



BANK OF FINLAND

Monthly Bulletin

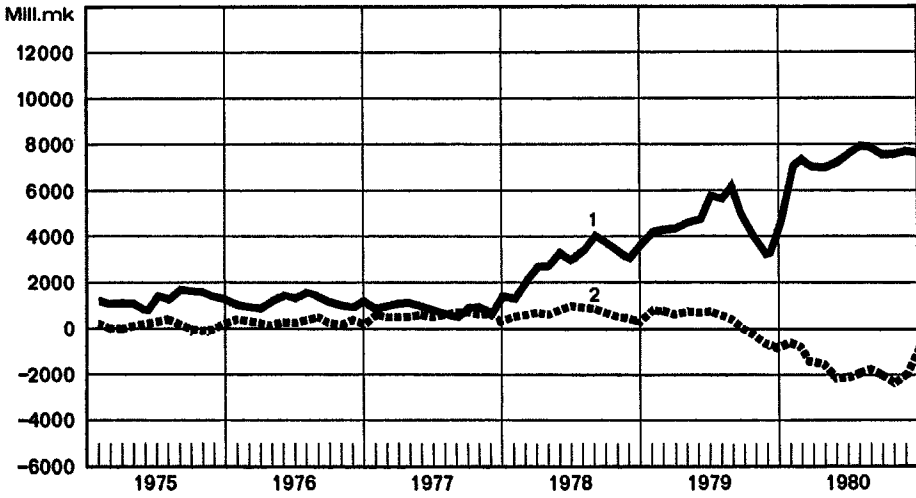
Investment activity

**Developments in Finnish taxation
since the middle of the 1970s**

FEBRUARY 1981

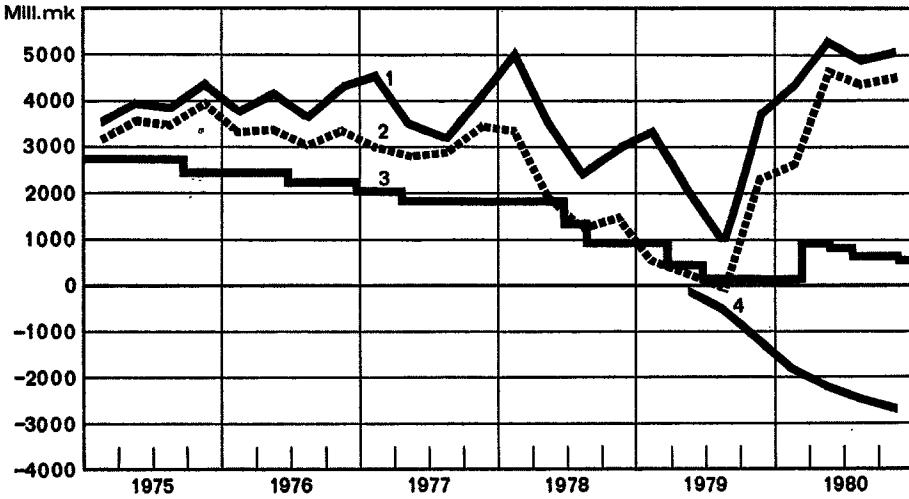
Vol. 55 No. 2

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



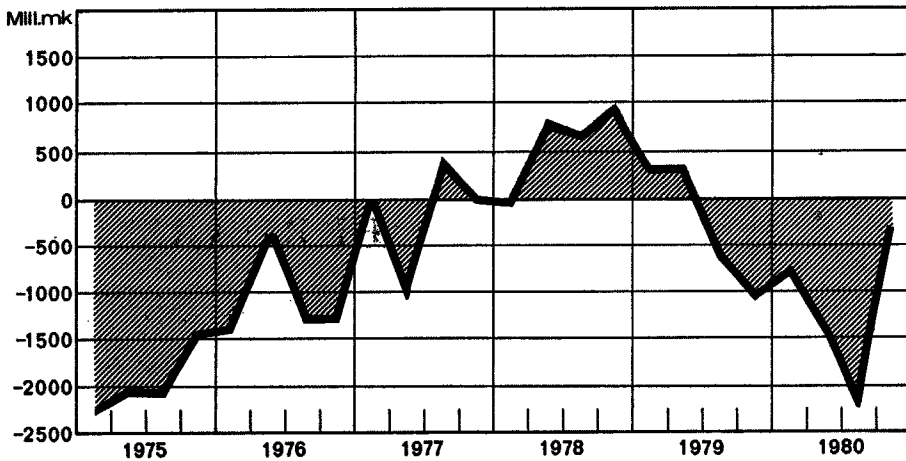
- 1. Gold and convertible currencies
- 2. Tied currencies

COMMERCIAL BANKS' CENTRAL BANK POSITION, 1975-80



- 1. Total central bank debt
 - 2. Actual central bank debt
 - 3. The quotas
 - 4. Cash reserve deposits
- Quarterly average of daily amounts (1, 2 and 4)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1975-80



Seasonally adjusted quarterly figures

INVESTMENT ACTIVITY

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The export-led upswing which started in late 1978 continued in Finland during 1980 and was further boosted by very rapid investment growth. The main factors behind the brisk investment activity were high capacity utilization and the growth of corporate sector income as a result of strong demand and a relatively favourable cost development. Moreover, the long period of recession in the latter part of the 1970s and the marked changes in relative prices, especially the rapid rise in energy costs, prompted firms to modernize and to carry out energy-saving investments. The improvement in cyclical expectations and the growth of households' real income led to an upturn in housing investment, with inflationary expectations also contributing to some extent.

The growth in the volume of gross fixed capital formation amounted to nearly 13 per cent in Finland last year. Almost all the growth in fixed investment was concentrated in the private sector and the expansion seems likely to continue in the near future, albeit at a slower pace. The growth in public investment was quite sluggish last year.

Examined by type of capital goods, the increase in gross investment was greatest in machinery and equipment. Corporate sector building activity was also brisk, but the growth in residential investment remained fairly moderate. On a sectoral basis, the highest rate of growth in 1980, nearly 40 per cent in volume terms, was recorded in manufacturing; the level of investment was about the same as that achieved

during the previous cyclical peak in 1975. The expansion in investment activity was particularly vigorous in the forest industries, the metal industry, the manufacture of non-metallic mineral products and the chemical industries.

The recent development differs in some respects from that of the previous investment boom in the mid-1970s. Thus, at the beginning of the current upswing, levels of profitability were lower than at the corresponding point in the previous boom. Moreover, firms have been more heavily indebted than they were in the first half of the 1970s. Although the share of profits in GDP has exceeded the average for the 1960s and 1970s, the corporate sector's income development seems to have been more modest this time.

Investment growth has been concentrated mainly in the corporate sector, and especially in machinery and equipment. Unlike the earlier period, investments in infrastructure, such as dwellings, transport and communication and energy production, are not being undertaken to the same degree. Hence, the structure of investment is oriented more towards capital deepening, so that the share of rationalization, renovation, modernization, energy-saving investments and investment increasing value added will be above average. When, in addition, the volume of investment will be smaller in relation to production than during the previous boom, overcapacity is not likely to be a problem to the extent that it was in the last decade.

ANNUAL PERCENTAGE CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1979 AND 1980 AND PLANNED CHANGES FOR 1981¹, ACCORDING TO THE BANK OF FINLAND INVESTMENT INQUIRY OF NOVEMBER 1980

	1979	1980	1981
<i>By industrial sector</i>			
Forest industries	55	51	7
Metal industries	28	37	3
Other manufacturing	18	31	-12
Total manufacturing	31	39	-2
Electricity, gas and water	2	-26	6
<i>By type of investment</i>			
Building investment	-3	17	-1
Investment in machinery and equipment	39	28	1
Total industrial fixed investment	23	24	0

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.

Despite the quite favourable outlook for investment in general, the danger of local overheating in building activity became apparent last year. To forestall it, but at the same time to ensure scope for manufacturing investments, the Government introduced a tax on less essential investment projects. The tax, which amounts to 40 per cent of building costs, came into force on November 3rd, 1980 and will be effective until October 31st, 1981. It is being levied on the majority of service sector investments started during this period in the southern and western parts of Finland as well as in certain larger cities in other regions. The purpose of the tax is to induce the postponement of starts in this sector until after the end of October, 1981. It has been estimated that the share of taxable projects accounts for 12 per cent of total building activity in Finland.

In connection with the investment tax, the central government decided to postpone the start of its own building projects. In addition, efforts are being made to postpone starts of local government investment projects until the autumn of 1981 or 1982. Monetary policy is supporting

these measures by the present tightness of money markets.

There are signs that the cyclical prospects for the Finnish economy are beginning to worsen. The weakening in international demand has begun to be reflected in a slowdown in the growth of exports to the market economies. The order stocks in manufacturing have begun to diminish and the share of finished goods in stockbuilding has recently shown signs of increasing. This development means that the rate of capacity utilization will fall with the completion of investment projects. When, moreover, the lagged effects of international inflationary impulses are still exerting strong pressure on domestic costs, firms' willingness to invest is likely to diminish. However, fixed investment will go on rising for some time to come because of the completion of investment projects already started.

The results of the Bank of Finland investment inquiry also point to an increase in industry's uncertainty about the cyclical outlook. According to the inquiry conducted in November 1980, the investment plans of industrial firms suggest that the volume of industrial investment in 1981 will probably not exceed the 1980 level.

Examined by industrial sector, the plans indicate that investment will continue to grow in the forest industries, the metal industry and the chemical industries. In the forest industries, the long completion period needed for investment projects will ensure that forest industry investment will still increase slightly in 1981 in spite of a deceleration in the growth of production. The continued expansion of investment activity expected in the metal industry is a consequence of the favourable development of domestic demand and exports to the Soviet Union. Industrial investment serving domestic markets will in general decline.

According to the inquiry, industry's capacity utilization in 1980 was expected to show an increase of more than 3 percentage points on

(continued on page 34)

	1980		1981				
	Jan. 31	Dec. 31	Jan. 8	Jan. 15	Jan. 23	Jan. 30	
Assets							
Gold and foreign exchange receivables	7 320	8 024	7 991	7 905	7 577	7 257	
Gold	1 073	1 073	1 073	1 073	1 073	1 073	
Special drawing rights	563	397	527	527	527	527	
IMF reserve tranche	225	380	380	380	380	380	
Foreign bonds	1 829	2 125	2 122	2 118	2 072	1 994	
Convertible currencies	3 481	3 841	3 690	3 580	3 296	3 184	
Tied currencies	149	208	199	227	229	99	
Other foreign receivables	1 054	1 540	1 540	1 540	1 540	1 540	
Mark subscription to Finland's IMF quota	1 054	1 540	1 540	1 540	1 540	1 540	
Receivables from financial institutions	3 806	5 350	5 403	6 495	6 031	5 326	
Banks' cheque accounts	376	481	570	532	577	558	
Call money market advances	2 989	3 674	3 662	4 802	4 371	3 679	
Till-money credits	—	643	621	605	532	536	
Bonds	402	527	526	531	531	532	
Other financial institution receivables	39	25	24	25	20	21	
Receivables from the public sector	1 254	1 225	1 224	1 236	1 076	1 081	
Government promissory notes	700	512	512	512	354	354	
Bonds	153	288	289	293	291	293	
Total coinage	375	403	404	407	410	413	
Other public sector receivables	26	22	19	24	21	21	
Receivables from corporations	2 560	3 399	3 359	3 385	3 448	3 441	
Financing of exports	1 189	1 502	1 432	1 432	1 479	1 470	
Financing of domestic deliveries	1 035	1 561	1 598	1 624	1 656	1 661	
Bonds	201	116	219	219	217	217	
Other corporate receivables	135	116	110	110	96	93	
Other assets	73	80	82	81	80	80	
	Total	16 067	19 618	19 599	20 642	19 752	18 725
Liabilities							
Foreign exchange liabilities	629	983	543	604	538	509	
Convertible accounts	18	18	21	27	21	21	
Tied accounts	611	965	522	577	517	488	
Other foreign liabilities	1 951	2 430	2 560	2 560	2 560	2 560	
IMF mark accounts	1 385	1 864	1 864	1 864	1 864	1 864	
Allocations of special drawing rights	566	566	696	696	696	696	
Notes and coins in circulation	4 047	4 954	4 698	4 639	4 631	4 666	
Notes	3 703	4 572	4 320	4 265	4 259	4 294	
Coins	344	382	378	374	372	372	
Deposit certificates in circulation	2 200	1 900	1 900	1 900	1 900	1 000	
Claims of financial institutions	3 618	3 739	4 188	5 235	4 345	4 142	
Banks' cheque accounts	1	1	1	1	1	1	
Call money market deposits	1 376	290	730	1 775	880	470	
Cash reserve deposits	2 095	3 317	3 317	3 313	3 311	3 461	
Capital import deposits	139	108	108	104	121	121	
Other financial institution claims	7	23	32	42	32	89	
Claims of the public sector	68	591	607	607	624	631	
Cheque accounts	1	2	1	1	1	1	
Counter-cyclical reserves	42	545	545	545	545	545	
Counter-cyclical deposits	—	37	37	38	54	54	
Capital import deposits	18	—	—	—	—	7	
Other public sector claims	7	7	24	23	24	24	
Claims of corporations	398	978	989	944	945	961	
Deposits for investment and ship purchase	137	717	722	735	736	756	
Capital import deposits	254	83	83	84	84	63	
Export deposits	—	110	115	119	119	133	
Other corporate claims	7	68	69	6	6	9	
Other liabilities	14	13	19	14	13	14	
Equalization accounts	1 296	1 767	1 828	1 869	1 923	1 966	
Capital accounts	1 846	2 263	2 267	2 270	2 273	2 276	
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400	
Reserve fund	441	441	750	750	750	750	
Undisposed profits	—	—	113	113	113	113	
Net earnings	5	422	4	7	10	13	
	Total	16 067	19 618	19 599	20 642	19 752	18 725

