

BANK OF FINLAND

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ECONOMIC DEVELOPMENTS IN 1982

Owing to the prolonged recession in the world economy and the cessation of the vigorous growth of trade with the Socialist countries, economic activity remained sluggish in Finland in 1982. Total output nevertheless grew a little, supported by policy action taken to stimulate demand. The increase in output was mainly concentrated in labour-intensive sectors, and there was a further rise in the number of employed. Since, however, the increase in the supply of labour was even greater, the unemployment rate averaged more than 6 per cent for the year as a whole. For most of the year the rate of inflation slowed at approximately the same pace as in the OECD countries on average, but because of the devaluations of the Finnish mark in the autumn, the rise in consumer prices accelerated towards the end of 1982 and amounted to 9 per cent over the course of the year. Despite the weakness of exports, the foreign trade balance remained satisfactory, the current account registering a deficit equivalent to about 2 per cent of GDP.

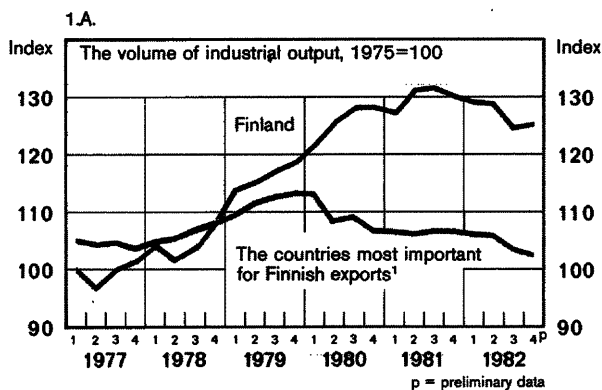
DEVELOPMENTS IN THE WORLD ECONOMY

The recession in the industrial countries, which entered its third year, deepened in 1982, and the world economy experienced its worst depression since World War II. Total output declined and unemployment continued to rise sharply (Chart 1.A). The weaker-than-expected economic performance further undermined the already weak position of central government finances in many

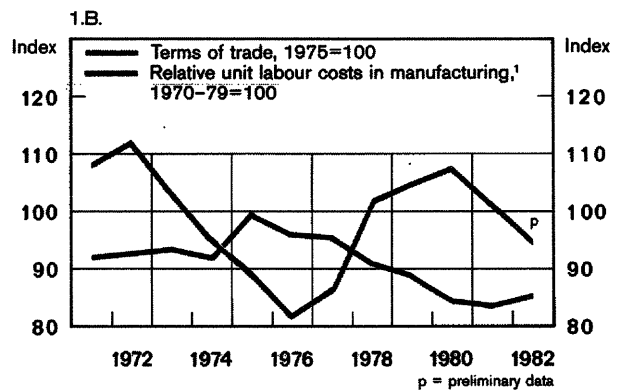
countries, thus preventing the stimulation of economic activity by means of fiscal policy. The tight monetary policies pursued in the major industrial countries led, under conditions of persistently strong inflationary expectations, to record-high real interest rates. But, while economic policies designed to combat inflation curbed growth, the rate of increase in prices slowed rapidly.

The recession in the industrial countries was transmitted to the developing countries and the world

Chart 1.
INTERNATIONAL BUSINESS CONDITIONS AND RELATIVE LABOUR COSTS



¹An index weighted by the export shares of these customer countries.



¹Ratio of Finland's five most important customer countries to Finland, in terms of a common currency.

economy as a whole through a fall in the demand for and lower world-market-prices of oil and other raw materials. High international interest rates and diminishing export earnings exacerbated the debt-servicing problems of the heavily indebted developing countries. Together with the recession in the industrial countries, the rapid weakening in the demand for imports in the developing and oil-producing countries and the increase in protectionist measures resulted in a decline in world trade.

ECONOMIC POLICY IN FINLAND

With demand in western markets decreasing for the second successive year and the period of vigorous growth in the trade with the centrally-planned economies coming to an end, the maintenance of output and employment relied on domestic economic policy. The satisfactory external balance and the slowdown in the rate of inflation were judged to offer more scope for economic policy than in corresponding cyclical phases in the past. The problem confronting economic policy, however, was to support demand whilst at the same time bringing down the rate of inflation. Efforts were made to achieve these goals by actively utilizing all the traditional segments of economic policy, i.e. fiscal, monetary and exchange rate policies. The use of incomes policy, on the other hand, was precluded by the two-year incomes agreements reached in 1981. In contrast to most other industrial countries the overall stance of economic policy supported domestic demand and employment.

To smooth the business cycle, fiscal policy action had been taken in 1981 to defer part of investment until 1982. In addition, demand was stimulated in 1982 by increasing central government expenditure and reducing cost pressures in the private sector.

The easy monetary policy, which had been pursued since the beginning of 1981, bolstered domestic demand, while the lowering of the general level of interest rates in June was aimed at checking the rate of inflation and inflationary expectations. With the continuation of the international re-

cession, exports encountered increasing difficulties. Competitiveness was weakened by exchange rate movements, the rise in domestic costs and the easing of international inflation (Chart 1.B). The external value of the Finnish mark was lowered twice in October by almost 10 per cent in all. At the same time, a number of tax measures were announced with a view to improving the competitiveness of industry by, for example, cutting indirect labour costs and sales tax on investments.

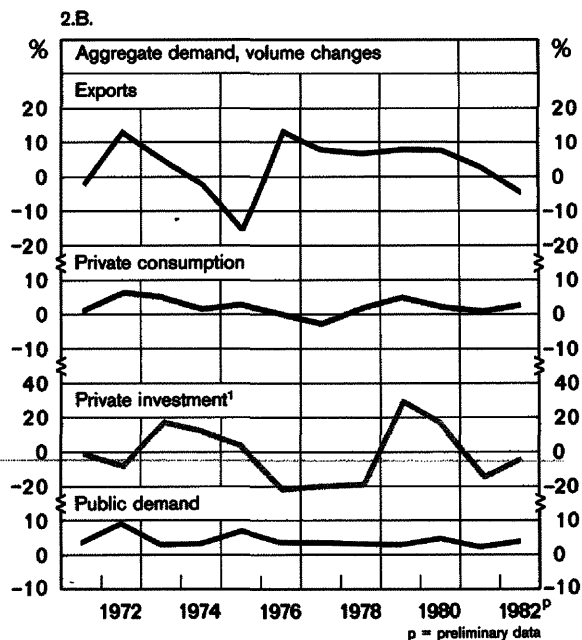
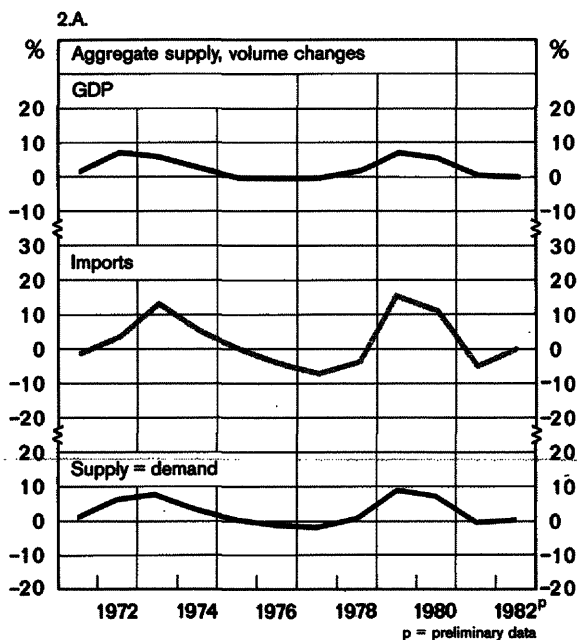
DEMAND AND SUPPLY

The global recession reduced western export demand in 1982. Since, moreover, Finland's exports to the Socialist countries were restricted by the surplus on the bilateral trade account with the Soviet Union, the total volume of exports fell by almost 4 per cent (Chart 2). Even so, the effects of the recession on the various branches of industry were by no means uniform. Thus, forest industry exports decreased markedly, since both fixed and inventory investment in foreign markets fell because of the high real rates of interest abroad. On the other hand, the exports of the metal industry, particularly the engineering industry, continued to grow briskly.

Because of the international recession, the rate of increase in foreign trade prices also slowed down. This was clearly evident in the prices of raw materials, such as wood products and products of the basic chemical and metal industries. The terms of trade improved by 2 percentage points, with export prices rising by about 6.5 per cent and import prices by about 4.5 per cent (Chart 1.B). The improvement was mainly attributable to the fall in the price of crude oil.

The profitability of the corporate sector deteriorated further in 1982, and capacity utilization rates in industry fell appreciably, although not as low as during the previous recession (Chart 3.B). Reflecting the deterioration in profitability and the poor prospects for demand, investment activity in industry chiefly involved the completion of projects

Chart 2.
SUPPLY AND DEMAND



¹Incl. inventory investment and statistical discrepancies, different scale.

started earlier, despite several fiscal policy measures taken early in the year to improve the position of firms. For example, the sales tax concession on industrial investment was extended, employers' employment pension contributions were reduced and manufacturing investment was granted the right to free depreciation. The effects of the October devaluations and the accompanying fiscal policy measures on developments in the corporate sector were not expected to be felt in full until 1983.

Capacity utilization in the service sector was higher and profitability better than in the open sector, and the number of jobs in the service branches continued to increase. In addition, the abolition of the investment tax on specified building projects in late 1981 – in the Greater Helsinki area in early 1982 – stimulated investment in services.

All in all, investment by corporations declined by about 2 per cent in 1982. Especially building in-

vestment decreased, whereas investment in machinery and equipment remained at approximately the level of the preceding year. Inventory investment fluctuated heavily during 1982, but for the year as a whole it had no marked impact on the growth of total output.

Since real income increased and households' access to credit was good, the rate of growth of private consumption quickened to more than 3 per cent. Devaluation expectations, the price freeze introduced in connection with the exchange rate changes and the knowledge that sales tax was due to rise in mid-1983 boosted purchases of consumer durables towards the end of the year. The volume of housing investment fell by more than 3 per cent, although the decline was not as sharp as during corresponding cyclical phases in the past.

Central government expenditure and fixed investment grew by about 5 per cent in volume terms

in 1982. In addition, an increase in central government current transfers contributed to the growth of local government expenditure. Hence, the public sector clearly reinforced aggregate demand.

The growth of total output amounted to about one per cent in 1982. Since both exports and investment declined, it was mainly attributable to private and public consumption. Manufacturing output fell by slightly more than 2 per cent, the decline being particularly sharp in the forest industries and in "other manufacturing". By contrast, metal industry output continued to grow on the strength of previous orders.

Despite the decrease in industrial output and investment, the volume of imports increased by about one per cent. Vigorous growth was recorded for consumer goods, primarily because of a pick up in demand for consumer durables. On the other hand, imports of fuels and lubricants, crude oil and investment goods declined substantially.

EMPLOYMENT AND INFLATION

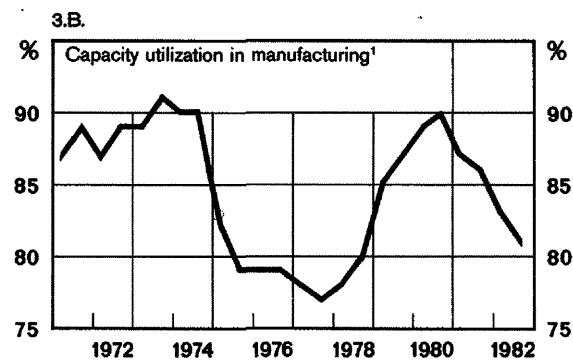
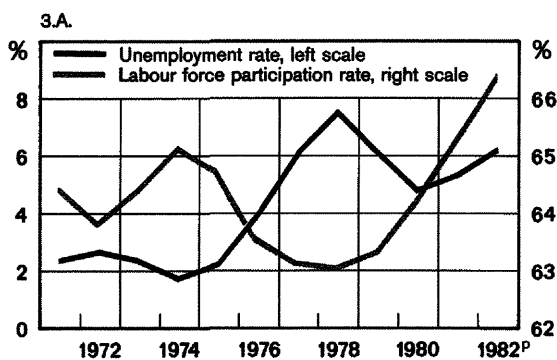
The number of employed continued to rise in 1982, and was on average about 35 000 greater than in the previous year. The growth was concentrated

in services, with employment in industry falling by 15 000 persons. Owing to a rise in the participation rate and a net migratory inflow, the supply of labour increased considerably. Hence, the average unemployment rate for the year rose to over 6 per cent (Chart 3.A). Although high this was nevertheless clearly lower than the average for the western industrial countries.

During the first three quarters of the year, the rate of increase in consumer prices decelerated more rapidly in Finland than in the OECD countries on average. This was essentially due to the marked slowdown in the growth rate of foreign trade prices. In December, however, the rate of inflation rose again as the price freeze came to an end and the price pressures built up following the autumn devaluations were released. Consumer prices rose by 9 per cent in the course of 1982 and were on average more than 9 per cent higher than in the previous year (Chart 4.A).

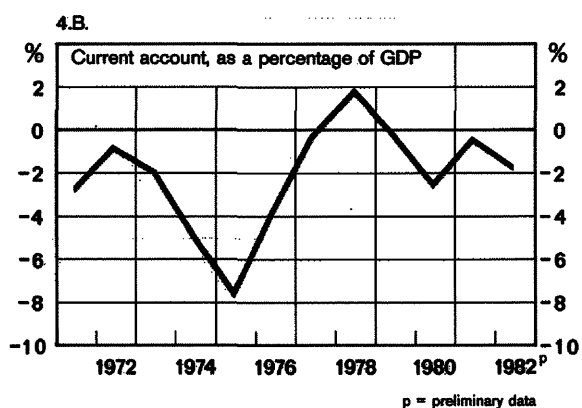
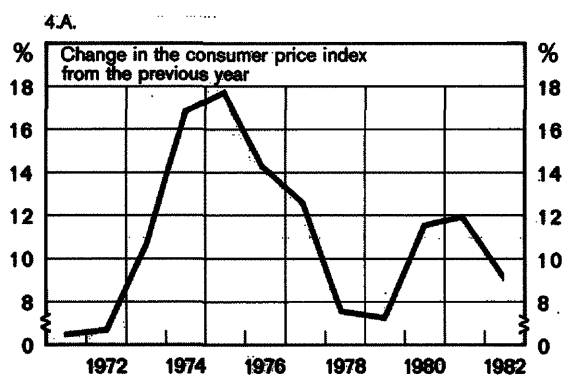
In keeping with the two-year incomes settlement reached in March 1981, wages and salaries covered by the agreement were raised by 8 per cent in 1982, with 0.6 percentage points of the increase representing the adjustment made to earnings at the beginning of the year for the rise of the wage revision index in excess of the threshold.

Chart 3.
UNEMPLOYMENT AND CAPACITY UTILIZATION



¹According to the Bank of Finland investment inquiry.

Chart 4.
CONSUMER PRICES AND THE CURRENT ACCOUNT



The corresponding adjustment to wages and salaries at the beginning of 1983 was 0.2 percentage points. All in all, earnings rose by about 10.5 per cent, wage drift accounting for almost one-quarter. Labour costs rose more rapidly in Finland than in her most important competitor countries (Chart 1.B).

FOREIGN AND DOMESTIC FINANCING

At more than 2 billion marks the deficit on the trade account was slightly greater than in 1981. The deficit originated entirely from western trade, since bilateral trade with the Socialist countries showed a small surplus. The services account registered a surplus of almost 4 billion marks, one

billion less than for the previous year. Since higher interest expenses led to a further widening of unrequited transfers, the current account showed a deficit of 4.5 billion marks for 1982 (Chart 4.B).

The growth in the current account deficit partly reflected a sharper decline in domestic saving as compared with domestic investment. In the public sector, in particular, saving was markedly lower and the financial position weaker than in 1981 (Chart 5.A).

In central government finances, expenditure exceeded revenue (excluding financial transactions) by almost 2 billion marks, in contrast to a small revenue surplus in 1981 (Chart 5.B). The central government deficit was mainly attributable to cycli-

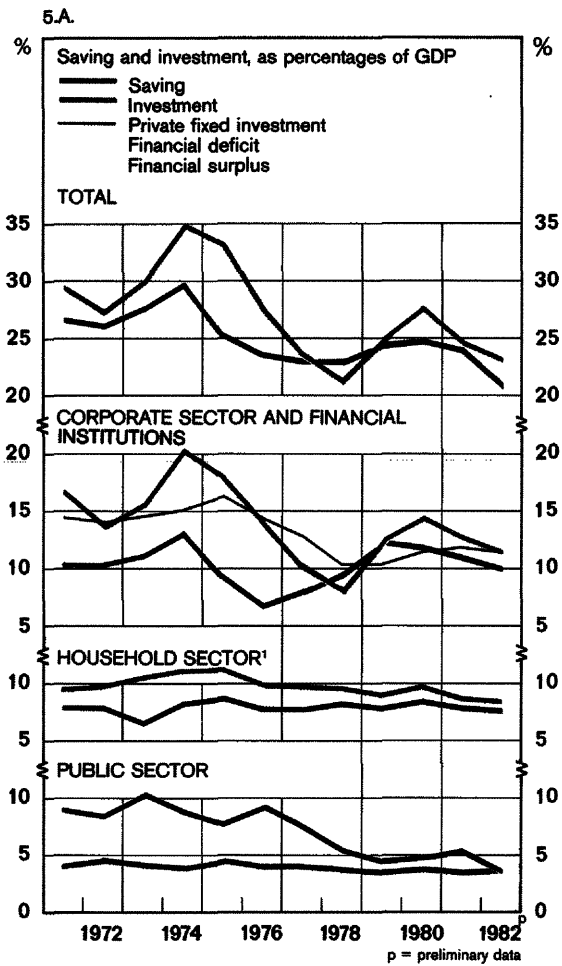
BALANCE OF PAYMENTS, MILL. MK

	1977	1978	1979	1980	1981	1982 ^P
+ Current account	- 580	2 606	-761	-5 186	-1 272	-4 500
+ Long-term capital account	3 067	2 265	509	182	2 325	900
+ Short-term capital account	-2 271	-2 282	374	5 999	750	3 474 ¹
= Change in the foreign exchange reserves of the Bank of Finland	216	2 589	122	995	1 803	- 126

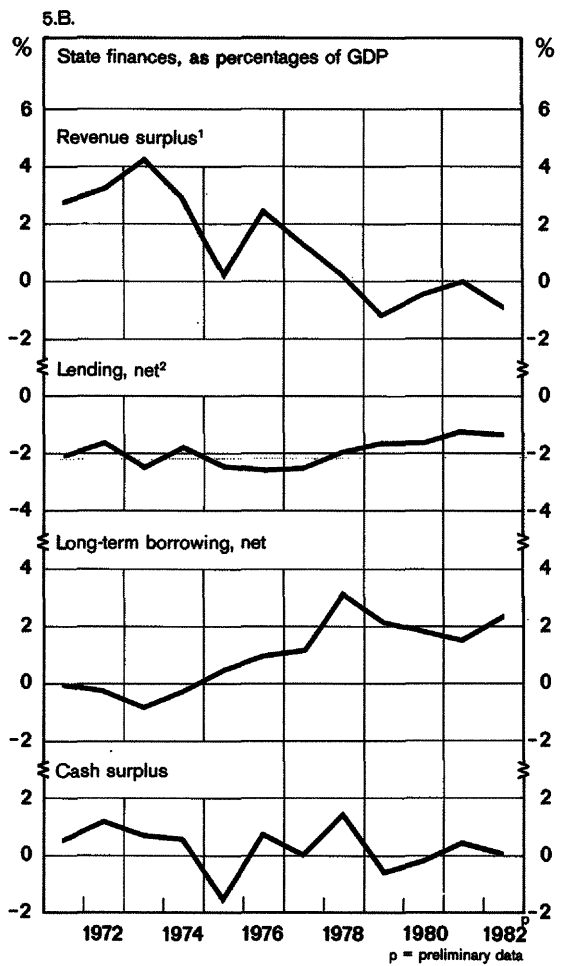
^P = preliminary

¹ Including the Bank of Finland's drawings of standby credits with foreign banks to support the foreign exchange reserves.

Chart 5.
FINANCIAL EQUILIBRIUM



¹Incl. non-profit institutions.



¹Revenue less expenditure, excl. financial transactions.
²Incl. other financial placements.

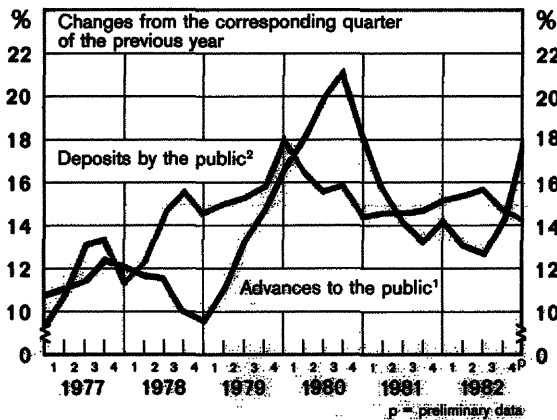
cal factors. As the central government's financing requirement grew slightly owing to developments in the central government's net lending and other financial investments, the central government's net financing requirement doubled to more than 5 billion marks in 1982. Because of the ease in the domestic financial market, the central government succeeded in satisfying almost half of its financing requirement by net domestic borrowing, which was more than in the previous year; more than one billion marks was borrowed direct from the banks. Of the central government's net financing requirement, 3 billion marks was covered by net long-term foreign borrowing.

