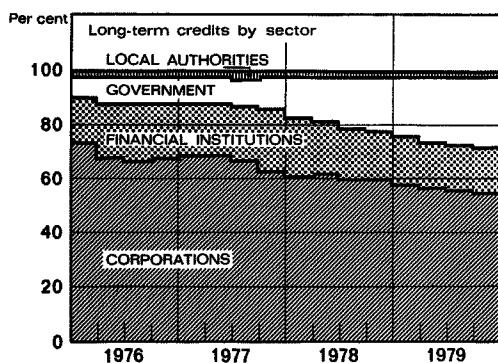


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities				Net long-term liabilities (9-4)	
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other		Total (5 to 8)
	1	2	3	4	5	6	7	8	9	10
1976	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675
1976										
Dec.	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977										
March	2 094	1 312	489	3 895	17 598	4 974	1 632	163	24 367	20 472
June	2 175	1 404	508	4 087	19 150	5 483	1 708	156	26 497	22 410
Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978										
March	2 499	1 673	840	5 012	25 107	6 068	1 774	159	33 108	28 096
June	2 517	1 759	862	5 138	26 769	6 134	1 865	159	34 927	29 789
Sept.	2 548	1 785	885	5 218	28 212	5 812	1 885	187	36 096	30 878
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*										
March	3 001	1 972	1 008	5 981	28 214	5 584	1 924	221	35 943	29 962
June	3 179	2 089	1 029	6 297	27 763	5 172	1 923	226	35 084	28 787
Sept.	3 419	2 226	1 066	6 711	27 724	4 956	1 930	232	34 842	28 131
Dec.	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675

See explanations on page 22.

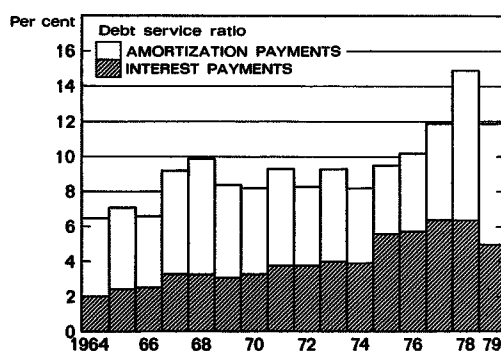
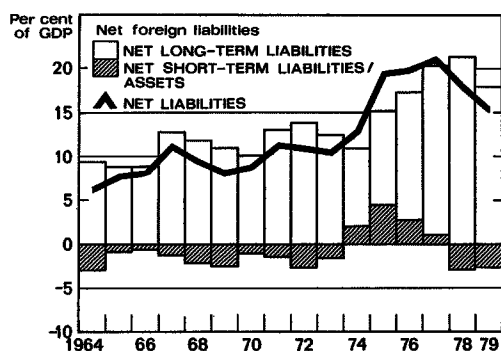


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities							
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)	Net short-term liabilities (18-14)	Net liabilities (10 + 19)	Debt service, flow	Of which amortization payments, flow
11	12	13	14	15	16	17	18	19	20	21	22
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	6 622	3 769
7 918	6 504	9 129	23 551	2 340	9 333	7 566	19 239	-4 312	24 363	6 457	3 472
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	819	336
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
5 491	3 409	7 233	16 133	1 293	6 594	7 559	15 446	-687	27 409	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 751	16 133	-2 168	27 621	1 493	673
7 003	4 412	7 779	19 194	1 483	6 264	7 419	15 166	-4 028	26 850	1 628	984
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	2 109	1 333
7 804	4 072	8 289	20 165	1 611	6 692	7 305	15 608	-4 557	25 405	1 970	1 284
9 871	3 939	8 482	22 292	1 604	8 404	7 376	17 384	-4 908	23 879	2 085	1 082
8 601	4 141	8 788	21 530	1 579	7 620	7 673	16 872	-4 658	23 473	1 315	604
7 918	6 504	9 129	23 551	2 340	9 333	7 566	19 239	-4 312	24 363	1 087	502

See explanations on page 22.



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100 ¹						Building costs 1973 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1978	727	125.8	124.1	131.8	119.2	140.3	129.5	180.8	161.0	186.0
1979	791	138.0	135.0	148.7	133.1	150.7	139.2	198.8	177.6	204.1
1979										
June	783	136.8	133.6	148.0	131.9	148.9	138.5	199.2	179.1	203.7
July	800	139.1	135.9	150.3	134.4	150.5	140.5	199.7	179.1	204.3
Aug.	796	139.9	136.5	151.6	135.4	151.9	140.6	201.0	179.1	206.5
Sept.	813	142.1	138.3	155.1	138.2	153.9	141.4	203.5	179.1	210.3
Oct.	822	143.6	139.9	156.8	139.8	155.5	142.9	205.0	179.1	212.4
Nov.	829	145.0	141.2	158.3	141.5	156.1	143.9	206.0	179.1	214.0
Dec.	834	145.7	141.8	159.6	142.4	156.4	144.7	208.3	181.0	216.2
1980										
Jan.	849	148.3	144.3	162.4	145.6	158.4	146.2	212.0	182.1	220.0
Feb.	859	150.2	146.3	163.8	147.3	161.0	148.2	214.0	182.1	222.9
March	882	154.1	150.1	168.1	153.1	161.5	150.1	216.1	182.6	225.8

¹ New series, see item Bulletin 10/1979.

Period	Consumer prices 1977 = 100 ¹										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1979											
June	115.6	108.1	129.4	116.0	113.0	114.3	113.5	123.4	120.4	115.7	117.9
July	116.2	109.1	129.5	114.6	113.0	114.9	114.9	123.8	122.1	115.8	118.3
Aug.	116.7	109.0	129.5	116.1	115.1	115.1	115.5	123.9	122.0	116.2	118.7
Sept.	117.7	109.8	129.5	118.4	115.1	120.5	116.3	124.9	123.4	116.8	119.4
Oct.	118.4	111.2	129.5	120.8	115.1	121.0	118.9	124.7	123.2	117.0	120.6
Nov.	119.3	112.3	129.4	122.8	115.6	121.4	119.4	126.9	123.3	117.8	123.0
Dec.	119.9	112.1	129.6	123.0	115.6	124.1	119.7	126.9	126.0	118.0	123.4
1980											
Jan.	121.3	113.3	138.6	121.1	115.6	124.7	122.2	131.1	126.3	118.8	125.6
Feb.	123.1	114.4	138.6	123.8	116.0	130.5	122.9	133.2	130.6	119.2	127.8
March	124.3	115.4	138.6	126.0	116.0	133.6	123.6	133.4	134.3	119.3	128.6

¹ New series.