End of year or month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	-
1977	337	543	1 212	2 092	496	-2 031	557	391	328	- 63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	591	-634	1 900
1980											
Jan.	1 861	1 829	3 463	7 153	-462	-897	5 794	1 254	68	-1 186	2 200
Feb.	1 864	2 020	3 670	7 554	-700	-897	5 957	1 265	60	-1 205	2 740
March	1 874	1 972	3 330	7 176	-1 316	-897	4 963	1 280	63	-1 217	3 340
April	1 874	1 976	3 325	7 175	-1 432	-897	4 846	1 267	53	-1 214	2 940
May	1 868	1 976	3 510	7 354	-1 946	-877	4 531	1 264	45	-1 219	2 490
June	1 868	2 017	3 912	7 797	-1 996	-877	4 924	1 257	43	-1 214	2 640
July	1 868	2 049	4 148	8 065	-1 787	-877	5 401	1 285	43	-1 242	1 940
Aug.	1 862	2 071	4 070	8 003	-1 656	-877	5 470	1 261	43	-1 218	2 100
Sept.	1 851	2 088	3 796	7 735	-1 847	-886	5 002	1 284	43	-1 241	2 250
Oct.	1 851	2 077	3 811	7 739	-2 146	-886	4 707	1 165	43	-1 122	1 850
Nov.	1 845	2 082	3 949	7 876	-1 847	-886	5 143	1 185	74	-1 111	2 600
Dec.	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	591	-634	1 900
1981											
Jan.	1 980	1 994	3 163	7 137	-389	-1 020	5 728	1 081	631	-450	1 000

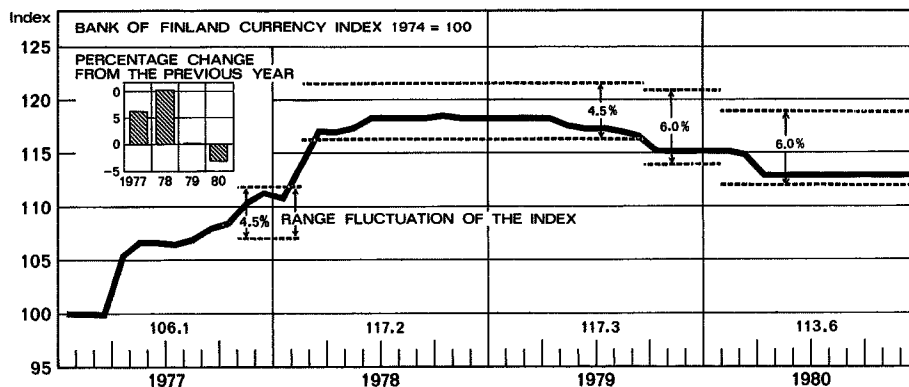
FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1979			Net holdings, Nov. 28, 1980			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Nov.	Jan.-Nov
Gold ²	1 073	-	1 073	1 073	-	1 073	-	-
Special drawing rights	430	-	430	557	-	557	-6	+127
IMF reserve tranche	225	-	225	215	-	215	-	-10
Foreign bonds	-	-	-	2 082	-	2 082	+5	+332
Convertible currencies	2 964	-3 223	-259	3 949	-6 805	-2 856	+181	-2 597
Total	4 692	-3 223	1 469	7 876	-6 805	1 071	+180	-2 148
Tied currencies	-678	-30	-708	-1 846	-46	-1 892	+326	-1 184
Grand total	4 014	-3 253	761	6 030	-6 851	-821	+506	-3 332

BANK OF FINLAND

End of year or month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Discounted and rediscounted bills	Cheque account receivables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receivables (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net receivables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980	—	480	3 674	290	3 317	-1 064	1 611	3 063	642	2 421	4 954
1980											
Jan.	—	375	2 989	1 376	2 095	-295	188	2 224	62	2 162	4 047
Feb.	—	910	3 005	1 370	2 123	-315	737	2 317	149	2 168	4 233
March	—	836	4 155	592	2 267	-307	2 439	2 305	234	2 071	4 163
April	—	1 032	3 950	519	2 396	-224	2 291	2 388	247	2 141	4 281
May	—	978	3 981	245	2 562	-272	2 424	2 333	273	2 060	4 389
June	—	876	4 433	502	2 591	-285	2 501	2 409	471	1 938	4 572
July	—	915	3 047	475	2 649	-145	983	2 661	538	2 123	4 466
Aug.	—	750	3 968	780	2 989	-247	1 196	2 640	516	2 124	4 449
Sept.	—	722	4 307	525	2 982	-270	1 792	2 775	607	2 168	4 366
Oct.	—	762	4 410	595	3 006	-322	1 893	2 926	621	2 305	4 447
Nov.	—	705	3 861	30	3 022	-767	2 281	3 046	574	2 472	4 614
Dec.	—	480	3 674	290	3 317	-1 064	1 611	3 063	642	2 421	4 954
1981											
Jan.	—	557	3 679	470	3 461	-879	1 184	3 131	651	2 480	4 666



MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks mill. mk	Cash reserve deposits of the commercial banks mill. mk	Bank of Finland placements in the call money market, mill. mk	Base rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9	10
1974	3 204	2 840	2 494	—	—	—	9.25	—	10.57	9.52
1975	4 000	3 611	2 725	—	—	239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03
1980	4 963	4 097	783	2 542	2 220	3 313	9.20	12.38	12.37	..

1980

Jan.	4 471	2 627	200	1 775	1 553	2 399	8.50	12.70	11.79	9.08
Feb.	4 094	2 066	1 000	2 092	1 829	1 068	9.25	11.14	10.18	9.77
March	4 580	3 380	1 000	2 128	1 857	2 381	9.25	11.97	11.19	9.82
April	5 156	4 204	1 000	2 271	1 987	3 204	9.25	12.36	11.62	9.85
May	5 216	4 802	1 000	2 406	2 104	3 802	9.25	12.49	12.01	9.84
June	5 734	5 130	900	2 561	2 233	4 231	9.25	12.50	12.50	9.86
July	4 984	4 547	900	2 591	2 261	3 648	9.25	12.50	12.18	9.84
Aug.	4 456	3 880	700	2 682	2 333	3 181	9.25	12.50	13.06	9.83
Sept.	5 530	4 805	700	2 984	2 608	4 106	9.25	12.50	13.93	9.84
Oct.	5 500	4 709	700	2 980	2 599	4 010	9.25	12.50	13.31	9.83
Nov.	5 024	4 562	700	3 005	2 627	3 864	9.25	12.50	12.60	9.82
Dec.	4 816	4 457	600	3 032	2 653	3 860	9.25	12.50	13.43	..

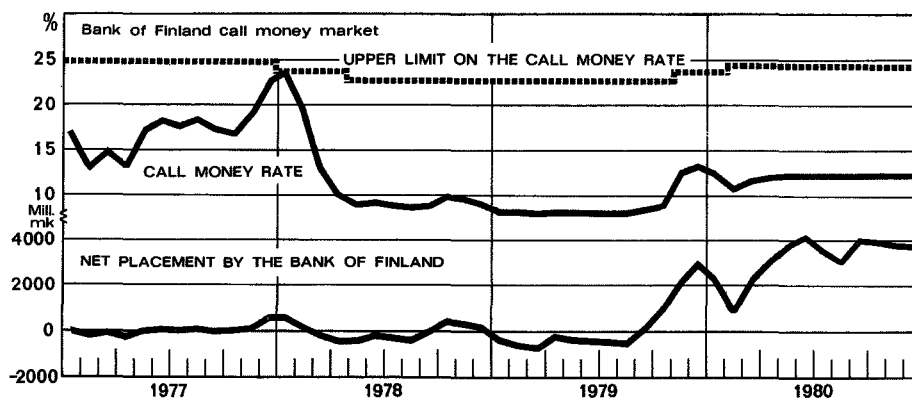
1981

Jan.	4 677	3 693	540	3 324	2 917	3 153	9.25	12.50
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See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

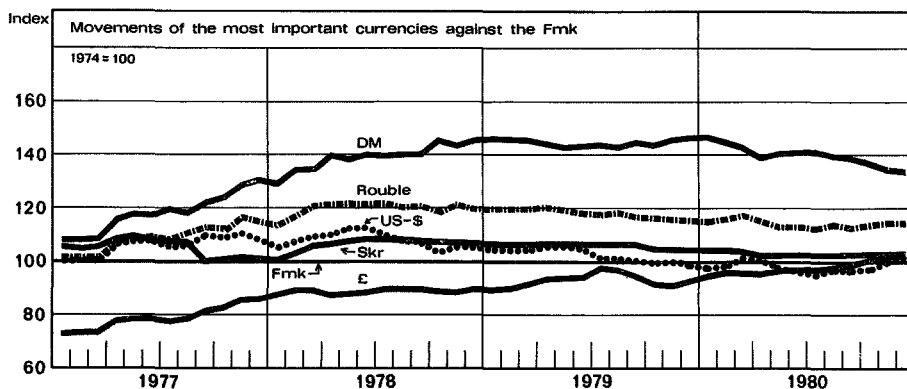


FOREIGN EXCHANGE RATES

Mill. mk

Average selling rates for foreign exchange, mk

Period	New York	London	Stockholm	Oslo	Copenhagen	Frankfurt	Zurich	Paris	Moscow	Currency Index 1974=100
	1 US \$ USD	1 £ GBP	100 Skr SEK	100 Nkr NOK	100 Dkr DKK	100 DM DEM	100 Sfr CHF	100 FF FRF	1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3
1980	3.730	8.691	88.43	75.81	66.53	205.58	222.87	88.65	5.741	113.6
1980										
Jan.	3.703	8.396	89.55	75.69	69.07	214.92	232.60	92.00	5.788	115.4
Feb.	3.724	8.546	89.58	76.56	68.59	213.33	227.68	91.24	5.818	115.4
March	3.858	8.533	89.13	76.75	67.23	209.01	219.46	89.87	5.896	115.0
April	3.828	8.482	87.85	75.78	65.85	204.42	218.11	88.39	5.791	113.1
May	3.699	8.541	88.07	75.65	66.35	206.72	222.71	88.80	5.689	113.1
June	3.653	8.553	87.92	75.54	66.83	206.83	223.78	89.13	5.675	113.1
July	3.620	8.603	87.98	75.43	67.20	207.36	225.50	89.59	5.654	113.1
Aug.	3.665	8.697	88.03	75.58	66.52	204.85	222.00	88.63	5.713	113.1
Sept.	3.655	8.796	88.22	75.83	66.32	204.40	223.05	88.19	5.669	113.1
Oct.	3.695	8.942	88.40	75.75	65.53	200.98	222.77	87.18	5.706	113.1
Nov.	3.791	9.104	88.36	75.90	64.59	197.66	219.78	85.66	5.750	113.1
Dec.	3.872	9.095	88.12	75.24	64.32	196.47	217.00	85.10	5.744	113.1
1981										
Jan.	3.889	9.369	87.85	74.62	63.38	194.10	214.34	84.20	5.747	113.1