The financial position of households deteriorated slightly in 1982, partly because of a substantial increase in purchases of consumer durables and partly because of a nominal increase in housing costs. Although the volume of housing investment went down a little, home loans grew by about 15 per cent as a result of a rapid rise in the prices of dwellings. The growth rate of households' bank deposits fell markedly, but, in real terms, the stock of bank deposits grew further by some two percentage points.

The liquidity and financial position of firms improved further as a result of the decline in corporate

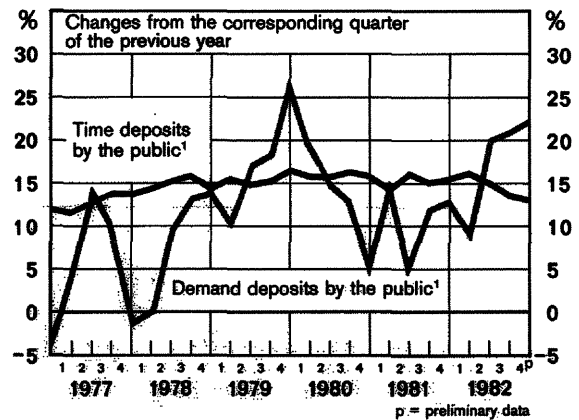
Chart 6.
BANK ADVANCES AND DEPOSITS

6.A.



¹Incl. domestic advances denominated in foreign currency and bonds.
²Incl. domestic deposits denominated in foreign currency.

6.B.



¹Incl. domestic deposits denominated in foreign currency.

investment and continued satisfactory income developments. Long-term foreign borrowing by the private sector totalled 2.5 billion marks, of which financial institutions accounted for more than one billion marks. Net imports of loan capital by corporations decreased somewhat reflecting not only the contraction in investment activity but also the ready availability of domestic financing and the high level of interest on foreign loans. Long-term capital exports by firms and financial institutions in the form of direct investment and export credits amounted to more than 2 billion marks.

Net imports of long-term capital by the central government and private sector totalled about 3.5 billion marks. As a result of the new arrangements for the bilateral clearing accounts agreed upon with the Soviet Union, Finland's long-term foreign assets grew by 2.1 billion marks. The net long-term capital inflow was slightly less than one billion marks and covered one-fifth of the deficit on the current account.

Short-term capital flows displayed sharp fluctuations in the course of 1982, but for the year as a whole the short-term capital account recorded a surplus of 3.5 billion marks, including drawings

of foreign credits totalling 2.6 billion marks made by the Bank of Finland to support the reserves. The ease in the domestic financial market, which had continued since the spring of 1981, encouraged capital outflows throughout the early part of the year, when international interest rates were still high. In the early autumn, expectations of an adjustment in the exchange rate of the Finnish mark induced a substantial expansion of short-term capital outflows. After the October devaluations, the domestic money markets tightened, confidence in the external value of the mark was restored and the short-term capital outflow gradually swung into a net inflow. Capital inflows were also boosted by the fall in international interest rates and, to some degree, by expectations of a fall in the value of the dollar.

At the end of the year, the convertible foreign exchange reserves of the Bank of Finland, including drawings of standby credits of 2.6 billion marks, totalled 9 billion marks, as against 7.5 billion marks one year earlier. Holdings of tied currencies increased by almost 2 billion marks during the year. Since, however, tied currency assets totalling 2.1 billion marks were transferred to the Bank of Finland's long-term assets under the item "term

receivables", actual tied foreign exchange reserves amounted to 1.5 billion marks at the end of 1982.

Reflecting developments in the balance of payments, the banks' liquidity remained comparatively easy during the early part of the year, even though it was partly sterilized by the increase in the net claim of the central government and Postipankki on the Bank of Finland. Exceptionally, the commercial banks had a net claim on the Bank of Finland at the end of January, July and August. However, the speculative capital outflows prior to the devaluation of the mark quickly reduced the banks' liquidity in the autumn. With the subsequent reversal of the capital outflow just before the end of the year, the liquidity of the commercial banks improved again and their central bank debt at end-1982 was only about 0.5 billion marks more than one year earlier. Also contributing to the growth of the central bank debt was a slight increase in central government cash funds.

The slowdown in the growth rate of bank lending, which had started at the end of 1980, continued during the early months of the year. However, lending increased sharply in the autumn, and the stock of credits grew by about 18 per cent in 1982. Of this increase, one percentage point was due to the effect of exchange rate changes on loans denominated in foreign currencies (Chart 6.A). The contraction of investment activity reduced firms' credit requirements, but the capital outflow prior to the devaluations increased their need for short-term financing. By contrast, credit granted to households grew briskly by almost one-fifth, thereby contributing to the rapid rise in consumption. The pick-up in consumer demand was partly reflected in a deceleration in the annual growth rate of term deposits from more than 15.5 per cent to 13 per cent. Demand deposits and short-term money investments grew at a noticeably faster pace, reflecting a shift in the emphasis of corporations' demand from real assets to financial claims (Chart 6.B).

CENTRAL BANK POLICY

Slow growth and efforts to combat inflation were the major factors affecting central bank policy in 1982. Domestic demand was supported by continuing the easy monetary policy stance adopted in the spring of 1981. In addition, the general level of interest rates was lowered at the beginning of the summer. Although the rate of inflation decelerated, it remained slightly higher than in Finland's main competitor countries. Owing to the weakening in competitiveness, the external value of the Finnish mark was lowered at the beginning of October. Following the large devaluation of the Swedish krona, the external value of the mark was lowered further. In connection with the exchange rate changes, the monetary policy stance was tightened to some degree, primarily with the aim of curbing the rise in domestic prices.

MONETARY POLICY

Main features of monetary policy

Monetary policy in 1982 can be described as bolstering demand. Although action was taken to tighten conditions somewhat in the autumn, monetary policy was still formulated with a view to securing the financing of profitable investment and productive activity. The tightening of the policy stance was designed to dampen the strengthening of inflationary expectations and thereby to prevent an expansion of credit. In December, new credit policy guidelines were issued to the financial institutions.

To keep the position of the banks and conditions in the financial market in line with targets, several adjustments were necessary in monetary policy, especially during the first few months of the year. The outflow of short-term capital prior to the devaluations and its unexpectedly slow return thereafter led to even tighter conditions than anticipated in the last months of 1982. However, the tightness could be regarded as a transitory feature and as favourable from the point of view of its stabilizing effect on the foreign exchange market.

As in previous years, the emphasis of monetary policy was on regulating the terms applied to the central bank financing of the commercial banks.

Complementing it was the cash reserve requirement applicable to all deposit banks. The cash reserve agreement between the Bank of Finland and the banks was revised as from mid-May. The ceiling on the cash reserve requirement was raised from 5 to 8 per cent and the maximum size of monthly increments in the requirement from 0.4 to 0.6 percentage points. In addition, the rate of interest paid on cash reserve deposits was raised by 0.5 percentage points to 0.25 percentage points below the base rate of the Bank of Finland. The revision of the agreement was designed to improve the possibilities of using monetary policy to steer developments in the financial market in conditions where substantial imports of foreign capital and a rapid growth in export earnings increase liquidity in the economy. The cash reserve requirement was raised only once in 1982.

Central bank financing mainly took the form of call money overdrafts. The call money rate was adjusted several times during the year, and, in addition, the schedule of supplementary interest charges levied on call money borrowing was changed twice. As before, the Bank of Finland also influenced the cost of the commercial banks' call money credit by means of a system of interest rate equalization. Thus, the commercial banks were reimbursed for part of the interest expenses which they incurred on the call money market as a result

of liquidity management operations by the central government. In December, the Bank decided to terminate this arrangement as from the beginning of 1983, with a view to simplifying and clarifying the call money market and the interest rate on the money market.

The base rate of the Bank of Finland was cut as from June 1, and at the same time bank lending and deposit rates were lowered. It was felt that lower interest rates would help to ease inflationary pressures and strengthen domestic demand.

The scheme introduced in 1979 for reducing average bank lending rates was continued in 1982, and in March the Bank modified the guidelines governing its operation. The average lending rate of the commercial banks was to be adjusted monthly, instead of semi-annually as before, and that part of the average monthly lending rate in excess of the monthly target level was to be offset by a corresponding reduction during the same calendar year. There were no significant changes in the Bank of Finland's permanent financing arrangements in 1982. The stock of credits extended under these arrangements continued to grow steadily in 1982, although at slower pace than in the previous year owing to weak demand conditions. The stock of counter-cyclical special deposits declined only a little in the course of the year.

Three foreign-owned commercial banks commenced operations in Finland in 1982. In granting them permission to import capital as required under Finnish foreign exchange legislation, the Bank of Finland laid down certain rules relating to their operations. The principle underlying these rules was that subsidiaries of foreign banks should, in general, have the same rights and be subject to the same obligations as Finnish banks. Thus, for instance, the arrangements for the regulation of average lending rates were immediately extended to cover the foreign-owned banks. In addition, the new banks undertook to observe the cash reserve agreement concluded between the Bank of Finland and the financial institutions.

Central bank financing and cash reserve deposits

The system for granting central bank financing to the commercial banks was not changed substantially in 1982. Part of central bank financing took the form of cheque account overdrafts at base rate. There were no changes during the year in the distribution of the cheque account facility among the various banks nor in the cheque account overdraft facility at base rate granted to Postipankki in 1979 to even out day-to-day fluctuations in its liquidity.

The bulk of central bank financing was granted in the form of call money overdrafts. As before,

COMMERCIAL BANKS' CENTRAL BANK CREDIT QUOTAS IN 1982, MILL. MARKS

	Feb. 1, 1981– Jan. 31, 1982	Feb. 1, 1982–
BH	33.0	22.0
KOP	148.2	98.8
Okobank	125.4	83.6
Skopbank	153.0	102.0
UBF	136.2	90.8
AAB	4.2	2.8
Total	600.0	400.0

SCHEDULE OF SUPPLEMENTARY INTEREST CHARGES APPLIED TO THE COMMERCIAL BANKS' CALL MONEY OVERDRAFTS IN 1982

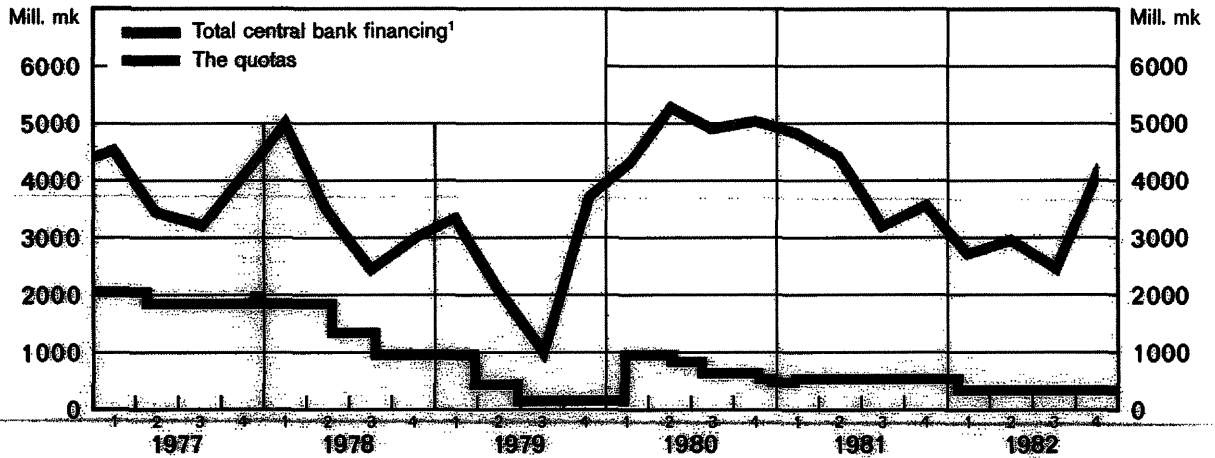
	Sept. 1, 1981– Jan. 31, 1982	Feb. 1, 1982–
Coefficient for credit tranches for which no supplementary charge	4 × quota	4 × quota
Credit tranches subject to 4 or 3 per cent supplementary charge ¹ , total, mill. mk	2 400	1 600
Starting level for credit tranches subject to 10 per cent supplementary charge ² , total, mill. mk.	4 200	—

¹ The supplementary charge was 4 per cent in January, November and December, and 3 per cent in the remaining months.

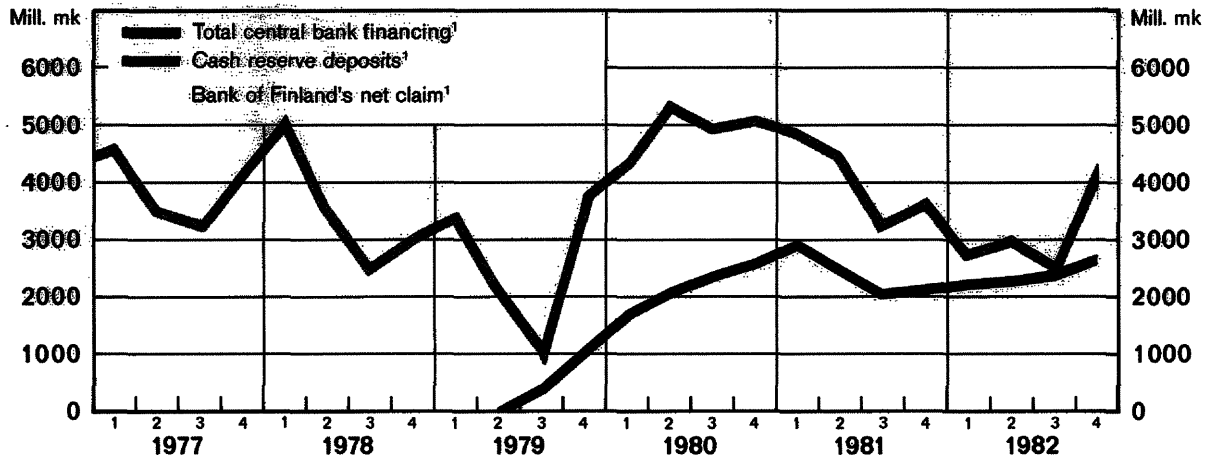
² The 10 per cent supplementary charge was abolished as from February 1, 1982.

Chart 7.
COMMERCIAL BANKS' POSITION VIS-À-VIS THE CENTRAL BANK

7.A.



7.B.



¹Quarterly average of daily amounts.

the other participants in the call money market besides the Bank of Finland were the commercial banks entitled to central bank credit and Postipankki, the latter chiefly as a depositor. The call money overdraft facility extended to Postipankki was also kept unchanged at 600 million marks. Throughout the year, an arrangement was applied in the call money market according to which the commercial banks had to pay supplementary charges on call money credit in excess of certain limits.

At the beginning of January, the call money rate was raised from 11 per cent to 12.5 per cent so

as to restrict a seasonal easing in financial market conditions. In addition, the aggregate quotas for the commercial banks' central bank credit were reduced from 600 million marks to 400 million marks as from February 1. At the same time, the supplementary charges on call money overdrafts were lowered. The 4 per cent supplementary charge levied on call money borrowing in excess of 4 times the quota was reduced to 3 per cent, while the second tranche, bearing a supplementary charge of 10 per cent, was cancelled altogether. As part of the fine-tuning of monetary policy, the call money rate was lowered twice in late February

– early March by a total of one percentage point. It was then maintained at 11.5 per cent until the autumn. Similarly, the other terms of central bank financing were kept unchanged during this period.

Expectations of a devaluation led to a sharp decline in the convertible foreign exchange reserves in September and the beginning of October, as a result of which the money market tightened considerably. The call money rate, which had been lowered from 11.5 per cent to 11.0 per cent at the end of September, was raised to 12 per cent in conjunction with the exchange rate decisions in October. In addition, the supplementary charge on call money credit was raised to 4 per cent as from November 1. Since the money market remained tighter than anticipated, the call money rate was lowered to 11.5 per cent at the beginning of November to coincide with the rise in the supplementary interest charge and was kept at this level for the rest of the year.

During the first three quarters of 1982, the average rate of interest paid by the commercial banks on their total central bank financing was approximately the same as in 1981 after the easing of monetary policy, but rose in the last quarter of the year. The marginal rate of interest paid by the commercial banks on their central bank financing was notably higher during the last few months of 1982 than in the early part of the year.¹

The average rate of interest paid by the commercial banks on their central bank financing was 12.0 per cent for the year as a whole, as compared with 11.6 per cent in 1981.² The differential between the average rate of interest and the base rate grew from 2.4 percentage points in 1981 to

3.5 percentage points in 1982. The amount of central bank financing rose sharply in the autumn. The total amount of central bank financing averaged 3 166 million marks, which was 922 million marks less than in 1981.

The cash reserve requirement, which had been reduced to 3.0 per cent of deposits in connection with the easing of monetary policy in the spring of 1981, was kept unchanged in the first part of the year. It was raised to 3.3 per cent at the end of the summer when liquidity in the economy expanded because of the growth in the tied foreign exchange reserves and seasonal movements in central government finances. At the end of December, cash reserve deposits totalled 3 132 million marks, which was 640 million marks more than one year earlier. About half of this increase was due to growth in the stock of bank deposits.

Interest rate policy

The Bank of Finland lowered the base rate by 0.75 percentage points to 8.5 per cent as from June 1. At the same time, the upper and lower limits for the rates of interest applied to the Bank of Finland's domestic lending other than bank financing were fixed at 2.5 percentage points above and below the base rate. By this decision the range of fluctuation of interest rates was also widened, the new limits being 6 and 11 per cent compared with 7.5 and 10.5 per cent previously.

The banking institutions were required to lower their lending and deposit rates by the equivalent of the change in the Bank of Finland base rate. However, to increase the differentiation in interest rates, the upper limit of the banking institutions' lending rates was kept unchanged at 12.5 per cent.

The deposit rates applied by the banks during 1982 were as follows:

¹ The marginal rate of interest on central bank financing is calculated as the sum of the highest rate of interest paid by each commercial bank on call money overdrafts (call money rate + supplementary interest charge) weighted by the banks' shares in aggregate quotas.

² In calculating the average rate of interest on central bank financing, the effect of the scheme for interest rate equalization was taken into account.

	Feb. 1, 1980— June 1, 1982— May 31, 1982	
	Per cent	Per cent
36-month savings premium and tax concession deposits ¹	9.75	9.00
24-month term deposits	9.00	8.25
Housing savings premium deposits ²	8.00	7.25
12-month term deposits	7.75	7.00
6-month term deposits	6.25	5.50
Deposits with 6 months' notice	6.25	5.50
Deposits with 4–5 months' notice	4.50	3.75
Deposits with 2–3 months' notice	3.50	2.75
Deposits with one month's notice	2.50	1.75
Savings accounts and ordinary deposit accounts	5.00	4.25
Deposit accounts with cheque facility ³	5.00	4.25
Cheque accounts and postal giro accounts ³	2.00	1.25

¹ In addition, the central government pays an interest premium of 1.25 per cent per annum; moreover, the depositor has a chance of winning a savings premium. The law is applied to deposits for which the first instalment was made not later than March 31, 1980. It has not been possible to make tax concession deposits since the end of 1979.

² Total interest paid comprises interest paid on ordinary deposit accounts, the supplementary interest of 1.25 per cent paid by the banking institution and the housing savings premium of 1.75 per cent paid by the central government. Deposits in the account must be made as instalments in at least eight consecutive calendar quarters.

³ Interest paid is calculated on the basis of the lowest balance during the month.

Increasing interest rate awareness over the past few years accentuated the importance of the differential between foreign and domestic interest rates as a factor influencing short-term foreign capital movements. During the early part of the year, the three-month Eurodollar rate (Chart 11) was higher

than the marginal rate of interest on central bank financing in Finland and the unregulated money market rates closely linked to it. With the rise in domestic rates of interest in the autumn and the fall in interest rates abroad from the summer onwards, the relation between them was reversed. Earlier in the year, the interest rate differential gave rise to a capital outflow. The change in the differential was not reflected in capital movements until the end of the year after the domestic foreign exchange market had stabilized.

At the end of the year, the average lending rate applied by the banking institutions (Chart 8) was 9.36 per cent, as against 10.19 per cent one year earlier. As before, developments in the average lending rate were affected by the guidelines issued by the Bank of Finland concerning the gradual and systematic lowering of the average lending rate.

