



BANK OF FINLAND

Monthly Bulletin

Investment activity

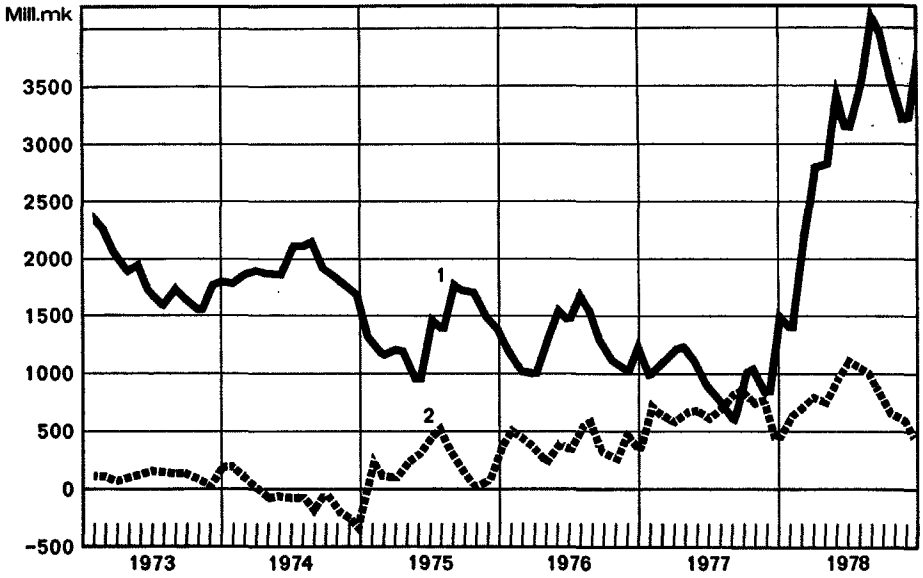
Revisions in Finnish banking legislation

Finland's balance of payments
January—September 1978

FEBRUARY 1979

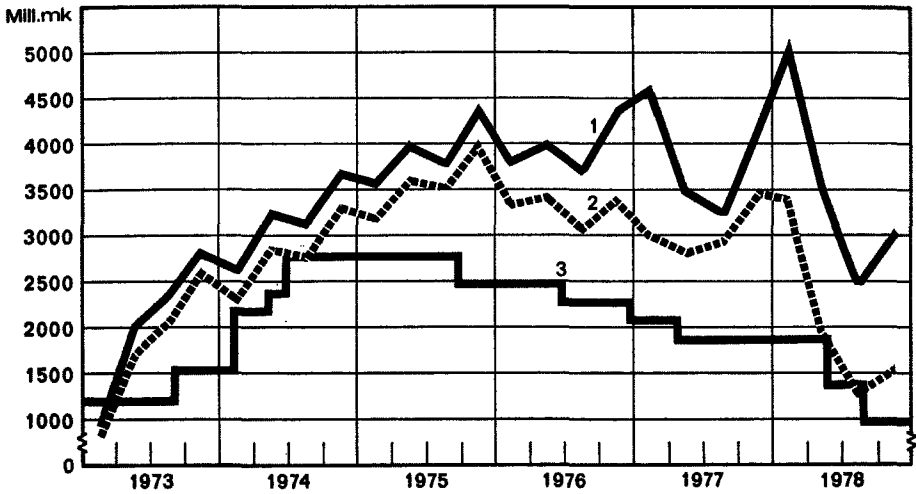
Vol. 53 No. 2

BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1973 - 1978



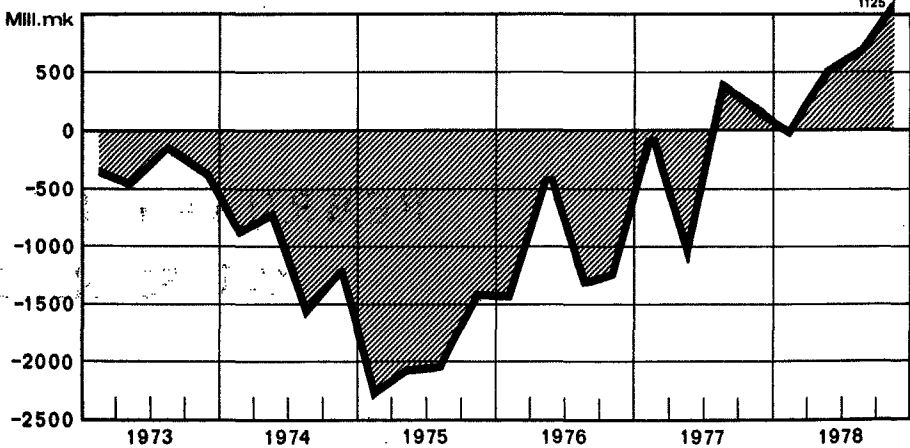
- 1. Gold and convertible currencies
- 2. Tied currencies

COMMERCIAL BANKS' CENTRAL BANK FINANCING, 1973 - 1978



- 1. Total central bank debt
 - 2. Net central bank debt
 - 3. The quotas
- Quarterly average of daily amounts (1 and 2)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1973 - 1978



Seasonally adjusted quarterly figures

INVESTMENT ACTIVITY

Capital formation in Finland has been on a downward trend since 1975. Preliminary estimates for 1978 point to a fall of nearly 6 per cent in the volume of private fixed investment, and the corporate sector's investment in stocks has also declined notably. Public sector investment remained at about the 1977 level. Examined by type of assets, the volume of investment in machinery and equipment declined by almost 10 per cent in 1978. The volume of housing investment fell somewhat, whereas other building investment increased slightly.

On a sectoral basis the investment decline is mainly attributable to industrial investment; about 65 per cent of the overall decline in the volume of fixed investment between 1975 and 1978 occurred in this sector. This was also the case in 1978, when the fall in investment was particularly sharp in the forest industries and the energy sector. On the other hand, the volume of investment in other manufacturing sectors picked up.

Despite the three year decline, the level of total fixed investment is not exceptionally small at present, and indeed may be regarded largely as a restoration to the trend level of activity after a particularly vigorous boom in the middle of the current decade. The share of gross fixed investment in gross domestic product, at 25 per cent, was last year about the same as the average for the 1960s.

Low levels of capacity utilization and profitability, and high levels of indebtedness combined with uncertain demand prospects have been the main factors curbing corporations' investment activity over recent years. According to the Bank of Finland investment inquiry, capacity utilization in industry was in 1978 more than 10 per cent below its previous peak level of 1973—1974.

The demand for housing has suffered as a result of uncertain employment prospects and sluggish growth of income and also, earlier, a tight credit market. Moreover, the decline in migration has also reduced housing demand. However, although housing investment has shown a clear fall from the exceptionally high level of activity in the middle of the decade the current level remains comparable with that of the 1960s.

In order to enhance competitiveness and employment, the Government has implemented certain measures designed to stimulate industrial investment. New industrial buildings started between October 1, 1978 and June 30, 1979 and completed before the end of September 1980, have been exempted from sales tax and are granted advance income tax relief, subject to certain conditions. This rule was implemented for the first time in 1977, but on a narrower scale. Since then, the time limits have been postponed several times, which may have mitigated the impact somewhat. In addition, entrepreneurs engaged in manufacturing are entitled to purchase machinery and equipment at half the usual sales tax rate, if the acquisition commences between April 1, 1978 and June 30, 1979, and is completed before the end of 1979. Accelerated depreciation allowances, and a deduction from the acquisition expenditure on new machinery and equipment purchased or ordered between October 1, 1978 and September 30, 1980, and received before the end of 1980 are also implemented. However, machinery to be installed in an existing building has to be acquired before the end of June 1979, to be eligible for the deductions.

During 1979, the uncertainties hampering investment activity are likely to persist. However, an anticipated upturn in demand and a need for replacement investment and rationalisation

ANNUAL PERCENTAGE CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1977 AND 1978 AND PLANNED CHANGES FOR 1979¹, ACCORDING TO THE BANK OF FINLAND INVESTMENT INQUIRY OF NOVEMBER 1978

	1977	1978	1979
<i>By industrial sector</i>			
Forest industries	— 8	—49	40
Metal industries	—46	— 2	4
Other manufacturing	—18	27	7
Total manufacturing	—23	—15	16
Electricity, gas and water	—29	—34	15
<i>By type of investment</i>			
Building investment	—39	— 9	— 2
Investment in machinery and equipment	—18	—24	23
Total industrial fixed investment	—25	—20	15

¹ For forecast purposes, information on planned investment is usually revised by means of realized investment functions derived from earlier inquiries. Evidence suggests that, when economic activity picks up, future investment tends to be underestimated.

should ensure some growth in fixed investment. A slight revival in production and liquidity should also induce an increase in stockbuilding investment.

Industrial investment is likely to experience the fastest growth. According to the Bank of Finland investment inquiry in November 1978¹, the forest industries, where the cyclical outlook seems to be the most favourable, will invest quite heavily (see the table). The forest industries' investment will largely be in purchases of new machinery and equipment, with the above tax concessions probably playing an important role in the timing of these purchases. If the present plans are realized, the volume of the forest industries' investment will grow by 40 per cent in 1979. However, even then the volume of investment will only marginally exceed the low level of the 1960s. The investment

¹ On the inquiry method, see Bulletin 2/1977.

plans of other industries, and of the chemical industries in particular, have also increased recently.

The emphasis in industry's investment plans for the current year is clearly on purchases of machinery and equipment. Extension investment will continue to play only a minor role, since building investment plans for this year show a decline on those implemented last year.

The majority of industrial enterprises forecast a rise in their capacity utilization this year. Almost one half of the enterprises expect the level to rise during the first half of 1979 and nearly 40 per cent assume that it will rise during the second half, relative to capacity utilization for the corresponding periods of the previous year. However, capacity utilization in industry as a whole is likely to remain at a relatively low level.

The increase in building permits granted suggests that, in addition to industrial investment, agricultural and business building investment will also grow. In the housing sector, state-financed production is expected to fall slightly in 1979, but an easing in financial conditions should prevent a decline in privately financed residential production. Further increases in the average size and appliance standard of dwellings should also help to maintain the overall volume of housing investment in the near future.

Public sector investment will approximately maintain its 1978 level this year. The tightening in the financial position of local government will curb the growth in general government investment. Moreover, the investment activity of public enterprises will fall off following the completion of many large projects.