DEPOSITS BY THE PUBLIC

Mill. mk

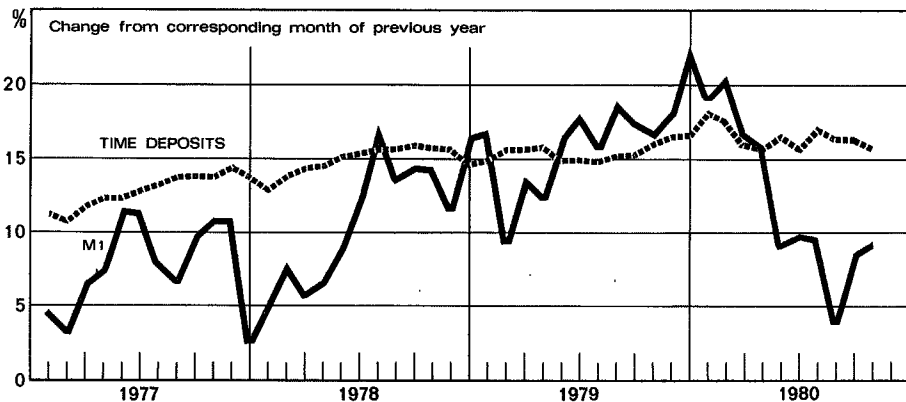
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584

1979

Aug.	4 195	1 969	2 747	8 911	18 389	16 390	12 698	5 304	52 781	61 692
Sept.	3 900	2 053	2 818	8 771	18 441	16 447	12 716	5 350	52 954	61 725
Oct.	4 232	2 111	2 493	8 836	18 877	16 556	12 852	5 403	53 688	62 524
Nov.	4 316	2 078	2 486	8 880	19 315	16 832	13 059	5 469	54 675	63 555
Dec.	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584

1980

Jan.	4 688	1 983	2 778	9 449	19 964	17 501	13 683	5 685	56 833	66 282
Feb.	4 009	1 903	2 697	8 609	20 150	17 787	13 983	5 772	57 692	66 301
March	4 187	1 930	2 767	8 884	20 061	17 789	13 874	5 910	57 634	66 518
April	4 173	1 975	2 977	9 125	20 335	18 039	14 137	5 722	58 233	67 358
May	4 190	2 094	2 865	9 149	20 500	18 277	14 289	5 935	59 001	68 150
June	4 826	2 133	3 275	10 234	20 656	18 588	14 479	5 847	59 570	69 804
July	4 741	2 332	3 001	10 074	21 209	18 993	14 861	5 976	61 039	71 113
Aug.	4 205	2 275	2 996	9 476	21 273	19 195	14 948	6 082	61 498	70 974
Sept.	4 625	2 328	2 946	9 899	21 295	19 255	15 051	6 073	61 674	71 573
Oct.	4 584	2 325	2 859	9 768	21 454	19 391	15 216	6 186	62 247	72 015



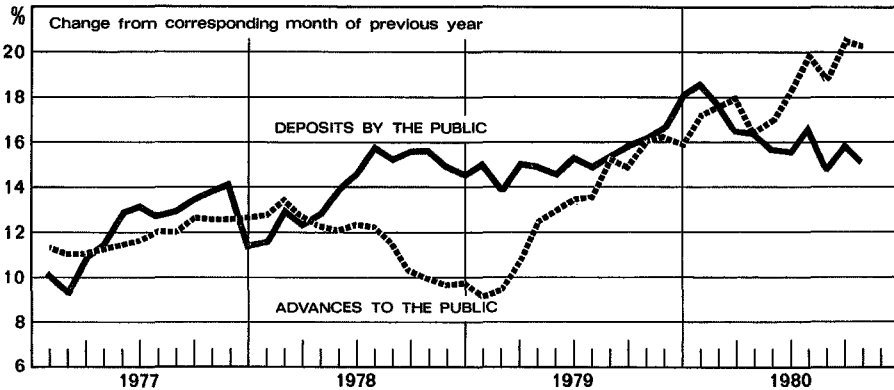
ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

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

1979										
Aug.	29 072	15 489	13 372	7 803	57 002	1 798	6 936	65 736	13 274	67 140
Sept.	28 923	15 732	13 595	7 848	57 931	1 914	6 253	66 098	13 008	67 117
Oct.	29 456	16 040	13 796	7 987	59 330	1 928	6 021	67 279	13 003	67 919
Nov.	29 764	16 306	14 056	8 039	60 234	2 031	5 900	68 165	13 131	69 012
Dec.	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157

1980										
Jan.	30 524	16 754	14 395	8 399	61 745	2 158	6 169	70 072	13 767	71 810
Feb.	31 247	16 960	14 525	8 618	62 648	2 378	6 324	71 350	13 389	72 421
March	31 902	17 114	14 640	8 720	63 256	2 584	6 536	72 376	13 354	72 405
April	32 196	17 310	14 820	8 764	64 070	2 479	6 541	73 090	13 396	73 240
May	32 764	17 535	15 039	8 898	64 817	2 545	6 874	74 236	13 594	74 137
June	34 065	17 733	15 243	9 317	65 980	2 765	7 613	76 358	14 588	75 749
July	34 707	17 932	15 497	9 528	66 753	2 607	8 304	77 664	14 438	77 325
Aug.	34 814	18 177	15 715	9 528	67 215	2 531	8 488	78 234	13 825	77 066
Sept.	35 314	18 483	16 061	9 954	68 545	2 700	8 567	79 812	14 141	77 670
Oct.	35 931	18 711	16 282	10 061	69 360	2 623	9 002	80 985	14 234	78 290



STATE FINANCES

Mill. mk

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1979	1980		1979	1980
Income and wealth tax (net)	9 566	12 784	Wages, salaries, pensions etc.	6 417	7 223
Gross receipts	(26 710)	(31 782)	Repair and maintenance	837	948
Refunds & local authorities	(-17 144)	(-18 998)	Other consumption expenditure	3 478	4 176
Other taxes on income and wealth	247	277	Total consumption expenditure	10 732	12 347
Employers' child allowance payments	461	98	State aid to local authorities	7 889	9 237
Sales tax	9 269	10 539	State aid to industries	6 014	6 622
Customs duties and import charges and levies	1 006	1 264	of which: agric. price subsidies	(2 517)	(2 557)
Excise duties	7 340	8 022	Child allowances	1 265	1 431
Excise duty on alcoholic beverages	2 224	2 405	Share in national pensions and sickness insurance schemes	307	486
Excise duty on tobacco	909	1 026	Other transfer expenditure	4 891	5 315
Excise duty on liquid fuel	2 327	2 596	Total transfer expenditure	20 366	23 091
Other excise duties	1 880	1 995	Machinery and equipment	1 268	1 257
Tax on autom. and motor-cycles	1 221	1 282	Construction of buildings	711	701
Stamp duties	802	931	Land and waterway construction	1 538	1 714
Special diesel etc. vehicles tax	138	151	Total real investment	3 517	3 672
Other taxes and similar revenue	869	967	Interest on State debt	696	973
Total taxes	30 919	36 315	Net deficit of State enterprises	-416	-267
Miscellaneous revenue	2 233	2 828	Other expenditure	48	11
Interest, dividends etc.	844	865	Total other expenditure	328	717
Redemptions of loans granted	507	610	Increase in inventories	24	227
Total revenue	34 503	40 618	Lending	2 754	3 047
Foreign borrowing	2 500	1 790	Other financial investment	457	421
Domestic borrowing	1 967	2 892	Total expenditure	38 178	43 522
Total borrowing	4 467	4 682	Redemption of foreign loans	217	186
Deficit (+) or surplus (-)	+272	-386	Redemption of domestic loans	847	1 206
			Total redemptions	1 064	1 392
	Total	39 242 44 914	Total	39 242 44 914	

State debt	1978	1979	1980			
	Dec.	Dec.	August	Sept.	Oct.	Nov.
Foreign debt	7 360	8 964	9 964	10 037	10 091	10 248
Loans	4 607	6 050	7 088	7 187	7 252	7 295
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	21	21	21	17
Cash debt (net)	-735	-596	-272	-366	-351	-649
Domestic debt	4 132	5 658	6 837	6 842	6 922	6 663
Total State debt	11 492	14 622	16 801	16 879	17 013	16 911
Total debt mill \$	2 859	3 915	4 584	4 618	4 604	4 461

FOREIGN TRADE

Mill. mk

Value mill. mk

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

1979

Nov.	4 382	4 398	-16
Dec.	3 845	4 749	-904

1980*

Jan.	4 245	4 943	- 698
Feb.	3 795	4 231	- 436
March	4 735	4 408	+ 327
April	3 788	4 495	- 707
May	4 166	3 787	+ 379
June	4 501	5 743	-1 242
July	4 349	5 030	- 681
Aug.	3 921	5 481	-1 560
Sept.	4 579	5 135	- 556
Oct.	4 639	5 309	- 670
Nov.	4 485	4 159	+ 326

Jan.-Nov.

1979*	39 585	39 473	+ 112
1980*	47 203	52 721	-5 518

Indices of exports and imports 1975 = 100

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

1978

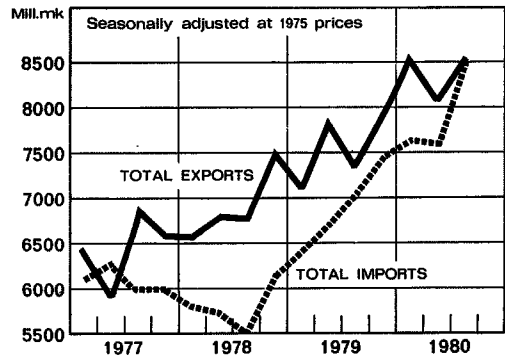
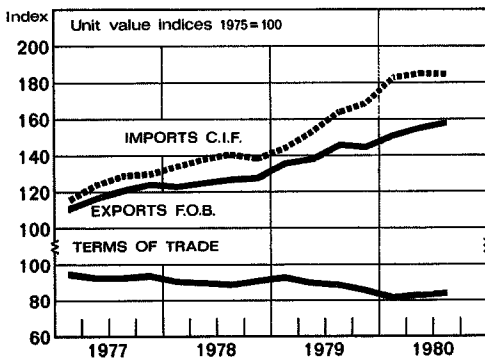
Apr.-June	136	83	126	139	91
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92

1979*

Jan.-March	140	90	137	145	94
Apr.-June	154	94	140	154	91
July-Sept.	138	100	147	164	90
Oct.-Dec.	171	113	146	170	86

1980*

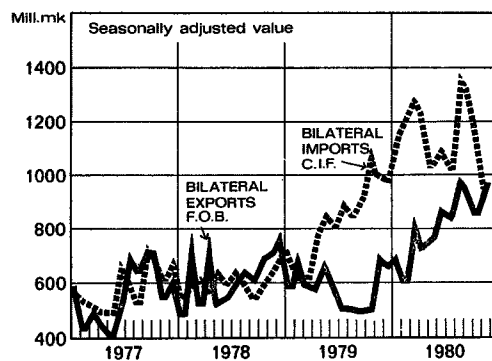
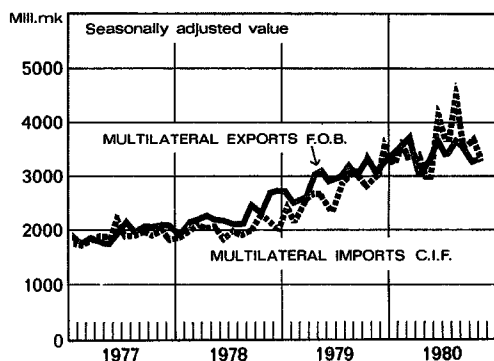
Jan.-March	166	105	152	184	83
Apr.-June	158	106	156	186	84
July-Sept.	160	120	159	186	85