WAGES

Index of wage and salary earnings 1975 = 100¹

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in:			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1978*	146.3	137.0	124.7	131.8	131.5	128.0	135.1	132.9	134.4	133.6
1979*	161.1	151.3	133.6	149.4	145.2	141.7	151.1	148.5	149.3	148.7
1978*										
Apr.-June	144.3	135.6	123.0	128.9	128.8	125.5	133.1	130.3	132.7	131.5
July-Sept.	146.7	137.2	124.1	133.3	132.6	128.2	136.1	134.0	135.0	134.5
Oct.-Dec.	152.4	143.1	129.4	138.2	137.1	133.6	140.8	138.7	139.9	139.3
1979*										
Jan.-March	155.7	147.3	132.5	145.2	141.8	138.8	146.4	144.7	144.6	144.7
Apr.-June	159.9	154.3	136.7	148.8	145.4	142.0	151.3	147.8	150.4	149.1
July-Sept.	163.0	154.6	137.9	149.5	145.7	142.1	152.7	148.8	151.6	150.2
Oct.-Dec.	163.7	154.5	135.6	153.9	148.1	144.2	154.9	152.2	152.7	152.4

¹ New series, see item Bulletin 1/1980.

PRODUCTION

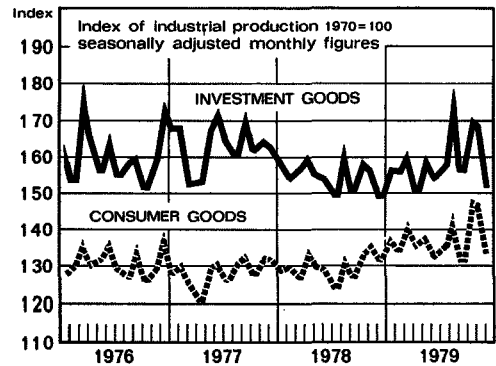
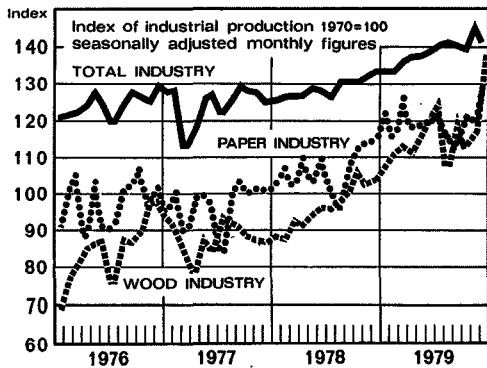
Volume indices of production 1975 = 100

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

PRODUCTION

Index of industrial production 1970 = 100

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



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978	3 578	2 253	2 084	169	7.5	29 021	110	120
1979	3 593	2 223	2 134	139	6.1	37 986	118	136
1979*								
April	3 592	2 201	2 052	149	6.8	4 828	113	133
May	3 593	2 246	2 111	135	6.0	4 536	124	150
June	3 591	2 439	2 304	135	5.5	2 760	120	133
July	3 594	2 441	2 300	141	5.8	984	120	118
Aug.	3 592	2 347	2 227	120	5.1	1 368	124	145
Sept.	3 594	2 250	2 140	110	4.9	2 054	118	140
Oct.	3 597	2 247	2 131	116	5.2	3 007	122	153
Nov.	3 596	2 227	2 121	106	4.8	3 421	119	153
Dec.	3 598	2 250	2 119	131	5.8	3 373	147	138
1980*								
Jan.	3 601	2 232	2 098	134	6.0	3 644
Feb.	3 603	2 228	2 110	118	5.3

CONSTRUCTION OF BUILDINGS

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

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

MONETARY POLICY INDICATORS

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

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

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

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

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

FOREIGN EXCHANGE RATES

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

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

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

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

Foreign trade by countries: (p. 13): from January 1980 imports by countries of origin exports by countries of consignment.

BALANCE OF PAYMENTS

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

FOREIGN ASSETS AND LIABILITIES

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

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

Columns 21 and 22 during the year and the quarter.

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

PRICE INDICES

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

WAGES — PRODUCTION

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

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

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

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

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

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

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

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

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

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

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

TRADE AND TRANSPORT

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

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

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

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

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

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

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

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

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 18.6, Skr 17.7, £ 14.0, DM 13.4, \$ 9.7, other currencies 26.6. The permissible range of fluctuation is about 3 per cent on either side of the arithmetic mean. The fluctuation limits are 119.0 and 112.0.

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

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

RATES OF INTEREST (Feb. 1, 1980). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland on credit extended to the banks in the context of the quota facility) is 9 ¼%. The range of rates for other credits granted by the Bank of Finland is between 7 ½% and 10 ½%. Other credit institutions time deposits 5%; 6 month deposits 6 ¼%; 12 month deposits 7 ¼%; 24 month deposits 9%; 36 month deposits 9 ¾% + savings premium; 36 month deposits 9 ¾% + tax concession and sight deposits 2%. The highest lending rate 12 ¼%.

THE FINNISH ECONOMY IN 1979 AND THE CURRENT OUTLOOK

by Timo Hämäläinen, M.Pol.Sc.
and Martti Lehtonen, M.Pol.Sc.

Economics Department

Bank of Finland

INTRODUCTION

The recession which had started in 1974 continued in Finland until the second half of 1978, when GDP began to grow again. The revival in economic activity continued in 1979 at an accelerated rate and the growth in GDP came to almost 7 per cent. A key factor for growth has been exports, which have been expanding for the past four years. A marked expansion in export income connected with the lagged multiplier effects of the expansionary economic policy measures produced an appreciable pick-up in investment and private consumption. Aggregate domestic demand was in 1979 almost 9 per cent higher than in the previous year.

As a result of the strengthening in domestic demand and a deterioration — albeit fairly slight — in the terms of trade, the current account moved into a deficit. There was a clear acceleration in labour and other production costs, but a substantial part of these was absorbed by a rapid rise in productivity, and in terms of relative unit labour costs the price competitiveness of Finnish industry continued to improve. In the course of the year, however, increases in world trade prices and to a lesser extent rapidly growing domestic demand induced inflationary pressures, the impact of which on the domestic cost level is being felt in the current year. The increasing inflationary pressures and vigorously growing demand have made inflation the primary concern of economic policy.

