



# BANK OF FINLAND

*Monthly Bulletin*

Finland's net foreign debt and long-term capital flows

Credit facility arrangements of the Bank of Finland

The balance of payments and foreign exchange policy in 1980

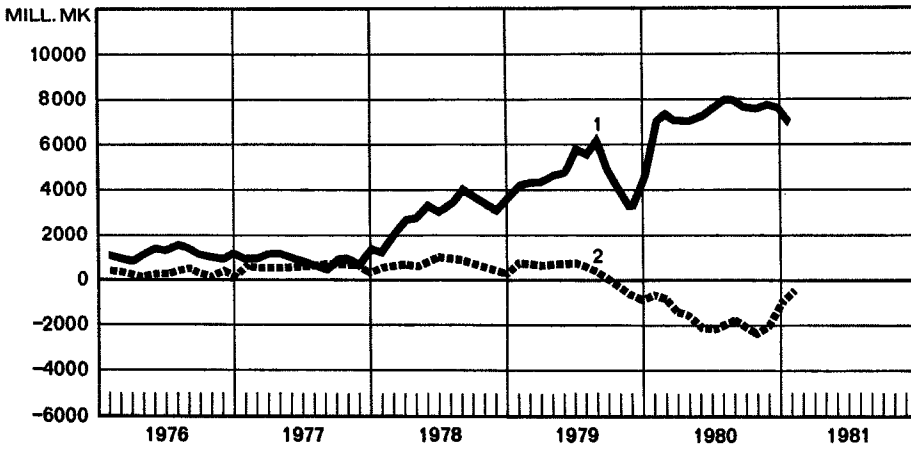
Credit facility agreement

Publication of the Bank of Finland

MARCH 1981

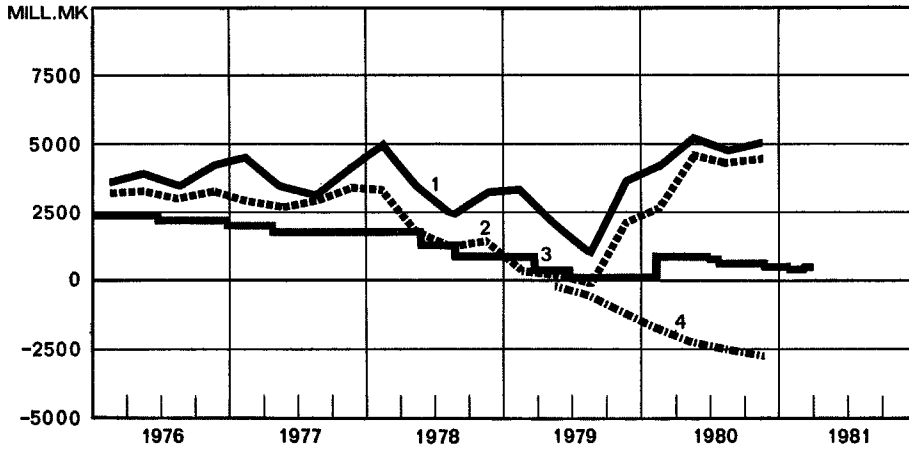
Vol. 55 No. 3

**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1976-81**



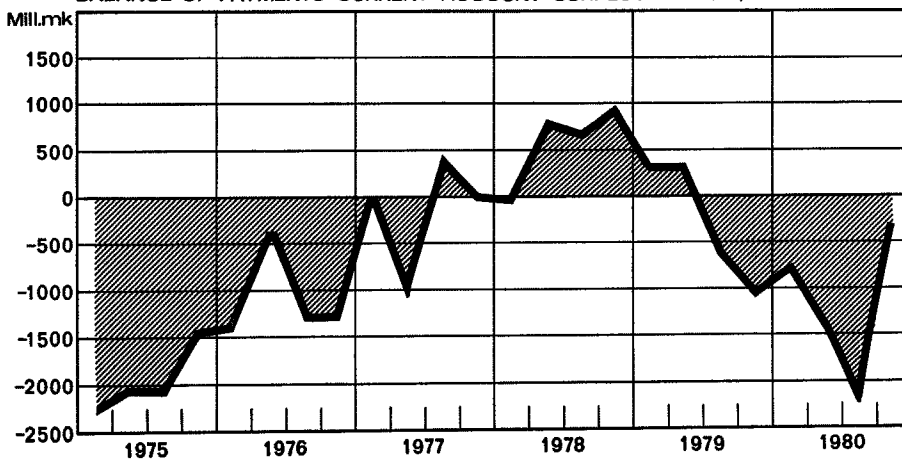
- 1. Gold and convertible currencies
- 2. Tied currencies

**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1976-81**



- 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

# FINLAND'S NET FOREIGN DEBT AND LONG-TERM CAPITAL FLOWS

by Helka Hellman, B.Sc. (Econ.)  
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In 1980, demand in Finland was still stronger than in the economies of her trading partners, and this, together with a weakening in the terms of trade, led to an increase in the current account deficit. The deficit for 1980 amounted to about 5 000 million marks, as against 810 million marks for the previous year. A sharp rise in the price of energy and brisk investment caused an increase of 32 per cent in the value of imports, while the value of exports rose by 22 per cent.