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f. o. b.					Imports, c. i. f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1979										
Nov.	151	624	1 191	1 115	1 301	2 896	338	592	568	4
Dec.	199	554	1 158	821	1 113	3 427	276	526	516	4
1980*										
Jan.	286	601	1 203	751	1 404	3 159	431	652	681	20
Feb.	39	566	1 170	829	1 191	2 808	200	534	632	57
March	247	554	1 269	1 087	1 578	2 918	191	594	704	1
April	39	542	1 007	965	1 235	2 974	150	621	748	2
May	168	660	1 357	770	1 211	2 557	195	514	518	3
June	53	806	1 327	928	1 387	4 198	435	574	530	6
July	73	703	1 541	895	1 137	3 196	539	722	571	2
Aug.	47	582	1 387	684	1 221	3 572	459	841	602	7
Sept.	76	690	1 374	931	1 508	3 401	388	706	637	3
Oct.	56	742	1 313	1 040	1 488	3 476	436	727	667	3
Nov.	58	627	1 324	1 098	1 378	2 668	283	650	556	2
Jan.-Nov.										
1979*	1 167	5 519	11 834	9 521	11 544	25 451	3 125	5 192	5 618	87
1980*	1 142	7 073	14 272	9 978	14 738	34 927	3 707	7 135	6 846	106



FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January—November				January—November			
	1979		1980*		1979		1980*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	67.6	26 747	65.1	30 721	57.0	22 480	52.3	27 586
Austria	0.7	272	0.8	358	1.3	512	1.2	619
Belgium and Luxembourg	1.5	583	1.4	668	1.9	747	1.7	900
Denmark	4.0	1 566	3.6	1 701	2.6	1 007	2.4	1 263
France	4.4	1 739	4.6	2 195	3.4	1 322	3.1	1 614
Federal Republic of Germany	11.0	4 357	10.9	5 125	13.1	5 193	12.7	6 711
Italy	2.2	869	2.4	1 139	2.4	952	2.4	1 257
Netherlands	4.2	1 652	4.4	2 097	2.8	1 097	2.6	1 349
Norway	5.5	2 184	4.3	2 041	2.6	1 015	2.1	1 116
Portugal	0.2	69	0.4	166	0.5	193	0.5	265
Spain	1.0	404	0.9	421	0.9	363	0.8	440
Sweden	15.8	6 274	16.9	7 961	14.2	5 599	12.0	6 335
Switzerland	1.7	677	1.6	769	1.8	729	1.6	843
United Kingdom	13.2	5 233	11.5	5 417	8.9	3 509	8.7	4 591
Other	2.2	868	1.4	663	0.6	242	0.5	283
OECD countries outside Europe	6.9	2 724	5.4	2 534	8.8	3 458	9.9	5 202
Canada	0.5	195	0.5	225	0.7	278	0.8	396
Japan	1.1	433	0.7	326	2.9	1 118	3.2	1 704
United States	4.4	1 733	3.2	1 491	5.0	1 979	5.7	3 023
Other	0.9	363	1.0	492	0.2	83	0.2	79
CMEA countries	16.1	6 392	18.6	8 794	23.6	9 327	25.0	13 206
Czechoslovakia	0.3	110	0.3	135	0.5	203	0.5	279
German Democratic Republic	0.8	341	0.6	281	0.6	230	0.6	294
Poland	0.4	180	0.5	226	1.9	765	1.8	963
Soviet Union	13.7	5 406	16.3	7 713	19.7	7 796	21.1	11 148
Other	0.9	355	0.9	439	0.9	333	1.0	522
Latin America	1.6	649	2.0	931	3.1	1 234	2.6	1 355
Argentina	0.3	127	0.5	224	0.3	104	0.1	60
Brazil	0.4	163	0.4	190	0.7	276	0.7	373
Colombia	0.1	53	0.1	56	0.9	354	0.8	423
Other	0.8	306	1.0	461	1.2	500	1.0	499
Other	7.8	3 073	8.9	4 223	7.5	2 974	10.2	5 372
GRAND TOTAL	100.0	39 585	100.0	47 203	100.0	39 473	100.0	52 721
of which								
EFTA countries	24.1	9 537	24.1	11 377	20.5	8 113	17.6	9 258
EEC countries	41.2	16 303	39.5	18 641	35.2	13 910	33.7	17 790
OECD countries	74.5	29 471	70.5	33 255	65.7	25 938	62.2	32 788

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	Un-required transfers, net	Other, net	Current account
1977	30 805	30 961	- 156	+1 747	- 23	+526	+2 094	-2 434	-198	- 42	- 580
1978	35 068	32 600	+2 468	+2 024	+141	+803	+5 436	-2 713	-211	+ 94	+2 606
1979*	43 302	44 523	-1 221	+3 089	+157	+311	+2 336	-2 840	-430	+124	- 810
1980*	52 650	58 500	-5 850	+3 300	+300	+700	-1 550	-3 200	-400	+150	-5 000

1977

Oct.-Dec.	9 071	8 604	+ 467	+ 483	- 55	+114	+1 009	- 670	- 51	- 6	+ 282
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1978

Jan.-March	7 753	7 445	+ 308	+ 457	- 72	+185	+ 878	- 569	- 80	+ 4	+ 233
Apr.-June	8 625	8 086	+ 539	+ 479	+ 4	+205	+1 227	- 781	- 40	+ 28	+ 434
July-Sept.	8 284	7 906	+ 378	+ 500	+217	+140	+1 235	- 617	- 42	+ 31	+ 607
Oct.-Dec.	10 406	9 163	+1 243	+ 588	- 8	+273	+2 096	- 746	- 49	+ 31	+1 332

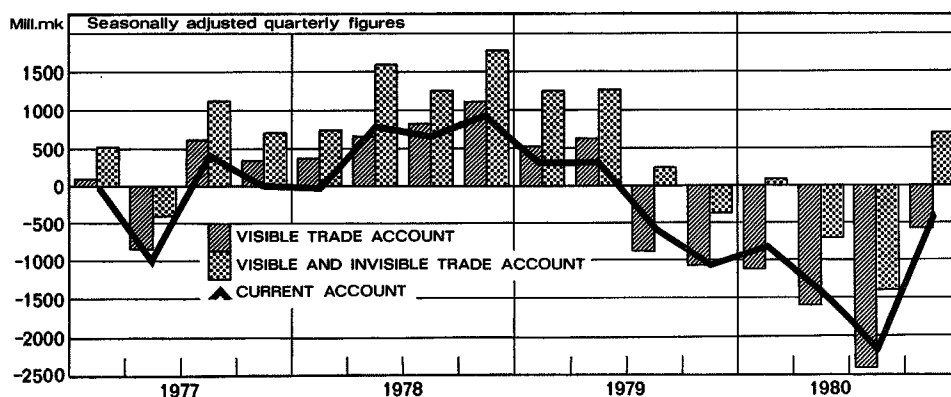
1979*

Jan.-March	9 683	9 195	+ 488	+ 681	-112	+300	+1 357	- 656	-204	+ 28	+ 525
Apr.-June	10 847	10 213	+ 634	+ 755	+ 13	- 76	+1 326	- 963	- 91	+ 28	+ 300
July-Sept.	10 210	11 585	-1 375	+ 791	+251	+ 74	- 259	- 671	- 51	+ 36	- 945
Oct.-Dec.	12 562	13 530	- 968	+ 862	+ 5	+ 13	- 88	- 550	- 84	+ 32	- 690

1980*

Jan.-March	12 736	13 661	- 925	+ 864	-109	+324	+ 154	- 787	-152	+ 1	- 784
Apr.-June	12 413	14 075	-1 662	+ 686	+ 83	+127	- 766	- 737	- 64	+ 27	-1 540
July-Sept.	12 812	15 712	-2 900	+ 884	+286	+124	-1 606	- 727	-103	+ 2	-2 434
Oct.-Dec.	14 689	15 052	- 363	+ 866	+ 40	+125	+ 668	- 949	- 81	+120	- 242

* Revised figures. See explanations on page 22.

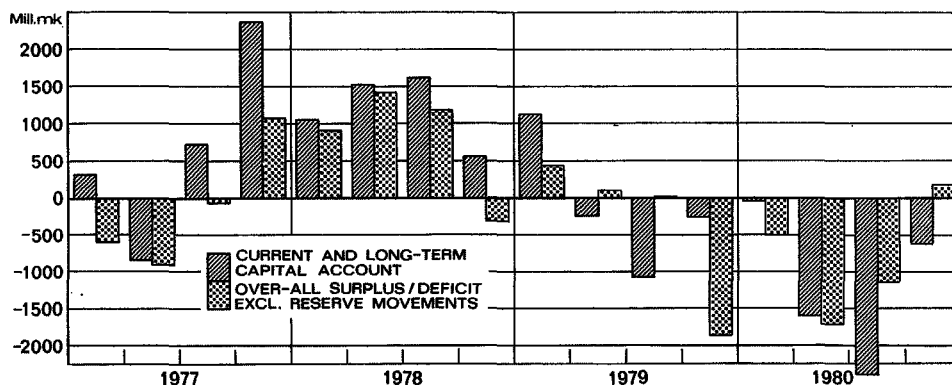


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 454	-2 745	-241	-229	+3 239	+2 659	-1 547	- 470	-1 085	- 443	- 216	+ 659
+9 007	-5 743	-774	-229	+2 261	+4 867	+ 130	-2 188	+ 481	+3 290	-2 589	- 701
+6 230	-4 843	-541	-416	+ 430	- 380	+ 831	- 834	- 918 ²	-1 301	- 122	+1 423
+5 183	-4 138	-400	-245	+ 400	-4 600	+3 400	-1 000	-1 005 ²	-3 205	- 995	+4 200
+2 907	- 691	+ 7	- 79	+2 144	+2 426	- 642	- 384	- 324	+1 076	- 68	-1 008
+1 876	- 854	-166	- 17	+ 839	+1 072	- 479	- 402	+ 799	+ 990	-1 622	+ 632
+2 900	-1 733	- 1	- 51	+1 115	+1 549	+ 328	- 402	- 40	+1 435	- 722	- 713
+2 265	-1 089	- 96	- 39	+1 041	+1 648	+ 20	- 692	+ 202	+1 178	- 641	- 537
+1 966	-2 067	-511	-122	- 734	+ 598	+ 261	- 692	- 480	- 313	+ 396	- 83
+2 202	-1 626	- 8	+ 50	+ 618	+1 143	- 19	- 63	- 615 ²	+ 446	-1 232	+ 786
+1 267	-1 453	-218	-174	- 578	- 278	+ 39	- 62	+ 405	+ 104	-2 100	+1 996
+1 258	- 892	-336	-105	- 75	-1 020	+ 422	- 354	+ 966	+ 14	+ 985	- 999
+1 503	- 872	+ 21	-187	+ 465	- 225	+ 389	- 355	-1 674	-1 865	+2 225	- 360
+2 108	-1 113	-171	- 65	+ 759	- 25	+ 136	- 31	- 583 ²	- 503	- 83	+ 586
+1 076	- 997	- 39	- 85	- 45	-1 585	+1 368	- 31	-1 472	-1 720	+ 95	+1 625
+1 126	- 913	- 36	-115	+ 62	-2 372	+ 597	- 12	+ 620	-1 167	- 54	+1 221
+ 873	-1 115	-154	+ 20	- 376	- 618	+1 299	- 926	+ 430	+ 185	- 953	+ 768

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

¹ Including Direct investment, net.

² Including Allocations of Special drawing rights 139 million in 1979 and 133 million in 1980.



FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (9-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other	Total (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1976	1 969	1 342	479	3 790	17 484	4 671	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675

1977

Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741

1978

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

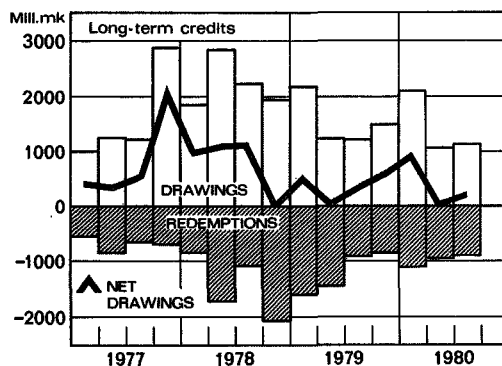
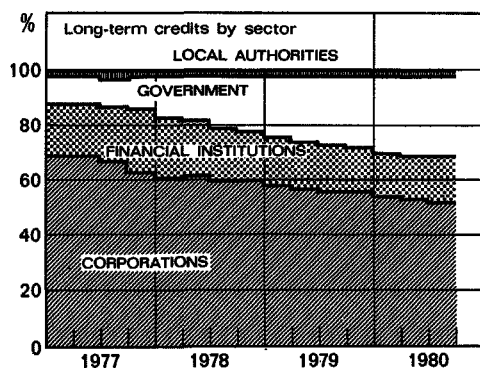
1979*

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

1980*

March	3 625	2 456	932	7 013	29 122	4 692	1 971	288	36 073	29 060
June	3 534	2 539	967	7 040	28 887	4 517	1 990	268	35 662	28 622
Sept.	3 594	2 649	972	7 215	29 251	4 482	2 029	278	36 040	28 825

See explanations on page 22.