STRONG IMPULSES FROM INTERNATIONAL DEVELOPMENTS

Developments in world trade favoured Finnish exports in 1979. The overall growth of export

markets was rather brisk and in addition the increased tension in international politics was reflected in a strengthening of the speculative demand for raw materials and in an acceleration of price rises. This resulted in a sharp increase in the volume of Finnish exports of forest industry products and other raw-material goods as well as a rapid rise in their prices. These developments meant a further and accelerating improvement in the profitability of the export sector.

The marked rise in oil and other raw material prices, which gathered momentum towards the end of the year along with international speculative demand, has been reflected in a rapid increase in Finnish import prices. However, as the rise in international raw material prices has also been reflected in a substantial increase in export prices, with only a small deterioration in the terms of trade, international price developments have provided a clear boost to domestic inflation.

Owing to the geographical structure of Finnish imports — especially imports of crude oil and oil products — the deterioration in the terms of trade and the deficit on current account have been confined entirely to bilateral trade. The additional export deliveries during this and next year required to balance this trade will offset the deflationary tendencies resulting from the worsening terms of trade. All in all, unlike most other countries, the increase in oil and other raw material prices has had only a marginal deflationary effect, if any, on the Finnish economy.

ECONOMIC POLICY AND PROBLEMS IN 1979

The aim of the expansionary economic policy line adopted in 1977 was to restore balanced economic growth, mainly by enhancing the price competitiveness and profitability of the open sector. In order to curb rises in labour costs, the private sector's real income developments have been supported chiefly by reductions in income taxes and social security contributions; at the same time, the public sector's final demand has played a minor role in the stimulation of economic activity.

Although the equilibrium of the economy improved in many respects until the beginning of 1979, it was felt that the progress made in reducing inflation and improving external competitiveness was partly of a temporary nature and rather fragile. The preservation of external price competitiveness seemed threatened by the upward pressures on domestic labour costs, including the lagged effects of the pay increases postponed until the latter half of the income agreement period ending in February 1979 and by the termination of some of the temporary reductions in indirect labour costs.

Although in the early months of the year it was already obvious that external inflationary impulses were becoming strong, the rapid rise in both import and export prices has clearly been longer-lasting than expected. In addition, owing to a vigorous rise in the volume and prices of exports, the capacity utilization and profitability of the open sector increased rapidly, which accelerated the revival of domestic demand, and at the same time induced inflationary pressures in some sectors of the economy.

FISCAL POLICY

The main measures announced in the 1979 ordinary budget included an 8 per cent adjustment in personal income and wealth tax scales corresponding to the estimated average increase in consumer prices in 1978, and the maintenance of the reduced rates for the social

security contributions of both employers and the insured. Increases in indirect tax rates, mainly in the duties on alcohol, tobacco and oil products, accounted for about one percentage point of the increase in the consumer price index in 1979. On the other hand, the temporary sales tax concessions for industrial investment were retained.

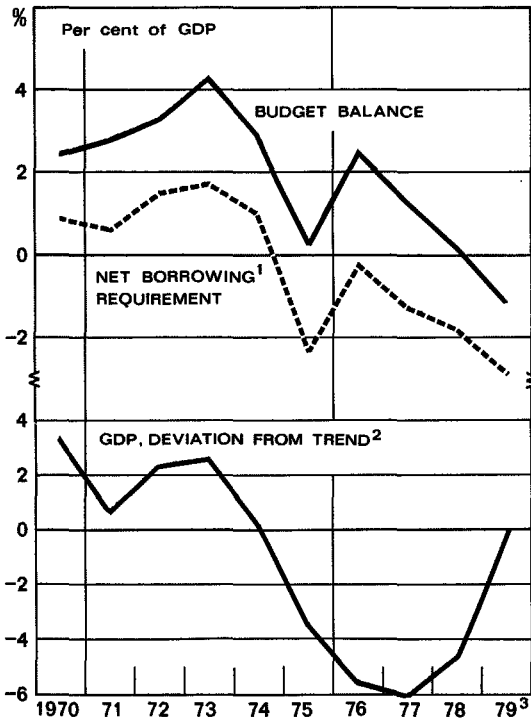
To maintain external price competitiveness, the Government helped to pave the way for the reaching of a comprehensive incomes agreement which would allow satisfactory real income developments with moderate increases in nominal incomes. The comprehensive incomes agreement included new measures designed to reduce labour costs and to support wage and salary earners' real income developments, such as reductions in employers' child allowance contributions and an extra downward adjustment in wage and salary earners' income tax withholding scales.

The public sector's final demand remained below its long-run growth rate. However, state subsidies to municipalities, particularly those for the employment of young unemployed people, were substantially increased. Attempts were also made to improve corporations' employment prospects by means of state support.

The gross tax burden continued to decline in 1979, and the emphasis in taxation was shifted somewhat from direct towards indirect taxation. The ratio of total taxes to GDP fell from 36 per cent in 1978 to 35 per cent in 1979, of which indirect taxes accounted for 15 percentage points.

Viewed in terms of the central government financial deficit, the impact of fiscal policy in 1979 was still fairly expansionary (Chart 1). The reductions implemented in the revenue rates, particularly the adjustments in income tax scales to compensate for inflation, have greatly reduced the automatic stabilizing effect of fiscal policy on fluctuations in the private sector's income and demand. In order to reduce inflationary pressures and to improve the cyclical timing of central government expenditure,

CHART 1. BUDGET BALANCE, BORROWING REQUIREMENT, AND DEVIATION FROM TREND OF GDP



¹ Budget balance minus central government lending and financial investments (net).
² The GDP-trend is calculated as a 10-year moving trend.
³ Due to the tax collection reform carried out in 1979 the budget balance and net borrowing requirement indicate a somewhat larger deficit than according to the old accounting practice.

the Government decided at the end of the year to defer until 1980 expenditure totalling about 500 million marks.