According to preliminary figures, Finland's net foreign debt grew by 5 200 million marks and amounted to about 29 800 million marks at the end of the year. The net long-term foreign debt increased by only about 100 million marks, so that the majority of the growth, about 5 100 million marks, was attributable to an increase in the net short-term debt. This increase centred mainly on foreign loans raised for the financing of exports and imports.

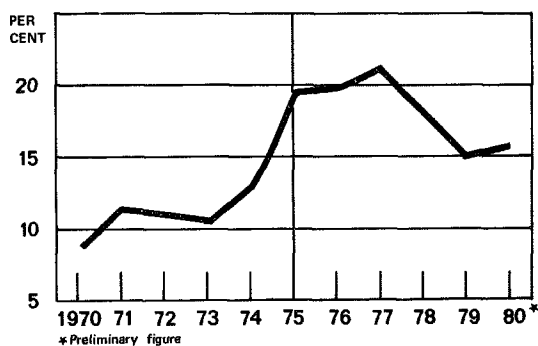
The ratio of net foreign debt to GDP at market prices rose by 0.6 percentage points, amounting to 15.9 per cent at the end of the year. The ratio of debt service charges, i.e. redemptions and interest expenses, to current account earnings declined further from the previous year. Finland's credit-worthiness on international financial markets remained good.

At the end of 1980, Finland's gross long-term foreign debt amounted to 36 522 million marks, which was slightly over 1 000 million marks more than at the end of 1979. At the end of

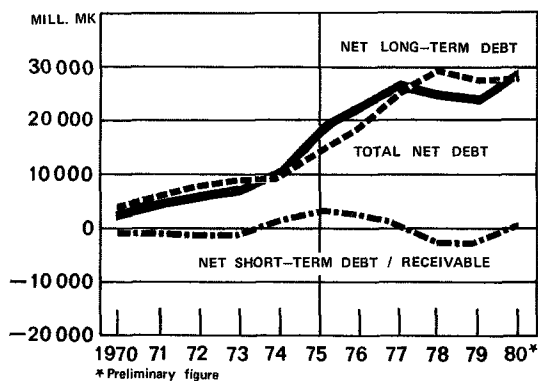
the year, 43 per cent of Finland's gross long-term debt was denominated in U.S. dollars, 12 per cent in Swiss francs and 11 per cent in deutschemarks. The remainder of the debt was distributed between some 20 other currencies.

In spite of a vigorous growth in investment, the corporate sector imported long-term capital to a fairly small extent. The financing of investments by means of foreign credit was curbed by the high level of interest rates prevailing on international financial markets and rapidly changing exchange rate expectations. On the other hand, the need for capital imports was reduced by the fact that companies' internal financing prospects had improved during the upswing and that the domestic financial market provided some room for manoeuvre, particularly during the first half of the year. The corporate sector's long-term foreign debt declined by more than 600 million marks in the course of the year. Permits for the import of long-term

**CHART 1. FINLAND'S NET FOREIGN DEBT AS A PERCENTAGE OF GDP AT MARKET PRICES**



**CHART 2. THE STRUCTURE OF FINLAND'S NET FOREIGN DEBT**



capital were granted primarily for the financing of replacement and expansion investments in the forest and metal industries and to meet the needs of special credit institutions.

The central government's capital imports took place almost entirely during the first quarter of the year. The foreign debt of the central government grew by more than 1 600 million marks.

Finnish bond issues abroad declined slightly from the previous year, totalling 1 492 million

marks. Of this amount, the central government accounted for 1 210 million marks. The following 7 Finnish bond loans were drawn abroad in 1980: the Finnish Government: DM 150 million; the Finnish Government: Hfl 75 million; the Finnish Government: Y 20 000 million; the Finnish Government: Y 15 000 million; Finnish Export Credit Ltd: US \$ 50 million; the Finnish Government: Sfr 80 million; and the Industrial Bank of Finland Ltd: DM 50 million.

Net direct investment by foreign firms in Finland amounted to 104 million marks, the same amount as in the previous year. At the end of 1980, the total value of foreign direct investment assets in Finland stood at 2 075 million marks, there being 926 firms in Finland which were more than 20 per cent foreign-owned.