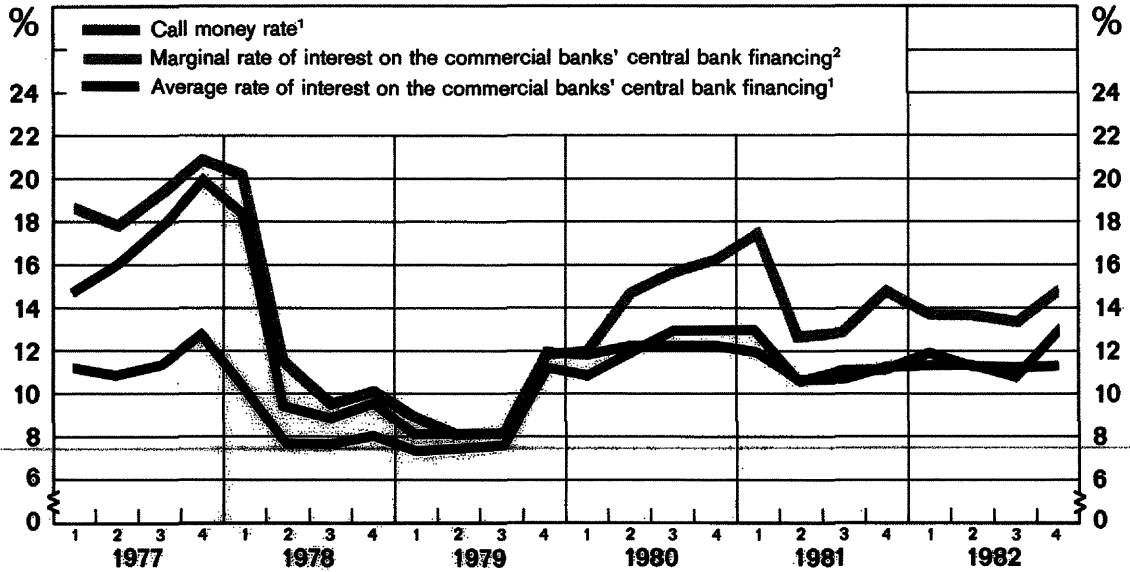
The average deposit rate applied by the banking institutions was 5.04 per cent at the end of the year, 0.69 percentage points lower than one year earlier. Hence, the difference between the lending and deposit rates at end-1982 was 4.32 percentage points, compared with 4.46 percentage points at end-1981. The rates at issue on central government bonds intended for public subscription were slightly lower during the second half of the year than during the first half. The change in the general level of interest rates in the early summer was reflected in a 0.5 percentage point fall in the rates of interest on other bonds issued.

WEIGHTED AVERAGE LENDING AND DEPOSIT RATES OF INTEREST APPLIED BY BANKING INSTITUTIONS AND THE DIFFERENCES BETWEEN THESE RATES AT THE END OF 1981 AND 1982, PER CENT

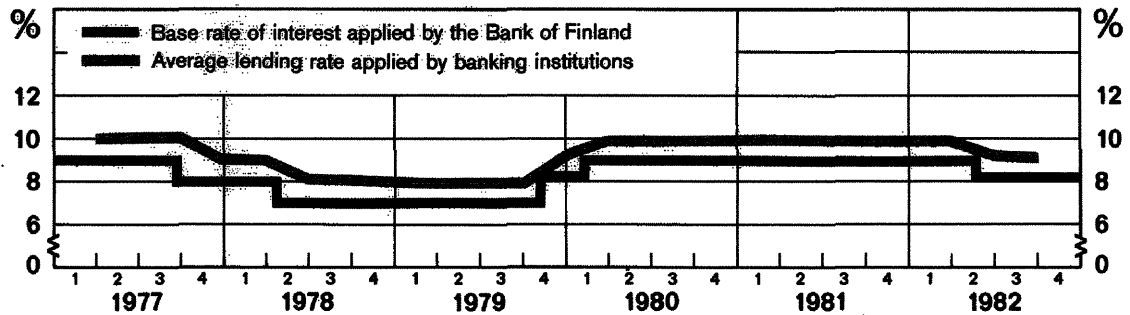
	Dec. 31, 1981			Dec. 31, 1982		
	Lending rate	Deposit rate	Difference	Lending rate	Deposit rate	Difference
Postipankki	9.83	4.74	5.09	9.02	4.10	4.92
Commercial banks	9.84	5.68	4.16	8.95	5.01	3.94
Savings banks	10.59	6.03	4.56	9.85	5.33	4.52
Co-Operative banks	10.55	5.95	4.60	9.73	5.23	4.50
Banking institutions, overall	10.19	5.73	4.46	9.36	5.04	4.32

Chart 8.
RATES OF INTEREST

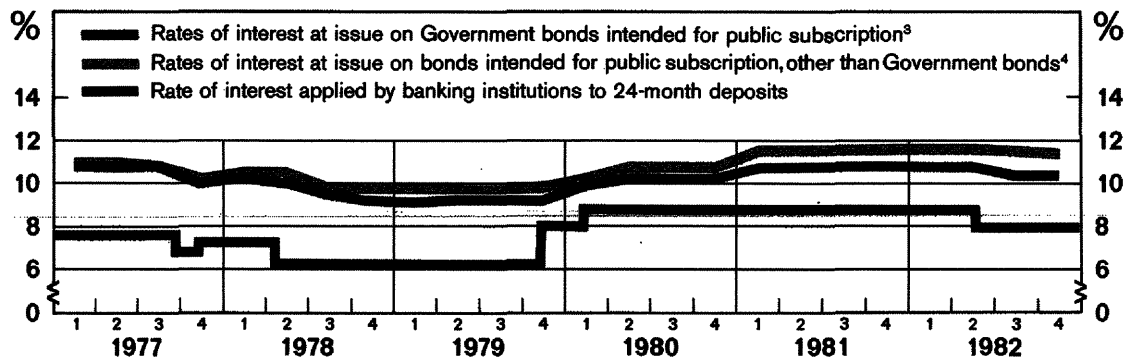
8.A.



8.B.



8.C.



¹Average calculated from daily amounts.

²The highest rate of interest paid by the various banks on their central bank financing, weighted by the individual quotas of the banks.

³Weighted by sales of bonds.

⁴Weighted by issues of bonds.

Credit policy guidelines

In conjunction with the adjustment of its monetary policy stance in December, the Bank of Finland sent the banking institutions a circular concerning their credit policy. In the circular, the Bank of Finland stated that the external prerequisites for a strengthening in economic growth in Finland continued to be poor. To secure the positive effects of the exchange rate measures implemented in the autumn, it was considered important that price and wage developments should not be allowed to weaken firms' competitiveness again.

Hence, it was felt that the monetary policy stance should be somewhat more stringent than that adopted in the spring of 1981, the previous occasion on which the Bank of Finland issued new credit policy guidelines. A prime objective was to curb inflation permanently and thereby to create a stable basis for the promotion of economic growth and employment.

The Bank of Finland advised the banking institutions that they should base their lending on the assumption that the terms of central bank financing would be kept comparatively tight for some time to come. In addition, the circular pointed out that in framing monetary policy efforts would be made to secure the financing of profitable investment and productive activity, but that this would require the banking institutions to exercise restraint in their other lending.

Statements concerning bonds

In 1982, the Bank of Finland gave the Council of State 45 statements concerning private bond issues. All issue applications received favourable statements and each was granted a permit by the Council of State. The total nominal value of the loans was 2 255 million marks, which was 939 million marks more than in the previous year.

Of the bonds, 20 were issued by private mortgage institutions, 20 by industrial and energy firms, 3 by local authorities and 2 by development credit

institutions. The total nominal value of bonds issued by private mortgage institutions was 1 531 million marks, which was 351 million marks more than in the preceding year. The total value of bonds issued by industrial and energy firms amounted to 554 million marks, as against 25 million marks in 1981. The value of bonds issued by development credit institutions totalled 96 million marks and that of bonds issued by local authorities 74 million marks. The bonds issued by mortgage institutions and development credit institutions were mainly used to finance residential construction as well as corporate and municipal industrial investments.

The total nominal value of the 9 private bond issues intended for public subscription was 551 million marks, or 68 million marks more than in the previous year. These loans bore a fixed rate of interest. The rate of interest on bonds issued during the early part of the year was 11.75 per cent, while that on bonds issued after the general lowering of interest rates was 11.25 per cent. The total nominal value of bonds issued, other than those intended for public subscription, amounted to 1 704 million marks, which was 871 million marks more than in 1981. Of these loans, 25 bore a variable rate of interest while 11 bore a fixed rate of interest. The rate of interest on these loans ranged from 9 to 12.25 per cent.

Certificates of deposit and term deposits

In addition to call money deposits intermediated by Postipankki, the central government's cash funds held at the Bank of Finland were, as in previous years, invested in certificates of deposit issued by the Bank. In line with fluctuations in Government liquidity, funds held as certificates of deposit were at their highest in November and lowest in February. The central government's counter-cyclical reserves and the counter-cyclical deposits collected by the central government from enterprises were run down in full during the year.

The bulk of the corporate sector's term deposits with the Bank of Finland consisted of deposits

made in connection with the investment reserve scheme. In October, the Council of State decided to release the investment reserves – 420 million marks in all – for accounting periods ending during the last three quarters of 1981. In addition, the utilization period for investment reserves was extended. According to the decision, all investment reserves for accounting periods ending no later than December 31, 1981 were to be used before the end of 1983. Under the earlier decisions, the utilization period was to have terminated on April 30, 1983 and the utilization right had applied only to investment reserves for accounting periods ending before April 1, 1981.

At end-year, the total value of investment deposits made by firms in connection with investment reserves was almost the same as one year earlier because new deposits virtually equalled drawings of old deposits. The value of investment deposits relating to released reserves totalled 1 200 million marks at the end of 1982.

Special financing arrangements

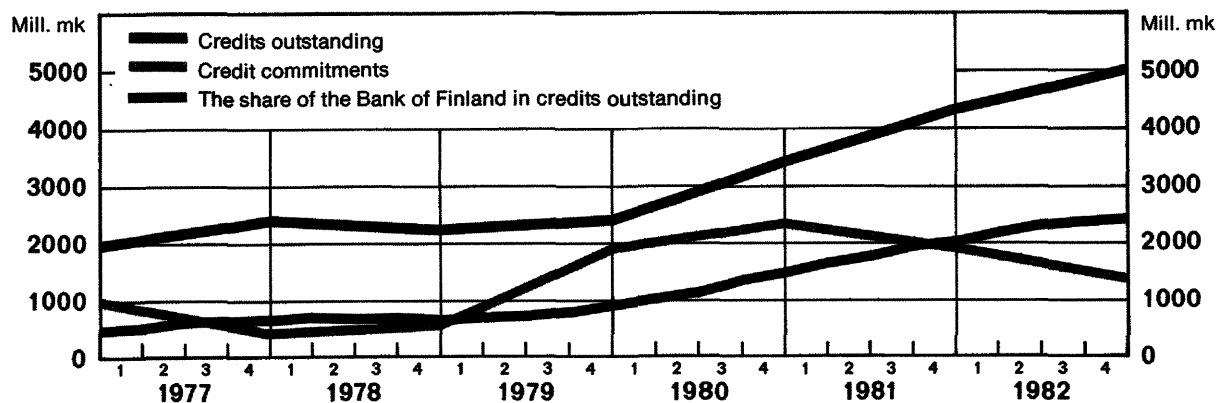
The terms of the arrangements for financing domestic suppliers' credits, short-term export credits and new-export credits were revised slightly in 1982. In addition, at the beginning of June the rates of interest applied in these special financing

arrangements were lowered by the same amount as the reduction in the base rate. The stock of credits under these arrangements amounted to 4 343 million marks at the end of the year, 11 per cent more than one year earlier. In December, the Bank of Finland granted the central government a loan of one billion marks for financing the measures to strengthen the competitiveness of industry decided in conjunction with the exchange rate decisions. The loan was to be drawn in the course of 1983 and repaid in 1985.

Domestic suppliers' credits are used to finance domestic suppliers' deliveries of capital goods to domestic customers. The aim of this financing arrangement is to ensure that Finnish firms are financially competitive with foreign suppliers on the domestic market. The system is operated by the Bank of Finland, the commercial banks and Posti-pankki. The rate of interest on domestic suppliers' credits was lowered to 8.5 per cent as from June 1, following the change in the base rate. The Bank of Finland's share in the financing of that part of the contract price covered by bank credit was kept unchanged at 50 per cent. Certain minor amendments were made in the other conditions of this arrangement.

Reflecting the continuing slackness in investment activity, new credit commitments made under the scheme for financing domestic suppliers' credits

Chart 9.
FINANCING OF DOMESTIC DELIVERIES



declined from the previous year. Forest industry machinery accounted for 40 per cent and ships for 20 per cent of the total of 1 392 million marks of new credit commitments. At the end of the year, outstanding credit commitments totalled 1 498 million marks, one quarter less than in the preceding year. Owing to the completion of large investment projects started earlier, drawings of domestic suppliers' credits reached the same level as in 1981. A total of 1 928 million marks was drawn, 32 million marks more than in the previous year. At the end of the year, the stock of domestic suppliers' credits amounted to 5 146 million marks, which was 711 million marks more than one year earlier. The Bank of Finland's share in the financing of these credits amounted to 2 514 million marks.

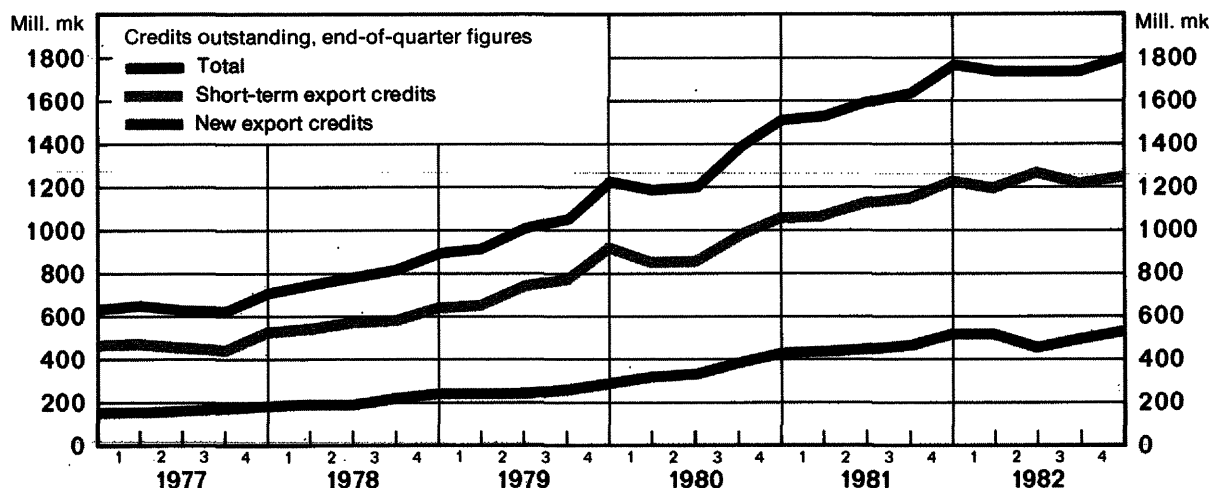
The purpose of the financing scheme for short-term export credit is to finance export credits granted to foreign buyers for up to 24 months in connection with exports payable in convertible currencies.

To curb the growth in the stock of credits under this financing arrangement, the Bank of Finland had, in December 1981, decided to fix the maximum annual amount by which a firm's export bills could be financed by the Bank. This amount was set at 70 million marks for 1982 and 50 million marks for 1983. In line with the cut in the general level of interest rates, the rate of interest charged in the financing of export deliveries payable within 12 months was lowered to 7.75 per cent and that in the financing of export deliveries payable in more than 12 months to 8.25 per cent.

Owing to the introduction of certain restrictions, the stock of short-term export credits, including export factoring finance granted to finance companies, grew by only one per cent during 1982 and amounted to 1 269 million marks at end-year. The metal products, machinery and equipment industry accounted for 39 per cent of total outstanding credits, the basic metal industries for 9 per cent

Chart 10.

FINANCING OF NEW EXPORT CREDITS AND SHORT-TERM EXPORT CREDITS



and the textile, wearing apparel and leather industries for 9 per cent. At the end of the year, a total of 716 firms were utilizing this financing arrangement.

New-export credit is used to finance the working capital needs of small and medium-sized industrial firms resulting from an expansion in their exports. Following the change in the base rate on June 1, the rate of interest applied by credit institutions to new-export credits was lowered to 7.75 per cent. The stock of credits remained virtually the same throughout the year and totalled 560 million marks at the end of the year. The metal products, machinery and equipment industry accounted for 28 per cent of the total stock of credits and the textile, wearing apparel and leather industries for 28 per cent. At the end of the year, a total of 2 426 firms were in receipt of this type of credit; of this total, 1 692 were fur-farming enterprises.

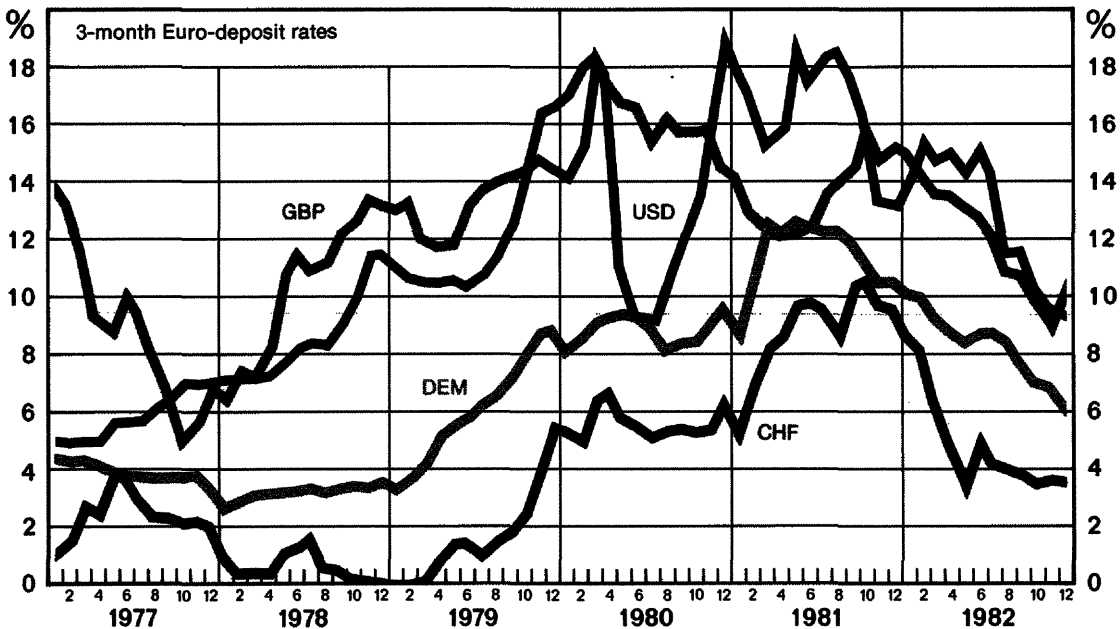
FOREIGN EXCHANGE POLICY

Developments in international foreign exchange and financial markets

The monetary policy pursued in the United States, the deepening of the recession and the growing deficit in the federal budget were the major factors influencing developments in international foreign exchange and financial markets in 1982. Exacerbating these problems was the persistently high level of interest rates in the United States. Many developing countries encountered difficulties in servicing their rapidly growing foreign debts. Because of the payments disturbances experienced by these countries and by certain banks and companies, the international banking system ran into its worst crisis in the postwar period.

In the summer, interest rates in the United States started to fall. To begin with, rates of interest on

Chart 11.
EURO-DEPOSIT RATES



short-term federal government debt declined fairly sharply, while the short-term interest rates of private banks fell more slowly owing to the confidence crisis the banking system was undergoing at that time. In the course of the autumn, long-term lending rates also declined. In October, the US Federal Reserve announced that it was abandoning the monetary policy pursued since the autumn of 1979 and based on the strict control of the growth of the money supply. This shift in the monetary policy stance was chiefly due to the deepening of the recession and the difficulties facing the US and international banking system. Militating against a lowering of interest rates – a prerequisite for economic recovery – was the large federal government budget deficit. The Federal Reserve contributed to the easing of monetary conditions through open market operations and by lowering the discount rate seven times from July onwards. At the end of the year, the discount rate stood at 8.5 per cent and the interest rate on three-month Eurodollar deposits was slightly more than 9 per cent. Eurorates for other leading currencies also fell appreciably in the course of the year (Chart 11).

Despite the fall in dollar interest rates, the US dollar remained strong in international foreign exchange markets until the beginning of November when it started to weaken rapidly. Of the other major currencies, the Japanese yen strengthened most against the dollar. By contrast, the pound sterling depreciated vis-à-vis the dollar and, towards the end of the year, it also weakened markedly against the EMS currencies.

There were a number of realignments in the internal exchange rate structure of the European Monetary System (EMS) in the course of 1982. On February 22, the Belgian and Luxembourg francs were devalued by 8.5 per cent and the Danish krone by 3 per cent against the other EMS currencies. On June 12, the French franc was devalued by 5.75 per cent and the Italian lira by 2.75 per cent, whereas the deutschmark and the Dutch guilder were each revalued by 4.25 per cent vis-à-vis the other EMS currencies.