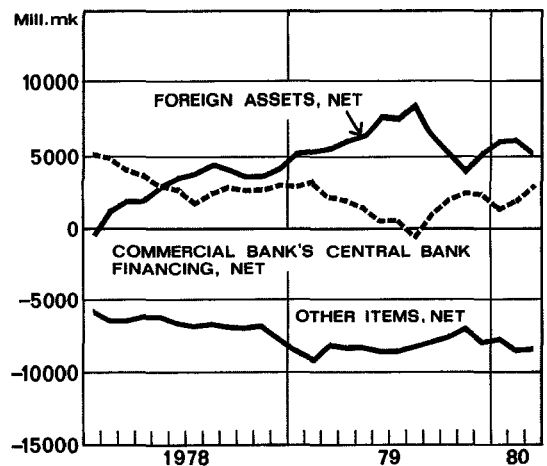
CENTRAL BANK POLICY

The combined effect of the current account surplus and continuing capital imports had caused a substantial easing of the financial market during 1978. In order to maintain its monetary control, the Bank of Finland had reduced the commercial banks' credit quotas. With the further easing of the financial market at the beginning of 1979 the monetary authorities had to focus increased attention on the inflationary risks caused by excessive liquidity. In order to neutralize the liquidity effects, the Bank of Finland further lowered the commercial banks' central bank credit quotas. From July, the

quotas were no more than 200 million marks, which meant that the call money market became an increasingly important instrument in the commercial banks' central bank financing. Moreover, in April the Bank of Finland concluded a cash reserve agreement with the banks. On the basis of this agreement, the collection of cash reserve deposits was started in May. However, the strengthening of revaluation expectations induced a heavy inflow of foreign currencies in the summer months and the subsequent increase in liquidity was only partially neutralized. In August the commercial banks even had net receivables from the Bank of Finland (Chart 2).

In order to alleviate external inflationary pressures, the external value of the Finnmark was raised slightly in May and August by lowering the currency index within its range of fluctuation. In September the Finnmark was revalued by about 2 per cent. At the same time, the range of fluctuation within which the Bank of Finland may determine the currency index was widened. It was also decided that the rates of interest would be raised by 1 ¼ percentage points as from the beginning of November. The aim of the raising of interest rates was to curb real demand, to encourage financial saving and to reduce pressures on the foreign exchange reserves stemming from the increased differential between international and domestic interest rates.

CHART 2. THE MAIN ITEMS OF THE BANK OF FINLAND'S BALANCE SHEET



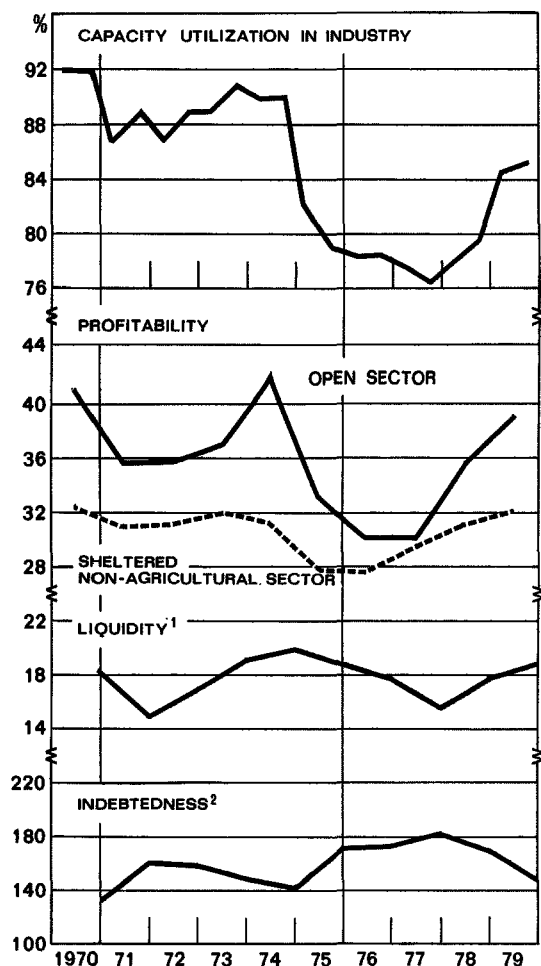
During the latter months of 1979, the revaluation expectations subsided and foreign interest rates continued to rise at a rapid rate and consequently the foreign exchange reserves started to decline (Chart 2). The Bank of Finland's decision to abolish the use of foreign prepayments in the export of wood industry products also contributed to the fall in foreign exchange reserves. The decline in the foreign exchange reserves was reflected in an equivalent increase in the commercial banks' central bank financing and a tightening in the domestic financial market (Chart 2). The call money rate was allowed to rise to more than 13 per cent by the end of the year, compared with less than 9 per cent in September.

The private sector's increased liquidity was reflected in an increase of about 18 per cent in the stock of both deposits and advances. While the growth rate of demand deposits doubled from the previous year and amounted to 28 per cent, the growth rate of time deposits remained as rapid as in the previous year. Following the revival in corporate investment, the growth in advances accelerated towards the end of the year. Furthermore, domestic loans were made more advantageous by the sharp rise in international interest rates. However, the growth rate of total credit expansion amounted to no more than 12 per cent, since the net drawing of foreign loans declined and central government lending increased clearly less than other domestic credits.

UPTURN IN DOMESTIC DEMAND

The economic policy measures for stimulating domestic demand bore little fruit as long as the open sector's capacity utilization remained low and its profitability clearly below the average level. The favourable development of the volume and prices of exports in 1979, particularly from the point of view of capital-intensive branches of manufacturing, caused a substantial improvement in the growth of investment as well. Towards the end of the year, the capacity utilization and profitability of a number of export industries approached the levels reached during the previous boom (Chart 3).

CHART 3. CORPORATE SECTOR INDICATORS



¹ Ratio of demand deposits and short-term foreign assets to total debt.

² Total gross debt of the industrial enterprises as a percentage of the sectors value added.

As a result there was a clear pick-up in investment activity during the year and the volume of industrial fixed investment increased by 25 per cent in 1979. Investments continued to centre on rationalization and minor replacement investments. In particular, a number of large extension and modernization investments were initiated in the forest industries, the implementation of which was facilitated by the improved financial position of these enterprises. Although in the private service sector investments remained more sluggish, even there investment activity revived towards the end of the year. In the last quarter of 1979, the volume of private sector fixed investment excluding housing was almost 20 per cent larger than in the corresponding period of the previous year. For the

year as a whole, the volume of private fixed investment excluding housing increased by 9 per cent (Chart 8).

The marked acceleration in activity and price expectations was also reflected in inventory investment. The shift from a run-down in inventories to a slight build-up accounted for as much as 2.9 percentage points of the increase in total demand.

The increase in household real disposable income, to which the improved employment situation and the tax concessions contributed, also led to a pronounced increase in private consumption (Chart 8). However, the normal lag between changes in income and consumption produced a higher rate of saving (Chart 4). The increase in consumption was partly attributable to the need to replace old consumer durables and to the easy availability of consumer credits. For example, purchases of new passenger cars expanded by nearly a quarter although the running costs of cars were sharply increased by the rise in the price of fuel. Similarly, purchases of other consumer durables increased by almost a fifth.