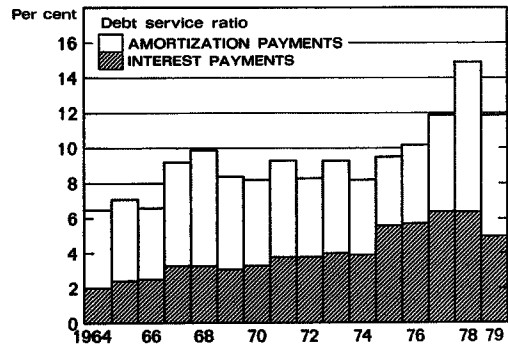
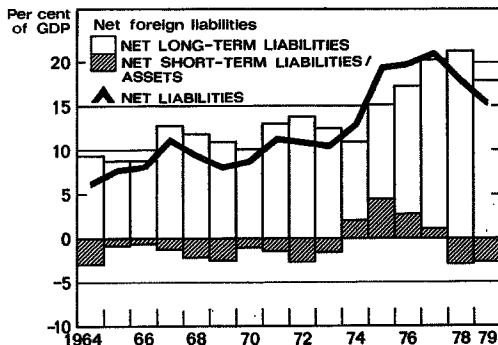


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	6 622	3 769
7 918	6 454	9 166	23 538	2 340	9 333	7 816	19 489	-4 049	24 626	6 457	3 472
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
5 491	3 409	7 233	16 133	1 293	6 594	7 559	15 446	-687	27 409	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 751	16 133	-2 168	27 621	1 493	673
7 003	4 412	7 779	19 194	1 483	6 264	7 419	15 166	-4 028	26 850	1 628	984
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	2 109	1 333
7 804	4 072	8 289	20 165	1 611	6 692	7 332	15 635	-4 530	25 432	1 970	1 284
9 871	3 939	8 482	22 292	1 604	8 404	7 476	17 484	-4 808	23 979	2 085	1 082
8 601	4 141	8 787	21 529	1 579	7 620	7 808	17 007	-4 522	23 809	1 315	604
7 918	6 454	9 166	23 538	2 340	9 333	7 816	19 489	-4 049	24 626	1 087	502
8 708	6 812	9 318	24 838	3 113	10 179	7 700	20 992	-3 846	25 214	1 757	937
9 279	7 008	9 592	25 879	3 727	11 970	9 249	24 946	- 933	27 689	1 516	730
9 250	7 352	9 684	26 286	3 605	13 539	9 749	26 893	607	29 432	1 513	761

See explanations on page 22.



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100						Building costs 1973 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1978	727	125.8	124.1	131.8	119.2	140.3	129.5	180.8	161.0	186.0
1979	791	138.0	135.0	148.7	133.1	150.7	139.2	198.8	177.6	204.1
1980	919	160.7	156.6	175.0	160.1	167.7	155.9	225.5	192.2	234.5

1980

Feb.	859	150.2	146.3	163.8	147.3	161.0	148.2	214.0	182.1	222.9
March	882	154.1	150.1	168.1	153.1	161.5	150.1	216.1	182.6	225.8
April	899	157.2	152.4	173.9	157.6	162.7	151.3	218.8	182.6	229.0
May	912	159.4	154.9	175.3	159.9	165.5	153.1	224.6	194.5	232.1
June	919	160.7	156.0	177.0	160.6	167.1	155.5	226.3	194.5	234.2
July	934	163.2	158.5	179.5	163.3	169.3	157.6	226.6	194.9	234.5
Aug.	939	164.0	159.9	178.7	163.3	171.6	159.4	228.1	194.9	236.4
Sept.	947	165.6	162.0	178.2	165.5	172.6	159.9	231.1	194.9	241.4
Oct.	957	167.3	163.9	179.2	167.3	173.9	161.7	234.9	201.0	244.3
Nov.	963	168.3	164.9	180.5	168.2	174.4	163.7	235.8	201.0	245.6
Dec.	971	169.6	165.9	182.8	170.0	174.8	164.5	237.1	201.0	247.6

Consumer prices 1977 = 100

Period	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1980	129.3	122.8	140.9	131.9	122.4	141.1	127.4	137.6	136.4	123.4	132.6

1980

Feb.	123.1	114.4	138.6	123.8	116.0	130.5	122.9	133.2	130.6	119.2	127.8
March	124.3	115.4	138.6	126.0	116.0	133.6	123.6	133.4	134.3	119.3	128.6
April	126.7	120.3	139.2	131.4	116.0	133.9	125.8	134.7	135.7	122.7	129.8
May	128.1	122.4	139.3	131.9	118.1	142.7	126.1	134.8	136.9	123.3	130.1
June	128.6	122.6	139.4	131.8	118.1	143.3	127.0	136.3	137.4	123.6	132.3
July	129.4	124.4	139.4	130.1	118.1	143.8	127.7	136.4	138.9	124.0	133.3
Aug.	131.1	124.8	139.4	131.6	126.6	144.0	128.3	140.3	138.6	125.0	133.4
Sept.	132.9	127.8	139.4	135.3	130.6	145.0	129.7	141.3	138.7	125.4	134.2
Oct.	134.2	130.4	139.4	138.7	130.6	149.6	131.4	142.6	138.7	125.5	135.8
Nov.	135.4	129.7	149.8	140.5	130.6	149.7	131.8	142.6	139.0	126.6	139.2
Dec.	136.4	128.5	149.8	141.2	132.8	152.1	132.3	144.1	141.1	128.0	141.0

WAGES

Index of wage and salary earnings 1975 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1978	146.3	137.0	123.2	131.8	131.5	128.0	135.1	132.9	134.4	133.6
1979*	161.6	151.6	134.1	149.5	145.6	142.6	150.8	148.6	149.3	148.9
1979*										
Apr.-June	159.8	153.1	135.0	149.0	145.8	142.9	150.9	148.0	150.2	149.0
July-Sept.	162.6	151.3	133.4	149.7	145.9	142.7	151.3	149.1	149.5	149.3
Oct.-Dec.	168.2	154.6	137.5	154.2	148.5	145.5	154.9	152.4	153.0	152.7
1980*										
Jan.-March	168.9	160.2	140.9	158.4	152.2	149.4	159.2	156.4	157.5	156.9
Apr.-June	178.1	172.1	147.1	166.8	160.9	157.0	169.9	165.3	168.5	166.8
July-Sept.	187.8	170.7	148.9	167.1	161.2	157.1	171.1	166.7	168.8	167.7

PRODUCTION

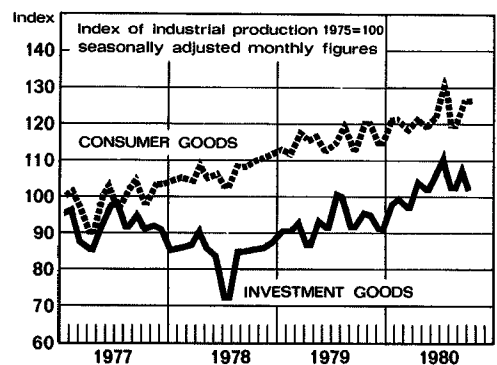
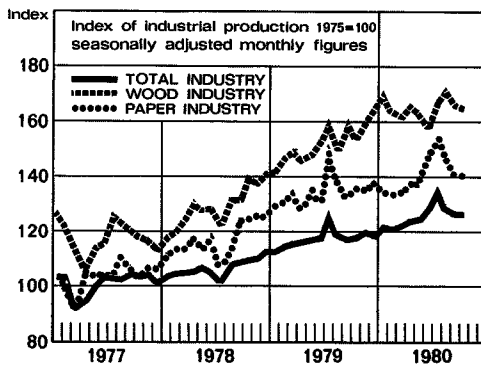
Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1978										
Apr.-June	102	108	84	110	79	89	101	94	114	109
July-Sept.	98	91	159	62	99	85	102	95	115	104
Oct.-Dec.	110	114	78	147	104	87	112	106	116	108
1979*										
Jan.-March	107	118	78	145	73	85	99	90	119	107
Apr.-June	110	117	86	169	73	89	111	103	118	112
July-Sept.	106	104	158	72	96	87	113	103	119	108
Oct.-Dec.	119	126	75	153	116	91	127	112	120	114
1980*										
Jan.-March	112	126	72	149	79	87	109	97	122	111
Apr.-June	113	125	81	145	79	89	111	104	121	116
July-Sept.	115	115	190	95	110	86	121	106	122	112
Oct.-Dec.	124	134	68	161	124	91	135	118	124	118

PRODUCTION

Index of industrial production 1975 = 100

Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1976	101.2	100.9	100.3	101.6	96.6	112.1	105.5	103.7	93.2	99.9	101.3
1977	101.8	93.6	100.9	104.4	96.3	199.0	104.6	101.0	94.7	98.7	101.9
1978	107.0	85.6	108.1	111.9	103.9	130.3	118.2	109.6	93.5	99.6	107.0
1979*	118.2	94.4	116.9	125.0	110.4	153.2	136.0	123.7	102.3	110.8	118.4
1979*											
Sept.	119.6	96.6	117.2	126.7	111.2	156.9	143.3	121.4	111.9	113.1	117.9
Oct.	134.5	112.6	133.5	140.6	134.0	173.2	152.3	135.1	125.7	130.3	118.8
Nov.	134.2	111.5	134.6	139.9	129.5	170.6	146.5	139.5	118.6	128.7	120.4
Dec.	112.2	86.3	112.3	119.0	100.2	138.5	127.8	105.3	82.5	102.8	119.0
1980*											
Jan.	131.9	108.9	130.9	138.3	106.1	167.1	146.1	137.9	108.3	124.6	121.7
Feb.	124.3	101.7	122.5	131.0	101.1	160.9	137.3	136.0	105.4	117.5	121.3
March	131.6	106.3	128.9	139.5	106.6	175.7	149.3	150.0	106.4	124.0	123.5
April	124.6	103.0	122.2	131.4	110.7	188.6	130.1	142.1	109.1	119.7	125.6
May	129.0	110.7	126.8	134.8	121.0	203.3	132.5	144.5	114.7	128.3	126.2
June	121.0	102.9	116.6	127.7	109.9	170.5	129.3	133.5	112.7	117.3	129.0
July	88.3	54.5	77.9	101.9	109.7	87.7	150.6	88.2	82.3	64.2	136.4
Aug.	124.2	98.5	123.0	131.6	110.6	147.5	154.2	140.3	119.7	117.2	129.2
Sept.	132.4	112.4	129.4	138.9	121.3	179.1	145.2	145.5	133.2	130.4	127.9
Oct.	142.8	117.9	143.4	149.0	141.1	177.1	154.4	159.8	141.9	138.3	127.7
Nov.	129.2	107.8	128.7	135.0	123.7	154.7	149.1	143.0	122.5	123.1	123.2



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978	3 578	2 253	2 084	169	7.5	29 021	110	120
1979	3 593	2 223	2 134	139	6.1	37 986	117	135
1979*								
Dec.	3 598	2 250	2 119	131	5.8	3 373	145	139
1980*								
Jan.	3 601	2 232	2 098	134	6.0	3 644	107	133
Feb.	3 603	2 228	2 110	118	5.3	4 579	105	130
March	3 602	2 240	2 113	127	5.6	3 735	111	142
April	3 603	2 229	2 114	115	5.2	2 541	116	134
May	3 606	2 288	2 190	98	4.3	4 140	120	146
June	3 603	2 486	2 373	113	4.5	3 125	119	137
July	3 605	2 490	2 371	119	4.8	1 640	123	126
Aug.	3 606	2 408	2 302	106	4.4	1 881	120	140
Sept.	3 609	2 295	2 204	91	4.0	2 568	120	157
Oct.	3 615	2 355	2 234	121	5.1	3 255	125	157
Nov.	3 612	2 296	2 189	107	4.6	3 400

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1977	41.88	18.86	4.22	12.11	3.71	43.70	18.10	3.07	16.80	3.33	48.12
1978	41.98	17.90	4.97	12.72	3.68	42.56	18.21	3.77	13.59	4.21	42.78
1979*	48.64	18.71	6.34	16.57	3.99	38.29	16.70	4.39	11.88	3.25	47.62
1979*											
July-Sept.	11.74	4.47	1.32	3.79	1.16	8.39	3.33	1.24	2.22	0.88	51.91
Oct.-Dec.	9.99	3.46	1.02	3.59	1.38	14.13	6.39	1.91	4.26	0.89	47.62
1980*											
Jan.-March	8.55	3.38	1.04	3.13	0.55	8.18	3.69	0.73	2.72	0.73	44.40
Apr.-June	18.92	8.21	2.64	5.69	1.24	7.84	3.35	0.72	2.74	0.61	52.72
Oct.-Dec.	11.97	4.69	1.01	4.49	0.91	10.77	3.47	1.37	4.05	1.11	54.62

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. *Public sector*: Receivables = Government promissory notes + Bonds + Total coinage + Other public sector receivables. Liabilities = Cheque accounts + Counter-cyclical reserves + Counter-cyclical deposits + Capital import deposits + Other public sector claims.