January 22, 1979

	1978		1979			
	Jan. 31	Dec. 30	Jan. 8	Jan. 15	Jan. 23	Jan. 31
Assets						
Gold and foreign exchange receivables	2 161	4 339	4 684	5 138	5 301	5 361
Gold	133	169	169	169	169	169
Special drawing rights	204	316	455	455	455	455
IMF reserve tranche	—	243	243	243	243	243
Convertible currencies	1 155	3 126	3 292	3 650	3 544	3 497
Tied currencies	669	485	525	621	890	997
Other foreign receivables	1 983	1 968	1 962	1 995	2 019	2 061
Foreign bills ¹	503	—	—	—	—	—
Foreign bonds	552	872	866	898	922	964
Mark subscription to Finland's IMF quota	928	1 096	1 096	1 097	1 097	1 097
Receivables from financial institutions	5 774	3 695	3 811	3 549	4 117	3 511
Cheque accounts of the commercial banks	139	137	154	184	114	114
Discounted bills	3 060	970	904	914	934	919
Bonds	451	361	407	362	324	379
Call money market advances	2 110	2 213	2 333	2 081	2 727	2 080
Other financial institution receivables	14	14	13	8	18	19
Receivables from the public sector	399	633	632	635	792	791
Government promissory notes	—	188	188	188	346	346
Bonds	60	93	93	93	93	93
Total coinage	318	336	337	337	338	340
Other public sector receivables	21	16	14	17	15	12
Receivables from corporations	1 439	1 948	1 900	1 896	1 936	1 968
Financing of exports ²	197	904	866	852	884	902
Financing of domestic deliveries	753	752	742	754	761	778
Bonds	211	207	206	206	204	204
Other corporate receivables	278	85	86	84	87	84
Other assets	92	64	67	66	66	65
Total	11 848	12 647	13 056	13 279	14 231	13 757
Liabilities						
Foreign exchange liabilities	61	60	55	51	52	52
Convertible accounts	40	46	42	38	39	38
Tied accounts	21	14	13	13	13	14
Other foreign liabilities	3 360	2 195	2 334	2 335	2 335	2 335
IMF mark accounts	1 838	1 881	1 881	1 881	1 881	1 881
Allocations of special drawing rights	300	314	453	454	454	454
Term liabilities	1 222	—	—	—	—	—
Notes and coins in circulation	2 990	2 822	3 626	3 580	3 485	3 512
Notes	2 710	3 509	3 316	3 288	3 180	3 208
Coins	280	313	310	300	305	304
Deposit certificates in circulation	180	1 090	1 090	1 568	1 718	1 718
Claims of financial institutions	1 901	2 520	2 966	2 722	3 647	3 155
Cheque account of Postipankki	0	1	0	0	13	1
Cheque accounts of the commercial banks	1	1	1	0	1	1
Call money market deposits	1 528	2 075	2 436	2 189	3 097	2 573
Capital import deposits	245	405	490	493	491	533
Other financial institution claims	127	38	39	40	45	47
Claims of the public sector	320	114	114	115	128	114
Cheque accounts	1	2	0	0	15	0
Counter-cyclical reserves	36	40	40	40	40	40
Capital import deposits	280	70	70	71	70	71
Other public sector claims	3	2	4	4	3	3
Claims of corporations	239	356	360	389	364	359
Deposits for investment and ship purchase	33	32	32	32	32	32
Capital import deposits	184	303	305	308	306	307
Import levy deposits	19	6	6	6	6	6
Other corporate claims	3	15	17	43	20	14
Other liabilities	13	12	17	15	13	13
Equalization accounts	714	350	363	370	352	359
Capital accounts	2 070	2 128	2 131	2 134	2 137	2 140
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	545	545	545	636	636	636
Undisposed profits	109	—	183	92	92	92
Net earnings	16	183	3	6	9	12
Total	11 848	12 647	13 056	13 279	14 231	13 757

¹ From Dec. 31, 1978 included in Financing of exports. ² Until Dec. 31, 1978 New export bills.

End of year or month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserves (1-2)	Tied exchange reserves	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	-126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	-388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977	1 602	53	1 549	496	1 959	3 447	557	391	328	- 63	200
1978	3 854	46	3 808	471	1 968	2 195	4 052	633	114	-519	1 090
1978											
Jan.	1 492	40	1 452	648	1 983	3 360	723	399	320	-79	180
Feb.	2 236	36	2 200	730	2 093	3 393	1 630	401	297	-104	180
March	2 854	40	2 814	822	2 142	3 391	2 387	405	288	-117	0
April	2 890	51	2 839	785	2 187	3 408	2 403	382	289	-93	—
May	3 596	38	3 558	995	2 636	3 914	3 275	382	229	-153	—
June	3 284	98	3 186	1 149	2 641	3 046	3 930	393	222	-171	400
July	3 583	40	3 543	1 084	2 659	3 038	4 248	404	203	-201	760
Aug.	4 237	43	4 194	1 019	2 407	2 786	4 834	453	202	-251	859
Sept.	4 039	53	3 986	842	2 428	2 756	4 500	464	199	-265	1 209
Oct.	3 620	48	3 572	663	2 551	2 729	4 057	614	191	-423	1 359
Nov.	3 252	31	3 221	622	2 553	2 197	4 199	624	138	-486	890
Dec.	3 854	46	3 808	471	1 968	2 195	4 052	633	114	-519	1 090
1979											
Jan.	4 364	38	4 326	983	2 061	2 335	5 035	791	114	-677	1 718

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1977			Net holdings, Nov. 30, 1978			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Nov.	Jan.—Nov.
Gold	133	—	133	133	—	133	—	—
Special drawing rights	204	—	204	155	—	155	+ 6	— 49
IMF reserve tranche	—	—	—	246	—	246	—	+ 246
Convertible currencies	1 212	-2 785	-1 573	2 686	-1 896	790	-363	+2 363
Total	1 549	-2 785	-1 236	3 220	-1 896	1 324	-357	+2 560
Non-convertible currencies	496	146	642	623	158	781	— 41	+ 139
Grand total	2 045	-2 639	— 594	3 843	-1 738	2 105	-398	+2 699

Domestic financial sector

Corporate sector

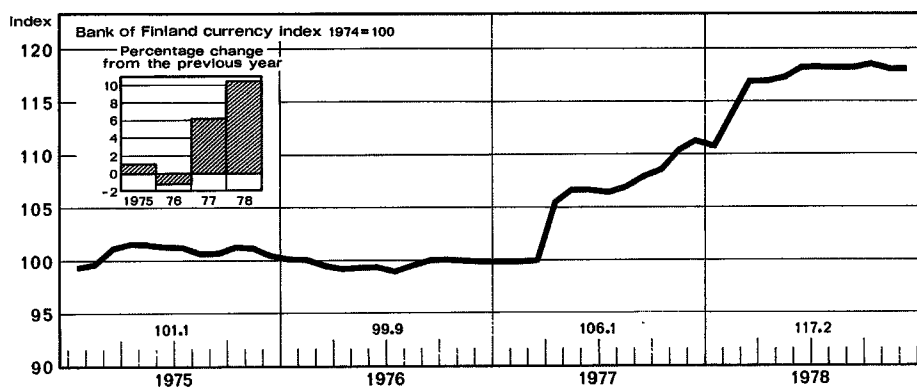
End of year or month	Dis-counted and redis-counted bills	Cheque account receivables, net, commercial banks	Demand for call money by deposit banks	Supply of call money by deposit banks	Other liabilities, net	Net receiv-ables (1+2+3-4-5)	Permanent special financing schemes	Liabilities, net	Net receiv-ables (7-8)	Notes and coins in circulation
	1	2	3	4	5	6	7	8	9	10
1972	753	5	—	—	2	756	321	73	248	1 879
1973	2 556	61	—	—	2	2 615	372	259	113	2 082
1974	3 034	110	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	69	1 175	1 948	356	1 592	3 822

1978

Jan.	3 060	138	2 110	1 528	-93	3 873	1 439	239	1 200	2 990
Feb.	2 658	149	2 124	2 056	-189	3 064	1 504	331	1 173	3 040
March	2 454	122	1 894	2 034	-88	2 524	1 477	386	1 091	3 333
April	2 346	154	1 444	1 653	-236	2 527	1 483	389	1 094	3 302
May	2 004	119	1 331	1 781	63	1 610	1 386	416	970	3 271
June	1 607	106	1 495	1 629	37	1 542	1 311	386	925	3 572
July	1 571	83	1 408	1 623	34	1 405	1 297	304	993	3 520
Aug.	1 320	80	1 229	1 628	108	893	1 288	505	783	3 414
Sept.	1 107	77	1 680	1 298	59	1 507	1 311	372	939	3 538
Oct.	1 113	69	2 013	1 413	87	1 695	1 298	344	954	3 431
Nov.	968	168	1 995	1 821	60	1 250	1 297	360	937	3 492
Dec.	970	136	2 213	2 075	69	1 175	1 656	64	1 592	3 822

1979

Jan.	919	113	2 080	2 573	183	356	1 680	71	1 609	3 512
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MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Bank of Finland placements in the call money market, mill. mk	Basic discount rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8
1972	805	795	1 224		7.75		7.75	7.87
1973	2 038	1 815	1 333		8.50		9.99	8.65
1974	3 204	2 840	2 494		9.25		10.57	9.52
1975	4 000	3 611	2 725	239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	90	7.58	11.99	8.88	..

1978

Jan.	5 180	3 944	1 900	691	8.25	23.00	12.52	8.86
Feb.	5 405	3 485	1 900	244	8.25	19.77	10.41	8.83
March	4 822	2 821	1 900	— 36	8.25	13.08	8.31	8.82
April	3 950	2 325	1 900	—331	8.25	10.18	8.89	8.84
May	3 586	1 965	1 900	—337	7.25	9.12	7.51	7.99
June	3 110	1 611	1 400	— 28	7.25	9.43	7.05	7.99
July	2 700	1 452	1 400	—182	7.25	9.14	7.87	7.86
Aug.	2 552	1 260	1 400	—271	7.25	8.97	7.61	7.94
Sept.	2 373	1 253	1 000	100	7.25	9.18	7.90	7.88
Oct.	2 961	1 754	1 000	524	7.25	10.04	8.59	7.88
Nov.	3 105	1 573	1 000	421	7.25	9.85	8.31	7.86
Dec.	3 134	1 397	1 000	287	7.25	9.29	7.94	..

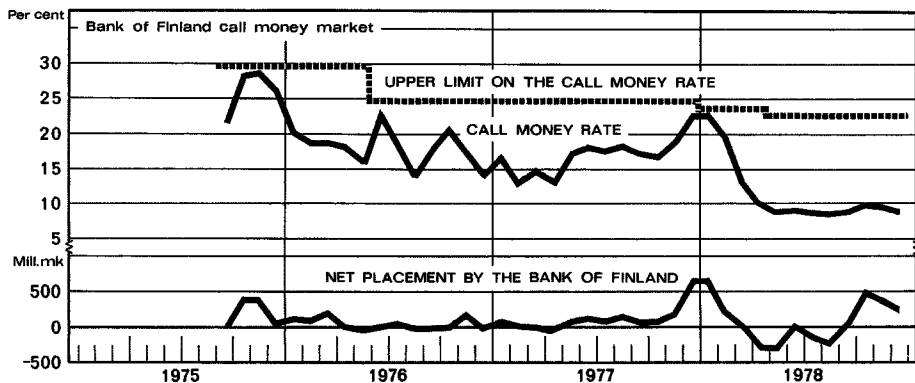
1979

Jan.	3 334	838	1 000	—243	7.25	8.48
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See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

Period	Average selling rates for foreign exchange, mk									Currency Index 1974 = 100
	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1972	4.146	10.368	87.20	62.97	59.72	130.07	108.64	82.25	4.960	102.1
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2