As in the previous year, a relatively large proportion of household saving was channelled into financial assets (Chart 4). The volume of in-

vestment in new dwellings was smaller than in the previous year. On the other hand, purchases of old dwellings were vigorous and their prices rose substantially in the course of the year. The improvement in permanent income expectations and the easiness in the financial market contributed to a marked revival in the construction of new dwellings towards the end of the year.

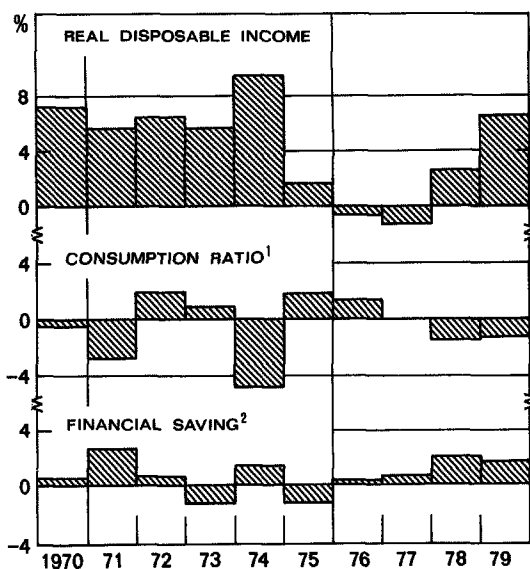
IMPROVED CAPACITY UTILIZATION AND EMPLOYMENT

After having been largely concentrated in capital-intensive industries in 1978, the growth of production was more broadly-based in 1979. Agriculture and construction — despite the rapid pick-up in the latter in the course of the year — were the only sectors where the volume of production remained at the same level as in the previous year. On the other hand, production in forestry and the forest industries recorded the fastest expansion; the share of these industries in GDP is not much more than 10 per cent, but they accounted for about a third of the growth of 7 per cent in total production. The volume of total manufacture grew by nearly 9 per cent.

The level of capacity utilization in industry rose by an average of one tenth in 1979, and towards the end of the year some branches of the forest, metal and clothing industries were even approaching the full-capacity level. The fast pick-up in capacity utilization is partly due to the low level of investment activity in recent years as well as to the fact that part of the capacity was no longer economically viable because of large shifts in demand and relative prices.

The brisk growth of production also resulted in an appreciable improvement in the employment situation. In the course of the year, the employed labour force increased by nearly 70 000 persons, or by 3 per cent. Furthermore, the number of persons working a shortened work week declined clearly. Even though the strengthened demand for labour led to a rise in the participation rate, the average rate of

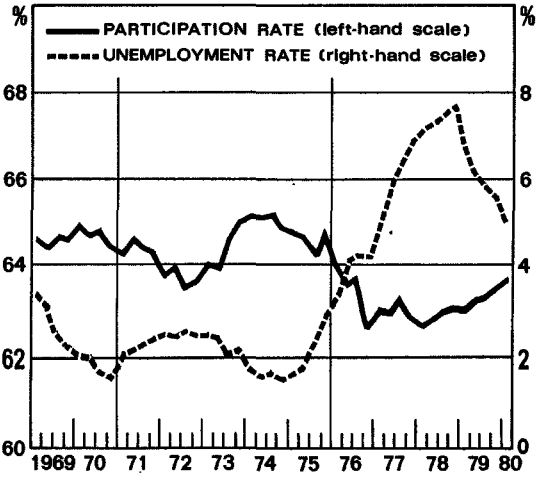
CHART 4. HOUSEHOLD SECTOR INDICATORS



¹ Change from the previous year, per cent.

² Share of net financial saving in disposable income, per cent.

CHART 5. LABOUR MARKET



open unemployment for the year as a whole decreased to 6.1 per cent, and at the end of 1979 the seasonally-adjusted unemployment rate was slightly over 5 per cent (Chart 5).

Central government employment measures contributed to the improvement of the employment situation, especially during the first half of the year. The brightening prospects for the economy clearly increased the willingness of local governments and enterprises to utilize State employment appropriations. State employment support and special subsidies for youth employment covered an average of 46 000 persons in 1979, which was almost 15 000 greater than at the end of the previous year.

THE GROWTH IN PRODUCTIVITY REDUCES COST PRESSURES

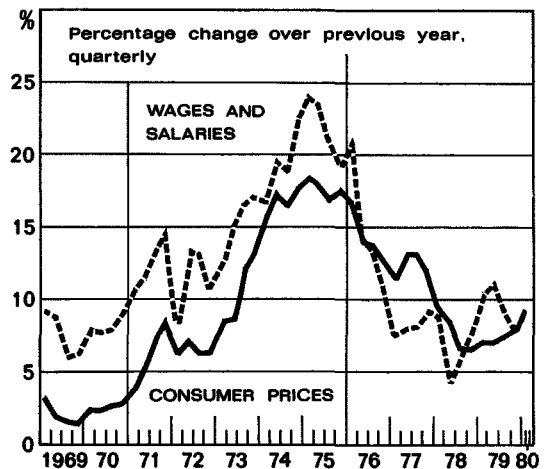
Taking account of the rather large carry-over effect of the postponed wage increases accorded under the preceding agreements, there appeared to be a willingness among the trade unions to check the acceleration in labour costs. In January 1979, the labour market organizations concluded a comprehensive incomes agreement for the 13-month agreement period starting at the beginning of February. The new agreements entailed an increase of slightly less than 4 per cent in wages and salaries in the course of the agreement period.

On the other hand, the incomes agreement also contained an index clause, according to which wages and salaries would have been revised if the consumer price index had exceeded a certain index number in October 1979; this would have required a rise of more than 8 per cent in the consumer price index from October 1978.

The postponed wage increases and new agreements amounted to a total increase of almost 10 per cent in the average level of negotiated wages in 1979. With wage drift remaining small, the level of earnings of wage and salary earners rose altogether 11.5 per cent or almost 5 percentage points more than in the previous year (Chart 6). Although in the manufacturing industries nominal wages rose slightly faster than in many competitor countries, a nearly 7 per cent rise in labour productivity resulted in a slight improvement in price competitiveness in terms of unit labour costs.