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

Page 5. *Domestic financial sector*: Other liabilities, net = Capital import deposits + Other financial institution claims — Till-money credits — 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 + Export deposits + Other corporate claims — Bonds — Other corporate receivables.

MONETARY POLICY INDICATORS

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

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

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

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

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

FOREIGN EXCHANGE RATES

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

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

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

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

Page 9. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

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

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

STATE FINANCES

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

FOREIGN TRADE

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

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

BALANCE OF PAYMENTS

Pages 14—15. Figures are calculated by the Bank of Finland. In the current account, the figures for visible and invisible trade have been revised from 1970 so that they are in accordance with the revised System of National Accounts. In addition to the Board of Customs figures, exports include fuel for carriers but exclude stevedoring expenses and imports include seamen's duty-free imports, fuel for carriers and adjusted allowance for smuggling. On Jan. 1, 1980, foreign bonds were included in the convertible foreign exchange reserves of the Bank of Finland and not in the short-term capital account as earlier. The figures for other years have also been revised accordingly.

FOREIGN ASSETS AND LIABILITIES

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

Column 21 Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payments of long-term foreign assets and liabilities excl. amortisation payments of the Bank of Finland's reserves and oil credits.

Columns 21 and 22 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings. 1978 and 1979. Debt service does not include amortisation of the Bank of Finland's reserve and oil credits.

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 361-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.8, and metal industry (SIC 37—38) 25.9.

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

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

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

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

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

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

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

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

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

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

TRADE AND TRANSPORT

NATIONAL INCOME (1979, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 191 (4%), forestry and fishing 7 198 (5%), manufacturing 46 699 (32%), construction 10 478 (7%), trade, restaurants and hotels 16 307 (11%), transport and communication 12 375 (9%), banking and insurance 5 145 (4%), ownership of dwellings 10 217 (7%), other services 29 808 (21%), total 144 418. Index of real domestic product 112 (1975 = 100).

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

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

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

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

MERCHANT FLEET (Oct. 31, 1980): Passenger vessels 144 (249 335 gross reg. tons), tankers 40 (1 182 678 gross reg. tons), dry cargo vessels 212 (995 360 gross reg. tons), other vessels 91 (12 023 gross reg. tons), total 487 (2 439 396 gross reg. tons)

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

FINNISH AIRLINES (Dec. 1, 1980): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9 10/14/15, 9 DC-9-51, 2 DC-10-30, 2 Fokker F-27 and 1 Embraer Bandeirante. Companies have scheduled traffic outside of Finland to 37 airports and to 20 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 19.5, Skr 17.5, £ 13.6, DM 13.4, \$ 9.9, other currencies 26.1. The permissible range of fluctuation is about 3 per cent on either side of the arithmetic mean. The fluctuation limits are 119.0 and 112.0.

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

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

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

DEVELOPMENTS IN FINNISH TAXATION SINCE THE MIDDLE OF THE 1970s

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INTRODUCTION

A marked increase in the ratio of taxes to GDP, accompanied by a change in the tax structure, was the most prominent feature in the development of Finnish taxation during the first half of the 1970s. Since the middle of the decade, the trend has been reversed; the ratio of taxes to GDP has declined and the tax structure has been restored to broadly what it was during the early years of the decade.¹

A certain connection exists between changes in the level and structure of taxation and general economic developments. During the period under review, this connection has been accentuated, because taxation policy has come to play an increasingly conspicuous part in general economic policy. The importance of taxation in economic policy has also been enhanced by the role which taxation policy has assumed in recent years in the medium-term forecasts of economic development and the Government's economic policy programmes. Tax issues were also deemed very important in the economic policy report submitted by the Government to Parliament in June 1980. Considering taxation is essentially an economic policy tool, it has been assigned perhaps surprisingly much weight as an economic policy target in political debate.

The aim of this article is to provide an overall picture of developments in the level and structure of Finnish taxation since the middle of the 1970s. In addition, an attempt will be made to

outline the taxation policy pursued by examining the major measures affecting the above-mentioned developments.

DEVELOPMENTS IN THE RATIO OF TAXES TO GDP

The ratio of total tax revenue to GDP increased substantially during the first half of the 1970s to reach a peak of 40.0 per cent of GDP in 1976. The increase was particularly vigorous in that year, being almost 4 percentage points up on the previous year. In 1976, the ratio of taxes to GDP was about a quarter higher than at the beginning of the decade.

Quite an appreciable share of the growth in the tax ratio in 1976 was attributable to exceptional factors. As the ratio of taxes to GDP is measured by comparing the tax revenue recorded on a cash basis to GDP, the growth in the ratio in 1976 was also affected by the revisions in personal income taxation implemented in 1975 and 1976, which changed the timing of the collection of income taxes. These revisions in the timing caused an increase in cash revenue in 1976. Similarly, tax revenue recorded on a cash basis was affected by the deferment of the tax refunds for 1975 from December 1976 until March 1977. The refunds deferred amounted to about 1 200 million marks, or about 1 per cent of GDP.

1976 also saw the implementation of certain temporary measures increasing taxes: the collection of wealth taxes from limited companies, an increase in the personal wealth tax, and the

¹ Developments in taxation until 1976 and the overall structure of Finnish taxation have been described in the articles by the present author published in the Bank of Finland Monthly Bulletin Nos 1, 7 and 9, 1978.

collection of a tax surcharge from persons in high-income brackets were the most significant. In addition, some changes of a more permanent nature were also made: certain indirect taxes were raised in 1976, and the collection of some new taxes, such as the electricity tax, was started.

Apart from being the year in which the tax ratio reached its highest point so far, 1976 can also be more generally regarded as a turning point in taxation policy. It was in 1976 that the substantial tightening in taxation triggered off a taxation policy debate that contributed to the change in trend after 1976. The role of taxation in balanced economic growth was viewed in a new light and the prevention of rises in the tax ratio became an important medium-term economic policy target. During the first months of 1977, it was estimated that the tax ratio for 1977 would be nearly as high as in the previous year. In June 1977, the Government announced its economic policy programme, which contained medium-term economic policy objectives aimed at safeguarding employment and balancing the current account, income and price developments, and public finances. Similarly, the growth of public finances was to be planned so that there would be no further increases in the tax ratio.

The Government has been fairly successful in forestalling further rises in the tax ratio; following both 1976 and 1977, the ratio declined significantly. Again, a number of factors have affected this development. The tax ratio would have declined anyway after 1976 merely because the impact of the factors temporarily raising the ratio was eliminated. Although it was necessary to continue the deferment of tax refunds for two to three years after 1976, refunds were, nonetheless, paid each year. After 1977, there was a gradual return to the normal timing of refunds, which was attained in 1980.

The tax ratio continued to decline during the three years after 1976. In 1979, it fell to about 35 per cent, and was maintained at this level in the following year as well. Table 1 shows the ratio of taxes to GDP in 1975—1979.

TABLE 1. THE RATIO OF TAXES TO GDP IN 1975—1979, PER CENT

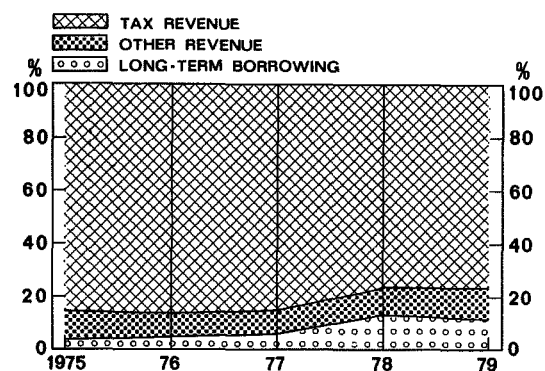
1975	1976	1977	1978	1979
36.1	40.0	39.2	36.6	35.1

Other important measures affecting the decline in the ratio have included the annual adjustments of personal income and wealth taxes for inflation and the tax concessions granted to stimulate investment and production. Likewise, measures connected with reflationary policies affected the ratio, particularly in 1978 and 1979.

The importance of the taxation policy line pursued is accentuated still further when it is observed that the tax ratio did not grow in the last years of the 1970s, even though real economic growth was accelerating at the same time. Naturally, the fact that the rate of inflation slowed down markedly in 1977—1979 was also of great importance.

The development of the tax ratio in the late 1970s was not a reflection of the development of the public sector's role in the Finnish economy. The structure of public sector financing also changed during this period, as was apparent in the change in the structure of state finances. On the whole, the financial structure of other subsectors of public finances has remained fairly stable.

CHART 1. THE STRUCTURE OF BUDGETED STATE FINANCES IN 1975—1979, PERCENTAGE BREAKDOWN BY SOURCE OF FINANCE



The share of revenue other than tax revenue in the financing of state expenditure has fluctuated to only a small extent. On the other hand, the shares of tax revenue and long-term borrowing have varied inversely with each other. During the first half of the 1970s, when the tax ratio increased rapidly, the share of tax revenue grew, reaching its peak in 1973—1974. At the same time, the share of borrowing fell to an exceptionally low level, accounting for less than 1.5 per cent of the total financing of state expenditure in the same years. By the beginning of the period under review, the share of borrowing had increased to almost 4 per cent.

As a result of the decline in the tax ratio — particularly in 1978 but also in 1979 — the share of tax revenue in the financing of state expenditure fell clearly below 80 per cent, which was an exceptionally low level compared with the 1960s and early 1970s. The alleviation in taxation led to a substantial increase in the central government deficit, thus necessitating a sharp increase in borrowing. The share of borrowing in the financing of state expenditure reached an exceptionally high level in 1978, and this has been maintained ever since.

CHANGES IN THE TAX STRUCTURE

In the following, the tax structure refers to the relative shares of different taxes in total tax revenue. When examining the tax structure, various principles of tax classification can be applied. Here the examination is based on the tax classification applied in the OECD Revenue Statistics, in which taxes have been grouped according to their payment basis.

Movements in the tax ratio during the past decade were clearly connected with the changes in the tax structure. The rise in the ratio of taxes to GDP up to 1976 was largely attributable to an increase in household income taxation, which also meant that the share of this tax in total tax revenue increased considerably. Another form of taxation whose share increased consisted of social security contributions, which

in Finland comprise only the payments made by employers. Because of their mode of collection and payment basis, the contributions of the insured are comparable to household income taxes. The taxes whose shares declined before 1976 included taxes on goods and services and, to a minor extent, corporate income taxes. Another category of taxes that can be examined separately is »Other taxes», which, according to the OECD classification, includes wealth taxes, inheritance and gift taxes as well as stamp duties. These taxes have not had any great significance, nor has their share in total tax revenue varied to any notable extent.

1976 also marked a turning point in the development of the tax structure. The majority of the temporary measures which, as was shown above, caused the increase in the tax ratio in 1976 were associated with household income taxation. With the elimination of these measures, the share of household income taxes in total tax revenue declined. The share of social security contributions also declined after 1976, whereas the share of taxes on goods and services increased. The shares of other taxes did not undergo any significant change.

The changes in the tax structure described above have coincided with the decline in the tax ratio, and when the decline in the ratio came to a halt, so, too, did changes in the tax structure. The outcome of these developments was that the tax structure in 1979—1980 corresponded fairly closely to that prevailing in 1972—1973.