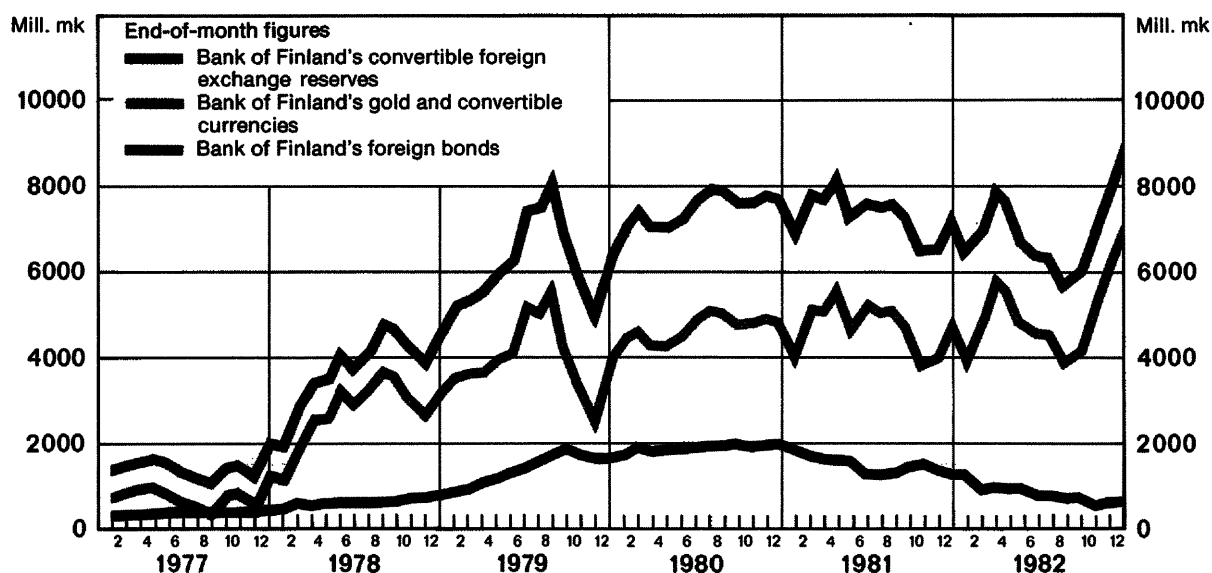
The price of gold fluctuated sharply in line with movements in the dollar exchange rate and dollar interest rates, especially towards the end of the year. At the end of 1982, the price of gold was about 450 dollars per ounce.

The increasing difficulties encountered by the international banking system tended to curb the growth of international financial markets in 1982. Countering this, however, was the fall in the level of interest rates in the United States and other major industrial countries. Hence, the combined impact of these factors was that lending activity in international financial markets remained at virtually the same level as in 1981. The general lowering of interest rates stimulated borrowing activity in the Euromarket, in particular, despite the fact that both nominal and real interest rates still remained fairly high, the latter because of the slowdown in inflation. The rate of interest charged by US banks to their best customers, the so-called prime rate, fell by 4 percentage points during the year to 11.5 per cent.

Dollar-denominated Eurobond issues grew substantially during the year. As interest rates fell creditworthy customers returned to the market. Although investors paid more attention than before to the credit-standing of borrowers, there was an ample supply of capital, due partly to the high real rate of interest paid on dollar loans. There was also a marked increase in bond issues denominated in Swiss francs. Similarly, credit was readily available in the capital markets of the Federal Republic of Germany and Japan. The total value of new Eurobond issues rose to more than 50 billion dollars, while the total value of bond issues on international financial markets reached almost 80 billion marks, nearly 50 per cent more than in 1981.

As expected, the fall in the dollar interest rates on the Eurocurrency market cleared the way for rescheduling the credits of some of the heavily-indebted countries. This, together with the payments difficulties and bankruptcies of certain borrowers and financial institutions, reduced the supply of

Chart 12.
CONVERTIBLE FOREIGN EXCHANGE RESERVES



funds in the Euromarket. Hence, the total value of publicized new issues of Eurocredits fell by about one-third from the previous year to slightly less than 100 billion marks. The International Monetary Fund and the Bank for International Settlements played a prominent role in the arrangements for rescheduling credits for countries with payments problems.

Exchange rate policy and the domestic foreign exchange market

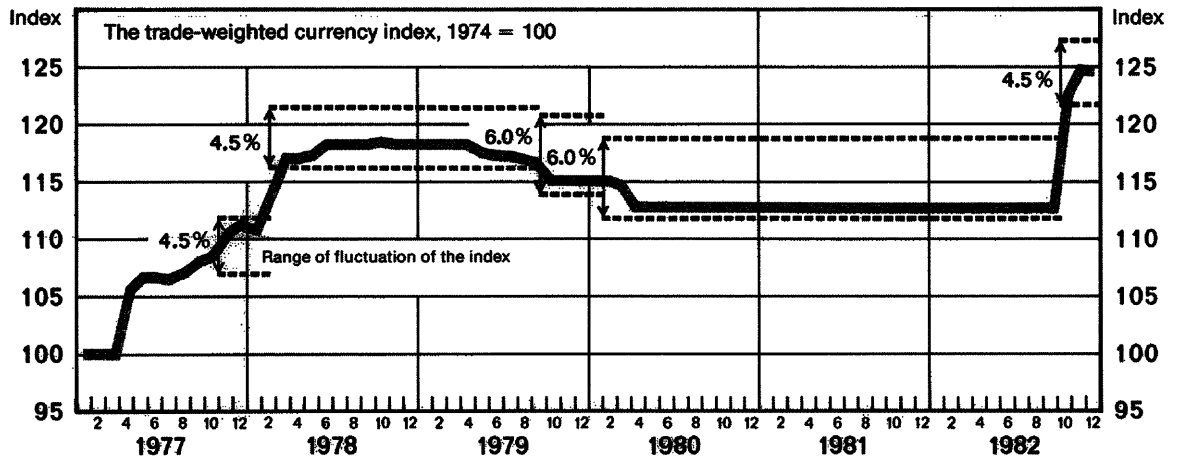
Instability in the domestic foreign exchange market intensified in the spring of 1982 under mounting pressures from exchange rate expectations. The convertible foreign exchange reserves reached a peak of 8 billion marks in March. In October, the convertible reserves fell to a low-point of 5.5 billion marks, despite substantial drawings of foreign standby credits and forward exchange sales to the banks (Chart 12).

With the continuation of the international recession,

the effects of the weakening in the competitiveness of industry were accentuated. Moreover, there was a substantial outflow of short-term capital in the early autumn. To strengthen external liquidity and competitiveness, the Bank of Finland decided to raise the currency index by about 4 per cent within its range of fluctuation as from October 6.

After the Swedish krona had been devalued by 16 per cent on October 8, the Bank of Finland considered that the changed economic policy circumstances called for a further devaluation of the Finnish mark. In determining the size of the devaluation, the aim was to strengthen competitiveness and promote employment without engendering unnecessary inflationary pressures. On October 10, the Council of State, on the proposal of the Bank of Finland, decided to adjust the fluctuation limits of the currency index. As from October 11, the new limits of fluctuation were 121.9 and 127.5, as against 112.0 and 119.0 previously. At the same time, the fluctuation range of the currency index was reduced from 6 per cent to 4.5 per cent. On account of the Council of State's

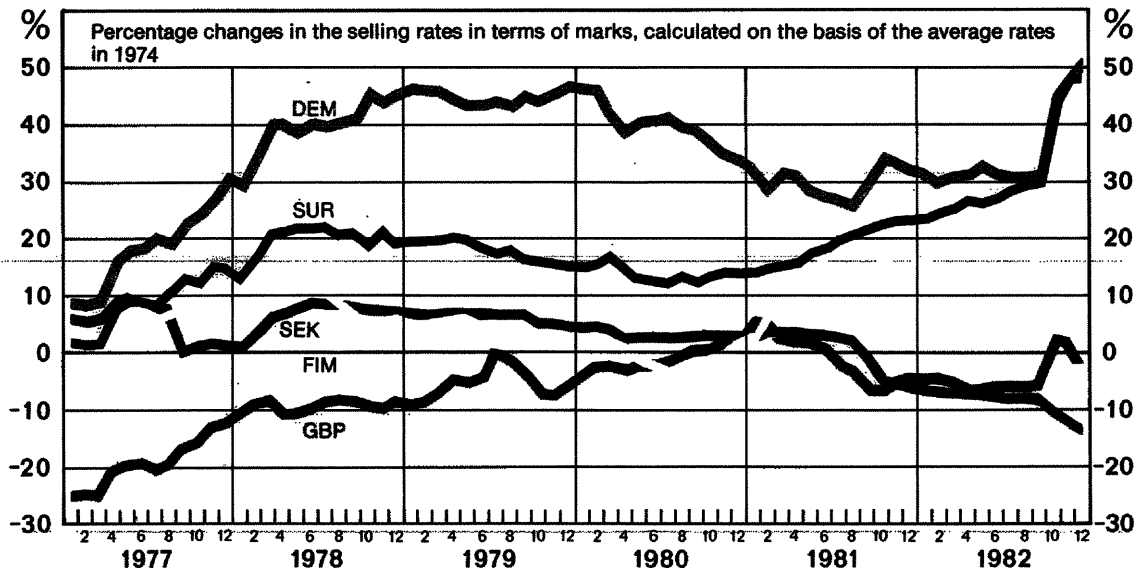
Chart 13.
BANK OF FINLAND CURRENCY INDEX



decision, the Board of Management of the Bank of Finland decided to raise the currency index by about 6 per cent. Together with the exchange rate decision of October 6, this meant an average rise of about 10.5 per cent in exchange rates and a depreciation of about 9.5 per cent in the external value of the Finnish mark (Chart 13).

The changes in the international exchange rate structure and the domestic exchange rate decisions gave rise to considerable fluctuations during the year in the mark rates of the currencies quoted by the Bank of Finland. The selling rate of the US dollar rose by 21.4 per cent, the rouble by 20.0 per cent, the deutschemark by 14.6 per cent

Chart 14.
CHANGES IN EXCHANGE RATES OF MAJOR CURRENCIES



and the pound sterling by 2.2 per cent. Owing to the devaluation of the Swedish krona, its selling rate fell by 8.2 per cent (Chart 14 and Table 16 in the Tables Section).

During the year, the Bank of Finland intervened in the forward markets for convertible currencies to engage in forward deals with the banks. In January, these transactions were of an experimental nature. In August – September, the Bank of Finland made forward sales of dollars to the authorized banks to support the convertible reserves. The forward exchange market remained stable until the early autumn when the net forward assets of the banks swung into net forward liabilities under the influence of exchange rate expectations, and the forward exchange rate of the dollar rose well above the spot rate. Following the exchange rate decisions, the banks' forward exchange assets grew and by the end of 1982 had almost been restored to the level prevailing at the beginning of the year. In addition, forward exchange rates declined appreciably.

The use of forward roubles in the trade with the Soviet Union increased substantially during the year. As before, the Bank of Finland covered the rouble-denominated forward exchange agreements concluded between the banks and their clients. At the end of the year, the Bank of Finland's rouble-denominated forward exchange assets totalled 1 052 million roubles, which was 613 million roubles more than one year earlier. The corresponding liabilities amounted to 18 million roubles.

The convertible foreign exchange reserves increased by 1 547 million marks in 1982 and amounted to 9 005 million marks at the end of the year. Convertible currencies grew, in net terms, by 2 127 million marks to 5 796 million marks, while foreign bonds fell by 640 million marks to 765 million marks. Since part of the tied foreign exchange assets was converted into long-term assets in the latter part of the year, the tied foreign exchange reserves declined by 384 million marks and totalled 1 525 million marks at the end of the year (Table 3 in the Tables Section).

The credits drawn in 1975 and 1976 under the

Oil Facility of the International Monetary Fund were redeemed to the value of 220 million marks during 1982. At the end of the year, the credits outstanding under this facility amounted to 75 million marks.

At the end of 1982, the Bank of Finland had a total of 1 500 million dollars in the form of credit line facilities negotiated with foreign banks. These can be used, whenever needed, to support the foreign exchange reserves. At the end of the year, drawings of standby credits under these facilities amounted to 500 million dollars.

Long-term capital flows and foreign debt

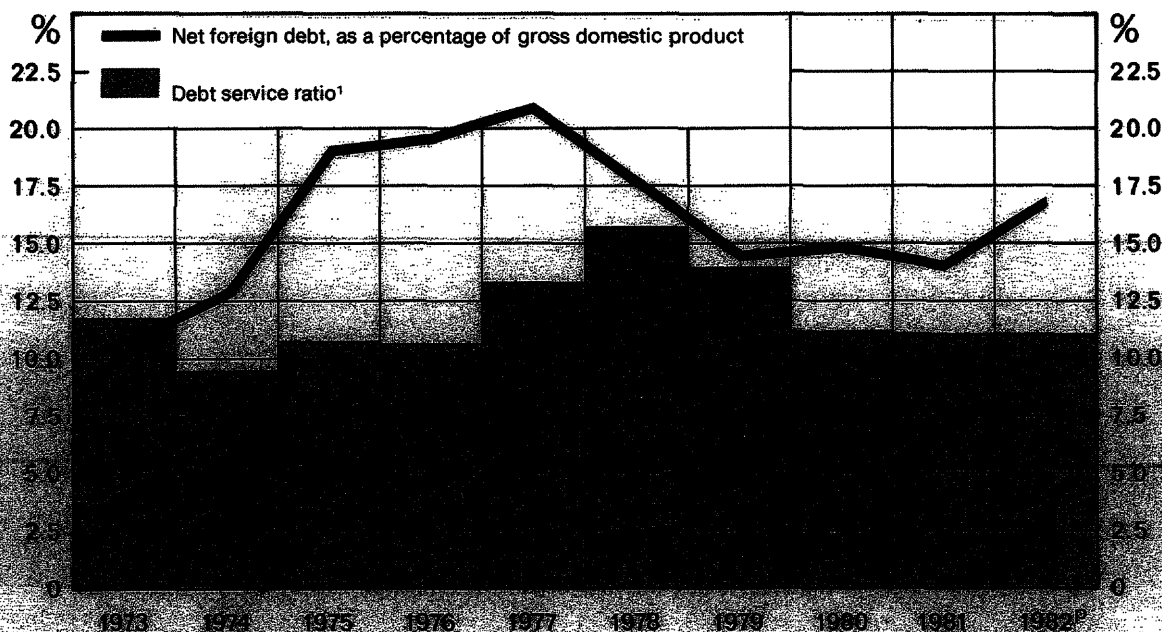
The long-term capital inflow in 1982 exceeded that of the previous year. The central government's net capital imports continued to grow, whereas net imports of loan capital by the corporate sector remained at the same level as in 1981.

Approximately half of the long-term capital inflow took place during the first quarter of the year when the central government covered a significant proportion of its financing requirement for 1982 by long-term borrowing abroad. The lowering of domestic interest rates at the beginning of the summer and the slackening in investment towards the end of the year led to a decline in the corporate sector's capital imports during the second half of 1982, despite the fall in the level of international interest rates.

About 50 per cent of the corporate sector's capital imports was channelled to investments in the forest and metal industries. The forest industries, in particular, used a considerable proportion of the proceeds of their borrowing to finance large-scale projects started in earlier years.

According to provisional data, Finland's net foreign debt grew by 10 billion marks during 1982 and amounted to 40 billion marks at the end of the year. The net long-term debt increased by 6.9 billion marks to 40.1 billion marks. Exchange rate changes accounted for 6.2 billion marks of the increase. Net short-term assets declined by 3.0 billion marks and stood at 0.1 billion marks at the end of the year.

Chart 15.
DEVELOPMENT OF INDEBTEDNESS



¹Debt service charges (redemptions and interest expenses) on gross long-term foreign debt as a percentage of current account earnings. Debt service charges do not include redemptions of the Bank of Finland Oil Facility purchases and reserve credits.

p = preliminary data

The ratio of net foreign debt to gross domestic product at market prices rose by 3.0 percentage points to 17.2 per cent (Chart 15). A substantial part of this increase was attributable to the adjustments in the external value of the Finnish mark. Finland's creditworthiness in international financial markets remained good.

Finland's gross long-term foreign debt grew by 12.6 billion marks and totalled 55.1 billion marks at the end of the year (Table 14 in the Tables Section). Since 7.0 billion marks of the growth in the debt was attributable to the devaluations of the Finnish mark, the actual increase in debt amounted to 5.6 billion marks. The central government's external debt rose by 3.1 billion marks, 0.9 billion marks more than in 1981. The foreign debt

of corporations and financial institutions increased by 2.4 billion marks, part of which was due to conversions of the financial institutions' long-term credits into long-term loans. At the end of the year, 46 per cent of Finland's gross long-term foreign debt was denominated in US dollars, 12 per cent in deutschemarks, 10 per cent in Swiss francs and 9 per cent in Japanese yen. The remainder of the debt was distributed among 21 other currencies.

Drawings of long-term foreign loans increased by 2.0 billion marks on the previous year and amounted to 10.7 billion marks. Of this amount, drawings of Eurocurrency loans accounted for 4.2 billion marks and Finnish bond issues abroad for 3.1 billion marks. The following 15 public Finnish bond issues were floated abroad in 1982:

Republic of Finland	150 million	DEM
Republic of Finland	75 million	USD
Republic of Finland	100 million	NLG
Republic of Finland	20 billion	JPY
Republic of Finland	100 million	USD
Republic of Finland	15 billion	JPY
Enso-Gutzeit Oy	5 million	KWD
City of Helsinki	50 million	DEM
Imatran Voima Oy	10 billion	JPY
Kansallis-Osake-Pankki	50 million	USD ¹
Land and Industrial Mortgage Bank Ltd.		
Finnish Real Estate Bank Ltd.	60 million	DEM
Industrial Bank of Finland Ltd.		
Mortgage Bank of Finland Ltd.	15 million	GBP ²
Postipankki	50 million	CHF ²
Finnish Export Credit Ltd.	75 million	USD ²
Industrialization Fund of Finland Ltd.	30 million	CHF

¹ Registered in Finland as a debenture.

² Registered in Finland under "other bond issues".

The weighted average rate of interest on fixed-rate financial loans amounted to 11.0 per cent, the average life to maturity being 6.1 years. Mainly because of the fall in interest rates for the major currencies, terms on financial loans were slightly more favourable than in the preceding year. The average rate of interest on fixed-rate financial loans drawn in 1981 had been 11.7 per cent and the average life to maturity 6.4 years.

Redemptions of gross long-term liabilities amounted to 5.1 billion marks, somewhat less than in 1981. Owing to the increase in debt and to some extent also the high level of interest rates abroad, interest expenses on the foreign debt grew by 1.3 billion marks to 5.2 billion marks.

Direct investment by foreign firms in Finland did not grow in net terms on the previous year. At the end of 1982, there were 985 firms in Finland which were more than 20 per cent foreign-owned.

Finland's gross long-term foreign assets continued to grow in 1982, increasing by 5.6 billion marks in all. Part of this increase was due to the financial arrangement connected with the Soviet trade. About half of the total stock of assets consisted of export credits, which increased, in net terms, by 1.2 billion marks. New development credits were granted after an interval of several years. Hence, development credit assets grew by 49 million marks in the course of 1982 and the total

amount outstanding at the end of the year was 137 million marks.

Direct investment by Finnish firms abroad continued to grow in 1982, and in net terms amounted to 1 133 million marks, which was almost twice as much as in 1981. One-fifth of this amount represented corporate acquisitions in Sweden by Finnish firms. At the end of the year, there were 1 167 firms operating abroad which were more than 20 per cent Finnish-owned.

After the Council of State had sanctioned applications by their parent companies to establish subsidiaries in Finland, Chase Manhattan Bank Oy and Indosuez Osakepankki Oy were granted permits to import capital.

Short-term capital flows

Owing to the easing of the domestic financial market and the high interest rates abroad, there was a substantial net outflow of short-term capital in the first quarter of the year. During the summer months, the net outflow swung into a net inflow after the current account had moved into a deficit and Eurodollar interest rates, in particular, had fallen markedly. In the early autumn, expectations of a depreciation of the Finnish mark were reflected in a large shift in the banks' short-term foreign debt position, with the net debt of the banks declining mainly because their net forward exchange assets had turned into net liabilities. Following the devaluations of the mark, conditions in the domestic foreign exchange market tightened and the banks' net foreign debt grew by about 6 billion marks during the remaining months of the year. More than one-third of this increase was attributable to changes in the value of the Finnish mark as well as to the foreign exchange deposits made to cover the rise in the Banks' forward assets.

Bilateral payments arrangements

At the end of 1982, Finland had clearing agreements with the Soviet Union, Bulgaria, the German

Democratic Republic, the People's Republic of China and Hungary. The clearing agreements with Poland and Czechoslovakia were still formally in force, but in practice the experimental arrangement whereby convertible US dollars were used in payments was continued.

As from the beginning of 1982, there was a changeover to the use of convertible currencies in transactions between Finland and Romania. According to the long-term trade agreement concluded between Finland and the People's Republic of China, convertible currencies were to be used in payments between the two countries as from the beginning of 1983. The switch to convertible currencies was due to Romania and the People's Republic of China joining the International Monetary Fund. The IMF requires a gradual dismantling of bilateral payments agreements between Fund members.

For almost the entire year, the clearing account between Finland and the Soviet Union showed a surplus in Finland's favour well in excess of the credit limit allowed on the account. At the beginning of the year, the surplus amounted to about 300 million roubles, twice as much as the credit limit then in force, and reached a peak of more than 800 million roubles in August. The exceptionally large payments imbalance arose primarily because Finland's exports expanded appreciably

faster than its imports. In 1981 – but to some extent also in 1982 – Finland's export deliveries had notably exceeded the values agreed on in the annual protocols governing the trade between the two countries. The value of imports, however, broadly corresponded to the quotas set in these agreements.

To reflect the growth in trade between Finland and the Soviet Union, the credit limit on the clearing account was raised on September 24 from 150 to 300 million roubles as a result of an exchange of notes between the two countries' Governments.

During 1982, the foreign trade authorities of Finland and the Soviet Union agreed on measures whereby the payments balance between the countries could be restored without it being necessary to reduce Finland's export quotas in the trade protocol for 1983. The most important of these measures was the special account arrangement agreed between the Bank of Finland and the Soviet Trade Bank on October 19. Under the agreement, 300 million roubles was transferred from Finland's surplus in the clearing account to a special interest-bearing account. This amount will be run down into the clearing account over the period 1984–1986. By the end of 1982, the surplus of the clearing account had declined to 200 million roubles, well below the credit limit.