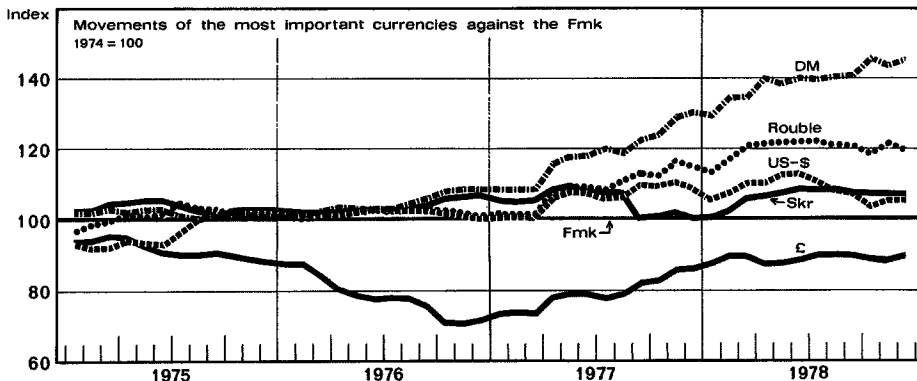
1978

Jan.	4.022	7.797	86.44	78.44	69.97	190.20	202.49	85.60	5.712	111.1
Feb.	4.090	7.961	88.54	78.56	72.57	197.72	215.72	84.97	5.882	114.1
March	4.180	7.998	90.98	78.80	74.97	205.63	220.47	89.04	6.080	117.3
April	4.193	7.777	91.42	78.50	75.05	205.73	220.71	91.80	6.099	117.2
May	4.281	7.800	92.22	78.89	75.38	203.57	218.15	92.42	6.130	117.5
June	4.285	7.887	93.22	79.61	76.27	205.94	227.55	93.87	6.132	118.5
July	4.209	7.995	92.96	78.33	75.41	205.21	233.82	95.13	6.137	118.5
Aug.	4.113	8.005	92.96	78.57	75.15	206.32	247.18	94.93	6.079	118.5
Sept.	4.076	7.994	92.40	78.50	75.28	207.03	259.64	93.81	6.091	118.5
Oct.	3.939	7.919	92.07	80.23	77.20	214.03	256.37	93.81	5.988	118.7
Nov.	4.008	7.885	92.04	79.53	76.58	211.17	240.28	92.57	6.117	118.5
Dec.	4.012	7.988	91.88	79.16	76.88	213.79	239.61	93.30	6.002	118.5

1979

Jan.	3.967	7.970	91.55	78.66	77.65	214.91	237.78	93.88	6.018	118.5
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See explanations on page 22.

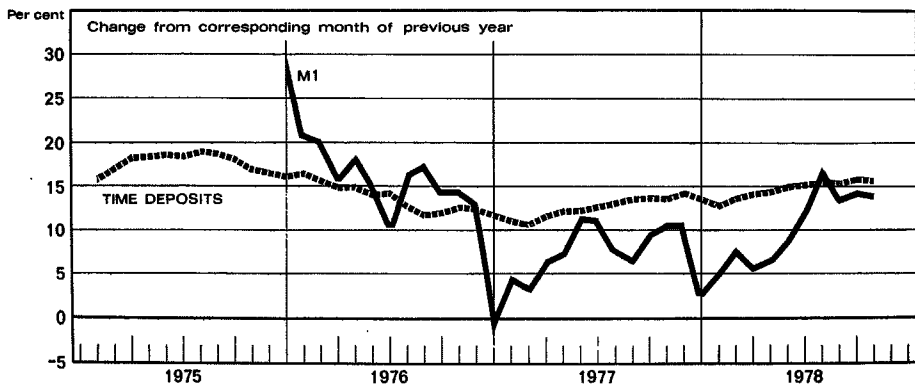


DEPOSITS BY THE PUBLIC¹

Mill. mk

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	
1974	2 723	913	1 638	5 274	10 811	8 279	6 299	2 646	28 035	33 309
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1977										
June	3 267	1 406	2 231	6 904	13 740	11 815	9 211	3 909	38 675	45 579
July	3 031	1 407	2 131	6 569	13 828	11 995	9 330	3 954	39 107	45 676
Aug.	3 271	1 486	2 049	6 806	13 960	12 120	9 474	3 989	39 543	46 349
Sept.	3 042	1 431	2 053	6 526	13 966	12 101	9 471	3 978	39 516	46 042
Oct.	3 147	1 495	2 027	6 669	14 167	12 152	9 491	4 012	39 822	46 491
Nov.	3 342	1 508	2 027	6 877	14 382	12 350	9 697	4 066	40 495	47 372
Dec.	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978										
Jan.	3 096	1 351	2 330	6 777	14 890	12 747	9 903	4 203	41 743	48 520
Feb.	3 106	1 468	2 478	7 052	15 191	12 901	9 996	4 243	42 331	49 383
March	2 922	1 420	2 340	6 682	15 350	13 058	10 107	4 363	42 878	49 560
April	3 068	1 414	2 415	6 897	15 596	13 190	10 225	4 368	43 379	50 276
May	3 550	1 541	2 304	7 395	15 975	13 287	10 277	4 393	43 932	51 327
June	3 713	1 517	2 359	7 589	16 210	13 523	10 458	4 485	44 676	52 265
July	3 712	1 594	2 352	7 658	16 440	13 679	10 567	4 600	45 286	52 944
Aug.	3 716	1 718	2 237	7 671	16 323	13 956	10 796	4 681	45 756	53 427
Sept.	3 475	1 699	2 226	7 400	16 328	14 008	10 818	4 707	45 861	53 261
Oct.	3 792	1 756	2 106	7 654	16 484	14 081	10 890	4 696	46 151	53 805

¹ New series. See explanations on page 18.

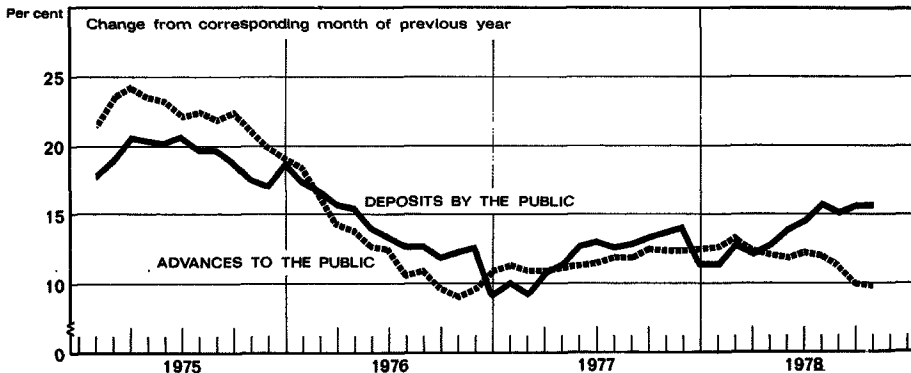


ADVANCES TO THE PUBLIC¹ — MONEY SUPPLY¹

Mill. mk

End of year and month	Advances granted by				Types of advances				Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	M ₁	M ₁ +Quasi-Money
	1	2	3	4	5	6	7	8	9	10
1974	17 462	7 715	6 457	4 653	33 261	1 136	1 890	36 287	7 549	35 943
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1977										
June	23 469	11 154	9 544	6 352	43 929	1 639	4 951	50 519	9 996	49 380
July	23 475	11 263	9 668	6 312	44 229	1 575	4 914	50 718	9 651	49 509
Aug.	23 598	11 430	9 791	6 351	44 670	1 660	4 840	51 170	9 818	50 103
Sept.	24 063	11 640	9 962	6 476	45 328	1 659	5 154	52 141	9 670	50 258
Oct.	24 149	11 823	10 120	6 598	45 946	1 717	5 027	52 690	9 732	50 614
Nov.	24 440	12 004	10 283	6 676	46 592	1 723	5 088	53 403	9 933	51 436
Dec.	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978										
Jan.	24 843	12 421	10 575	6 852	47 794	1 763	5 134	54 691	9 875	52 716
Feb.	25 472	12 509	10 636	6 731	47 977	1 787	5 584	55 348	10 137	53 709
March	25 599	12 553	10 650	6 500	47 817	1 732	5 753	55 302	10 058	54 272
April	25 820	12 661	10 743	6 488	48 095	1 641	5 976	55 712	10 272	54 990
May	25 841	12 816	10 878	6 537	48 575	1 655	5 842	56 072	10 679	55 962
June	26 123	12 914	11 023	6 707	48 930	1 771	6 066	56 767	11 247	57 365
July	26 017	13 048	11 148	6 753	49 217	1 761	5 988	56 966	11 351	58 025
Aug.	25 771	13 241	11 367	6 650	49 649	1 659	5 721	57 029	11 177	58 501
Sept.	25 774	13 477	11 596	6 682	50 317	1 769	5 443	57 529	11 071	58 328
Oct.	25 862	13 658	11 755	6 670	51 022	1 772	5 151	57 945	11 129	58 611

¹ New series. See explanations on page 22.



STATE FINANCES

Mill. mk

Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1977	1978		1977	1978
Income and wealth tax (net)	9 300	8 279	Wages, salaries, pensions etc.	5 246	5 725
Gross receipts	(24 197)	(24 524)	Repair and maintenance	728	744
Refunds & local authorities	(-14 897)	(-16 245)	Other consumption expenditure	2 582	2 947
Other taxes on income and wealth	244	258	Total consumption expenditure	8 556	9 416
Employers' child allowance payments	1 101	977	State aid to local authorities	6 350	7 249
Sales tax	7 299	8 535	State aid to industries	4 324	4 378
Customs duties and import charges and levies	828	816	of which: agric. price subsidies	(2 430)	(2 256)
Excise duties ¹	5 083	5 910	Child allowances	1 050	1 138
Excise duty on alcoholic beverages ¹	1 605	1 811	Share in national pensions and sickness insurance schemes	273	295
Excise duty on tobacco	769	810	Other transfer expenditure	3 680	4 175
Excise duty on liquid fuel	1 721	2 075	Total transfer expenditure	15 677	17 235
Other excise duties ¹	988	1 214	Machinery and equipment	1 196	1 261
Tax on autom. and motor-cycles	811	802	Construction of buildings	572	656
Stamp duties	667	718	Land and waterway construction	1 345	1 387
Special diesel etc. vehicles tax	118	138	Total real investment	3 113	3 304
Other taxes and similar revenue ¹	770	773	Interest on State debt	367	469
Total taxes	26 221	27 206	Net deficit of State enterprises	— 63	—131
Miscellaneous revenue	1 707	1 968	Other expenditure	47	46
Interest, dividends etc.	558	693	Total other expenditure	351	384
Redemptions of loans granted	292	427	Increase in inventories	52	—131
Total revenue	28 778	30 294	Lending	2 721	2 548
Foreign borrowing	892	2 858	Other financial investment	582	448
Domestic borrowing	1 025	1 856	Total expenditure	31 052	33 204
Total borrowing	1 917	4 714	Redemption of foreign loans	108	270
Deficit (+) or surplus (—)	+ 757	—1 058	Redemption of domestic loans	292	476
Total	31 452	33 950	Total redemptions	400	746
			Total	31 452	33 950

¹ New series.