TABLE 2. PERCENTAGE BREAKDOWN OF TOTAL TAX REVENUE IN 1975—1979, BY TYPE OF TAX

	1975	1976	1977	1978	1979
Household income taxes	48.2	49.2	48.0	44.2	43.6
Corporate income taxes	4.2	4.4	4.2	4.3	4.7
Social security contributions	10.8	11.1	10.7	10.3	9.5
Taxes on goods and services	34.8	32.0	34.8	39.0	40.0
Other taxes	2.0	3.3	2.3	2.2	2.2
Total	100.0	100.0	100.0	100.0	100.0

Two main themes have appeared side-by-side in the taxation policy debate of recent years: the prevention of rises in the tax ratio and the quite widespread demands for a shift of emphasis in taxation from direct to indirect taxes. In fact, the debate came to focus on the issue of the proportion of income taxes to consumption taxes in total tax revenue. The justification for lowering the level of households' income taxes and reducing their share in total tax revenue has been primarily based on the argument that this would alleviate the marginal effects of income taxation and reduce the inflationary pressures induced by income taxation. However, when at the same time raising the share of consumption taxes has been considered to exert direct inflationary effects, the call for a shift in emphasis in taxation has not received unreserved political support. It has also been asserted that a shift in emphasis from income taxes to consumption taxes would weaken the income-distribution effects of taxation.

For these reasons, there have been only a few measures aimed directly at changing the tax structure to any significant extent. The most important has been the change in the relationship between income taxation and consumption taxation implemented in 1977. The adjustment of income taxation for inflation carried out in this context exceeded the rate of inflation. At the same time, the sales tax rate was raised by 3 percentage points to 14 per cent. Attempts have been made to revise the tax structure through gradual changes. The Government's economic policy programmes have emphasized the importance of making adjustments for inflation in households' income and wealth taxation. The Government's programmes have also repeatedly proposed that the share of household income taxes in total revenue should not be increased any further.

In other respects, the taxation policy pursued has not clearly reflected the above-mentioned aim of changing the tax structure. The taxation policy measures related to reflationary policies have simultaneously reduced taxes on goods and services, the income taxes of corporations and the self-employed, wealth taxes and rates

of social security contributions of employers and the insured. By contrast, certain taxes on goods and services, particularly excise duties, have been increased.

MAJOR TAXATION POLICY MEASURES

In this section, the measures characterizing the taxation policy conducted in the late 1970s are examined in more detail. Measures of a purely fiscal nature, mainly increases in various excise duties, are excluded in the following examination.

HOUSEHOLDS' INCOME TAXATION

During the latter half of the 1970s, household income taxes accounted for nearly half of total tax revenue. Owing to the great importance of this form of taxation, the measures related to it have played quite an essential role in taxation policy.

In 1975 and 1976, revisions were made in the structure of central government personal income taxation. The existing tax system, including the joint taxation of married couples, was simplified in 1975, and the separate taxation of married couples' earned income was introduced in 1976.

In these two years, attempts were also made to implement overall tax reductions in households' income taxation; these were aimed at alleviating the combined impact of progressive taxation and inflation. As the various categories of income recipient were not affected equally by the structural reforms, some did not experience a reduction in income taxes. In particular, the revisions made in 1975 were problematic in this respect. The situation was further aggravated by the fact that the rate of inflation and the growth rate of nominal income proved much faster than had been estimated at the beginning of 1974 when the tax revisions were being planned; hence, the tax alleviations were not adequate to prevent an increase in income taxation.

The revisions made in 1976 were substantially larger, so that taxation did not tighten at all. However, the introduction of separate taxation and the use of the same income tax scales for all taxpayers meant that certain categories of income recipient received quite considerable reliefs. These categories included married couples in which both spouses had income, and single taxpayers who had previously been taxed according to the more severe of the two tax scales applied.

The structure of household income taxation has not been changed since 1976, although the tax provisions have been revised annually. The aim of these measures has been to alleviate income taxation so that the growth of income generated by inflation does not lead to an increase in the tax ratio.

A remarkable feature of the policy line pursued is that it is the first time during the entire post-war period that attempts have been made to revise taxation regularly on a yearly basis, so as to curb the increase in income taxation caused by inflation. In 1967—1973, for instance, central government income tax provisions were kept unchanged, and prior to this, revisions were made approximately every second year.

The adjustments for inflation made in income taxation since 1976 have not included automatic indexation. In all years, the adjustments have been discretionary, albeit based on the actual rate of inflation.

First, the adjustments for inflation have involved a revision of the bands of taxable income brackets and nominal amounts of tax in the progressive central government income tax scales, so that the increase in taxable income according to the rate of adjustment for inflation has not caused any change in the ratio of income tax to taxable income. Secondly, the major allowable deductions and tax credits have also been increased according to the same rate of adjustment. Not all allowable income deductions have been raised, but every year certain deductions, especially those for

families with children and for low-income groups, have been increased somewhat more than required by the general rate of adjustment applied. The revisions in deductions have also been extended to cover local government taxation, although this has not necessitated revisions in scales because the local tax is proportional.

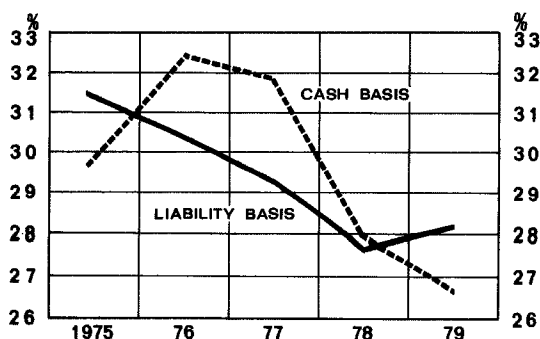
The adjustments for inflation have not been made on the basis of forecasts for the rate of inflation in the fiscal year concerned, but rather according to the change in the general level of prices during the last known year, i.e. the year preceding the fiscal year. Movements in the general level of prices have been monitored by means of the consumer price index. Consequently, differences have arisen between the actual rate of inflation for the fiscal year and the rate of adjustment applied. However, these differences can be regarded as cancelling out in the long run. The procedure applied makes it possible to avoid the uncertainty and potential speculation which would otherwise occur in connection with a procedure in which the adjustments for inflation were assessed on the basis of forecast price developments for the fiscal year. The table below shows the rates of adjustment for inflation applied in 1977—1980 together with the actual rates of inflation for the same years.

	Rate of adjustment	Rate of inflation
1977	16.0	12.3
1978	13.0	7.8
1979	8.0	7.4
1980	7.5	11.5*

* Estimate

Chart 2 shows households' income taxes as a percentage of their total income liable to tax, or the ratio of their final income tax liability to total income liable to tax, in 1976—1979. This ratio declined in 1976—1978 but increased again slightly in 1979. The chart also shows the ratio estimated on a cash basis, or the ratio of income taxes accrued during the revenue year to income liable to tax. This concept is comparable with the ratio of total taxes to GDP dealt with above.

CHART 2. HOUSEHOLDS' INCOME TAXES AS A PERCENTAGE OF THEIR TOTAL INCOME LIABLE TO TAX IN 1975—1979, ON LIABILITY AND CASH BASIS



The chart indicates how important the measures affecting the timing of tax collection, mainly the deferment of tax refunds, were in the late 1970s. The deferment of refunds from 1976 until 1977 increased the ratio for 1976 estimated on a cash basis, while the ratio assessed on a liability basis declined. The refunds deferred were paid in 1977, but the refunds for 1977 were deferred again until the following year. When steps were taken from 1978 onwards to gradually bring forward the payment of refunds so as to correspond to normal timing, the ratio estimated on a cash basis declined more rapidly than warranted by the development of the ratio assessed on a liability basis, and the decline continued in 1979.

Local taxes, church taxes and social security contributions of the insured account for nearly two-thirds of household income taxes. The

TABLE 3. CONTRIBUTIONS OF DIFFERENT TAXES TO HOUSEHOLDS' INCOME TAXES AS A PERCENTAGE OF THEIR TOTAL INCOME LIABLE TO TAX IN 1975—1979

	1975	1976	1977	1978	1979
Central government income tax	13.1	12.1	11.0	10.2	10.6
Local tax	14.2	14.2	14.2	14.1	14.1
Church tax	1.0	1.0	1.0	1.0	1.0
Social security contributions	3.2	3.1	3.1	2.4	2.5
Total	31.5	30.4	29.3	27.7	28.2

measures taken in recent years to alleviate income taxation have been mainly concerned with the central government income tax. The average local tax rate and the church tax rate have remained fairly stable during these years. On the other hand, the rate for the social security contributions of the insured was reduced in 1978. Table 3 shows the contributions of different taxes to households' income taxes as a percentage of their total income liable to tax in 1975—1979. The figures are shown on a liability basis.

CORPORATE TAXATION

Corporate taxation has also attracted much attention in the taxation policy debate. The earlier discussion on corporate taxation and the need for its reform centred almost exclusively on the issue of whether the rules for depreciation and inventory undervaluation applied in corporate taxation should be tightened for counter-cyclical reasons. Since the acquisition of inventories and fixed assets was the principal way in which corporations could allocate their net earnings for taxation purposes, it was argued that the system only served to strengthen cyclical fluctuations, particularly during an up-swing.

When cyclical developments weakened rapidly around the middle of the 1970s and corporate investment activity subsequently slackened, the contents of the debate also changed. Because of its exceptional nature, the collection of wealth tax from limited companies and similar corporations was a measure which had a noticeable effect on the general taxation policy debate.¹ The tax was levied on a corporation's net worth at a rate of 1.5 per cent, and it was collected only for 1976.

The major issues now became the level of corporate taxation in Finland compared with other countries and ways of enhancing corporate competitiveness through taxation meas-

¹ The wealth tax on limited companies and similar corporations was removed in 1968. However, shares are counted as a part of taxable wealth in personal wealth taxation.

ures. The prospects of stimulating investment through taxation measures and reducing the overall impact of inflation and taxation were especially discussed. After a deterioration in employment, the possibility of devising taxes that could influence the use of labour also emerged as an important issue.

Towards the end of the decade, a number of committees were at work discussing matters related to corporate taxation, and many of the measures eventually implemented were based on proposals made by these committees. In 1976, when the collection of wealth tax caused a substantial increase in the ratio of corporations' taxes to their net earnings, one of the first subjects to be dealt with was the level of corporate taxation in Finland relative to that in her major competitor countries. The committee investigating this matter made no attempt to construct a *yårdstick* for measuring the level of corporate taxation. Instead it examined the situation from different viewpoints and on the basis of statistical comparisons concluded that the level of corporate taxation in Finland during the early 1970s was approximately the same as the international average.

From 1977 to 1978, a committee on the Taxation of Business and Professional Income studied the prospects of developing corporate taxation, while in 1978, another committee examined ways in which taxation could be used to improve the operating conditions of small and medium-sized firms. These two committees made several general proposals for the development of corporate taxation. Subsequently, more specific proposals were put forward, some of which were already implemented in 1978. Two new committees were appointed in 1978 to continue the work of the earlier committees, but they did not report until 1980. Apart from the committee work, other issues dealt with included the making of adjustments for inflation in accounting and taxation as well as the shifting of the basis for employers' social security contributions from the wage bill to turnover. However, these studies have not led to any concrete measures so far.

The examination of corporate taxation widened to include also the taxation of shareholders. This was felt to be particularly necessary in the case of small and medium-sized firms, for the economic consequences of the taxation of a firm and its shareholders are closely linked with each other through wealth taxation.

The introduction in 1976 of the temporary right to free depreciation on industrial buildings, together with an additional deduction, was the first measure in taxation policy aimed at stimulating investment. An enterprise which had started a building project during a given period and completed it before a specified date, was entitled in 1976—1979 to freely deduct the total acquisition cost of the building as depreciation and also to make an extra deduction worth 3 per cent of the acquisition cost of the building. Later, this concession was extended to cover machinery purchased for such buildings. The date set for the expiry of the tax concession was extended so that it could be applied to buildings which came into use before the end of October 1978 and to machinery ordered before that date. These tax concession arrangements were continued in 1978 by means of a new act providing for similar benefits in 1978—1982 for buildings that came into use before the end of September 1980 and for machinery and equipment delivered before the end of 1980. The new act also allows advance depreciation on certain conditions. According to data available, enterprises have made extensive use of these benefits, which seem to have stimulated new investment projects.

The tax concession scheme for industrial buildings was supplemented in 1977 by a reduction in sales tax on industrial buildings. Finland has not introduced a value-added tax, so that sales tax is also levied on investment goods. Sales tax is charged in full on machinery, equipment and building materials, but construction work is tax-exempt. In the autumn of 1977, industrial buildings were granted temporary exemption from sales tax. This concession applied to building projects started during a certain period and completed before the end of 1979. In 1978, sales tax concessions were also extended to

cover industrial machinery and equipment, a 50 per cent deduction being granted for purchases made between the same dates. The expiry dates for these concessions have been extended several times, and they continue to be in force, although still on a temporary basis. In connection with one of these extensions, the sales tax concession on machinery and equipment was reduced to one-third as from the beginning of 1980.