The acceleration in domestic price inflation stemmed to a considerable extent from the rise in foreign trade prices. Import prices of goods and services rose on average by 15 per cent and export prices by more than 12 per cent. However, also in certain domestic sectors, such as construction and building materials and supplies, the pick-up in demand was reflected in price rises.

CHART 6. PRICES AND WAGES



In the course of the year, the building cost index and producer prices for manufactured products sold in domestic markets rose by 12—13 per cent, whereas the consumer price index went up 7.5 per cent from the previous year.

During the year, consumer prices rose by 8.6 per cent, with the increase in import prices accounting for almost half of this rise (Chart 6). The index clause threshold set in the incomes agreement was not breached in October.

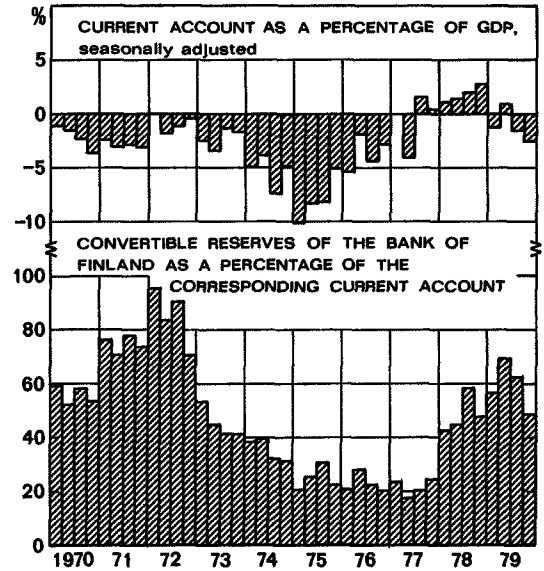
THE CURRENT ACCOUNT MOVES INTO DEFICIT¹

After a slight slow-down in 1978, the growth in the volume of exports accelerated again in 1979, with the year as a whole showing an increase of 9 per cent. Forest industry exports remained very buoyant: the volume of exports of wood products increased by 17 per cent and that of pulp and paper products by 12 per cent. This rapid expansion in exports is attributable to the commodity structure of world trade, which favoured Finnish exports, and to the improved competitiveness of Finnish industry and the accompanying gains of market shares. The improved competitiveness has played a major role in exports of investment and consumer goods in particular.

The volume of imports, having declined for three successive years, rebounded sharply in 1979, spurred by the strong revival in demand. Imports of raw materials were particularly buoyant, being partly affected by a turn-round in inventory investment. During the second half of the year, imports of crude oil rose sharply with the commencement of oil refining for Sweden at the end of the year. The total volume of visible and invisible imports increased by 17 per cent in 1979.

The difference in the relative cyclical position of the Finnish economy vis-à-vis its major trading partners and the 2.2 percentage point de-

CHART 7. CURRENT ACCOUNT AND THE CONVERTIBLE RESERVES OF THE BANK OF FINLAND



terioration in the terms of trade moved the current account from a surplus of about 2 500 million marks in 1978 into a 1 100 million mark deficit, equivalent to 0.7 per cent of GDP (Chart 7). The deterioration in the terms of trade was reflected in a deficit in bilateral trade, whereas trade conducted in convertible currencies continued to show a clear surplus.

THE CURRENT OUTLOOK

The upswing in the Finnish economy has proved to be much stronger and longer-lasting than in many other Western countries. Although overall economic activity has already started to slacken in Finland's export countries, international political tension has prolonged the inventory demand for raw materials and their price increases on world markets. The commodity structure of world trade thus continues to be highly favourable for Finnish exports, and Finnish exports to Western markets will still expand somewhat during the first half of the current year. In addition, last year's deficit in bilateral trade has induced a rapid increase in export orders and deliveries to the Soviet Union. Export prices have even reaccelerated since the

¹ For a more thorough analysis of the developments in the balance of payments in 1979, see article in the March issue of this publication.

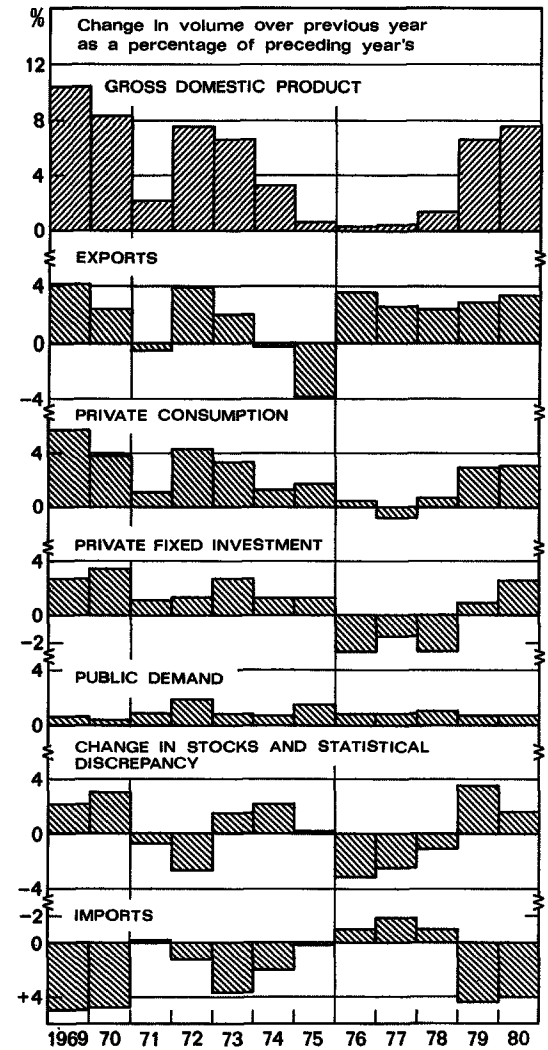
end of 1979, thus further offsetting the increase in import prices. Although the terms of trade are expected to deteriorate somewhat during the current year, the loss in purchasing power will still be markedly smaller than in most of the other industrial countries.

Thus the growth of production is likely to be greatly boosted by export developments per se; furthermore, production will be raised by the increase in work in progress resulting from the new export orders within the framework of the new 5-year trade agreement with the Soviet Union starting next year. Favourable export prospects together with the rise in capacity utilization and the continuing improvement in corporate profitability will further strengthen domestic demand.

As a consequence, the growth of domestic demand and total production is likely to remain vigorous, especially during the first half of 1980. The growth figures for the year as a whole are likely to approach the 1979 level (Chart 8). Employment will further improve notably and the rate of unemployment is expected to fall to about 4 per cent at the end of the year. At the same time, the widening in the disparity between the relative cyclical positions of Finland and her major trading partners will lead to a growing deficit in the current account.