State debt	1975	1976	1977	1978		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
Foreign debt	1 603	2 248	3 679	6 404	6 301	6 492
Loans	1 645	2 175	2 963	3 853	4 116	4 158
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	175	312	317	251
Cash debt (net)	—242	—643	—669	—346	—660	—503
Domestic debt	1 489	1 820	2 470	3 820	3 774	3 907
Total State debt	3 092	4 068	6 149	10 224	10 075	10 399
Total debt, mill \$	798	1 069	1 493	2 508	2 558	2 595

FOREIGN TRADE

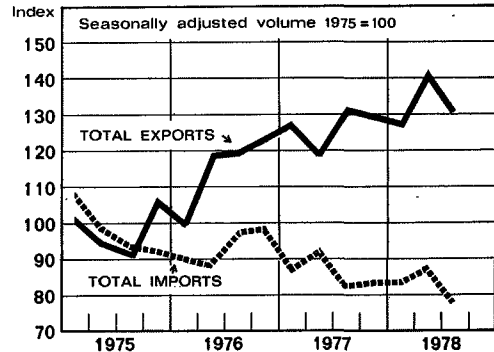
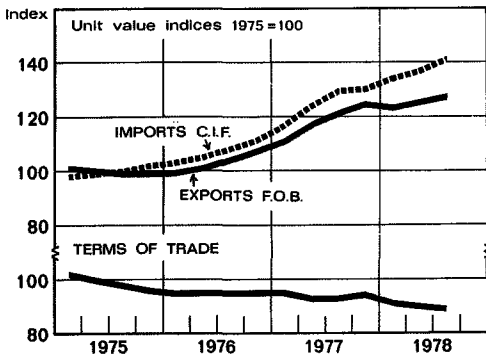
Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223
1977			
Oct.	2 991	2 583	+408
Nov.	2 960	2 891	+ 69
Dec.	3 141	3 050	+91
1978*			
Jan.	2 511	2 631	-120
Feb.	2 524	2 188	+336
March	2 750	2 570	+180
April	2 894	2 426	+468
May	2 942	2 935	+7
June	2 823	2 668	+155
July	2 677	2 635	+42
Aug.	2 401	2 473	-72
Sept.	3 240	2 718	+522
Oct.	3 437	3 040	+397
Nov.	3 639	3 133	+506
Jan.-Nov.			
1977	27 790	27 663	+ 127
1978*	31 838	29 417	+2 421

Indices of exports and
imports 1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1973	121	93	60	
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	97
1977	129	88	119	124	96
1976					
Jan.-March	99	87	100	104	96
Apr.-June	114	84	102	106	96
July-Sept.	116	98	105	109	96
Oct.-Dec.	136	107	108	112	96
1977					
Jan.-March	123	83	112	117	96
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95
1978*					
Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	138	91
July-Sept.	128	79	128	142	90



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f. o. b.					Imports, c. i. f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83

1977*

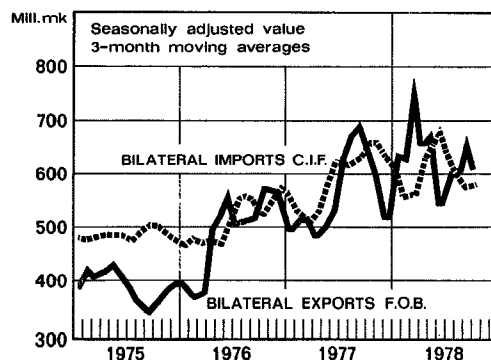
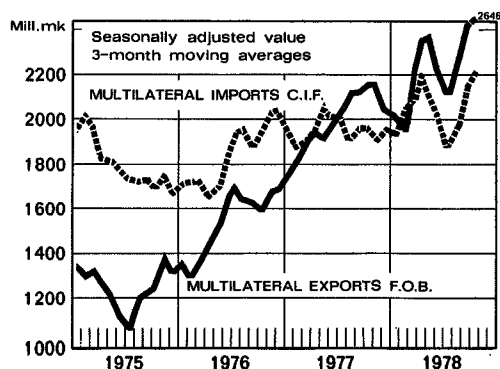
Oct.	41	321	753	1 106	770	1 650	222	321	389	1
Nov.	44	417	896	802	801	1 729	198	511	453	0
Dec.	143	346	836	963	853	1 876	230	526	415	3

1978*

Jan.	160	322	721	656	652	1 567	193	493	376	2
Feb.	34	266	821	727	676	1 395	124	327	340	2
March	153	322	901	546	828	1 569	89	475	436	1
April	19	348	907	799	821	1 445	123	402	455	1
May	113	431	850	729	819	1 823	199	412	501	0
June	40	414	873	810	686	1 732	196	376	362	2
July	44	414	775	747	697	1 700	233	362	325	15
Aug.	33	330	750	553	735	1 558	215	328	370	2
Sept.	36	421	948	887	948	1 715	200	396	389	18
Oct.	36	454	1 002	987	958	1 942	195	448	453	2
Nov.	52	498	919	1 122	1 048	2 063	197	407	462	4

Jan.-Nov.

1977	944	3 508	7 962	8 221	7 155	17 254	1 835	4 305	4 188	81
1978*	720	4 220	9 467	8 563	8 868	18 509	1 964	4 426	4 469	49



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January—November				January—November			
	1977*		1978*		1977*		1978*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	62.4	17 347	62.3	19 845	57.0	15 779	58.2	17 130
Austria	0.9	249	0.7	236	1.4	375	1.3	390
Belgium and Luxembourg	1.8	500	1.6	518	1.8	508	1.8	536
Denmark	3.8	1 044	4.2	1 322	2.6	732	2.8	809
France	3.3	925	3.8	1 206	2.7	748	3.3	977
Federal Republic of Germany	10.2	2 822	10.1	3 219	13.9	3 851	13.5	3 977
Italy	1.2	346	1.7	534	2.1	583	2.3	675
Netherlands	3.5	984	3.7	1 171	2.8	768	2.9	850
Norway	5.2	1 441	4.8	1 544	3.5	956	2.7	794
Portugal	0.3	78	0.2	52	0.4	106	0.4	107
Spain	0.9	248	0.8	256	1.2	340	0.9	279
Sweden	15.9	4 430	14.8	4 727	13.4	3 714	14.3	4 221
Switzerland	1.6	437	1.6	525	2.0	555	2.1	613
United Kingdom	12.0	3 342	12.8	4 064	8.8	2 430	9.3	2 738
Other	1.8	501	1.5	471	0.4	113	0.6	164
OECD countries outside Europe	6.6	1 815	7.0	2 226	8.2	2 251	8.5	2 492
Canada	0.6	159	0.5	158	0.3	78	0.4	103
Japan	0.8	230	1.5	463	2.9	789	2.8	830
United States	4.4	1 210	4.0	1 280	4.8	1 319	5.1	1 491
Other	0.8	216	1.0	325	0.2	65	0.2	68
CMEA countries	22.1	6 154	20.8	6 632	23.4	6 468	22.9	6 749
Czechoslovakia	0.4	111	0.5	143	0.4	124	0.5	154
German Democratic Republic	0.9	251	0.7	214	0.6	157	0.6	180
Poland	0.7	198	0.6	201	2.3	625	2.3	683
Soviet Union	19.3	5 364	18.0	5 745	19.3	5 347	18.5	5 442
Other	0.8	230	1.0	329	0.8	215	1.0	290
Latin America	2.1	590	1.2	376	3.7	1 032	3.5	1 017
Argentina	0.2	62	0.2	68	0.2	51	0.2	60
Brazil	0.5	131	0.5	147	0.5	154	0.7	218
Colombia	0.1	24	0.1	37	1.2	323	1.2	343
Other	1.3	373	0.4	124	1.8	504	1.4	396
Other	6.8	1 884	8.7	2 759	7.7	2 133	6.9	2 029
GRAND TOTAL	100.0	27 790	100.0	31 838	100.0	27 663	100.0	29 417
of which								
EFTA countries	24.0	6 670	22.4	7 135	20.8	5 746	21.0	6 185
EEC countries	36.4	10 117	38.5	12 253	34.9	9 664	36.1	10 614
OECD countries	69.0	19 162	69.3	22 071	65.2	18 030	66.7	19 622

¹ New series. See explanations on page 22

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507
1977	30 766	30 625	+ 141	+1 392	- 3	+411	+1 941	-2 434	-147	- 640

1975

July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 861	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

1976

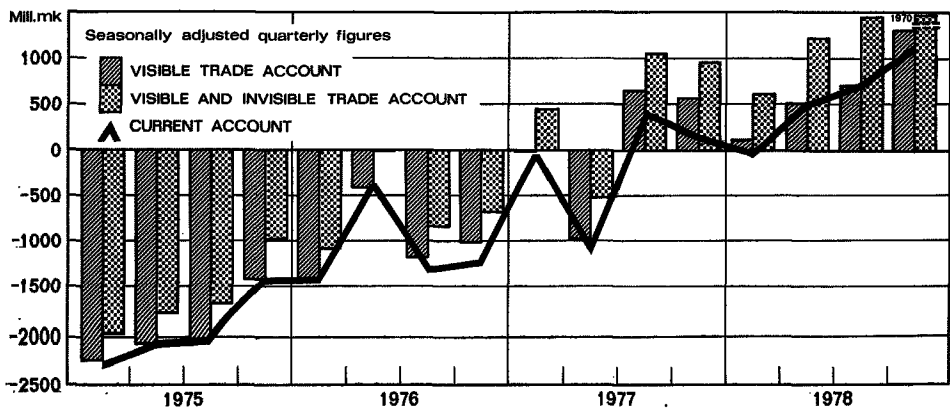
Jan.-March	4 987	6 307	-1 320	+252	- 50	+ 65	-1 053	-347	-35	-1 435
Apr.-June	5 864	6 224	- 360	+252	+ 49	+ 26	- 33	-485	-26	- 544
July-Sept.	6 098	7 515	-1 417	+365	+ 62	+110	- 880	-434	-17	-1 331
Oct.-Dec.	7 423	8 426	-1 003	+324	- 39	+ 44	- 674	-483	-40	-1 197

1977

Jan.-March	6 977	6 765	+ 212	+ 331	- 80	+ 82	+ 545	- 506	-46	- 7
Apr.-June	6 817	7 689	- 872	+ 299	+ 10	+ 49	- 514	- 726	-12	-1 252
July-Sept.	7 931	7 671	+ 260	+ 377	+118	+180	+ 935	- 532	-30	+ 373
Oct.-Dec.	9 041	8 500	+ 541	+ 385	- 51	+100	+ 975	- 670	-59	+ 246

1978*

Jan.-March	7 745	7 359	+ 386	+ 399	- 66	+165	+ 884	- 613	-63	+ 208
Apr.-June	8 616	8 018	+ 598	+ 298	+ 11	+213	+1 120	- 821	-21	+ 278
July-Sept.	8 266	7 810	+ 456	+ 494	+222	+104	+1 276	- 643	-25	+ 608

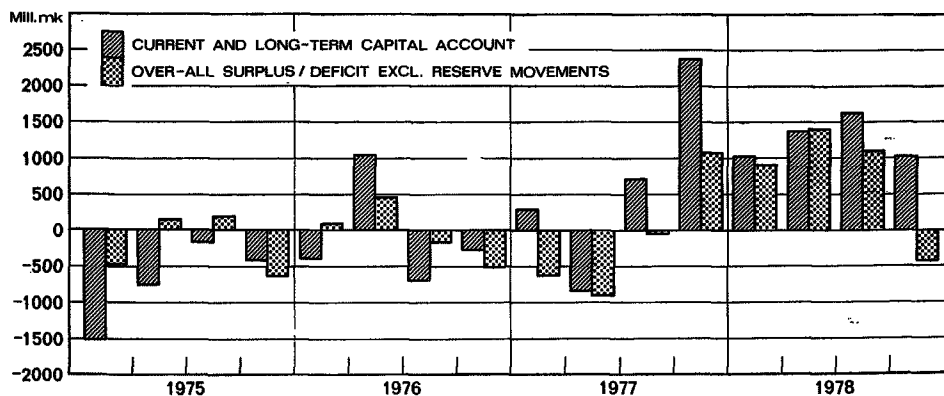


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+ 638	+1 449	+ 8	- 747	- 444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+ 138	-1 288	+1 327	- 128	+ 78	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 599	-1 547	- 470	-1 071	- 489	- 170	+ 659
+2 121	- 287	- 3	+ 57	+1 888	- 157	+ 131	- 34	+ 265	+ 205	+ 91	- 296
+1 532	- 415	-139	- 15	+ 963	- 418	+ 337	- 33	- 518	- 632	+ 165	+ 467
+1 404	- 374	+ 5	+ 11	+1 046	- 389	- 628	+ 119	+ 996	+ 98	+ 373	- 471
+2 096	- 394	- 95	- 7	+1 600	+1 056	- 158	+ 120	- 560	+ 458	- 485	+ 27
+1 239	- 568	- 11	- 25	+ 635	- 696	+ 565	- 764	+ 722	- 173	+ 263	- 90
+1 391	- 449	- 90	+ 69	+ 921	- 276	+ 359	- 763	+ 169	- 511	- 73	+ 584
+1 022	- 550	-127	- 24	+ 321	+ 314	- 799	+ 149	- 269	- 605	- 140	+ 745
+1 273	- 857	+ 35	- 37	+ 414	- 838	- 333	+ 149	+ 116	- 906	+ 358	+ 548
+1 252	- 647	-156	- 89	+ 360	+ 733	+ 227	- 384	- 631	- 55	- 319	+ 374
+2 907	- 691	+ 7	- 79	+2 144	+2 390	- 642	- 384	- 287	+1 077	- 69	-1 008
+1 876	- 854	-167	- 14	+ 841	+1 049	- 568	- 402	+ 845	+ 924	-1 556	+ 632
+2 900	-1 733	-	- 51	+1 116	+1 394	+ 232	- 402	+ 176	+1 400	- 687	- 713
+2 265	-1 089	- 95	- 42	+1 039	+1 647	- 74	- 70	- 386	+1 117	- 581	- 536

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

¹ Including Direct investment, net.