THE BALANCE SHEET AND THE INCOME STATEMENT OF THE BANK OF FINLAND

The Bank of Finland's end-year Balance Sheets for the year under review and the preceding two years are presented in Table 1 in the Tables Section of the Year Book. In keeping with the Regulations for the Bank, balance sheets were prepared and published four times a month. The balance sheets for the end of the month are shown in Table 2 in the Tables Section. The Bank's Income Statements for 1982 and the preceding two years are given in Table 4 in the Tables Section. Chart 16 shows the movements in the major items of the Balance Sheet during 1982.

FOREIGN SECTOR

"Net foreign receivables" of the Bank of Finland grew by 707 million marks in the course of 1982 and totalled 9 083 million marks at the end of the year. During the early part of the year and in the summer, net foreign receivables increased to some extent and reached a high point of 9 791 million marks at the end of July. In September – October,

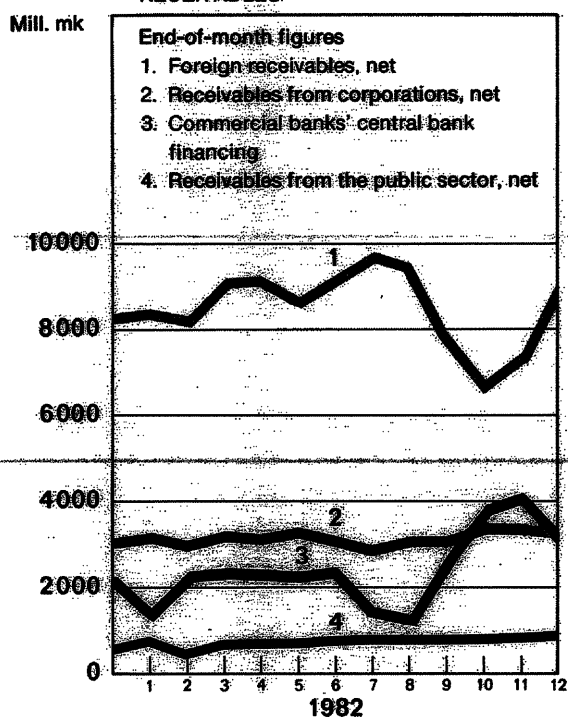
they declined considerably owing to exchange rate expectations and reached a low point of 6 800 million marks at the end of October. Towards the end of the year, they started to grow again following the October devaluations.

The convertible foreign exchange reserves, which include gold, special drawing rights, the reserve tranche in the International Monetary Fund, foreign

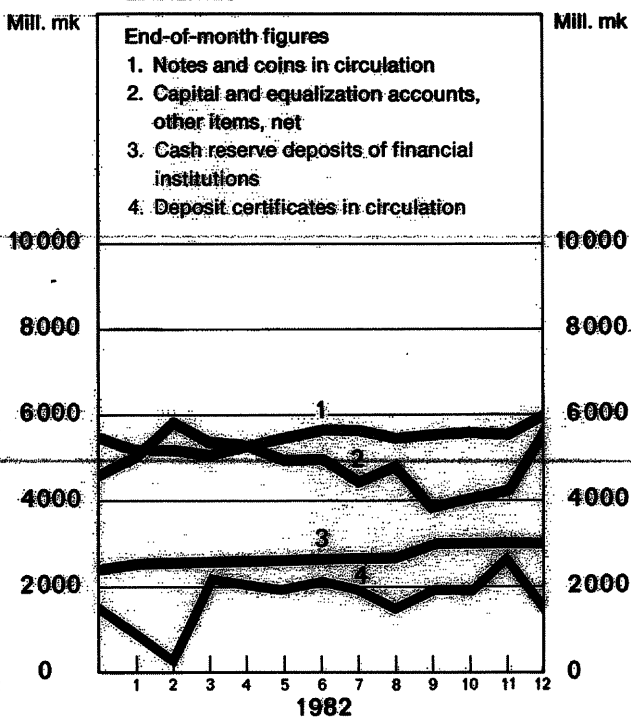
FOREIGN ACCOUNTS, MILL. MARKS

	December 31, 1981	December 31, 1982	Change
Gold	1 382	1 382	0
Special drawing rights	632	609	- 23
IMF reserve tranche	394	453	+ 59
Foreign bonds	1 405	765	- 640
Convertible currencies	3 686	5 813	+2 127
Tied currencies	1 964	1 530	- 434
Gold and foreign exchange receivables	9 463	10 552	+1 089
Mark subscription to Finland's quota in the IMF	1 606	1 843	+ 237
Term receivables	—	2 120	+2 120
Other foreign receivables	1 606	3 963	+2 357
Total foreign receivables	11 069	14 515	+3 446
Convertible accounts	41	17	- 24
Tied accounts	55	5	- 50
Foreign exchange liabilities	96	22	- 74
IMF mark accounts	1 871	1 927	+ 56
Allocations of special drawing rights	726	833	+ 107
Term liabilities	—	2 650	+2 650
Other foreign liabilities	2 597	5 410	+2 813
Total foreign liabilities	2 693	5 432	+2 739
Net foreign receivables	8 376	9 083	+ 707

Chart 16.
THE BALANCE SHEET OF THE BANK OF FINLAND
RECEIVABLES



LIABILITIES



bonds and net convertible foreign exchange receivables grew by 1 547 million marks and amounted to 9 005 million marks at the end of the year. The major changes in the composition of the reserves were an increase of 2 127 million marks in holdings of convertible currencies and a fall of 640 million marks in holdings of foreign bonds.

The tied foreign exchange reserves, equal to the difference between tied foreign exchange receivables and tied foreign exchange liabilities, declined by 384 million marks in the course of the year to 1 525 million marks. Tied foreign exchange receivables fell by 434 million marks and tied foreign exchange liabilities by 50 million marks. The decline in tied reserves was chiefly due to the special arrangement for the bilateral clearing account agreed upon with the Soviet Union and described below.

“Other foreign receivables” of the Bank of Finland grew by 2 357 million marks to 3 963 million marks, largely because part of the tied foreign exchange receivables was transferred to the item “Term receivables”. The transfer of 300 million roubles, the equivalent of 2 120 million marks, to a special interest-bearing account was made in two lots in November – December, pursuant to an agreement between the Bank of Finland and the Soviet Foreign Trade Bank. In addition, the mark subscription to Finland’s quota in the IMF rose by 237 million marks owing to exchange rate changes. “Other foreign liabilities” of the Bank of Finland grew by 2 813 million marks to 5 410 million marks, primarily because of drawings of standby credits with foreign banks to support the foreign exchange reserves. These credits, which are shown under the item “Term liabilities”, amounted to 2 650 million marks at the end of

the year. Allocations of special drawing rights increased by 107 million marks because of exchange rate movements.

FINANCIAL INSTITUTIONS

The financial institutions' net debt to the Bank of Finland amounted to 618 million marks at the end of 1982. In the course of the year, the Bank of Finland's receivables from financial institutions grew by 1 719 million marks to 5 409 million marks and claims of financial institutions by 994 million marks to 4 791 million marks. The commercial banks' central bank financing increased by 1 033 million marks to 3 271 million marks. Call money market advances accounted for 3 126 million marks of this amount and cheque overdrafts at base rate for 145 million marks. In the first six months of the year, central bank financing remained at a level of around 2 500 million marks, except in January, when for seasonal reasons it was less. In July – August, it declined because of an increase in foreign exchange reserves and seasonal factors, reaching a low-point of 1 351 million marks at the end of August. It rose again sharply in the autumn owing to short-term capital movements to reach a peak of 4 165 million marks at end-November. On average, central bank financing in 1982 was 922 million marks less than the average for the previous year.

Because of a reduction in the commercial banks' credit quotas at base rate, central bank financing in 1982 was, on average, 179 million marks less than in 1981.

On the Bank of Finland's call money market, advances to the commercial banks amounted to 3 126 million marks at the end of the year, 1 330 million marks more than at the end of 1981. Call money advances to the commercial banks were at their highest, 3 850 million marks, at the end of November and at their lowest, 929 million marks, at the end of August. At the end of the year, the commercial banks had no deposits in the call money market. On average, the commercial banks' call money advances in 1982 were 737 million marks less than in 1981.

In order to cover the difference between call money advances and deposits, the Bank of Finland placed 1 656 million marks in the call money market at the end of the year. This was 940 million marks more than at the end of 1981. The Bank of Finland's average placement in the call money market was 590 million marks less than the average for the previous year.

Of the claims of financial institutions on the Bank of Finland, call money deposits increased by 390 million marks to 1 470 million marks. On average, call money deposits were 147 million marks less

ACCOUNTS OF FINANCIAL INSTITUTIONS, MILL. MARKS

	December 31, 1981	December 31, 1982	Change
Cheque accounts of the banks	495	169	- 326
Call money market advances	1 796	3 126	+ 1 330
Till-money credits	768	889	+ 121
Bonds	594	1 179	+ 585
Other accounts	37	46	+ 9
Receivables from financial institutions	3 690	5 409	+ 1 719
Cheque accounts of the banks	0	6	+ 6
Call money market deposits	1 080	1 470	+ 390
Cash reserve deposits	2 492	3 132	+ 640
Capital import deposits	201	177	- 24
Other accounts	24	6	- 18
Claims of financial institutions	3 797	4 791	+ 994
Net receivables from financial institutions	- 107	618	+ 725

than in the previous year. Cash reserve deposits totalled 3 132 million marks at the end of the year, 640 million marks more than one year earlier. Of this amount, the commercial banks (excluding Okobank and Skopbank) accounted for 1 088 million marks, the co-operative banks (including Okobank) for 744 million marks, the savings banks (including Skopbank) for 917 million marks and Postipankki for 383 million marks. Cash reserve deposits were, on average, 18 million marks down on the previous year. The capital import deposits of financial institutions, which had amounted to 201 million marks at the beginning of 1982, fell by 24 million marks in the course of the year. Till-money credits, which are used to finance the banks' holdings of notes and coin, totalled 889 million marks at the end of the year. This was 121 million marks more than at the end of 1981. The Bank of Finland's holdings of bonds issued by financial institutions increased by 585 million marks to 1 179 million marks.

In addition to receivables and liabilities, financial institutions have contingent liabilities to the Bank of Finland which have arisen in connection with various financing arrangements. The bills in the possession of the Bank of Finland, for the payment of which the banks are liable, consist of export bills and new-export bills. In the Bank of Finland's Balance Sheet, these are included in receivables

from corporations under the heading "Financing of exports". The banks' contingent liabilities also include the guarantees given by them for the repayment of domestic suppliers' credits.

THE PUBLIC SECTOR

The Bank of Finland's receivables from the public sector fell by 196 million marks to 1 040 million marks. The outstanding amount, 354 million marks, of the 700 million mark promissory note loan granted by the Bank of Finland to the central government in 1978 was paid in full in the course of 1982. The Bank of Finland's holdings of central government bonds grew by 49 million marks and total coinage by 76 million marks.

Claims of the public sector declined by 528 million marks to 50 million marks. The central government's counter-cyclical reserves and the counter-cyclical deposits collected by the central government from corporations were run down in full during the year. At the beginning of the year, the former had amounted to 433 million marks and the latter to 143 million marks. The public sector's capital import deposits amounted to 49 million marks at the end of 1982. There had been none at the beginning of the year.

ACCOUNTS OF THE PUBLIC SECTOR, MILL. MARKS

	December 31, 1981	December 31, 1982	Change
Government promissory notes	354	—	-354
Bonds	386	435	+ 49
Total coinage	483	559	+ 76
Other accounts	13	46	+ 33
Receivables from the public sector	1 236	1 040	-196
Cheque accounts	1	1	0
Counter-cyclical reserves	433	—	-433
Counter-cyclical deposits	143	—	-143
Capital import deposits	—	49	+ 49
Other accounts	1	0	- 1
Claims of the public sector	578	50	-528
Net receivables from the public sector	658	990	+332

CORPORATIONS

The Bank of Finland's receivables from corporations increased by 441 million marks to 4 990 million marks. Financing of exports, which includes export bills and new-export bills, grew by 34 million marks, with new-export credits rising by 20 million marks to 560 million marks and short-term export credits by 14 million marks to 1 228 million marks. Financing of domestic deliveries increased by 403 million marks to 2 514 million marks. The total stock of credits under these three special financing arrangements grew by 437 million marks to 4 302 million marks. Of the other receivables, the Bank of Finland's holdings of bonds issued by corporations decreased by 24 million marks, whereas receivables included under "Other accounts" increased by 28 million marks.

Claims of corporations on the Bank of Finland grew by 254 million marks to 1 687 million marks. Deposits for investment and ship purchase fell by 9 million marks and amounted to 1 416 million marks at the end of the year. In the course of the year, investment deposits were made to a value of 522 million marks and drawn to a value of 523 million marks. The stock of investment deposits totalled 1 375 million marks at the end of 1982. Capital import deposits, of which there were none at the beginning of the year, amounted to 265 million marks at the end of the year.

ACCOUNTS OF CORPORATIONS, MILL. MARKS

Financing of exports	1 754	1 788	+ 34
Financing of domestic deliveries	2 111	2 514	+403
Bonds	187	163	- 24
Other accounts	497	525	+ 28
Receivables from corporations	4 549	4 990	+441
Deposits for investment and ship purchase	1 425	1 416	- 9
Capital import deposits	-	265	+265
Export deposits	0	-	- 0
Other accounts	8	6	- 2
Claims of corporations	1 433	1 687	+254
Net receivables from corporations	3 116	3 303	+187

NOTES, COIN AND CERTIFICATES OF DEPOSIT IN CIRCULATION

Notes and coin in circulation increased by 467 million marks, or 8.3 per cent, and amounted to 6 062 million marks at the end of the year. Of this sum, notes accounted for 5 572 million marks and coin for 490 million marks. In addition, notes in the old denomination, amounting to 9 million marks, are included in "Other liabilities" in the Balance Sheet.

Certificates of deposit in circulation amounted to 1 700 million marks at the end of the year, which was 100 million marks more than at the end of 1981. Certificates of deposit reached a peak of 2 800 million marks at end-November and a low-point of 400 million marks at end-February.

OTHER BALANCE SHEET ITEMS

Before the addition of the net earnings for the accounting year, the Bank of Finland's capital accounts amounted to 4 032 million marks. This was 282 million marks more than at the end of the previous year.

In keeping with the Regulations for the Bank of Finland, the value of the Bank's holdings of real estate, equipment and shares was not shown in the Bank's Balance Sheet. The Bank of Finland

	December 31, 1981	December 31, 1982	Change
Financing of exports	1 754	1 788	+ 34
Financing of domestic deliveries	2 111	2 514	+403
Bonds	187	163	- 24
Other accounts	497	525	+ 28
Receivables from corporations	4 549	4 990	+441
Deposits for investment and ship purchase	1 425	1 416	- 9
Capital import deposits	-	265	+265
Export deposits	0	-	- 0
Other accounts	8	6	- 2
Claims of corporations	1 433	1 687	+254
Net receivables from corporations	3 116	3 303	+187

owns the bank premises in Helsinki and in the cities where the Bank has branch offices. In the City of Vantaa, the Bank owns industrial premises on which the Bank of Finland Security Printing House operates. The Bank of Finland also has the majority shareholding in the Mortgage Bank of Finland Ltd. and Tervakoski Oy (a paper mill manufacturing paper for bank notes and similar purposes). The activities of these and the Security Printing House are described in separate annual reports. In addition, the Bank of Finland is a shareholder in the Industrialization Fund of Finland Ltd., Sponsor Oy and certain industrial companies. The Bank of Finland also owns the Finnish National Fund for Research and Development (SITRA), founded in 1967.

THE NET BALANCE SHEET OF THE BANK OF FINLAND

The developments in the balance sheet examined above are summarized in the net balance sheet of the Bank of Finland presented below by main sector.

The increases in net foreign receivables and in

net receivables from corporations and the public sector exerted an easing impact on the financial market during 1982 equivalent to 1 226 million marks. By contrast, the growth of notes and coin in circulation and of capital accounts and other balance sheet items tightened the market by a total of 1 951 million marks. The financial institutions' position vis-à-vis the Bank of Finland tightened as a result of an increase of 725 million marks in the Bank's net claims on the financial institutions.

NOTE ISSUE

Ordinary note cover, which includes gold reserves and the bank's indisputable foreign receivables increased by 1 759 million marks in 1982 and totalled 11 109 million marks at the end of the year. Supplementary note cover, which comprises coverable domestic bills, rose by 192 million marks to its upper limit of 1 500 million marks. Hence, the total right of note-issue grew by 1 951 million marks. As the used right of note-issue, which includes notes in circulation, liabilities payable on demand and unused overdraft facilities, went up by a total of 340 million marks, the note reserve grew by 1 611 million marks and amounted to 6 971 million marks at the end of the year.

ITEMS IN THE NET BALANCE SHEET, MILL. MARKS

	December 31, 1981	December 31, 1982	Change
+ Net foreign receivables	8 376	9 083	+ 707
+ Net receivables from financial institutions	- 107	618	+ 725
+ Net receivables from corporations	3 116	3 303	+ 187
+ Net receivables from the public sector	658	990	+ 332
= Total net receivables	12 043	13 994	+1 951
+ Certificates of deposit in circulation	1 600	1 700	+ 100
+ Notes and coin in circulation	5 595	6 062	+ 467
+ Capital accounts, equalization accounts and other balance sheet items, net	4 848	6 232	+1 384
= Net claims plus capital accounts	12 043	13 994	+1 951

RIGHT OF NOTE ISSUE AND ITS USE, MILL. MARKS

	December 31, 1981	December 31, 1982	Change
Ordinary cover	9 350	11 109	+1 759
Supplementary cover	1 308	1 500	+ 192
Right of note issue	10 658	12 609	+1 951
Notes in circulation	5 152	5 572	+ 420
Liabilities payable on demand	144	64	- 80
Unused overdraft facilities	2	2	0
Used right of note issue	5 298	5 638	+ 340
Note reserve	5 360	6 971	+1 611

INCOME STATEMENT

The Income Statement of the Bank of Finland for 1982 is presented in Table 4 in the Tables Section; all figures are rounded to the nearest million marks. According to the Income Statement, the Bank's interest earnings declined by 194 million marks to 1 342 million marks, the result both of a fall in interest rates at home and abroad and a lower average level of central bank financing than in the previous year. Of interest earnings, interest on domestic receivables decreased by 36 million marks, interest on foreign receivables by 133 million marks and interest on foreign bonds by 25 million marks.

Interest expenses of the Bank of Finland grew by 196 million marks and amounted to 788 million marks. Interest on domestic claims went up by 43 million marks, mainly because of the growth in the value of certificates of deposit and cash reserve deposits. The increase of 153 million marks in interest and commission on drawn and undrawn foreign claims was largely attributable to drawings of standby credits from foreign banks.

Net interest earnings fell by 390 million marks, totalling 554 million marks for the year as a whole.

"Other earnings" increased by 782 million marks to 1 325 million marks. Computed earnings from agios amounting, in net terms, to 1 265 million marks accounted for the major part of this growth. This was 751 million marks more than in the previous year. "Other expenses" decreased by 12 million marks to 212 million marks. Depreciation fell by 20 million marks and printing of bank notes by 8 million marks. Salaries and social contributions increased by a total of 9 million marks, pensions by 3 million marks and miscellaneous expenses by 4 million marks. One thousand million marks was transferred from the Bank's earnings to the equalization account so as to offset the effects of exchange rate movements on the results and preserve the real value of the Bank's equity.

The Bank of Finland's net earnings for the accounting year amounted to 667 million marks. Half of the net earnings, 334 million marks, was transferred to the reserve fund in the opening Balance Sheet for 1983. The other half was transferred to the account of undistributed profits, its disposal to be decided by Parliament.

THE BANK OF FINLAND AND INTERNATIONAL ORGANIZATIONS

The Bank of Finland acts as agent for Finland in its relations with the International Monetary Fund (IMF). In addition, the Bank assists the ministries concerned in their relations with the following financial institutions of which Finland is a member: the World Bank Group (the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC) and the International Development Association (IDA)), the Asian Development Bank (ADB), the African Development Bank (AfDB) and the Inter-American Development Bank (IDB). In accordance with the respective agreements, the Bank of Finland is the Finnish deposit bank for these organizations. The Bank of Finland is a shareholder in the Bank for International Settlements (BIS).

INTERNATIONAL MONETARY FUND (IMF)

With the admission of Antigua and Barbuda, Belize and Hungary as new members, the International Monetary Fund had a total of 146 member countries at the end of 1982. Members' quotas in the Fund totalled SDR 61 billion at the end of the year.

Finland's quota in the Fund amounted to SDR 393 million, or the equivalent of 2.3 billion marks,¹ which was 0.64 per cent of total quotas. Finland repurchased SDR 37.7 million of its drawings from the IMF in 1975–76 under the oil facility. At the end of 1982, the outstanding amount borrowed under this facility was SDR 14.4 million (84 million marks). On the other hand, Finland participated in the Fund's supplementary financing arrangements by depositing currencies equivalent to SDR 5 million in the Fund. Finland's reserve tranche in the Fund, which can be drawn on immediately if required, amounted to SDR 77.5 million at the end of the year.