Despite the favourable growth prospects for the Finnish economy in the near future and the at present still satisfactory balance of the economy, the pressures jeopardizing macro-economic equilibrium have greatly increased. The acceleration in foreign trade prices and the rapid revival of economic activity which started last year have already been mirrored in the rate of domestic inflation. The wage and salary agreements concluded in March this year involve average wage increases of about 10 per cent during the one-year agreement period. As wage drift will increase along with demand pressure, the level of earnings is likely to rise more than last year. Although productivity is still expected to rise fairly rapidly, the rise in industrial unit labour costs will exceed that in 1979.

CHART 8. CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT IN 1969—1980



Figures for 1979 are preliminary, and those for 1980 forecasts.

All the price indices indicate, as in most OECD-countries, that price rises have accelerated in recent months. During the six-month period from August 1979 to February 1980, the prices of domestic manufactures rose by 15 per cent at an annual rate, and consumer prices, in which cost increases appear with a lag, by 11 per cent. As both fiscal and monetary policies were prepared in 1979 for a clear deterioration in economic prospects during 1980, economic policy measures for curbing demand and inflationary pressures have so far been fairly cautious. In order to reduce external inflationary pressures, the Government decided in January to lower the fluctuation limits of the currency index by 2 per cent.

Towards the end of March, the Bank of Finland raised the external value of the Finnmark within these fluctuation limits by about the same amount. In order to ease pressures on the demand for domestic credits, and accordingly on the foreign exchange reserves, the general level of interest rates was raised again by $\frac{3}{4}$ percentage points as from the beginning of February. Attempts have been made to check the growth of credit expansion by further

increasing the banks' cash reserve ratio. In order to avoid overheating threatening mainly the construction sector, the Bank of Finland issued guidelines to the financial institutions at the end of March, advising them to be more strict in the granting of housing loans and other personal credits. For the same reason, the Government decided to defer part of the starts of partly state-financed residential projects from the spring until the autumn.

ITEMS

Credit facility agreement. On April 30, 1980, the Bank of Finland concluded a credit facility agreement to the total value of 200 million U.S. dollars with an international banking consortium headed by Hambros Bank Ltd in London. This credit facility will be available for five years.

Including the present agreement, the Bank of Finland now has credit facility arrangements with foreign banks to the total value of about 980 million U.S. dollars, or the equivalent of about 3 700 million marks. These facilities can be used, whenever needed, to support the country's foreign exchange reserves and external liquidity.

The 1-penny piece. In accordance with a statute issued in December 1979, the minting of 1-penny pieces ceased at the beginning of 1980. However, the 1-penny piece will still remain legal tender, although it is expected that it will gradually disappear from circulation. The 1-penny piece will still be kept as a unit of account. From the beginning of April this year, penny amounts in payments have been rounded to the closest number of pennies divisible by five.

The first Finnish 1-penny piece was struck when the Mint started its operations in 1864. This first 1-penny piece, made of copper, was minted until 1917. In 1919—1924, a smaller 1-penny piece was struck, but its minting was terminated as the metal value of the coin exceeded its nominal value due to inflation.

The 1-penny piece returned into circulation as a result of the 1963 currency reform. During 1963—1969, more than 488 million pieces of this coin were minted from so-called coin copper. When this raw material became too expensive, coin aluminium, an alloy containing

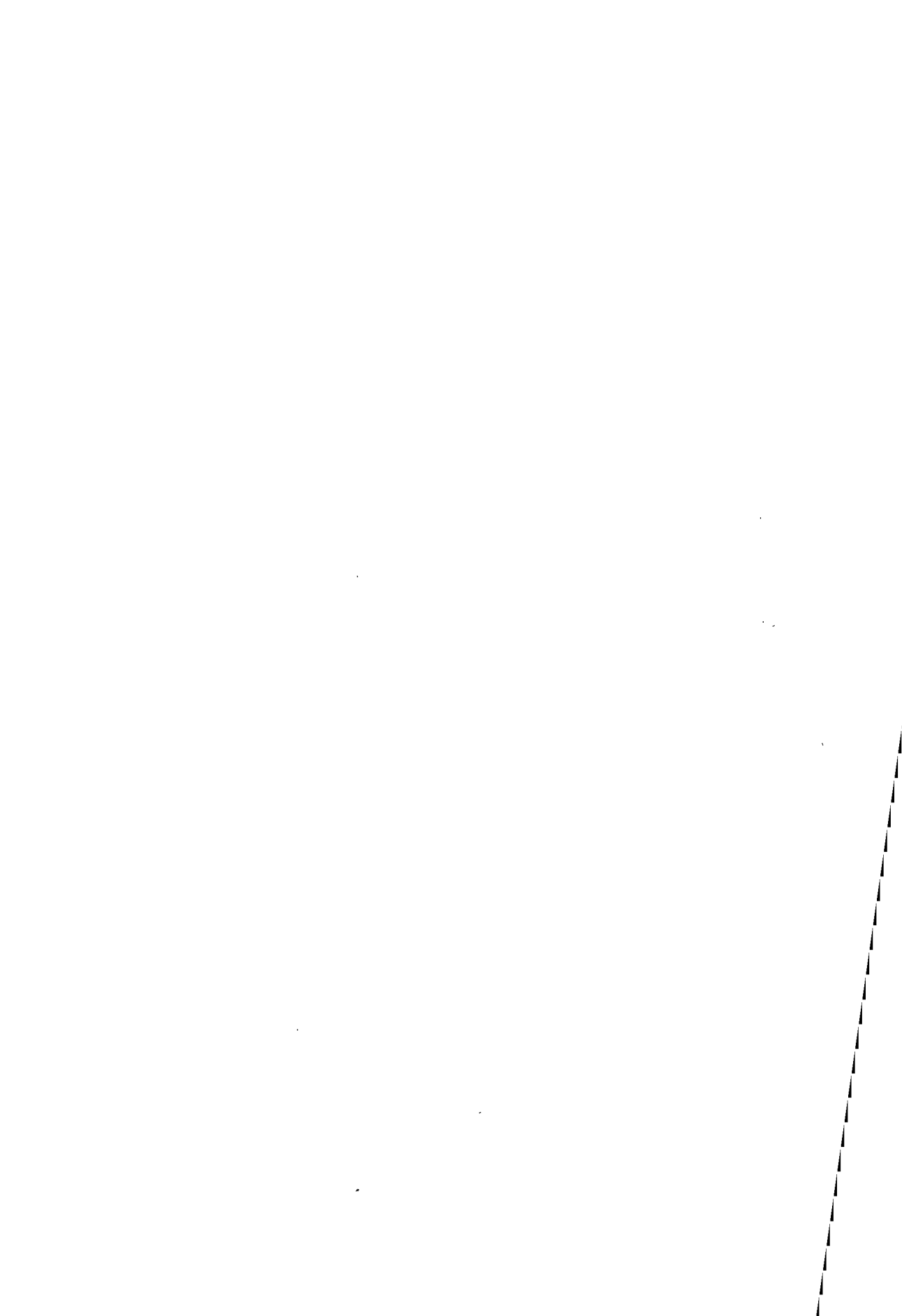
a small amount of magnesium, was chosen as the material for the 1-penny piece. The aluminium 1-penny weighed 0.45 grams and its copper predecessor 1.6 grams. During 1969—1979, the minting of aluminium 1-penny pieces totalled 826 million.