² Including Allocations of special drawing rights: 88 million in 1970, 85 million in 1971 and 85 million in 1972.

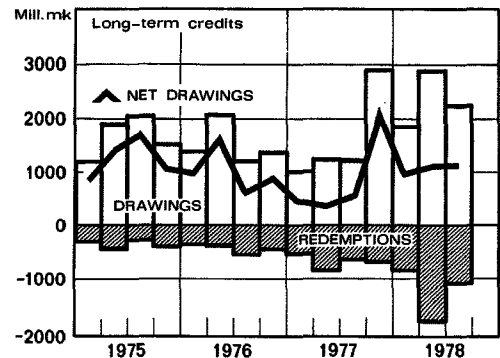
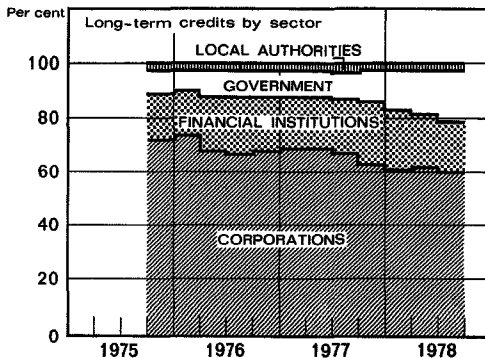


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (9-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other	Total (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1975	1 871	1 224	364	3 459	14 295	3 373	1 125	109	18 902	15 443
1976	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1975										
March	1 601	1 143	296	3 040	10 029	2 669	889	84	13 671	10 631
June	1 624	1 182	318	3 124	11 345	2 868	978	84	15 275	12 151
Sept.	1 699	1 184	320	3 203	13 488	3 228	1 066	88	17 870	14 667
Dec.	1 871	1 224	364	3 459	14 295	3 373	1 125	109	18 902	15 443
1976										
March	1 813	1 250	369	3 432	14 915	3 786	1 165	106	19 972	16 540
June	1 878	1 259	392	3 529	16 690	3 901	1 216	130	21 937	18 408
Sept.	1 910	1 310	425	3 645	17 045	4 321	1 273	155	22 794	19 149
Dec.	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977										
March	2 094	1 312	489	3 895	17 598	4 974	1 632	163	24 367	20 472
June	2 175	1 404	508	4 087	19 150	5 483	1 708	156	26 497	22 410
Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978*										
March	2 499	1 673	837	5 009	25 107	6 068	1 774	159	33 108	28 099
June	2 517	1 759	859	5 135	26 769	6 134	1 865	159	34 927	29 792
Sept.	2 548	1 785	863	5 196	28 212	5 812	1 885	187	36 096	30 900

See explanations on page 22.

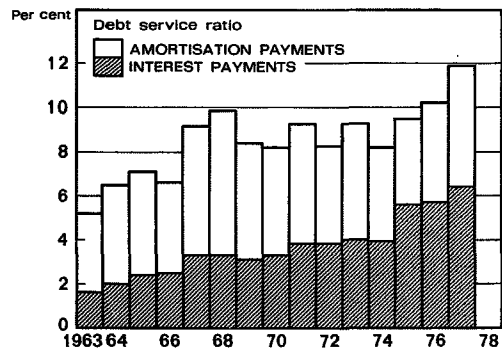
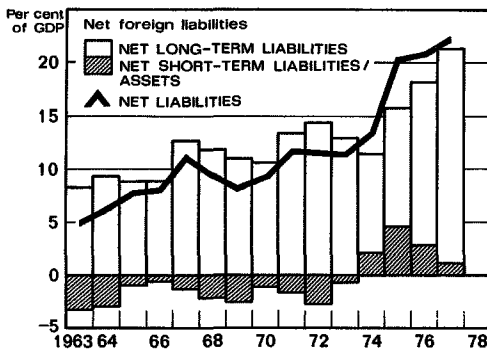


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10 + 19)	Debt service, flow	Of which amortisation payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	2 414	996
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
2 774	2 227	5 054	10 055	993	3 151	8 829	12 973	2 918	13 549	562	246
3 681	2 113	4 650	10 444	1 280	3 512	9 100	13 892	3 448	15 599	711	328
3 569	2 853	4 767	11 189	1 275	4 272	9 360	14 907	3 718	18 385	496	187
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	645	235
3 187	3 061	4 817	11 065	1 301	4 519	9 293	15 113	4 048	20 588	639	292
3 610	3 095	4 949	11 654	1 201	4 215	9 377	14 793	3 139	21 547	763	278
3 517	3 307	5 313	12 137	1 298	4 379	9 497	15 174	3 037	22 186	882	448
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	819	336
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
6 091	3 409	6 632	16 132	1 293	6 594	7 475	15 362	— 770	27 329	1 392	779
7 387	4 097	6 815	18 299	1 772	6 610	7 574	15 956	—2 343	27 449	2 351	1 530
7 641	4 412	6 903	18 956	1 483	6 264	7 534	15 281	—3 675	27 225	1 650	1 007

See explanations on page 22.



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1973 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1977	692	713	610	667	804	695	728	654	695	171	154	176
1978	727	740	675	691	890	732	743	678	749	181	161	186
1978												
Jan.	706	725	637	675	845	713	730	667	719	177	155	183
Feb.	711	730	639	679	853	719	736	665	727	177	155	183
March	716	731	658	683	869	719	736	670	733	178	155	184
April	717	733	658	683	869	725	740	669	736	178	156	185
May	721	734	669	687	877	726	737	675	741	180	160	185
June	721	734	674	687	884	725	737	673	743	180	160	185
July	730	742	685	691	902	739	752	677	752	180	160	186
Aug.	730	742	686	690	905	739	745	679	756	180	160	186
Sept.	735	747	688	696	909	743	744	681	765	184	168	188
Oct.	741	752	697	704	920	744	748	691	769	185	168	189
Nov.	744	756	700	710	918	744	753	695	771	185	168	189
Dec.	747	758	704	712	925	747	758	696	774	185	168	189

Period	Consumer prices 1972 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Furniture, household equip. and operation	Transport	Education and recreation	Other goods and services
1977	196.4	216.1	174.1	180.8	182.9	220.9	181.2	196.9	187.5	208.9
1978	211.3	224.7	198.1	192.9	194.4	235.9	191.1	216.7	204.4	231.6
1978										
Jan.	204.3	222.4	174.3	183.3	192.0	234.2	187.6	209.4	197.8	218.1
Feb.	206.8	222.9	189.9	186.6	191.7	234.8	188.3	211.6	198.3	222.4
March	207.3	223.9	189.9	189.7	191.7	234.8	188.8	211.7	198.0	222.7
April	208.1	224.3	189.9	192.1	191.7	235.6	190.2	213.2	199.7	223.4
May	211.3	224.4	204.0	192.9	195.3	235.0	190.0	217.7	200.7	228.8
June	211.4	223.8	204.1	192.5	195.3	234.8	189.6	217.9	201.2	230.4
July	211.8	224.8	204.1	187.3	195.3	236.4	190.1	218.9	201.4	233.6
Aug.	212.7	224.0	204.0	191.4	195.7	236.4	190.3	219.2	208.6	234.7
Sept.	214.3	227.0	204.1	194.8	195.7	236.6	190.8	219.0	209.3	239.0
Oct.	215.3	227.4	204.1	199.8	195.7	237.1	193.0	218.4	211.5	241.2
Nov.	216.5	227.1	204.2	202.0	196.7	237.6	196.9	221.4	212.9	242.4
Dec.	216.1	224.6	204.1	203.0	196.7	237.8	197.4	222.0	212.9	242.4

WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
1977	671	484	457	386	387	378	453	373	479	433
1978*	747	523	482	411	406	394	489	397	513	462
1977*										
Jan.-March	652	457	440	372	373	365	428	357	453	411
Apr.-June	666	488	456	386	390	382	457	374	485	437
July-Sept.	672	493	462	389	390	382	461	377	488	440
Oct.-Dec.	708	499	468	398	394	382	468	385	492	445
1978*										
Jan.-March	728	501	471	398	396	383	471	385	496	448
Apr.-June	736	516	477	403	401	386	482	390	508	456
July-Sept.	744	528	483	413	407	396	495	399	520	467
Oct.-Dec.	777	547	498	429	420	411	508	413	532	480

PRODUCTION¹

Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce	Public sector services	Others
1976*										
Apr.-June	100	103	89	108	70	102	99	100	105	102
July-Sept.	100	89	192	64	92	93	101	100	106	98
Oct.-Dec.	108	110	75	121	107	98	114	111	108	104
1977*										
Jan.-March	98	106	71	110	78	96	94	84	111	101
Apr.-June	100	103	87	112	74	95	97	95	110	103
July-Sept.	100	90	153	63	94	90	106	96	111	100
Oct.-Dec.	108	110	75	110	105	93	114	101	113	106
1978*										
Jan.-March	99	107	71	115	74	92	97	84	116	102
Apr.-June	104	109	89	104	76	95	107	93	115	104
July-Sept.	101	92	154	60	94	90	110	94	117	102

¹ New series

PRODUCTION

Index of industrial production 1970 = 100

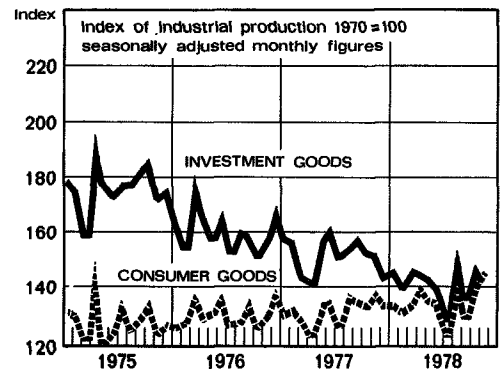
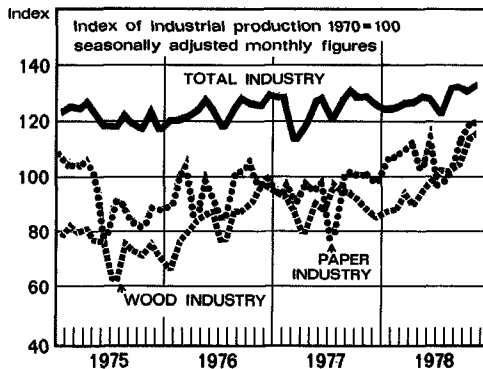
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975	122	178	110	130	113	76	95	143	128	150	122
1976	125	162	116	132	110	85	99	153	121	150	125
1977*	127	153	119	133	108	91	98	152	119	151	127