No positive decision was reached in 1982 on further allocations of Special Drawing Rights. Since 1970, the Fund has allocated a total of about SDR 21.4 billion to its member countries. By the end of 1982, Finland had been allocated SDR 142.7

million. Special Drawing Rights are included in the convertible foreign exchange reserves of the Bank of Finland. In the course of the year, they were used for the payment of interest on and repurchases of oil facility credits. At the end of the year, Finland's holdings of SDRs totalled SDR 104.3 million, equivalent to about 609 million marks.

The Meeting of the Interim Committee of the International Monetary Fund was held in Helsinki in May. The main topics of the Meeting were the world economic outlook and a general increase in members' quotas in the Fund. The large industrialized countries stressed that the first priority should be given to maintaining the pursuit of anti-inflation policies. No agreement was reached on the need for increasing members' quotas. Broadly similar themes dominated the Annual Meeting of the International Monetary Fund and the Meetings of the Interim and Development Committees held in Toronto on September 3–9. On this occasion, however, an increasing number of countries, among them the Nordic Countries, emphasized the scope for easing monetary policies in those countries where inflation was abating and where balance of payments constraints did not constitute an immediate problem.

At the time of the Annual Meeting, the financing problems of certain large developing countries, no-

¹ At the end of 1982, the value of the SDR in the Balance Sheet of the Bank of Finland was 5.84061 marks.

tably Mexico, emerged as a special cause for concern in the international financial system. When in the autumn of 1982 Mexico together with, among others, Brazil and Argentina announced they were unable to meet scheduled payments on their loans and sought the assistance of the International Monetary Fund, discussions on increasing the resources of the Fund were expedited.

At the Annual Meeting, the United States put forward a preliminary proposal for the establishment of a substantial additional permanent financing arrangement available to the Fund for use in countering the financial crises threatening the international monetary system. During the autumn, this proposal took concrete form as a plan for the enlargement of the General Arrangements to Borrow. The aim of this financing agreement concluded between the International Monetary Fund and the ten leading industrialized countries and Switzerland is to increase both the amount of financing and the number of participating countries.

In the Fund's collaboration with private banks relating to the coordination of loan arrangements for the most indebted countries, there was a greater prominence than before of decisions which made the drawing up of economic programmes with the IMF and the receipt of Fund credit conditional on the rescheduling of existing bank loans as well as on the granting of new ones. Such decisions proved necessary to avert the serious problems facing the international monetary system.

In 1982, the Fund concluded credit agreements with member countries totalling SDR 6.5 billion. This figure did not include the loan (SDR 3.6 billion) granted to Mexico in December, which for technical reasons was recorded under the loans for 1983.

Credits drawn from the Fund during the year totalled SDR 8.8 billion, which surpassed by a wide margin the already high level attained in the preceding year. Drawings were almost exclusively made by developing countries, whose balance of current payments positions continued to be very difficult. Since member countries repurchased SDR

1.8 billion of their previous currency purchases, the Fund's net lending amounted to SDR 7.0 billion during the year.

Of the total drawings during the year reserve tranche purchases and drawings under normal standby arrangements amounted to SDR 3.9 billion, compensatory financing purchases to SDR 2.6 billion and extended fund facility purchases to SDR 2.1 billion.

At the end of 1982, member countries' total outstanding drawings of Fund credit amounted to SDR 22.4 billion.

Jacques de Larosière of France continued to act as the Fund's Managing Director during 1982. The Nordic Countries were represented on the Fund's Executive Board by Jón Sigurdsson of Iceland, with Leiv Vidvei of Norway as his alternate.

The Nordic Countries were represented on the Fund's Interim Committee by Ahti Karjalainen, Governor of the Bank of Finland. The meetings of this Committee, which monitors developments in the international monetary system and deals with the major decisions to be taken on the Fund's policies as well as the meetings of the Joint Development Committee of the International Monetary Fund and the World Bank, were held at the Finlandia Hall in Helsinki on May 12–14. Representatives at the meetings came from nearly a hundred countries, and included the ministers of finance and/or central bank governors of the leading western industrialized countries.

Finland was represented on the Fund's Board of Governors by Ahti Karjalainen, Governor of the Bank of Finland, with Pentti Uusivirta, Member of the Board of Management of the Bank of Finland, as his alternate.

THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The Bank for International Settlements acts as an international monetary and foreign exchange policy

forum for mainly European central banks. The Bank of Finland has been a shareholder in the Bank for International Settlements since its establishment in 1930, owning about 2 per cent of its capital.

The Bank for International Settlements has, among other things, looked into ways of mitigating the risks arising from expansion of the Euro-currency markets. It has endeavoured to intensify regulation of the markets by making recommendations on the principles to be applied in their regulation and on the sharing of responsibilities in regulation by coordinating the collection of data on international borrowing and by publishing statistics.

In cooperation with the International Monetary Fund, the Bank for International Settlements granted short-term loans in 1982 to, inter alia, Hungary, Mexico and Brazil to alleviate these countries' liquidity problems.

THE WORLD BANK GROUP (IBRD, IDA, IFC)

During the fiscal year closing on June 30, 1982, the International Bank for Reconstruction and Development (IBRD) granted credits totalling 10.3 billion dollars to 43 member countries for 150 projects. The highly subsidized loans granted by the International Development Association (IDA) to the poorest developing countries amounted to 2.7 billion dollars, or about 0.8 billion dollars less than one year earlier. The loans were extended to 42 member countries for the financing of 97 projects. The total value of investments by the International Finance Company (IFC) in developing countries amounted to 0.6 billion dollars. Thus, total credits granted by the World Bank Group during the fiscal year reached 13.6 billion dollars. The share of World Bank financing in the total costs of the projects concerned was almost one-third on average.

The IDA's commitment authority declined for the second successive year when the donor countries participating in the Sixth Replenishment of the

organization's funds adopted a retarded payments schedule. To partially compensate for this, the commitment authority of the IBRD was temporarily increased by 0.8 billion dollars. Despite the modest increase in resources, total drawings of IBRD and IDA credits in 1982 went up to as high as 8.4 billion dollars, which was 21 per cent more than in the previous year. Also contributing to the easing of the financial position of the developing countries was the vigorous revival in co-financing between the World Bank Group and other financial institutions. During the fiscal year, the share of national development credit institutions, other development finance organizations and commercial banks in the financing of World Bank projects amounted to 7.4 billion dollars, compared with 4.0 billion dollars in 1981.

In keeping with the general increase in the IBRD's share capital approved in 1980, Finland subscribed 334 new shares at the end of 1982. In addition, Finland was allowed to subscribe 250 bonus shares to even out its voting share. The nominal value of one share was SDR 100 000. Of the increase, 7.5 per cent was paid in immediately, while the rest was callable capital. At the end of 1982, Finland had a total of 3 098 shares in the capital stock of the IBRD, with a nominal value of SDR 309.8 million. In 1983–1986, Finland will have an opportunity of subscribing an additional 1 335 shares.

At the beginning of 1982, Finland paid the second instalment – 89.5 million marks – of its contribution to the Sixth Replenishment of the IDA's funds. A third instalment of equal size was due to be paid in 1983. The latest increase in the IFC's capital was brought to a conclusion with the purchase of 724 shares. At the end of 1982, Finland held a total of 4 043 shares, each with a nominal value of 1 000 dollars.

For the three-year period commencing in August 1982, the Nordic Countries will be represented on the Board of Governors of the World Bank by Dr. Pekka Korpinen.

THE AFRICAN DEVELOPMENT BANK (AfDB)

On September 7, 1982, Finland signed the amended agreement for the establishment of the African Development Bank (AfDB) in the United Nations. Since 1973, Finland has been among those countries extending financing facilities to the African Development Fund. The African member states of the AfDB and the non-regional countries participating in the financing of the Development Fund concluded an agreement in 1979 which allowed these non-regional countries to become ordinary members of the bank. The African states ratified the amended agreement and it came into force in May of 1982.

By the end of the year, the following countries had become members of the bank: Canada, Denmark, Finland, France, South Korea, Kuwait, Sweden and Yugoslavia. In addition, 24 other countries are expected to join the bank. Finland, the other Nordic countries, Switzerland and India together form a constituency which will elect an executive director to the Board of Directors of the AfDB. After the enlargement of the bank, the Board of Directors will comprise 12 African and 6 non-African members.

The extension of the AfDB's membership will greatly enhance the bank's financing resources. Over the period 1982–1986, the bank's capital stock will be increased from the present 1.22 billion Units of Account – one Unit of Account is equivalent to one SDR – to 5.25 billion Units of Account. Finland's share of the capital stock will then amount to 100 million marks. A quarter of this sum will be paid-in capital and the remainder callable capital. Finland's share of the subscription available to non-regional states is 1.25 per cent, and is thus somewhat larger than that in the Asian Development Bank and the Inter-American Development Bank, of which Finland has been a member for a longer period.

OTHER INTERNATIONAL CO-OPERATION

The Bank of Finland, together with other relevant authorities, continued to participate in the activities of the Organization for Economic Co-operation and Development (OECD), the European Free Trade Association (EFTA), and the Economic Commission for Europe (ECE). In the course of the year, the Bank of Finland also took part in the Ministerial Meeting of GATT held in the autumn and in the preparatory work for the UNCTAD Conference to be held in the spring of 1983.

Nordic co-operation in the field of foreign exchange policy continued in the following fora: the Nordic Central Bank Meetings, the Nordic Government Officials Committee on Finance and Foreign Exchange Questions (NÄVF) appointed by the Nordic Council of Ministers, and the Nordic Financial Commission (NFU). These meetings were concerned with preparing the Nordic countries' common standpoints on issues to be dealt with by the International Monetary Fund. The Government Officials Committee prepared a report on Nordic monetary and foreign exchange policies for the Council of Ministers. At the request of the Nordic Council, the Government Officials Committee has also examined the possibilities of harmonizing and liberalizing Nordic foreign exchange regulations with a view to facilitating Nordic industrial co-operation.

The Bank of Finland has taken part in the activities of the Finnish-Soviet Commission for Economic Co-operation, the chairman of which is Dr. Ahti Karjalainen, Governor of the Bank of Finland, as well as in those of the Commission for Economic Co-operation between Finland and the CMEA. The Bank of Finland participated as observer in the 30th session of the Council of the International Investment Bank (MIB) and the 55th session of the Council of the International Bank for Economic Co-operation (MBES). The Bank of Finland was also represented in the negotiations concerning the exchange of goods between Finland and the Soviet Union in 1983.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES IN 1982

- January**
- The call money market
- In keeping with a decision made in December 1981, the call money rate was raised from 11.0 to 11.5 per cent on January 4.
- The call money rate was raised from 11.5 to 12.5 per cent on January 7.
- February**
- Central bank credit quotas
- On February 1, the Bank of Finland reduced the aggregate quotas for the commercial banks' central bank credit from 600 million marks to 400 million marks.
- The call money market
- On February 1, the Bank of Finland cut the supplementary charge levied on the second call money tranche from 4 to 3 per cent and abolished the third tranche bearing a supplementary charge of 10 per cent.
- The Bank of Finland lowered the call money rate from 12.5 to 12.0 per cent on February 26.
- March**
- The call money market
- The Bank of Finland lowered the call money rate from 12.0 to 11.5 per cent on March 5.
- Regulation of the average rate of interest on bank lending
- The Bank of Finland modified the guidelines governing the operation of the scheme introduced in 1979 and designed to reduce the average rate of interest on bank lending.
- May**
- The cash reserve agreement
- The cash reserve agreement was revised as from May 15. The ceiling on the cash reserve requirement was raised from 5 to 8 per cent and the maximum size of monthly increments in the requirement from 0.4 to 0.6 percentage points. In addition, the rate of interest paid on cash reserve deposits was raised by 0.5 percentage points to 0.25 percentage points below the base rate of the Bank of Finland.
- June**
- Interest rate policy
- The Bank of Finland lowered the general level of interest rates by 0.75 percentage points on June 1. Thus, the base rate of the Bank of Finland fell from 9.25 to 8.5 per cent. At the same time, the upper and lower limits on rates of interest applied by the Bank of Finland in its domestic lending other than bank financing were fixed at 2.5 percentage points above and below the base rate. The upper limit of the banks' lending rates was kept unchanged at 12.5 per cent.
- August**
- The cash reserve requirement
- At the end of August, the Bank of Finland raised the reserve requirement from 3.0 to 3.3 per cent of the stock of deposits.
- September**
- The call money market
- The Bank of Finland lowered the call money rate from 11.5 to 11.0 per cent on September 28.

The credit limit on the clearing account with the Soviet Union

As a result of an exchange of notes between the Governments of Finland and the Soviet Union, the credit limit on the clearing account was raised from 150 to 300 million clearing roubles. The revision entered into force on December 15.

October

Exchange rate policy

On October 6, the Bank of Finland raised the currency index by 4.3 per cent from 113.1 to 118.0. The fluctuation limits of the currency index were kept unchanged at 112.0 and 119.0.

On October 10, the Council of State, on the proposal of the Bank of Finland, decided to raise the fluctuation limits of the currency index. The new limits of fluctuation were 121.9 and 127.5. On October 11, the Bank of Finland raised the currency index by 6 per cent from 118.0 to 125.1.

As a result of the exchange rate decisions, exchange rates rose by 10.5 per cent on average and the external value of the Finnish mark depreciated by 9.5 per cent.

The call money market

The Bank of Finland raised the call money rate from 11.0 to 12.0 per cent on October 11.

The monitoring limit on the banks' liquidity

The Bank of Finland decided not to apply the liquidity monitoring limit for the commercial banks' central bank financing in October – December.

Special account arrangement for the trade with the Soviet Union

On October 19, a special account arrangement was agreed between the Bank of Finland and the Soviet Foreign Trade Bank, whereby 300 million roubles was transferred from Finland's surplus in the clearing account to a special interest-bearing account. The transfer was made in two lots of equal size in November and December.

November

The call money market

In conjunction with the exchange rate decisions, the Bank of Finland decided to raise the supplementary charge on call money credit from 3.0 to 4.0 per cent as from November 1. On the same date, the call money rate was lowered from 12.0 to 11.5 per cent.

December

Lending to the central government

On December 3, the Bank of Finland decided to grant the central government a loan of one billion marks. The loan was to be drawn during 1983 and repaid in 1985.

Credit policy

On December 21, the Bank of Finland sent the banking institutions new credit policy guidelines.

The call money market

On December 21, the Bank of Finland decided to abolish the system of interest rate equalization as from January 1, 1983. In the same context, the call money rate was also lowered from 11.5 to 11.0 per cent.

TABLES

Table 1.

**THE END-OF-YEAR BALANCE SHEET OF THE BANK OF FINLAND FOR THE YEARS
1980-1982, MILLION MARKS**

ASSETS	1980	1981	1982
Gold	1 073	1 382	1 382
Special drawing rights	397	632	609
IMF reserve tranche	380	394	453
Foreign bonds	2 125	1 405	765
Convertible currencies	3 841	3 686	5 813
Tied currencies	208	1 964	1 530
Gold and foreign exchange receivables	8 024	9 463	10 552
Mark subscription to Finland's quota in the IMF	1 540	1 606	1 843
Term receivables	—	—	2 120
Other foreign receivables	1 540	1 606	3 963
Banks' cheque accounts	481	495	169
Call money market advances	3 674	1 796	3 126
Till-money credits	643	768	889
Bonds	527	594	1 179
Other financial institution receivables	25	37	46
Receivables from financial institutions	5 350	3 690	5 409
Government promissory notes	512	354	—
Bonds	288	386	435
Total coinage	403	483	559
Other public sector receivables	22	13	46
Receivables from the public sector	1 225	1 236	1 040
Financing of exports	1 502	1 754	1 788
Financing of domestic deliveries	1 561	2 111	2 514
Bonds	220	187	163
Other corporate receivables	116	497	525
Receivables from corporations	3 399	4 549	4 990
Other assets	80	89	99
TOTAL	19 618	20 633	26 053

LIABILITIES	1980	1981	1982
Convertible accounts	18	41	17
Tied accounts	965	55	5
Foreign exchange liabilities	983	96	22
IMF mark accounts	1 864	1 871	1 927
Allocations of special drawing rights	566	726	833
Term liabilities	—	—	2 650
Other foreign liabilities	2 430	2 597	5 410
Notes	4 572	5 152	5 572
Coin	382	443	490
Notes and coin in circulation	4 954	5 595	6 062
Deposit certificates in circulation	1 900	1 600	1 700
Banks' cheque accounts	1	0	6
Call money market deposits	290	1 080	1 470
Cash reserve deposits	3 317	2 492	3 132
Capital import deposits	108	201	177
Other financial institution claims	23	24	6
Claims of financial institutions	3 739	3 797	4 791
Cheque accounts	2	1	1
Counter-cyclical reserves	545	433	—
Counter-cyclical deposits	37	143	—
Capital import deposits	—	—	49
Other public sector claims	7	1	0
Claims of the public sector	591	578	50
Deposits for investment and ship purchase	717	1 425	1 416
Capital import deposits	83	—	265
Export deposits	110	0	—
Other corporate claims	68	8	6
Claims of corporations	978	1 433	1 687
Other liabilities	13	14	23
Equalization accounts	1 767	610	1 609
Primary capital	1 400	3 000	3 000
Reserve fund	441	750	1 032
Net earnings for the accounting year	422	563	667
Capital accounts	2 263	4 313	4 699
TOTAL	19 618	20 633	26 053

Table 2.

THE MONTHLY BALANCE SHEET OF THE BANK OF FINLAND IN 1982, MILLION MARKS

ASSETS	I	II	III
Gold	1 382	1 382	1 382
Special drawing rights	632	595	567
IMF reserve tranche	394	394	394
Foreign bonds	1 381	1 096	1 125
Convertible currencies	2 921	3 682	4 645
Tied currencies	2 840	2 865	2 718
Gold and foreign exchange receivables	9 550	10 014	10 831
Mark subscription to Finland's quota in the IMF	1 606	1 606	1 606
Term receivables	—	—	—
Other foreign receivables	1 606	1 606	1 606
Banks' cheque accounts	521	388	380
Call money market advances	979	1 972	2 032
Till-money credits	710	678	756
Bonds	625	625	693
Other financial institution receivables	38	33	30
Receivables from financial institutions	2 873	3 696	3 891
Government promissory notes	354	—	—
Bonds	406	441	441
Total coinage	487	516	520
Other public sector receivables	15	13	10
Receivables from the public sector	1 262	970	971
Financing of exports	1 736	1 694	1 734
Financing of domestic deliveries	2 191	2 234	2 255
Bonds	196	196	187
Other corporate receivables	520	525	525
Receivables from corporations	4 643	4 649	4 701
Other assets	89	90	91
TOTAL	20 023	21 025	22 091

IV	V	VI	VII	VIII	IX	X	XI	XII
1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382	1 382
567	526	507	507	569	569	569	531	609
394	397	397	397	397	397	397	397	453
1 117	1 064	910	899	851	857	709	752	765
4 293	3 532	3 359	3 317	2 691	2 958	4 068	4 966	5 813
3 089	3 470	4 315	4 921	5 237	4 323	4 133	2 707	1 530
10 842	10 371	10 870	11 423	11 127	10 486	11 258	10 735	10 552
1 606	1 615	1 615	1 615	1 615	1 615	1 615	1 615	1 843
-	-	-	-	-	-	-	1 060	2 120
1 606	1 615	1 615	1 615	1 615	1 615	1 615	2 675	3 963
320	511	430	291	435	356	330	316	169
2 069	1 888	2 006	1 223	929	2 409	3 867	3 902	3 126
720	849	863	743	830	833	739	857	889
726	745	814	838	839	876	917	1 014	1 179
37	46	51	27	27	49	53	73	46
3 872	4 039	4 164	3 122	3 060	4 523	5 906	6 162	5 409
-	-	-	-	-	-	-	-	-
423	420	417	436	443	425	424	420	435
524	532	537	538	541	545	551	556	559
18	12	23	13	1	3	11	2	46
965	964	977	987	985	973	986	978	1 040
1 685	1 667	1 734	1 681	1 675	1 714	1 915	1 921	1 788
2 270	2 391	2 384	2 403	2 442	2 442	2 500	2 483	2 514
185	182	174	174	169	167	166	164	163
527	530	527	527	527	533	536	530	525
4 667	4 770	4 819	4 785	4 813	4 856	5 117	5 098	4 990
92	93	93	95	97	97	97	98	99
22 044	21 852	22 538	22 027	21 697	22 550	24 979	25 746	26 053

Table 2. (Cont.)