Automation of Finnish telephone communications completed. The last step in the automation of Finnish telephone communications was taken on 1st April. Since then, a caller from any of the country's more than two million telephones has been able to make direct contact with a recipient anywhere in Finland. Similarly, it is now possible to phone automatically from Finland almost anywhere in Europe. The automation of local telephone communications was started in Finland's largest cities in the 1920s and that of long-distance communications in the 1940s and 1950s. At present, there are in Finland about 45 telephones per 100 inhabitants, which means that Finland ranks among the top ten countries in the comparison of the number of telephones per capita.

(continued from page 2)

rency-basket systems. However, an expansion of informal consultations in line with existing forms of cooperation was considered possible. These discussions could in the future be held more regularly, allowing them at the same time to comprise a wider spectrum of foreign exchange policy and other economic issues. These conclusions were later adopted at a session of the Nordic Council, which declared that the most realistic form of cooperation in foreign exchange policy at present would be more frequent discussions on problems relating to foreign exchange and economic activity.

April 22, 1980



BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor, absent as Prime Minister

Ahti Karjalainen

Deputy Governor, Acting Governor

Pentti Uusivirta

Rolf Kullberg

Deputy Governor, ad int.

Ele Alenius

Harri Holkeri

Seppo Lindblom

ad int.

Directors

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Senior officials

Pertti Kukkonen

Director ADP-planning

Ralf Pauli

Deputy, Monetary Policy

Raimo Hyvärinen

Domestic Financial Operations

Kari Pekonen

Foreign Exchange Policy

Osmo Soikkeli

Deputy, Foreign Exchange

Kari Holopainen

Eastern Trade

Antti Saarlo

Special Eastern Affairs

Pekka Tukiainen

Foreign Financing

J. Ojala

Foreign Exchange Control

Sirkka Hämäläinen

Deputy, Economics Dept.

Heikki Koskenkylä

Research Dept.

Markku Pietinen

Information and Publication

H. T. Hämäläinen

Administration and Legal Affairs

Timo Männistö

Internal Audit

U. Levo

International Legal Affairs

Erkki Vehkamäki

Automatic Data Processing

Anton Mäkelä

Personnel

Stig G Björklund

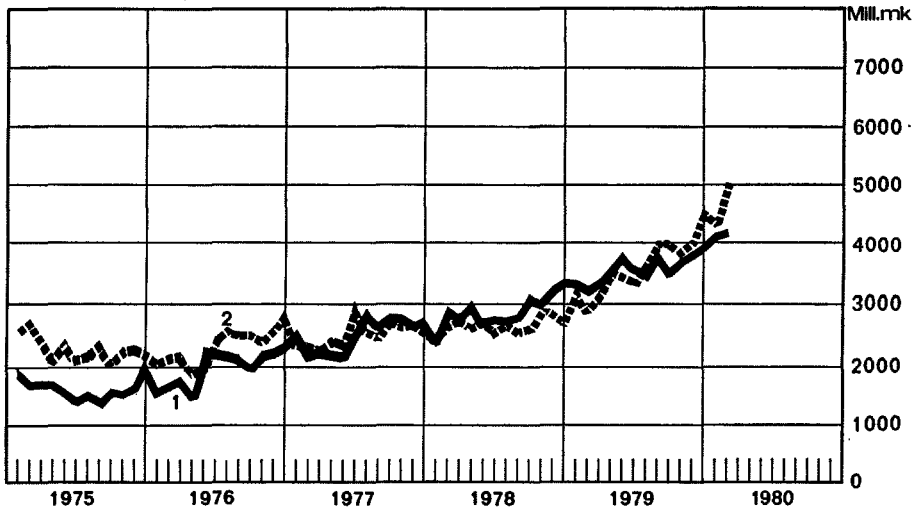
Banking Services

Reijo Mäkinen

Cash

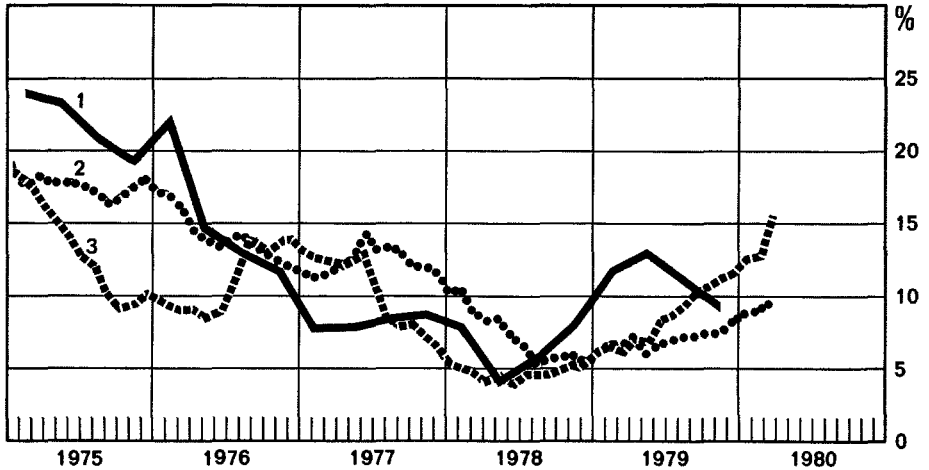
FOREIGN TRADE, 1975-80

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



PRICES AND WAGES, 1975-80

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



PRODUCTION, 1974-79

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