1977*

Aug.	129	146	122	140	115	90	111	151	125	146	128
Sept.	140	171	132	146	114	100	117	162	137	167	132
Oct.	139	168	132	145	123	94	113	154	133	165	130
Nov.	142	173	133	149	127	99	112	166	127	172	130
Dec.	129	149	122	135	111	84	94	164	108	152	127

1978*

Jan.	136	159	130	139	103	88	111	175	122	158	126
Feb.	128	147	123	134	94	87	113	164	118	145	126
March	136	156	130	141	104	104	107	183	121	156	127
April	134	147	129	140	106	114	115	179	128	149	128
May	140	159	134	146	119	126	112	165	127	161	130
June	124	145	116	136	113	109	97	126	129	145	129
July	67	52	67	72	101	43	72	98	49	49	125
Aug.	134	145	128	145	124	97	112	177	117	150	133
Sept.	138	148	134	142	114	106	129	182	129	154	133
Oct.	147	161	142	152	136	120	133	199	133	163	132
Nov.	148	162	141	157	140	116	131	174	124	166	134



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un-employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1977								
Dec.	3 570	2 210	2 051	159	7.2	2 714	139	133
1978*								
Jan.	3 572	2 199	2 007	192	8.7	2 625	94	102
Feb.	3 571	2 187	2 001	186	8.5	3 076	92	110
March	3 572	2 195	2 007	188	8.5	3 641	105	123
April	3 576	2 172	2 004	168	7.7	3 443	107	120
May	3 575	2 228	2 073	155	7.0	2 436	112	124
June	3 576	2 420	2 241	179	7.4	1 379	111	120
July	3 579	2 418	2 243	175	7.2	613	109	95
Aug.	3 579	2 326	2 171	155	6.7	1 080	113	127
Sept.	3 580	2 233	2 086	147	6.6	1 829	110	126
Oct.	3 584	2 219	2 066	153	6.9	2 888	111	131
Nov.	3 583	2 224	2 061	163	7.3

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
1977*	41.62	18.82	4.23	11.90	3.72	43.12	17.89	3.01	16.57	3.28	48.38
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.43	3.59	0.47	4.51	0.57	47.95
Apr.-June	13.22	7.00	1.71	2.69	0.80	8.76	4.16	0.38	2.76	0.99	51.52
July-Sept.	11.41	4.72	1.06	3.85	0.91	10.92	4.04	1.05	4.02	0.99	52.69
Oct.—Dec.	10.47	4.23	0.80	3.60	1.18	14.01	6.10	1.11	5.28	0.73	48.38
1978*											
Jan.-March	10.21	3.72	1.02	4.06	0.92	8.36	3.81	0.66	2.80	0.75	45.37
Apr.-June	12.92	6.51	2.17	2.59	0.69	9.54	4.21	0.54	3.38	0.91	47.13
July-Sept.	11 07	4 12	1 04	4 33	0 85	9 57	3 58	1 10	2 95	1 07	49 12

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

The balance sheet of the Bank of Finland was revised on Dec. 31, 1974 in connection with the revision of accounting legislation. New series have been built according to the revision. The balance sheet was re-organized from Dec. 31, 1978. Foreign bills were included in corporate sector receivables rather than in receivables from the foreign sector as was the case before. Changes in the domestic financial sector and the corporate sector are explained below. When the figures are not fully comparable to the previous ones, the series is broken by a line.

Page 4. *Foreign sector:* Gold and convertible exchange receivables = Gold + Special drawing rights + IMF reserve tranche + Convertible currencies.

Gold and convertible exchange reserve = Gold and convertible exchange receivables — Liabilities in convertible currencies.

Non-convertible exchange reserve = Receivables in tied currencies — Liabilities in tied currencies.

Other receivables = Foreign bonds + Currency subscription to Finland's quota in the IMF.

Other liabilities = IMF mark accounts + Allocations of special drawing rights + Term liabilities.

Public sector: Receivables = Government promissory notes + Bonds + Total coinage + Other public sector receivables.

Liabilities = Cheque accounts + Counter-cyclical reserves + Capital import deposits + Other public sector claims.

Deposit certificates are interest bearing, freely transferable, term liabilities of the Bank of Finland. Their maturities range from one week to one year.

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

Corporate sector: Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers credits.

Liabilities, net = Deposits for investment and ship purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Other corporate claims — Bonds — Other corporate receivables.

MONETARY POLICY INDICATORS

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

Total central bank debt of the commercial banks = Discounted and rediscounted bills + net cheque account receivables from the commercial banks + call money debt + bond transactions with repurchase obligations — call money deposits by the commercial banks.

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

Credit quotas of the commercial banks at the Bank of Finland is the sum of individual quotas specifying the amount each bank eligible for central bank credit can borrow at the discount rate. A progressively rising interest rate is charged on credit in excess of the quota. There is an absolute ceiling on quota-related debt, which is currently 170 per cent of the quota. Bank of Finland placements in the call money market = Demand for call money by the deposit banks — Supply of call money by the deposit banks. Average cost of the total central bank debt of the commercial banks: Net costs paid to the Bank of Finland by the commercial banks, as a percentage of their total central bank debt, per annum.

FOREIGN EXCHANGE RATES

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

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

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

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

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

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

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

STATE FINANCES

Page 10. Official figures computed by the Economic Department of the Ministry of Finance. First date of publication: Bulletin No. 8, 1968. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations. Index-tied bond loans are taken at nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to Postipankki less cash holdings (net) of State departments and funds.

FOREIGN TRADE

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

Foreign trade by countries: (p. 13): from January 1978 imports by countries of origin exports by countries of consumption.

BALANCE OF PAYMENTS

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

FOREIGN ASSETS AND LIABILITIES

Pages 16—17. Figures calculated by the Bank of Finland. Long-term assets: Other = financial loans + Finland's subscriptions to international financial institutions. Long-term liabilities: Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

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

Columns 21 and 22 during the year and the quarter.

Chart Long-term credits by sector: Quarterly figures available since 1976. Chart Debt service ratio: Debt service as a per cent of current account earnings.

PRICE INDICES

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

WAGES — PRODUCTION

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

LABOUR — TIMBER FELLINGS — INTERNATIONAL TRADE — TRAFFIC — CONSTRUCTION OF BUILDINGS

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1975 is as follows: Social Democrats 54, Centre Party 41, People's Democrats 40, Conservatives 35, Swedish Party 10, Liberal Party 8, Christian League 8, Finnish Farmers Party 2 and Finnish People's Constitutional Party 2.

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

NUMBER OF INHABITANTS (1977): 4.7 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.0 million.

DENSITY OF POPULATION (1977): In South Finland 46.4, in East and Central Finland 13.9, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1977): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 487 519 inhabitants, Tampere (Tammerfors) 166 118, Turku (Åbo) 165 215.

EMPLOYMENT (1977): Agriculture and forestry 13%, industry and construction 35%, commerce 15%, transport and communication 7%, services 30%.

LANGUAGE (1977): Finnish speaking 93.4%, Swedish speaking 6.4%, others 0.2%.

EDUCATION (1978): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1977): births 13.9‰, deaths 9.4‰, change + 2.2‰, net emigration - 2.2‰. Deaths in France 10.1‰ and Great Britain 11.7‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1977, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 308 (6%), forestry and fishing 5 345 (5%), manufacturing 33 593 (30%), construction 9 979 (9%), transport and communication 11 604 (11%), commerce, banking and insurance 14 903 (14%), public administration 5 956 (5%), ownership of dwellings 4 030 (4%), services 17 543 (16%), total 109 261. Index of real domestic product 163 (1964 = 100).

FOREST RESOURCES (1977): The growing stock comprised of 1 520 million m³ (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 637 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 57.4 million m³ and the total removal, calculated on the basis of roundwood consumption, was 40.7 million m³.

AGRICULTURE (1976): Cultivated land 2.3 million hectares. Number of holdings 242 700 of which 164 600 are of more than 5 ha. Measure of self-sufficiency in bread cereals 150% in the crop year 1976/77.

INDUSTRY (1976): Gross value of industrial production 95 790 mill. marks, number of workers 412 718, salaried employees 136 890, motive power (1976) 6.8 mill. kW. Index of industrial production 125 for 1976 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1979): Length 6 063 km.

MERCHANT FLEET (Dec. 31, 1978): Passenger vessels 121 (192 605 gross reg. tons), tankers 47 (1 112 323 gross reg. tons), dry cargo vessels 212 (998 901 gross reg. tons), other vessels 79 (10 509 gross reg. tons), total 459 (2 314 238 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1977): Passenger cars 1 075 400, lorries and vans 136 200, buses 8 800, others 7 200, total 1 227 600.

FINNISH AIRLINES (Aug. 1, 1978): Finnair and Kar-Air have in use 4 DC-8, 1 DC-8-ST, 8 Super Caravelles, 9 DC-9s, 6 DC-9-51s, 2 DC-10-30 and 4 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 30 airports and to 20 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 20.3, Skr 17.1, £ 13.7, DM 13.2, \$ 9.7, other currencies 26.0. The permissible range of fluctuation is 2.25 per cent on either side of the arithmetic mean. The fluctuation limits are 121.7 and 116.4.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1977). There are two big and five small commercial banks with in all 858 offices, 280 savings banks, 376 co-operative banks, six mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-eight private insurance companies also grant credits.

RATES OF INTEREST (May 1, 1978). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 7 ¼%. The range of rates for other credits granted by the Bank of Finland is between 5 ½% and 8 ½%. Other credit institutions time deposits 3 ¾%; 6 month deposits 4 ¼%; 12 month deposits 5 ½%; 24 month deposits 6 ½%; 36 month deposits 7 ¼% + savings premium; 36 month deposits 7 ¼% + tax concession. The highest lending rate 10 ½%.

REVISIONS IN FINNISH BANKING LEGISLATION

By Jussi Linnamo

Chief Director of the Bank Inspectorate

Following a thorough drafting process, several new Acts and Amendments to laws governing banking were passed in Finland during 1978; all these entered into force at the beginning of 1979. The Acts regulate the establishing of Finnish branch and representative offices abroad, the acquisition of shares in foreign credit and financial institutions and the establishing of foreign credit institutions in Finland, the banks' activities, their solvency and control; the Acts also extend to customer protection. The outdated Acts on mortgage societies and housing mortgage societies were repealed and replaced by a new Mortgage Society Act. At the same time, revisions were also made in the Law on the Right of Foreigners and Certain Corporations to Own and Govern Real Estate and Shares, and in the Law on Bonds and Debentures and Other Loans against Letters of Indebtedness Floated in Bulk. The amendment of the banking legislation will continue, as the Government has announced that it will soon present bills on the Amendment to the Law Governing the Commercial Banks and the Law Governing the Mortgage Banks. This is needed because the new Joint-Stock Company Act, which will enter into force on January 1, 1980, will make it necessary to amend certain stipulations governing joint-stock banks.