LIABILITIES	I	II	III
Convertible accounts	93	65	48
Tied accounts	8	5	0
Foreign exchange liabilities	101	70	48
IMF mark accounts	1 871	1 835	1 812
Allocations of special drawing rights	726	726	726
Term liabilities	—	683	695
Other foreign liabilities	2 597	3 244	3 233
Notes	4 827	4 830	4 725
Coin	430	442	450
Notes and coin in circulation	5 257	5 272	5 175
Deposit certificates in circulation	1 000	400	2 300
Banks' cheque accounts	0	0	1
Call money market deposits	1 380	2 020	1 590
Cash reserve deposits	2 605	2 638	2 644
Capital import deposits	244	239	284
Other financial institution claims	10	26	34
Claims of financial institutions	4 239	4 923	4 553
Cheque accounts	0	0	1
Counter-cyclical reserves	387	387	117
Counter-cyclical deposits	3	3	3
Capital import deposits	43	44	89
Other public sector claims	1	1	1
Claims of the public sector	434	435	211
Deposits for investment and ship purchase	1 409	1 392	1 239
Capital import deposits	—	188	183
Other corporate claims	10	9	9
Claims of corporations	1 419	1 589	1 431
Other liabilities	14	14	15
Equalization accounts	640	744	772
Primary capital	3 000	3 000	3 000
Reserve fund	1 032	1 032	1 032
Net earnings	290	302	321
Capital accounts	4 322	4 334	4 353
TOTAL	20 023	21 025	22 091

IV	V	VI	VII	VIII	IX	X	XI	XII
26	34	24	37	34	38	26	20	17
5	14	1	12	30	17	5	10	5
31	48	25	49	64	55	31	30	22
1 812	1 785	1 762	1 762	1 726	1 726	1 726	1 689	1 927
726	726	726	726	726	726	726	726	833
680	685	710	710	718	1 700	3 590	3 555	2 650
3 218	3 196	3 198	3 198	3 170	4 152	6 042	5 970	5 410
4 929	5 077	5 288	5 235	5 086	5 147	5 199	5 188	5 572
454	457	464	471	471	469	471	475	490
5 383	5 534	5 752	5 706	5 557	5 616	5 670	5 663	6 062
2 150	2 000	2 200	2 000	1 600	2 000	2 000	2 800	1 700
15	0	1	1	0	5	2	5	6
1 600	1 420	1 640	1 042	1 260	290	39	-	1 470
2 644	2 707	2 732	2 777	2 783	3 095	3 105	3 128	3 132
110	102	134	122	216	198	160	214	177
13	28	26	19	19	23	19	40	6
4 382	4 257	4 533	3 961	4 278	3 611	3 325	3 387	4 791
1	0	1	0	0	1	0	1	1
117	117	64	64	64	64	64	-	-
-	-	-	-	-	-	-	-	-
77	54	78	99	83	42	48	49	49
0	0	0	0	0	0	0	0	0
195	171	143	163	147	107	112	50	50
1 251	1 204	1 436	1 490	1 485	1 485	1 469	1 441	1 416
188	184	184	337	183	184	201	218	265
25	8	10	10	11	13	9	8	6
1 464	1 396	1 630	1 837	1 679	1 682	1 679	1 667	1 687
15	14	14	16	17	17	18	16	23
798	776	799	808	884	1 001	1 762	1 738	1 609
3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000
1 032	1 032	1 032	1 032	1 032	1 032	1 032	1 032	1 032
376	428	212	257	269	277	308	393	667
4 408	4 460	4 244	4 289	4 301	4 309	4 340	4 425	4 699
22 044	21 852	22 538	22 027	21 697	22 550	24 979	25 746	26 053

Table 3.

CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES AT THE END OF THE YEAR, 1980-1982, MILLION MARKS

	1980	1981	1982
Gold	1 073	1 382	1 382
Special drawing rights	397	632	609
IMF reserve tranche	380	394	453
Foreign bonds	2 125	1 405	765
Convertible currencies			
Receivables	3 841	3 686	5 813
Liabilities	- 18	- 41	- 17
Convertible foreign exchange reserves	7 798	7 458	9 005
Tied currencies			
Receivables	208	1 964	1 530
Liabilities	- 965	- 55	- 5
Tied foreign exchange reserves	- 757	1 909	1 525

Table 4.

THE INCOME STATEMENT OF THE BANK OF FINLAND, 1980-1982, MILLION MARKS

	1980	1981	1982
Interest on domestic receivables	816	707	671
Interest on foreign receivables	433	591	458
Interest on domestic bonds	87	124	124
Interest on foreign bonds	158	114	89
Interest earnings	1 494	1 536	1 342
Interest on domestic claims	562	530	573
Interest and commission on drawn and undrawn foreign claims	53	62	215
Interest expenses	615	592	788
Interest earnings, net	879	944	554
Commissions	2	2	2
Agio	296	514	1 265
Other earnings	18	27	58
Other earnings	316	543	1 325
Salaries	57	65	73
Social security contributions	4	4	5
Pensions	17	20	23
Printing of bank notes	34	44	36
Depreciation	43	70	50
Other expenses	18	21	25
Other expenses	173	224	212
Transfer to equalization accounts	600	700	1 000
NET EARNINGS FOR THE ACCOUNTING YEAR	422	563	667

Table 5.

INTEREST RATES APPLIED BY THE BANK OF FINLAND IN 1969-1982, PER CENT

From	Base rate of the Bank of Finland	Range of discount rates		Upper limit on call money rate
		Minimum	Maximum	
Dec. 12, 1969	7	6	9	.
June 1, 1971	8 ½	6	9	.
Jan. 1, 1972	7 ¾	6	9	.
July 1, 1973	9 ¼	7 ½	10 ½	.
Sept. 1, 1975	9 ¼	7 ½	10 ½	30
June 1, 1976	9 ¼	7 ½	10 ½	25
Oct. 1, 1977	8 ¼	6 ½	9 ½	25
Jan. 1, 1978	8 ¼	6 ½	9 ½	24
May 1, 1978	7 ¼	5 ½	8 ½	23
Nov. 1, 1979	8 ½	6 ¾	9 ¾	24
Feb. 1, 1980	9 ¼	7 ½	10 ½	24 ¾
Jan. 1, 1981	9 ¼	7 ½	10 ½	24 ¼
June 1, 1982	8 ½	6	11	23 ½

Table 6.

INTERNAL CLEARING OPERATIONS: NUMBER AND VALUE OF BANK BILLS, CHEQUES AND TRANSFERS BETWEEN ACCOUNTS IN 1980-1982

Year and month	Head office		Branch offices		Total	
	Number, in thousands	Value, in million marks	Number, in thousands	Value, in million marks	Number, in thousands	Value, in million marks
1980	50 734	267 351	5 166	23 996	55 900	291 347
1981	55 877	314 651	5 217	25 528	61 094	340 179
1982	72 251	354 482	4 722	25 129	76 973	379 611
1982						
January	4 632	24 664	385	2 072	5 017	26 736
February	4 520	26 028	396	2 102	4 916	28 130
March	5 329	29 401	435	2 317	5 764	31 718
April	5 182	26 760	403	2 063	5 585	28 823
May	5 272	30 545	391	2 146	5 663	32 691
June	5 603	28 964	424	2 230	6 027	31 194
July	5 256	28 422	420	2 158	5 676	30 580
August	5 227	28 318	408	2 179	5 635	30 497
September	6 516	31 051	395	2 008	6 911	33 059
October	8 377	31 040	397	1 942	8 774	32 982
November	7 909	33 404	375	1 995	8 284	35 399
December	8 428	35 885	293	1 917	8 721	37 802

Table 7.

**COMMERCIAL BANKS' CENTRAL BANK POSITION AND THE COST OF
CENTRAL BANK FINANCING IN 1977-1982¹**

Year and month	Central bank financing of the commercial banks Mill. mk	Cash reserve deposits		Central bank position of the commercial banks Mill. mk	Total cost of central bank financing Per cent	Marginal cost of central bank financing Per cent
		Commercial banks Mill. mk	All banks Mill. mk			
1977	3 913.6	—	—	3 913.6	11.82	19.41
1978	3 573.2	—	—	3 573.2	8.88	13.08
1979	2 628.9	388.8	446.5	2 240.1	8.99	9.51
1980	4 963.3	2 219.6	2 542.3	2 743.7	12.37	14.94
1981	4 087.6	2 440.8	2 794.5	1 646.8	11.61	14.75
1982	3 166.0	2 425.3	2 777.4	740.7	11.99	14.16
1982						
January	2 526.3	2 193.0	2 502.0	333.3	10.90	
February	2 760.3	2 285.3	2 602.5	475.0	11.95	13.99 ²
March	3 059.4	2 288.9	2 630.2	770.5	11.72	
April	3 048.6	2 298.6	2 636.9	750.0	11.51	
May	2 907.6	2 312.4	2 645.3	595.2	11.64	13.80
June	3 089.5	2 354.9	2 706.0	734.6	11.42	
July	2 685.6	2 384.8	2 731.0	300.8	11.09	
August	2 311.5	2 416.5	2 770.7	- 105.0	10.63	13.68
September	2 703.3	2 438.2	2 793.6	265.1	11.25	
October	4 411.6	2 697.7	3 091.0	1 713.9	13.08	
November	4 247.2	2 712.9	3 100.1	1 534.3	13.24	15.15
December	4 241.7	2 720.1	3 119.1	1 521.6	13.30	

¹ Averages calculated on the basis of daily figures.

² Quarterly average.

Table 8.

**COMMERCIAL BANKS' CENTRAL BANK FINANCING AND ITS
BREAKDOWN IN 1977-1982¹, MILLION MARKS**

Year and month	Total central bank financing ²	Central bank credit ³	Call money advances to the commercial banks	Call money deposits by the commercial banks	Transactions in bonds with repurchase obligation ⁴
1977	3 913.6	2 874.7	1 241.4	273.2	70.7
1978	3 573.2	1 931.4	1 772.2	178.7	48.3
1979	2 628.9	496.4	2 271.9	141.9	2.5
1980	4 963.3	782.2	4 179.0	0.3	2.4
1981	4 087.6	593.3	3 494.4	0.1	-
1982	3 166.0	414.1	2 757.6	5.7	-
1982					
January	2 526.3	596.1	1 931.8	1.6	-
February	2 760.3	396.8	2 365.8	2.3	-
March	3 059.4	398.2	2 669.4	8.2	-
April	3 048.6	398.1	2 656.6	6.1	-
May	2 907.6	394.7	2 516.4	3.5	-
June	3 089.5	393.8	2 699.0	3.3	-
July	2 685.6	399.2	2 290.6	4.2	-
August	2 311.5	399.0	1 924.1	11.6	-
September	2 703.3	399.3	2 305.9	1.9	-
October	4 411.6	398.1	4 019.9	6.4	-
November	4 247.2	398.2	3 866.5	17.5	-
December	4 241.7	398.0	3 845.1	1.4	-

¹ Annual and monthly averages calculated on the basis of daily figures.

² Total central bank financing consists of central bank credit and net call money credit. Until January 31, 1980, it also included transactions in bonds with repurchase obligation.

³ Central bank credit consists of cheque account overdrafts at base rate. Until the end of 1979, it also included discounted bills.

⁴ Transactions in bonds with repurchase obligation were discontinued as from February 1, 1980.

Table 9.

BANK OF FINLAND CALL MONEY MARKET IN 1977-1982¹

Year and month	Demand for advances Commercial banks Mill. mk	Supply of deposits		Bank of Finland's net placement in the market Mill. mk	Call money rate ² Per cent	Call money rate after equalization of rates Per cent
		Commercial banks Mill. mk	Posti- pankki Mill. mk			
1977	1 241.4	273.2	819.2	149.0	17.24	15.72
1978	1 772.2	178.7	1 503.3	90.2	11.99	10.78
1979	2 271.9	141.9	1 808.9	321.1	9.74	9.31
1980	4 179.0	0.3	865.9	3 312.8	12.38	12.06
1981	3 494.4	0.1	1 333.3	2 161.0	11.48	11.08
1982	2 757.6	5.7	1 180.6	1 571.3	11.64	11.10
1982						
January	1 931.8	1.6	1 363.6	566.6	12.30	11.28
February	2 365.8	2.3	1 242.1	1 121.4	12.45	11.64
March	2 669.4	8.2	1 754.8	906.4	11.56	10.80
April	2 656.6	6.1	1 986.3	664.2	11.50	10.66
May	2 516.4	3.5	1 478.7	1 034.2	11.50	10.84
June	2 699.0	3.3	1 561.7	1 134.0	11.50	10.85
July	2 290.6	4.2	1 472.3	814.1	11.50	10.77
August	1 924.1	11.6	1 301.6	610.9	11.50	10.67
September	2 305.9	1.9	1 106.3	1 197.7	11.45	10.81
October	4 019.9	6.4	263.7 ³	3 749.8	11.70	11.57
November	3 866.5	17.5	159.1 ³	3 689.9	11.50	11.40
December	3 845.1	1.4	477.1 ³	3 366.6	11.50	11.29

¹ Annual and monthly averages calculated on the basis of daily figures.

² Supplementary charges, which as from February 1980 were levied in addition to the call money rate, have not been included in this series.

³ Deposits less advances.

Table 10.

NOTE ISSUE IN 1977-1982, MILLION MARKS

Date	Right of note issue			Used right of note issue			Note reserve	
	Ordinary cover	Supplementary cover	Total	Notes in circulation	Liabilities payable on demand	Undrawn cheque credits		Total
Dec. 31, 1977	2 691	1 500	4 191	2 892	232	2	3 126	1 065
1978	4 749	967	5 716	3 509	134	2	3 645	2 071
1979	6 429	364	6 793	4 020	884	1	4 905	1 888
1980	7 681	1 500	9 181	4 572	1 089	0	5 661	3 520
1981	9 350	1 308	10 658	5 152	144	2	5 298	5 360
1982	11 109	1 500	12 609	5 572	64	2	5 638	6 971
1982								
Jan. 29	9 480	594	10 074	4 827	537	0	5 364	4 710
Feb. 26	10 035	605	10 640	4 830	168	2	5 000	5 640
March 31	10 789	1 039	11 828	4 725	107	2	4 834	6 994
April 30	10 807	1 032	11 839	4 929	99	0	5 028	6 811
May 31	10 386	1 019	11 405	5 077	98	0	5 175	6 230
June 30	11 022	901	11 923	5 288	77	1	5 366	6 557
July 30	11 568	727	12 295	5 235	95	0	5 330	6 965
Aug. 31	11 336	567	11 903	5 086	442	0	5 528	6 375
Sept. 30	10 740	1 500	12 240	5 147	112	1	5 260	6 980
Oct. 29	11 854	1 500	13 354	5 199	78	0	5 277	8 077
Nov. 30	11 345	1 500	12 845	5 188	99	0	5 287	7 558
Dec. 31	11 109	1 500	12 609	5 572	64	2	5 638	6 971

Table 11.

**NOTES AND COIN IN CIRCULATION AT THE END OF THE YEAR, 1977-1982,
MILLION MARKS**

Denomination	1977	1978	1979	1980	1981	1982
NOTES						
NEW						
500 mk	574.1	853.3	1 109.3	1 364.6	1 655.8	1 925.1
100 "	1 647.2	1 924.6	2 136.6	2 377.3	2 611.3	2 728.1
50 "	361.6	388.4	406.9	435.5	462.8	476.1
10 "	243.0	268.6	287.6	307.3	329.9	345.1
5 "	60.5	68.5	72.0	80.8	86.4	90.8
1 "	5.6	5.7	7.5	6.3	6.4	6.5
Total	2 892.0	3 509.1	4 019.9	4 571.8	5 152.6	5 571.7
OLD						
10 000-100 omk	8.2	8.2	8.2	8.2	8.2	8.2
50-5 "	1.2	1.2	1.2	1.2	1.2	1.2
Total	9.4	9.4	9.4	9.4	9.4	9.4
Grand total	2 901.4	3 518.5	4 029.3	4 581.2	5 162.0	5 581.1
COIN						
NEW						
50 mk	-	-	-	-	24.4	42.7
25 "	-	12.5	19.8	19.9	19.9	19.9
10 "	39.1	39.1	39.2	39.2	39.2	38.4
5 "	17.5	18.6	24.5	26.9	28.5	30.1
1 "	123.3	139.2	157.8	174.6	197.5	214.6
50 p	31.3	33.6	38.2	41.0	45.8	50.0
20 "	24.7	27.2	30.3	34.4	38.7	42.9
10 "	14.1	15.5	17.4	18.8	20.6	23.0
5 "	12.9	14.5	15.7	16.8	18.7	19.9
1 "	11.7	12.4	12.5	10.1	9.3	8.8
Total	274.6	312.6	355.4	381.7	442.6	490.3
OLD						
1 000-1 omk	15.2	15.2	15.2	15.2	15.2	15.2
50-1 op	0.5	0.5	0.5	0.5	0.5	0.5
Total	15.7	15.7	15.7	15.7	15.7	15.7
Grand total	290.3	328.3	371.1	397.4	458.3	506.0

Table 12.

PRINTING AND DESTRUCTION OF NOTES IN 1977-1982, MILLION MARKS

Notes printed	1977	1978	1979	1980	1981	1982
NOTES						
NEW						
500 mk	—	3 000.0	—	2 917.0	—	—
100 "	916.0	1 884.0	1 408.0	3 144.0	2 349.5	2 024.5
50 "	910.5	766.0	2 188.0	—	736.0	—
10 "	542.4	749.2	285.2	939.2	863.7	155.2
5 "	211.0	266.5	229.0	305.8	369.2	333.2
1 "	1.0	—	5.2	—	0.4	—
Total	2 580.9	6 665.7	4 115.4	7 306.0	4 318.8	2 512.9
In millions	124.8	168.4	137.4	192.3	198.8	102.4
Notes cancelled						
NOTES						
NEW						
500 mk	94.5	122.0	777.0	172.4	220.5	325.7
100 "	1 225.0	1 375.0	1 430.0	1 045.0	1 315.0	1 720.0
50 "	465.1	562.4	570.1	467.5	537.5	660.0
10 "	530.0	582.0	572.0	489.4	540.1	570.7
5 "	216.8	227.2	222.7	238.6	273.6	256.1
1 "	0.8	0.6	0.3	0.8	0.1	0.2
Total	2 532.2	2 869.2	3 572.1	2 413.7	2 886.8	3 532.7
In millions	118.8	129.5	129.3	117.6	133.2	139.5
OLD						
Total	0.0	0.0	—	0.0	0.0	0.0
In millions	0.0	0.0	—	0.0	0.0	0.0
Grand total	2 532.2	2 869.2	3 572.1	2 413.7	2 886.8	3 532.7
In millions	118.8	129.5	129.3	117.6	133.2	139.5

Table 13.

NOTES AND COIN IN 1982, MILLION MARKS

	Total issue Dec. 31, 1981	Issued in 1982	Destroyed in 1982	Total issue Dec. 31, 1982	Held by the Bank of Finland Dec. 31, 1982	In circulation Dec. 31, 1982
NOTES						
NEW						
500 mk	5 630.1	—	325.7	5 304.4	3 379.3	1 925.1
100 "	6 576.7	2 024.5	1 720.0	6 881.2	4 153.1	2 728.1
50 "	2 638.5	—	660.0	1 978.5	1 502.4	476.1
10 "	1 250.3	155.2	570.7	834.8	489.7	345.1
5 "	323.2	333.2	256.1	400.3	309.5	90.8
1 "	10.8	—	0.2	10.6	4.1	6.5
Total	16 429.6	2 512.9	3 532.7	15 409.8	9 838.1	5 571.7
In millions	330.3	102.4	139.5	293.1	193.3	99.8
OLD						
Total	9.4	—	0.0	9.4	0.0	9.4
In millions	11.5	—	0.0	11.5	0.0	11.5
Grand total	16 439.0	2 512.9	3 532.7	15 419.2	9 838.1	5 581.1
In millions	341.8	102.4	139.5	304.6	193.3	111.3
COIN						
NEW						
50 mk	25.0	20.0	0.8	44.2	1.5	42.7
25 "	20.0	—	—	20.0	0.1	19.9
10 "	39.3	—	0.8	38.5	0.1	38.4
5 "	35.3	15.0	0.3	50.0	19.9	30.1
1 "	211.6	30.0	0.1	241.5	26.9	214.6
50 p	58.3	2.5	0.0	60.8	10.8	50.0
20 "	40.7	7.0	0.0	47.7	4.8	42.9
10 "	23.0	3.6	0.0	26.6	3.6	23.0
5 "	20.2	0.5	0.0	20.7	0.8	19.9
1 "	9.5	—	0.6	8.9	0.1	8.8
Total	482.9	78.6	2.6	558.9	68.6	490.3
OLD						
1 000–100 omk	15.2	—	—	15.2	0.0	15.2
50 omk – 1 op	0.5	—	—	0.5	0.0	0.5
Total	15.7	—	—	15.7	0.0	15.7
Grand total	498.6	78.6	2.6	574.6	68.6	506.0

Table 14.