The corporate taxation scheme applied in Finland is basically a split-rate taxation scheme, which operates by means of deductions granted to limited companies on the basis of their distributed dividends. Since 1969, this deduction has amounted to 40 per cent of the net earnings distributed. In addition, a temporary provision has been in force according to which all the dividends paid on newly-raised share capital have been deductible from taxable income for the first six years. In 1977, deductibility in full was restricted to dividends up to a maximum of 20 per cent of the new capital. Deductibility in full was applied originally to share capital fully paid up between 1969 and 1978. In 1977, this period was extended by two years, and, at the same time, the above-mentioned dividend deduction of 40 per cent was raised to 60 per cent for dividends distributed for 1977—1980.

In order to allow the allocation of net earnings for those enterprises not having assets eligible for inventory reserves or depreciation, the right to create a general operating reserve was incorporated in tax legislation in 1978. An enterprise may deduct a maximum of 50 per cent of its net earnings in the accounting period for transfer to an operating reserve. However, the total amount of the reserve cannot exceed a certain percentage of the enterprise's total wage bill for the previous 12 months. This reserve system was introduced in 1978 and the upper limit for the reserve is being gradually raised over a five-year period to a maximum of 10 per cent of the wage bill after 1981.

Since 1969, the central government income tax rate for limited companies has been 43 per

cent of taxable income. However, the law contains a concession stipulation according to which this tax rate is applied in full only to taxable income exceeding a certain nominal amount. Previously, the threshold for full-rate income tax collection was 10 000 marks, but in 1979 it was raised to 50 000 marks and in 1980 to 100 000 marks. These revisions were designed to alleviate in particular the taxation to the smallest enterprises.

THE TAXATION OF SHAREHOLDERS

In addition to the above-mentioned deduction granted to a company on the basis of its distribution of net earnings, the double taxation of the company and its shareholders has been eased by permitting shareholders to make deductions for their dividend income in central government taxation; this deduction was 500 marks until it was raised to 1 000 marks in 1978 and to 1 500 marks in 1979. In 1980, the first 1 500 marks of dividends were made exempt in local government taxation as well.

In recent years, there have also been alleviations in the wealth taxation of shareholders. In certain cases, the existence of a wealth tax means that the ratio of the income plus wealth taxes to taxable income rises substantially. If the taxpayer owns low-yielding assets, or if, for some reason, he does not realize the yield on his assets, the combined total of income and wealth taxes may even exceed the amount of taxable income. In recent years, several attempts have been made to rectify this situation by imposing a ceiling on taxation according to which an upper limit has been set on the ratio of the total tax liability to taxable income. If the tax liability has exceeded this limit, the central government tax liability has been reduced accordingly. Nevertheless, wealth tax has always been collected, so as to prevent tax evasion.

Total taxes could not exceed 90 per cent of taxable income until 1976, when the ceiling was lowered to 80 per cent. Even so, wealth

tax had always been collected in full up to then. But in 1977 and 1978, it was also permitted to deduct a maximum of 20 per cent from wealth tax and since 1979, the allowable deduction has been 30 per cent of wealth tax. These changes were aimed at easing the taxation of shareholders of small and medium-sized enterprises.

As mentioned above, wealth taxation was tightened appreciably in 1976. This was implemented by raising the level of progressive wealth tax scales for larger wealth holdings. Since 1977, adjustments for inflation have been made in wealth tax scales to correspond to those made in household income taxation. These have been linked with the gradual lowering of the level of taxation for large wealth holdings, so that the pre-1976 level was attained in 1979. The threshold of taxable wealth in wealth tax scales was raised markedly in 1978 and again in 1980, when the scales were alleviated throughout. The revisions in wealth tax scales were quite significant; in particular, the raising of the lower limit had, by 1979, reduced the number of persons paying wealth tax by about a half from the peak level in 1977, and it is estimated that the number probably fell by another 50 per cent in 1980.

EMPLOYERS' SOCIAL SECURITY CONTRIBUTIONS

Employers' social security contributions were increased slightly in 1975 and 1976. When employment deteriorated, steps were taken to utilize changes in these contributions for improving the competitiveness and employment prospects of corporations. The rates of social security contributions were lowered temporarily at the end of 1977 but raised slightly in the spring of 1978. During the first months of 1979, the rates were reduced by almost 20 per cent and lowered further at the beginning of 1980. Although the rates were raised slightly again in the middle of 1980, they are still about a quarter below their peak level in 1976.

TAXATION OF FORESTRY INCOME

It should be mentioned that business taxation in its broadest sense also embraces the taxation of farm income, which is important in this context because the late 1970s saw the implementation of several revisions in the taxation of forestry income which were considered to be significant from the point of view of taxation policy. A special committee has also been studying the development of the taxation of forestry income.

The taxation of forestry income is based on the assessment of presumed income per acre of forest owned. During the first half of the 1970s, the methods for assessing income proved to be outdated, leading to unrealistic differentials in the level of income per acre between the various regions of the country as well as to a relatively low level of aggregate income. The revision of the bases in 1977 induced a slight rise in the level of income and changes in the regional disparities in income. Because of lags in the tax system, the tax bases were also affected at this time by the very sharp rise in timber prices which had taken place in the preceding years. Around the middle of the decade, a weakening in cyclical prospects resulted in a marked slackening in timber sales, particularly in certain regions. The increase in wealth taxation in 1976 was also felt in the taxation of forest-owners. Together these factors led to strong demands for the alleviation of forestry income taxation.

The methods for assessing income were in fact revised in 1978 and 1980, although the revisions involved mainly changes in the regional differentiation of the methods used rather than a change in the overall level. In addition, new tax concessions applied to forestry income taxation became effective in 1980; these were designed to relieve taxation of reforested areas. Furthermore, in 1979 a tax concession was introduced according to which a certain proportion of forestry income during 1978—1983 is being treated as the taxpayer's earned income and hence taxed less severely. The general alleviations in wealth taxation discussed above also covered the taxation of forest-owners.

CONCLUSION

The taxation policy pursued during the second half of last decade differed significantly from that of the preceding years. This was partly attributable to exceptional developments at the macroeconomic level and to the fact that taxation policy measures were also used to stimulate the economy during the recession after the middle of the decade. To some extent, the increase in the overall level of taxation also brought about a change in general attitudes towards the level and structure of taxation.

In recent years, the tax system has been the subject of extensive investigation and not all the proposals for its reform have yet been implemented, nor has the aptness of their implementation been discussed at the political level. Consequently, it seems clear that at least the taxation policy debate concerning corporate taxation will go on and that reforms will continue to be made in the years to come.

Looking at the 1970s as a whole, it can be

asserted that Finnish taxation policy has swung from one extreme to the other. During the first years of the decade, little was done to develop the tax system and the tax provisions remained virtually unchanged. The last years of the decade witnessed the implementation of several reforms and, for instance, the making of adjustments for inflation in income and wealth taxation became common practice.

These developments can be regarded as problematic, insofar that the marked decline in the ratio of taxes to GDP during recent years has caused an increase in both the central government deficit and state borrowing. Here also developments in recent years stand in contrast to those during the first half of the decade. In both these periods, the fluctuations in the central government deficit have not necessarily been strictly in line with the requirements set by cyclical policies. It seems obvious that, in the formulation and timing of taxation policy measures, more attention should be paid in the future to the supporting of balanced economic growth.

(continued from page 2)

the previous year. Industrial enterprises estimate that their average capacity utilization in 1980 was almost 90 per cent, which corresponds to the level reached in the boom years of the mid-1970s. Indeed, both the forest industries and the metal industry could be said to have operated at full capacity during 1980.

The majority of industrial firms expect their capacity utilization to fall rather than rise in 1981. The downward trend is attributable to

the forest industries, where three-quarters of firms anticipate a fall in capacity utilization. On the other hand, in the metal industry and other manufacturing industries the majority of firms expect their capacity utilization to rise rather than fall during the first half of 1981. However, the outlook for these industries in the second half of 1981 is more pessimistic, with the number of firms expecting a fall in capacity utilization exceeding slightly that of firms expecting a rise.

January 22, 1981

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor, absent as Prime Minister

Ahti Karjalainen

Deputy Governor, Acting Governor

Pentti Uusivirta

Rolf Kullberg

Deputy Governor, ad int.

Ele Alenius

Harri Holkeri

Seppo Lindblom
ad int.

Directors

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Senior officials

Pertti Kukkonen

Director, ADP-planning

Ralf Pauli

Monetary Policy

Raimo Hyvärinen

Domestic Financing

Kari Pekonen

Exchange Policy

M. Vanhala

Foreign Exchange

Kari Holopainen

Bilateral Trade

Pekka Tukiainen

Foreign Financing

J. Ojala

Exchange Control

Sirkka Hämäläinen

Deputy, Economics Dept.

Juhani Hirvonen

Deputy, Research Dept.

Markku Pietinen

Information

H. T. Hämäläinen

Administration

Timo Männistö

Internal Audit

U. Levo

International Legal Affairs

Erkki Vehkamäki

Data Processing

Anton Mäkelä

Personnel

Stig G Björklund

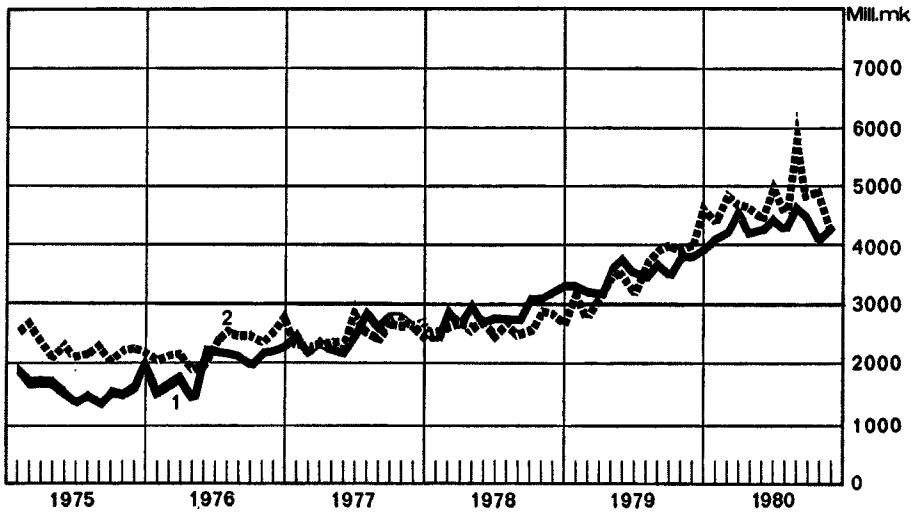
Payments

Reijo Mäkinen

Cash

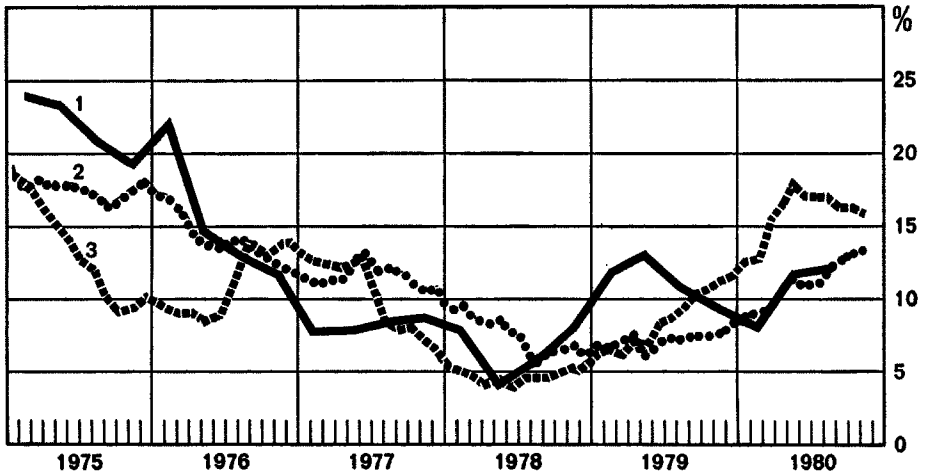
FOREIGN TRADE, 1975-80

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



PRICES AND WAGES, 1975-80

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



PRODUCTION, 1975-80

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