THE ESTABLISHING OF BANKING OPERATIONS ABROAD

The Finnish banking laws before 1979 did not include any special provisions for the establishing of Finnish banks abroad or for the establishing of foreign credit institutions in Finland. However, two Finnish commercial banks have had representative offices in several countries,

and five Finnish commercial banks have held shares in foreign consortium banks and subsidiaries. On the basis of the foreign exchange regulations, the permission of the Bank of Finland has been required for both the establishing of a representative office and the acquisition of shares in foreign banks.

According to the Finnish banking laws, a foreigner has not been entitled to establish, nor to be a member of the Board of Management, the Trustees, the Board of Directors or the Directorate of, a Finnish commercial bank, mortgage bank, savings bank or co-operative bank. A foreigner's right to own shares in a Finnish commercial bank or mortgage bank, or to be a member of a co-operative bank and utilize the rights associated with shareholding or membership has not been restricted in Finnish banking legislation.

However, foreign credit institutions have not been permitted to establish branches in Finland for the purpose of carrying on banking activity. On the other hand, foreign credit institutions have not been prevented from opening and operating a representative office in Finland.

THE ESTABLISHING OF FINNISH BANKING OPERATIONS ABROAD

According to the new banking laws, only Finnish commercial banks or mortgage banks and Postipankki are entitled to establish a branch or representative office abroad.

Subject to the permission of the Ministry of Finance, any commercial bank may invest in shares in a foreign credit or financial institution up to a total of 20 per cent of the bank's equity

capital. However, this can only take place provided that the bank's total holdings of the shares in domestic and foreign credit or financial institutions do not exceed 35 per cent of the bank's equity capital. For special reasons, the Ministry of Finance may give to a commercial bank permission to hold foreign bank shares up to a total of 25 per cent of the bank's equity capital, for not more than five years at a time.

The corresponding ratios for mortgage banks are 5, 20 and 10 per cent respectively. No limit has been set on Postipankki's holding ratio.

Only commercial banks and Postipankki are entitled to establish a branch office abroad with the permission of the Ministry of Finance. This permission can be given if the establishing of the branch office is in accordance with public interests and is necessary for the international activities of the commercial bank or Postipankki.

Only commercial banks and Postipankki are allowed to set up a representative office abroad. The Ministry of Finance shall be informed in advance of the establishment of a representative office. For special reasons, the Ministry of Finance may forbid the establishment of such an office.

The new law is not retroactive, so that the commercial banks need no permission to continue holding shares in foreign credit or financial institutions which they held before the law entered into force. The commercial banks are also entitled to carry on operations in their foreign representative offices established before 1979.

A FOREIGNER'S RIGHT TO OWN SHARES IN A FINNISH CREDIT INSTITUTION AND BE ENGAGED IN BANKING IN FINLAND

According to the basic rule, a foreigner is entitled to own shares in a Finnish commercial bank, mortgage bank or credit company, provided that the total amount of shares held by foreigners does not exceed 20 per cent of the

bank's or credit company's share capital. Since January 1, 1979 a foreigner has only been entitled to acquire shares in a Finnish commercial bank, mortgage bank or credit company subject to the permission of the Ministry of Finance. Any foreigner who at that time held shares in a commercial bank, mortgage bank or credit company is still entitled to own them. Nor does a foreigner need permission from the Ministry of Finance to own shares in a bank or credit company that he has obtained on the basis of an inheritance, a will, marital rights or as a present.

Under special circumstances, the Council of State may give a foreign credit institution permission to acquire shares in a Finnish commercial bank, mortgage bank or credit company up to an amount exceeding 20 per cent of the share capital. This permission, however, may only be extended to a foreign credit institution.

A foreign credit institution is allowed to set up a representative office in Finland with the permission of the Ministry of Finance. A representative office is not allowed to carry on borrowing or lending activities, nor undertake any banking transactions. Further it is subject to the bank secrecy rules in Finnish banking legislation and to the indemnity rules of the Law Governing the Commercial Banks, and comes under the control of the Bank Inspectorate.

As before, a foreign credit institution is not allowed to establish a branch office in Finland.

BANKING ACTIVITY

The former Finnish banking laws did not define the concept of banking activity. In the amendment of these laws, it was enacted that the banking operations of commercial banks, Postipankki, savings banks and co-operative banks may include lending and borrowing, payment transfer services and the collection of payments, trustee service, securities trade, foreign exchange transactions and bank guarantee ac-

tivities. The list is not exhaustive, since banking also includes related services, such as the insurance of cash, valuable-delivery operations and credits and the provision of credit information, which the banks have generally organized between themselves.

Under the former law, the banks were not allowed to be engaged in manufacturing, construction, goods trade, insurance, transport and communication, real estate business, and other non-banking activities. In the Amendment to the law, the leasing of goods was added to this list. On the other hand, finance leasing has been included in banking.

A commercial bank, Postipankki, a savings bank or a co-operative bank is not allowed to be engaged in the prohibited business activities itself. However, a bank may hold shares in corporations engaged in the prohibited business activities up to a total of 20 per cent of the corporation's share or co-operative capital. A bank's maximum holding of shares and shareholdings in such corporations can be 10 per cent of the banks own equity capital. Although no general limits have been set on Postipankki's holdings, they require the permission of the Ministry of Finance.

A commercial bank, a savings bank or a co-operative bank is allowed to invest in the shares and shareholdings of a credit or financial institution a total amount not exceeding 35 per cent of its own equity capital. The activities of these institutions are closely allied to banking operations and hence could be carried on by the bank itself. No general limits have been set on Postipankki's ownership of shares and shareholdings of credit and financial institutions.

A bank's right to invest in real estate or in the shares of real estate corporations used for activities other than banking has been slightly extended. Before 1979 the limit of 3 per cent of the balance sheet total was strict. Since 1979, however, it can be exceeded, for special reasons, with the permission of the Bank In-

spectorate. A bank's right to invest in bank buildings or shares or shareholdings in real estate corporations with a similar purpose remained unchanged at 10 per cent of the balance sheet total, unless the Bank Inspectorate gives a temporary permission to exceed this limit.

CUSTOMER PROTECTION IN BANKING

One of the major purposes of banking laws is to provide protection for bank depositors and the holders of bonds issued by banks. They also aim to maintain competition in banking and prevent unfair competition in the non-banking sector where a bank with its greater financial assets, might hamper the activities of an entrepreneur operating with only minor financial assets. Legal protection for consumers is a general social policy objective, but prevailing consumer protection legislation in Finland applies to banking to only a limited extent.

For this reason, two new provisions were incorporated in the banking laws, with the aim of protecting bank customers other than depositors and bondholders. One of these is the prohibition of conditions unrelated to banking in loan agreements. This prohibition concerns not only cases in which a credit customer is required to use certain chargeable services not related to banking, but should also be applied whenever a credit customer is required to act in a certain way, even where this action may be of no direct economic benefit to the bank.

Moreover, the bank shall be required to submit to the Bank Inspectorate the forms used in the agreements between the bank and its customers. If the Bank Inspectorate considers that a form includes an unreasonable condition, the Ministry of Finance may prohibit the use of such a condition on the proposal of the Bank Inspectorate. This prohibition can apply only to a standard form; where an individual agreement is concerned, the claim will still be settled in court. The Postipankki Act does not include any provisions on customer protection.

THE SOLVENCY OF A BANK

Under the former legislation, the solvency of a bank was estimated on the basis of the ratio of the bank's equity capital to the total of its external liabilities. Total external liabilities included half the bank's total contingencies, and the external liabilities after the deduction of the bank's cash in hand, its receivables from the central and local government and parishes, its receivables from the Bank of Finland and other domestic and foreign banks, loans granted by the bank and guaranteed by central and local government and parishes, and bonds issued or guaranteed by the same, bonds issued by credit institutions accepted for this purpose by the Ministry of Finance, and bonds quoted in foreign stock exchanges.

According to the former laws, the solvency ratio of a commercial bank and a mortgage bank was to be 4 per cent and that of a savings bank and a co-operative bank 2 per cent. Under certain conditions, the Bank Inspectorate was entitled to give permission, for a fixed period, to reduce the solvency ratio of a commercial bank and a mortgage bank to 3 per cent and that of a savings bank and co-operative bank to 1 per cent. For special reasons, the Ministry of Finance was entitled to give permission, for not more than one year, to reduce this ratio even below 3 or 1 per cent respectively. As a result of almost worldwide inflation, the banks have had difficulties in maintaining their solvency ratios, with their external liabilities increasing rapidly.

In the Amendment to the banking laws, the solvency ratios remained unchanged, although the computation rule was revised. Since the state is responsible for the activities of Postipankki, no solvency rule has been specified.

COMMERCIAL BANKS AND MORTGAGE BANKS

Under banking legislation since 1979, commercial banks and mortgage banks are allowed to count, as equivalent to equity capital half of those reserves which, in accordance

with the Bank's Articles of Association and with the approval of a shareholders' meeting, may only be used to cover bad debt losses, up to an amount equal to 1 per cent of the bank's external liabilities.

The Bank Inspectorate has been entitled since 1970 to give a commercial bank or mortgage bank permission for a fixed period to compute the solvency ratio on the basis of equity capital, plus unsecured debentures issued by the bank, up to equivalent of half the bank's equity capital, or in the case of a mortgage bank up to equivalent of twice the bank's equity capital, and to deduct these debentures from the bank's external liabilities. The new Acts have thus provided the banks with a new instrument for timing their share issues.

SAVINGS BANKS AND CO-OPERATIVE BANKS

Similarly, the savings banks and co-operative banks are also allowed, with the permission of the Inspectorate, to include unsecured debentures issued by them, up to equivalent of half their equity capital, in their solvency ratio computations, and to deduct them from their external liabilities. In addition, they are allowed to include with their equity capital an amount equivalent to half those reserves which, according to the bank's rules and with the approval of the Trustees or a co-operative meeting, may be used only to cover the bank's bad debt losses, up to an amount equal to 0.5 per cent of the bank's total external liabilities.

In addition to the above-mentioned, the savings banks and co-operative banks are allowed, to deduct from their external liabilities an amount approved by the Bank Inspectorate, though not exceeding half the insurance company's assessment of liability, provided that they have insured their advances and bank guarantees against bad debt losses in an insurance company controlled by public authorities.

Savings banks have only limited opportunities to acquire equity capital from outside. The co-operative banks can try to acquire new members

and/or to raise the membership fee, but only to a limited extent. For this reason, a completely new way of accumulating equity capital has been introduced for the savings banks and the co-operative banks. They are allowed to establish a supplementary fund, and the placements therein may carry interest at a rate not exceeding the maximum confirmed by the Bank Inspectorate.

To prove the placement made in a supplementary fund, the bank shall give a certificate drawn on an assigned person; this certificate can be transferred to another assigned person. The placement period in a supplementary fund shall be at least five years. A savings bank is not allowed to make placements in another savings bank's supplementary fund; nor is a co-operative bank allowed to accept placements from another co-operative bank. A savings bank or a co-operative bank is not entitled to accept supplementary fund placements as pledges.

In a separate Act, supplementary fund placements have been granted a limited tax exemption.

OTHER MATTERS

In the amendment of the banking laws, the right of the savings banks and co-operative banks to grant guarantees has also been extended. Before 1979 they were allowed to grant guarantees only against an adequate security. After the amendment of the laws, they are allowed to grant guarantees for solvent persons or corporations against only the main debtor's commitment, provided that the total of the guarantees and the credits granted without an adequate security, excluding the guarantees granted for the state, municipalities and similar does not exceed half of the bank's equity capital. Such guarantees granted for a single person or corporation must not exceed the maximum confirmed by the Bank Inspectorate for the bank. The guarantees of a savings bank or a co-operative bank, whether with or

without an adequate security, cannot, without the permission of the Bank Inspectorate, exceed 20 per cent of the bank's advances. This provision, however, excludes the guarantees granted for central and local government and parishes and the counter-guarantees granted for the commercial bank acting as the central banking institution for the savings and co-operative banks.