FINLAND'S LONG-TERM FOREIGN ASSETS AND LIABILITIES IN 1982, MILLION MARKS

	Debt Dec. 31, 1981	Drawings in 1982	Redemptions in 1982	Net drawings in 1982	Impact of exchange rates in 1982	Debt Dec. 31, 1982
FINANCIAL LOANS	35 536	9 248	3 719	+5 529	+6 482	47 547
Individual financial loans	16 442	4 316	2 174	+2 142	+3 276	21 860
Bank of Finland's standby credits with private banks and Oil Facility purchases	264	—	199	— 199	+ 19	84
Bonds, debentures etc	19 094	4 932	1 545	+3 387	+3 206	25 687
Bonds	13 058	3 133	568	+2 565	+2 152	17 775
Debentures	446	367	280	+ 87	+ 110	643
Certificates of deposit	524	249	—	+ 249	+ 128	901
Private placement loans	4 917	1 183	647	+ 536	+ 794	6 247
Loans from the World Bank	149	—	50	— 50	+ 22	121
IMPORT CREDITS	4 444	736	974	— 238	+ 402	4 608
Ship and aircraft credits	1 787	166	494	— 328	+ 172	1 631
Other import credits	2 657	570	480	+ 90	+ 230	2 977
LEASING CREDITS	84	229	28	+ 201	+ 61	346
DIRECT INVESTMENT	2 183	293	295	— 2	+ 42	2 223
Equity capital	1 779	257	216	+ 41	—	1 820
Loans to subsidiaries and associates	404	36	79	— 43	+ 42	403
SUBSCRIPTIONS¹	307	162	63	+ 99	—	406
GROSS LONG-TERM DEBT²	42 554	10 668	5 079	+5 589	+6 987	55 130
FINANCIAL LOANS	356	2 297	96	+2 201	+ 51	2 608
EXPORT CREDITS	4 673	2 482	1 243	+1 239	+ 716	6 628
DEVELOPMENT CREDITS	88	51	2	+ 49	—	137
DIRECT INVESTMENT	3 426	1 208	75	+1 133	—	4 626
Equity capital	2 967	870	11	+ 859	—	3 826
Loans to subsidiaries and associates	459	338	64	+ 274	+ 67	800
SUBSCRIPTIONS¹	873	178	—	+ 178	—	1 051
GROSS LONG-TERM ASSETS²	9 416	6 216	1 416	+4 800	+ 834	15 050
NET LONG-TERM DEBT	33 138	4 452	3 663	+ 789	+6 153	40 080

¹ On the liabilities side, subscriptions to international financial institutions paid up in the form of bonds, and on the assets side, Finland's subscriptions to international financial institutions.

² The mark values of balances outstanding were calculated by using the selling rates of the same date, drawings and redemptions by using the average monthly selling rates.

Table 15.

FOREIGN EXCHANGE: SPOT SELLING RATES IN 1977-1982, MARKS

Currency	1977			1978			1979		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.216	4.029	3.760	4.327	4.117	3.772	4.033	3.896	3.711
1 £, London	7.705	7.042	6.415	8.215	7.917	7.700	8.915	8.275	7.895
1 Ir £, Dublin ¹							8.088	7.956	7.839
100 Skr, Stockholm	94.25	90.21	86.10	93.50	91.43	85.80	92.10	91.12	89.60
100 Nkr, Oslo	79.50	75.83	71.90	81.60	78.93	77.90	79.25	77.22	75.00
100 Dkr, Copenhagen	70.10	67.23	64.50	79.20	75.06	69.30	78.00	74.38	69.55
100 DM, Frankf.o.M.	193.85	174.15	158.35	219.20	205.53	188.90	216.70	212.75	209.20
100 Hfl, Amsterdam	178.60	164.59	151.20	202.80	190.77	176.10	200.00	194.43	189.40
100 FB, Brussels ²	12.330	11.277	10.340	14.020	13.152	12.220	13.740	13.338	13.010
100 Sfr, Zurich	202.80	168.70	148.50	274.40	231.83	199.00	242.70	234.36	227.40
100 FF, Paris	87.00	82.16	76.40	96.10	91.77	81.00	94.70	91.88	89.70
100 Lit, Rome	0.482	0.459	0.430	0.504	0.489	0.463	0.480	0.473	0.458
100 ÖS, Vienna	27.00	24.47	22.28	29.95	28.45	26.35	30.13	29.19	28.44
100 Y, Tokyo	1.755	1.512	1.290	2.253	1.983	1.658	2.035	1.797	1.503
1 Rbl, Moscow, clearing	5.865	5.475	5.067	6.185	6.037	5.601	6.081	5.941	5.711
1 special drawing right (SDR)	4.99043	4.69556	4.37250	5.27229	5.13633	4.81488	5.12720	5.01678	4.87141

¹ Quoted since July 1, 1979.² Since September 12, 1972, the Bank of Finland has quoted both a commercial and a financial rate for the Belgian franc. The commercial rate has been used in the calculations.

Currency	1980			1981			1982		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.941	3.730	3.604	4.707	4.315	3.812	5.572	4.820	4.325
1 £, London	9.290	8.691	8.245	9.590	8.731	7.987	9.356	8.423	8.108
1 Ir £, Dublin	8.000	7.689	7.255	7.367	6.976	6.650	7.461	6.854	6.518
100 Skr, Stockholm	89.75	88.43	87.45	89.05	85.74	79.00	80.50	77.03	72.65
100 Nkr, Oslo	77.40	75.81	75.00	76.85	75.54	73.80	77.70	74.84	69.25
100 Dkr, Copenhagen	69.80	66.53	63.75	64.30	60.96	58.50	63.40	57.93	54.20
100 DM, Frankf.o.M.	216.14	205.58	194.45	198.40	191.31	183.35	223.65	198.76	190.05
100 Hfl, Amsterdam	195.95	188.02	179.20	181.35	173.43	165.30	202.40	180.66	173.00
100 FB, Brussels	13.330	12.818	12.133	12.280	11.688	11.230	11.450	10.584	9.870
100 Sfr, Zurich	235.65	222.87	210.60	247.70	220.34	203.30	266.25	237.79	221.95
100 FF, Paris	92.55	88.65	84.40	85.45	79.92	76.50	79.00	73.65	67.85
100 Lit, Rome	0.465	0.440	0.414	0.419	0.385	0.363	0.389	0.358	0.341
100 ÖS, Vienna	30.12	28.90	27.45	28.48	27.17	26.14	31.85	28.31	27.12
100 Y, Tokyo	1.898	1.662	1.515	2.032	1.967	1.903	2.274	1.943	1.783
1 Rbl, Moscow, clearing	5.992	5.741	5.603	6.328	5.986	5.646	7.473	6.624	6.170
1 special drawing right (SDR)	4.95537	4.84255	4.79084	5.22182	5.07140	4.88542	5.92336	5.30563	5.05149

Table 16.

FOREIGN EXCHANGE: SPOT SELLING RATES IN 1982, MARKS

Currency	January			February			March		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.468	4.409	4.325	4.563	4.515	4.469	4.637	4.574	4.506
1 C \$, Montreal	3.735	3.701	3.654	3.753	3.726	3.704	3.780	3.751	3.691
1 £, London	8.391	8.339	8.255	8.391	8.352	8.292	8.315	8.275	8.230
1 Ir £, Dublin	6.919	6.824	6.750	6.783	6.739	6.698	6.812	6.751	6.631
100 Skr, Stockholm	79.15	78.84	78.65	78.80	78.49	78.30	78.70	78.51	77.90
100 Nkr, Oslo	75.85	75.55	75.15	75.95	75.76	75.35	76.20	76.01	75.75
100 Dkr, Copenhagen	59.90	59.24	58.70	58.55	58.02	57.10	57.45	57.01	56.30
100 lkr, Reykjavik	53.30	50.06	47.35	54.30	47.75	46.55	46.85	45.94	45.45
100 DM, Frankf.o.M.	194.20	192.69	191.50	191.85	191.07	190.05	193.20	192.48	191.15
100 Hfl, Amsterdam	176.95	175.83	174.80	174.95	174.23	173.40	176.10	174.93	173.15
100 FB, Brussels									
commercial rate	11.450	11.361	11.280	11.260	11.024	10.440	10.460	10.334	10.150
financial rate	10.450	10.214	10.110	10.130	10.014	9.560	9.730	9.346	8.750
100 Sfr, Zurich	243.10	239.40	237.25	241.65	239.02	237.25	244.90	242.70	239.30
100 FF, Paris	76.90	76.09	75.45	75.55	75.25	75.05	75.50	74.70	73.60
100 Lit, Rome	0.368	0.364	0.361	0.360	0.358	0.357	0.359	0.355	0.351
100 ÖS, Vienna	27.74	27.52	27.35	27.39	27.27	27.12	27.55	27.43	27.25
100 Esc., Lisbon	6.85	6.79	6.71	6.68	6.58	6.54	6.59	6.53	6.42
100 Ptas, Madrid	4.59	4.53	4.50	4.54	4.50	4.42	4.43	4.40	4.34
100 Y, Tokyo	1.999	1.974	1.943	1.944	1.922	1.895	1.935	1.904	1.874
1 Rbl, Moscow, clearing	6.244	6.215	6.170	6.302	6.265	6.235	6.375	6.307	6.282
1 special drawing right (SDR)	5.09419	5.07463	5.05149	5.12510	5.10600	5.08509	5.15393	5.12923	5.10797

Currency	April			May			June		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.653	4.613	4.535	4.564	4.512	4.453	4.785	4.678	4.559
1 C \$, Montreal	3.811	3.772	3.722	3.705	3.664	3.611	3.708	3.681	3.662
1 £, London	8.261	8.179	8.121	8.236	8.180	8.108	8.302	8.237	8.184
1 Ir £, Dublin	6.729	6.675	6.648	6.805	6.767	6.720	6.720	6.669	6.609
100 Skr, Stockholm	78.30	78.12	77.95	78.30	78.12	78.00	78.15	77.88	77.70
100 Nkr, Oslo	76.05	75.94	75.75	75.90	75.72	75.60	76.00	75.76	75.45
100 Dkr, Copenhagen	57.15	56.66	56.25	57.95	57.60	57.25	56.95	56.23	55.65
100 lkr, Reykjavik	45.55	44.99	43.85	43.75	42.99	42.45	42.65	42.20	41.75
100 DM, Frankf.o.M.	194.90	192.74	192.00	196.50	195.56	194.25	194.65	193.17	192.20
100 Hfl, Amsterdam	175.35	173.74	173.10	176.70	176.05	175.10	176.45	174.76	173.70
100 FB, Brussels									
commercial rate	10.300	10.214	10.160	10.420	10.361	10.310	10.270	10.164	10.050
financial rate	9.610	9.228	8.810	9.590	9.477	9.350	9.430	9.271	8.950
100 Sfr, Zurich	238.70	235.81	232.60	236.70	231.86	229.20	227.55	225.93	223.60
100 FF, Paris	74.80	74.09	73.80	75.90	75.17	74.70	74.55	71.66	69.40
100 Lit, Rome	0.352	0.351	0.350	0.355	0.353	0.352	0.351	0.347	0.342
100 ÖS, Vienna	27.66	27.45	27.35	27.92	27.79	27.60	27.66	27.44	27.30
100 Esc., Lisbon	6.51	6.42	6.33	6.50	6.44	6.41	6.41	6.07	5.64
100 Ptas, Madrid	4.40	4.36	4.32	4.41	4.39	4.32	4.35	4.31	4.26
100 Y, Tokyo	1.931	1.896	1.871	1.935	1.910	1.877	1.888	1.870	1.855
1 Rbl, Moscow, clearing	6.393	6.378	6.365	6.370	6.353	6.331	6.426	6.397	6.361
1 special drawing right (SDR)	5.15137	5.13880	5.11400	5.12140	5.10778	5.08579	5.18309	5.14787	5.09894

Table 16. (Cont.)

Currency	July			August			September		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.796	4.735	4.662	4.823	4.757	4.684	4.858	4.806	4.727
1 C \$, Montreal	3.771	3.729	3.675	3.865	3.824	3.755	3.943	3.897	3.833
1 £, London	8.242	8.224	8.197	8.276	8.225	8.175	8.262	8.247	8.211
1 Ir £, Dublin	6.690	6.624	6.560	6.670	6.618	6.559	6.647	6.595	6.556
100 Skr, Stockholm	77.85	77.56	77.40	77.80	77.60	77.40	77.75	77.34	77.20
100 Nkr, Oslo	75.50	74.65	73.25	71.80	71.36	71.00	71.55	69.80	69.25
100 Dkr, Copenhagen	55.95	55.57	55.25	55.80	55.20	54.80	55.05	54.73	54.20
100 lkr, Reykjavik	41.75	40.60	39.40	43.24	36.89	32.95	33.65	33.51	33.30
100 DM, Frankf.o.M.	194.35	192.36	190.90	193.85	192.25	190.70	193.05	192.36	191.60
100 Hfl, Amsterdam	175.75	174.14	173.00	176.50	174.70	173.10	176.20	175.57	175.00
100 FB, Brussels commercial rate	10.190	10.086	10.000	10.160	10.050	9.980	10.050	9.993	9.900
financial rate	9.570	9.376	9.200	9.600	9.507	9.430	9.710	9.602	9.450
100 Sfr, Zurich	230.80	226.29	223.80	228.95	226.15	223.30	227.20	225.33	223.70
100 FF, Paris	69.90	69.30	68.90	69.80	68.97	68.30	68.70	68.26	67.95
100 Lit, Rome	0.347	0.344	0.342	0.347	0.344	0.341	0.344	0.343	0.341
100 ÖS, Vienna	27.63	27.36	27.17	27.58	27.38	27.15	27.55	27.40	27.26
100 Esc., Lisbon	5.70	5.66	5.62	5.63	5.59	5.55	5.60	5.53	5.48
100 Ptas, Madrid	4.28	4.26	4.24	4.30	4.26	4.22	4.29	4.27	4.24
100 Y, Tokyo	1.872	1.862	1.853	1.871	1.844	1.822	1.855	1.834	1.810
1 Rbl, Moscow, clearing	6.485	6.458	6.401	6.535	6.498	6.448	6.549	6.522	6.494
1 special drawing right (SDR)	5.18294	5.15948	5.13234	5.18744	5.16027	5.12768	5.20085	5.17944	5.14767

Currency	October			November			December		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	5.523	5.358	4.846	5.572	5.534	5.455	5.422	5.353	5.293
1 C \$, Montreal	4.508	4.362	3.923	4.570	4.519	4.406	4.383	4.331	4.283
1 £, London	9.356	9.104	8.224	9.288	9.045	8.695	8.834	8.673	8.535
1 Ir £, Dublin	7.437	7.223	6.518	7.431	7.371	7.330	7.461	7.390	7.344
100 Skr, Stockholm	80.50	75.18	74.15	74.35	73.82	73.40	73.45	72.92	72.65
100 Nkr, Oslo	76.40	74.80	69.60	77.15	76.51	76.15	77.70	76.25	75.20
100 Dkr, Copenhagen	61.85	60.21	54.65	62.55	61.85	61.35	63.40	62.86	62.40
100 lkr, Reykjavik	37.05	35.48	33.35	35.15	34.70	34.40	33.50	32.80	32.05
100 DM, Frankf.o.M.	217.90	212.11	191.30	219.60	216.80	215.10	223.65	221.55	219.80
100 Hfl, Amsterdam	199.60	194.50	175.00	199.85	198.78	197.60	202.40	200.75	199.50
100 FB, Brussels									
commercial rate	11.230	10.952	9.870	11.230	11.168	11.100	11.420	11.297	11.210
financial rate	10.790	10.472	9.380	10.960	10.823	10.680	11.130	10.980	10.750
100 Sfr, Zurich	256.15	247.28	221.95	255.85	252.26	249.80	266.25	261.40	256.15
100 FF, Paris	77.10	75.17	67.85	77.80	76.87	76.25	79.00	78.33	77.65
100 Lit, Rome	0.384	0.374	0.341	0.381	0.378	0.375	0.389	0.385	0.382
100 ÖS, Vienna	31.03	30.21	27.23	31.30	30.92	30.70	31.85	31.52	31.30
100 Esc., Lisbon	6.18	6.02	5.50	6.11	6.07	5.98	6.04	5.90	5.65
100 Ptas, Madrid	4.82	4.67	4.25	4.73	4.67	4.62	4.62	4.27	4.19
100 Y, Tokyo	2.066	1.983	1.783	2.206	2.096	1.994	2.274	2.217	2.177
1 Rbl, Moscow, clearing	7.406	7.219	6.542	7.466	7.434	7.388	7.473	7.446	7.421
1 special drawing right (SDR)	5.87379	5.72437	5.19161	5.92336	5.89666	5.86190	5.87308	5.84779	5.82363

AUDITORS' REPORT

on the Audit of the Accounts and Operations of the Bank of Finland for 1982

We, the undersigned, the Auditors elected by Parliament in 1982, have audited the accounts and operations of the Bank of Finland for 1982 on February 21–25, 1983, as reported in detail in the minutes.

All relevant accounting books, records, minutes of meetings, documents, vouchers and the Annual Statement were placed at our disposal for the purpose of auditing. In addition, the Bank's Board of Management and the officials concerned provided us with information on the Bank's operations, lending and financial position, and with reports on the internal auditing of cash funds and accounts.

On the basis of our audit, we report

that the cash funds kept in the Vaults of the Bank's Head Office and by the cashiers, and the holdings of bullion and coins, notes, bonds, open and sealed deposits, promissory notes and securities corresponded with the Bank's accounts. We also concluded, from the Vault Registers and other verifications, that the cash funds kept in the Vaults and by the cashiers at the Head Office and Vantaa, and the cash funds registered in the cash inventories kept by the branch cashiers and in other safes of the Bank on December 31, 1982 accorded with the figures of the closing of the accounts;

that the inventories and audits set forth in the Regulations for the Bank of Finland have been carried out;

that the Bank's lending has been conducted with discretion;

that the closing of the accounts has been conducted on the basis of established principles.

We have also examined the accounts of the Längman Funds managed by the Bank and the closing of the accounts of the 1967 Finnish National Fund for Research and Development (SITRA) and concluded that these are correct and properly kept.

We declare that the Bank's Financial Statements have been prepared in keeping with the provisions confirmed by the Bank Supervisors.

The Financial Statements of the Bank of Finland, showing net earnings of 667 150 982.02 marks for the past accounting year, have been correctly derived from the accounts.

During the accounting year, the Bank has been managed in accordance with the Regulations for the Bank. The Bank's position is stable.

On the basis of the above and in the absence of any further comments raised by the audit, we propose that the Financial Statements be confirmed and the Board of Management of the Bank of Finland discharged from responsibility for the year 1982.

Helsinki, February 25, 1983

Mikko Kaarna

Markus Aaltonen

Erkki Kivimäki

Pentti Mäki-Hakola

Håkan Malm

.J. Tyko Vanhala

BANK SUPERVISORS, DELEGATED BY PARLIAMENT, AT THE END OF 1982

Matti Jaatinen (Chairman)
Erkki Liikanen (Vice Chairman)
Matti Majjala
Eino Loikkanen
Irma Rosnell
Aarne Saarinen
Paavo Väyrynen
Ingvar S. Melin
Mauri Miettinen

THE BOARD OF MANAGEMENT OF THE BANK OF FINLAND, AT THE END OF 1982

The division of responsibilities in the Board of Management, confirmed by the Bank Supervisors delegated by Parliament

Ahti Karjalainen
Chairman

Overall management and supervision of the activities of the Bank
General principles of central bank policy
Representation of the Board of Management
Supervision of the activities of the Members of the Board and the subject matter of their decisions

Rolf Kullberg
Vice Chairman

Matters related to
– the Monetary Policy Department
– the Domestic Financing Department
SITRA (the Finnish National Fund for Research and Development)

Pentti Uusivirta

Matters related to
– the Exchange Policy Department
– the Foreign Exchange Department
– the Bilateral Trade Department
– the Foreign Financing Department
International financial institutions, including the International Monetary Fund

Ele Alenius

Matters related to
– the Payments Department
– the Data Processing Department
– the Cash Department
Security Printing House

Harri Holkeri

Matters related to
– the Internal Audit Department
– the Exchange Control Department
– the Administration Department
– the Personnel Department
Branches

Seppo Lindblom

Matters related to
– the Economics Department
– the Research Department
– the Information Department
International organizations, excluding the International Monetary Fund

HEAD OFFICE

Directors

Markku Puntilla

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Sirkka Hämäläinen

Internal Audit

Branch Manager, Special Projects

M. Hannula

Security Manager

Jyrki Ahvonen

BRANCH NETWORK

Branches

Joensuu

Jyväskylä

Kotka

Kuopio

Lahti

Mikkeli

Oulu

Pori

Rovaniemi

Tampere

Turku

Vaasa

Departments

Monetary Policy Dept.
Domestic Financing Dept.
Payments Dept.

Administration Dept.
Accounting Dept.
International Legal Affairs

Personnel Dept.
Cash Dept.
Research Dept.

Exchange Policy Dept.
Foreign Exchange Dept.
Bilateral Trade Dept.

Foreign Financing Dept.
Exchange Control Dept.

Economics Dept.
Information Dept.
Data Processing Dept.

Internal Audit Dept.

Managers

K. Karhi

V. Kaarnakorpi

Reino Ylönen

Antti Saarlo

V. Lehto

J. Huuskonen

Heikki Hakola

Harri Salenius

Renne Kurth

Rauno Haikarainen

S. Paavola

Martti Hagman

Heads of Department

Ralf Pauli
Raimo Hyvärinen
Stig G Björklund

H. T. Hämäläinen
Ossi Leppänen
Urpo Levo

Anton Mäkelä
Reijo Mäkinen
Heikki Koskenkylä

Kari Pekonen
M. Vanhala
Kari Holopainen

Pekka Tukiainen
J. Ojala

Seppo Kostiainen (A.H.)
Markku Pietinen
Erkki Vehkamäki

Timo Männistö

SECURITY PRINTING HOUSE

Tor-Leif Huggare, Managing Director

H. Taipale, Production Director, Deputy Managing Director

BANK OF FINLAND

Snellmanin aukio, Helsinki

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Lahti:	Torikatu 3, P.O. Box 170, 15111 Lahti 11, Telephone (918) 298 31
Mikkeli:	Päiviönkatu 15, 50100 Mikkeli 10, Telephone (955) 148 40
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Tampere:	Hämeenkatu 13, P.O. Box 325, 33101 Tampere 10, Telephone (931) 254 20
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Vaasa:	Kirkkopuistikko 22, 65100 Vaasa 10, Telephone (961) 118 322