Other amendments to the banking laws aim to clarify certain disqualification, responsibility and penalty provisions.

THE MORTGAGE SOCIETY ACT

In Finland there are two mortgage societies which were previously subject to the outdated and deficient Acts of 1925 and 1927. In the Amendment to the banking laws in 1969 these Acts were left unchanged.

A new Mortgage Society Act came into force on January 1, 1979, with revised provisions concerning the solvency, business activities and supervision of mortgage societies. The new Act was designed to revise the scope of the activities of mortgage societies and to provide better access to the capital market.

Since the activities of mortgage societies are largely similar to those of mortgage banks, the new Act has been formulated to include only those provisions necessitated by the special corporate legal status of the mortgage societies. Elsewhere references are made to the Mortgage Bank Act, which should be applied as far as possible, unless the Mortgage Society Act specifies otherwise. This Act permits the amalgamation of the two mortgage societies.

THE BANK INSPECTION ACT

The authority of the Bank Inspectorate and its sphere of activity have been revised in the Amendment to the banking laws. The mortgage

societies and the representative offices of foreign credit and financial institutions in Finland are now placed under the supervision of the Bank Inspectorate, as are foreign branch and representative offices of Finnish banks.

The Bank Inspectorate's authority to obtain information has also been increased. In the course of its duties, the Bank Inspectorate may demand from a corporation under its supervision, any necessary information on another corporation of which the bank, alone or together with other

banks, either owns at least half, directly or through a holding company, or which it otherwise controls by membership or agreement. This also applies to the bank's foreign subsidiaries.

In the Amendment to the banking laws, the Bank Inspectorate's authority to resort to sanctions has been slightly increased and some changes made in the provisions concerning the collection of charges to cover the costs of bank inspection.

ITEMS

Finland's balance of payments January—September 1978. According to the Bank of Finland's preliminary figures, the current account showed a surplus of 1 094 million marks for January—September 1978, as against a deficit of 886 million marks in the corresponding period of 1977. The net inflow of long-term capital amounted to 2 996 million marks and the short-term foreign debt declined by 649 million marks. Total foreign exchange reserves of the Bank of Finland increased by 2 824 million marks.

The visible trade account showed a surplus of 1 440 million marks for January—September 1978, as compared with a deficit of 400 million marks in the same period of 1977. The value of visible exports increased by 13 per cent, of which the increase in the volume accounted for 6 per cent. The volume of the forest industries' exports was 17 per cent larger than a year earlier, whereas the exports of the metal industries declined by 4 per cent. The value of imports rose by 5 per cent, but this includes a 12 per cent increase on the year earlier. The import volume actually fell by 7 per cent, mainly due to reductions in imports of investment goods, consumer goods and crude oil.

The surplus on the invisible trade account increased by almost 500 million marks to 1 840 million marks from the corresponding period in 1977. Travel receipts grew by 19 per cent and travel expenses by only 9 per cent; as a result, the travel account surplus rose to 167 million marks. The surplus on the transport account increased by 18 per cent and amounted to 1 191 million marks. The 'other services' account grew mainly as a result of increases in contracting exports.

Interest payments on borrowing abroad grew by one fifth and although interest earnings from foreign receivables increased noticeably, the investment income deficit was 18 per cent larger than a year earlier, totalling 2 077 million marks. The transfer payment balance showed a deficit of 109 million marks.

In January—September 1978, the net inflow of long-term foreign capital was 2 996 million marks, three times as much as in the corresponding period of 1977; the Central Government accounted for 2 430 million marks of these net imports. Drawings of long-term foreign loans totalled 7 041 million marks and amortizations 3 676 million marks. Long-term export credits granted to foreign customers amounted to 663 million marks, while redemption of similar loans totalled 401 million marks. Finnish direct investment abroad amounted to 181 million marks, whereas foreign direct investment in Finland was 119 million marks.

All in all, the short-term capital account (incl. statistical discrepancy) declined by 649 million marks. The short-term trade credit debt decreased by 1 284 million marks. Short-term prepayments and liabilities related to imports fell by 410 million marks and export-related short-term prepayments by 504 million marks, whereas receivables related to exports grew by 370 million marks. The decrease in the trade credit debt is mainly attributable to the rapid increase in exports.

The overall balance showed a surplus of 3 441 million marks. The convertible foreign exchange reserves of the Bank of Finland increased by 2 458 million marks and the Bank's tied foreign receivables by 366 million marks. The net for-

**MAJOR BALANCE OF PAYMENTS ITEMS,
JANUARY—SEPTEMBER 1978, MILL. MK ¹**

	Receipts	Expendi- ture	Net
Visible trade (exports f.o.b., imports c.i.f.)	24 763	23 249	1 514
Adjustment items	—136	— 62	— 74
Visible trade account	24 627	23 187	1 440
Transport (c.i.f.)	2 199	1 008	1 191
Travel	1 408	1 241	167
Other services	2 494	2 012	482
Invisible trade account	6 101	4 261	1 840

VISIBLE AND INVISIBLE

TRADE ACCOUNT 30 728 27 448 3 280

Investment income, net 433 2 510 —2 077

Transfer payments 108 217 — 109

A. CURRENT ACCOUNT 31 269 30 175 1 094

	Change in receiv- ables	Change in liabilities	Net
Long-term financial loans and suppliers'			
credits: drawings	—663	7 041	6 378
redemptions	401	—3 676	—3 275
Direct investment	—181	119	— 62
Other long-term capital	— 65	20	— 45

**B. LONG-TERM CAPITAL
ACCOUNT** —508 3 504 2 996

BASIC BALANCE (A+B) 4 090

Prepayments and liabilities
related to imports — 410

Prepayments and receiv-
ables related to
exports —370 — 504 — 874

Errors and omissions 1 150

Other short-term capital — 515

**C. SHORT-TERM CAPITAL
ACCOUNT** — 649

**OVERALL BALANCE
(A+B+C)** 3 441

Change in the foreign
exchange reserves of
the Bank of Finland —2 824

Change in net short-term
foreign receivables
of other foreign
exchange holders — 617

Receivables: increase —, decrease +
Liabilities: increase +, decrease —

¹ Preliminary figures

debt of other foreign exchange holders declined by 617 million marks. Increases in the mark value of the reserves caused by exchange rate changes have not been taken into account in the figures for the changes in the foreign exchange reserves. At the end of September 1978, the convertible foreign exchange reserves of the Bank of Finland (allowing for the devaluation in February) amounted to 3 986 million marks.

BANK OF FINLAND

Board of Management

Mauno Koivisto
Governor

Ahti Karjalainen Pentti Uusivirta

Rolf Kullberg Ele Alenius

Harri Holkeri

Directors

Markku Puntila Seppo Lindblom

Eino Helenius Pentti Koivikko

Kari Nars Antti Lehtinen

Senior officials

Pertti Kukkonen Ralf Pauli
Director ADP-planning *Deputy, Monetary Policy*

Raimo Hyvärinen Kari Pekonen
Domestic Financial Operations *Foreign Exchange Policy*

Raine Panula Kari Holopainen
Foreign Exchange *Eastern Trade*

Pekka Tukiainen J. Ojala
Capital Transfers *Foreign Exchange Control*

Kari Puumanen Heikki Koskenkylä
Economics Dept. *Research Dept.*

Markku Pietinen H. T. Hämäläinen
Information and Publications *Administration and Legal Affairs*

Antti Saarlo Timo Männistö
Foreign Correspondence *Internal Audit*

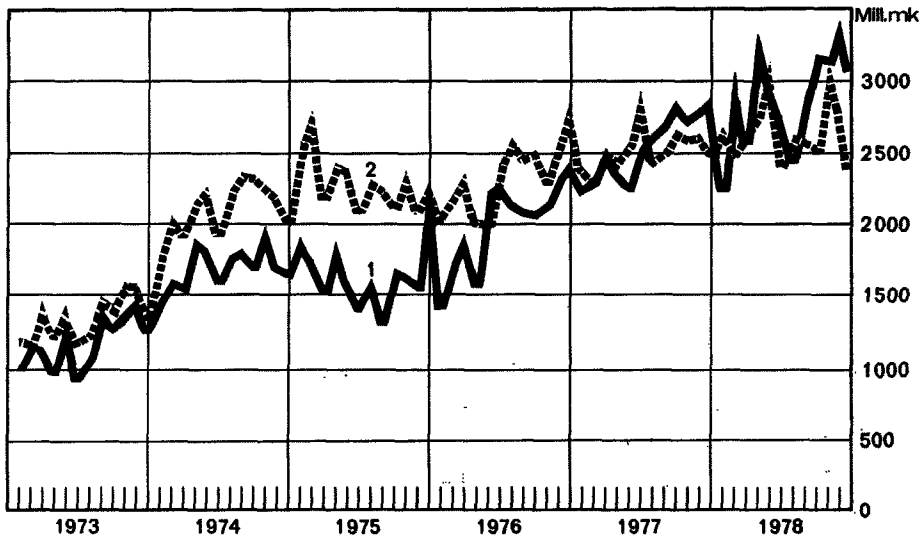
U. Levo Erkki Vehkamäki
International Legal Affairs *Automatic Data Processing*

Pauli Kanerva Stig G Björklund
Personnel Administration and *Banking Services*
General Affairs

Antti Luukka
Cash

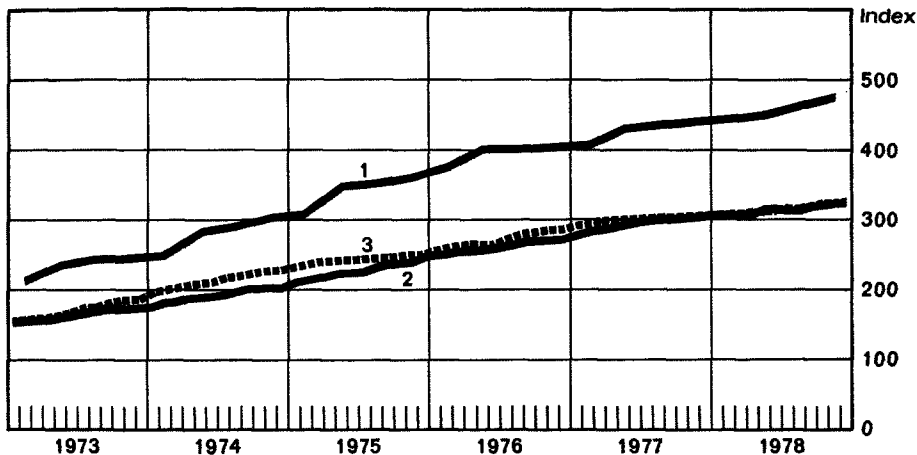
FOREIGN TRADE, 1973 - 1978

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



PRICES AND WAGES, 1973 - 1978

- 1. Index of salary and wage earnings 1964 = 100, quarterly figures
- 2. Cost of living index 1964 = 100, monthly figures
- 3. Wholesale price index 1964 = 100, monthly figures



PRODUCTION, 1973 - 1978

- 1. Total index of industrial production 1964 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1964 = 100, seasonally adjusted quarterly figures