Net direct investment abroad by Finnish firms amounted to 481 million marks, the same as in the previous year. At the end of 1980, the value of direct investment assets held abroad by Finnish firms totalled 2 806 million marks. At the end of the year, there were 1 052 firms abroad which were more than 20 per cent Finnish-owned.

## **CREDIT FACILITY ARRANGEMENTS OF THE BANK OF FINLAND**

by Esko Aurikko, Lic. Pol Sc.

Exchange Policy Department  
Bank of Finland

Traditionally, Finland's foreign exchange reserves have been relatively low by international standards (see chart). Although Finnish foreign trade is subject to considerable cyclical fluctuations, a policy of low reserves was possible to pursue for a long time because of the Bank of Finland's control over capital movements and the fact that the Finnish mark

was neither widely used in international trade nor held by foreigners. Pressure against the Finnish mark could originate only from domestic sources and could normally be tackled with relative ease by using domestic monetary measures.

(continued on page 32)

	1980		1981			
	Feb. 29	Dec. 31	Feb. 6	Feb. 13	Feb. 23	Feb. 27
<b>Assets</b>						
Gold and foreign exchange receivables	7 714	8 024	7 342	7 566	7 641	8 080
Gold	1 073	1 073	1 073	1 073	1 073	1 073
Special drawing rights	566	397	521	521	521	521
IMF reserve tranche	225	380	380	380	380	380
Foreign bonds	2 020	2 125	1 907	1 894	1 830	1 812
Convertible currencies	3 690	3 841	3 368	3 600	3 739	4 191
Tied currencies	140	208	93	98	98	103
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	4 360	5 350	6 093	6 963	5 875	5 358
Banks' cheque accounts	911	481	634	703	614	594
Call money market advances	3 005	3 674	4 307	5 166	4 058	3 651
Till-money credits	—	643	580	523	633	538
Bonds	405	527	546	546	544	546
Other financial institution receivables	39	25	26	25	26	29
Receivables from the public sector	1 265	1 225	1 089	1 087	1 090	1 095
Government promissory notes	700	512	354	354	354	354
Bonds	164	288	303	298	301	305
Total coinage	377	403	415	415	417	418
Other public sector receivables	24	22	17	20	18	18
Receivables from corporations	2 645	3 399	3 440	3 484	3 504	3 494
Financing of exports	1 216	1 502	1 455	1 478	1 490	1 480
Financing of domestic deliveries	1 101	1 561	1 671	1 690	1 697	1 698
Bonds	200	220	217	217	217	217
Other corporate receivables	128	116	97	99	100	99
Other assets	74	80	80	80	81	81
<b>Total</b>	<b>17 112</b>	<b>19 618</b>	<b>19 584</b>	<b>20 720</b>	<b>19 731</b>	<b>19 648</b>
<b>Liabilities</b>						
Foreign exchange liabilities	860	983	608	532	316	294
Convertible accounts	20	18	20	21	20	26
Tied accounts	840	965	588	511	296	268
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	4 233	4 954	4 646	4 574	4 569	4 661
Notes	3 888	4 572	4 275	4 203	4 198	4 289
Coins	345	382	371	371	371	372
Deposit certificates in circulation	2 740	1 900	1 400	1 900	1 900	1 500
Claims of financial institutions	3 623	3 739	4 394	5 169	4 384	4 583
Banks' cheque accounts	1	1	1	1	2	1
Call money market deposits	1 370	290	720	1 598	830	975
Cash reserve deposits	2 123	3 317	3 461	3 461	3 413	3 469
Capital import deposits	125	108	121	91	92	92
Other financial institution claims	4	23	91	18	47	46
Claims of the public sector	60	591	632	632	647	647
Cheque accounts	0	2	1	1	1	1
Counter-cyclical reserves	42	545	545	545	545	545
Counter-cyclical deposits	—	37	54	54	71	71
Capital import deposits	18	—	8	8	8	8
Other public sector claims	0	7	24	24	22	22
Claims of corporations	477	978	964	941	965	984
Deposits for investment and ship purchase	144	717	757	760	761	768
Capital import deposits	329	83	64	38	58	59
Export deposits	—	110	139	139	140	151
Other corporate claims	4	68	4	4	6	6
Other liabilities	13	13	16	13	13	14
Equalization accounts	1 306	1 767	2 082	2 112	2 087	2 112
Capital accounts	1 849	2 263	2 282	2 287	2 290	2 293
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	8	422	19	24	27	30
<b>Total</b>	<b>17 112</b>	<b>19 618</b>	<b>19 584</b>	<b>20 720</b>	<b>19 731</b>	<b>19 648</b>

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											
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
Feb.	1 974	1 812	4 165	7 951	-165	-1 020	6 766	1 095	647	-448	1 500

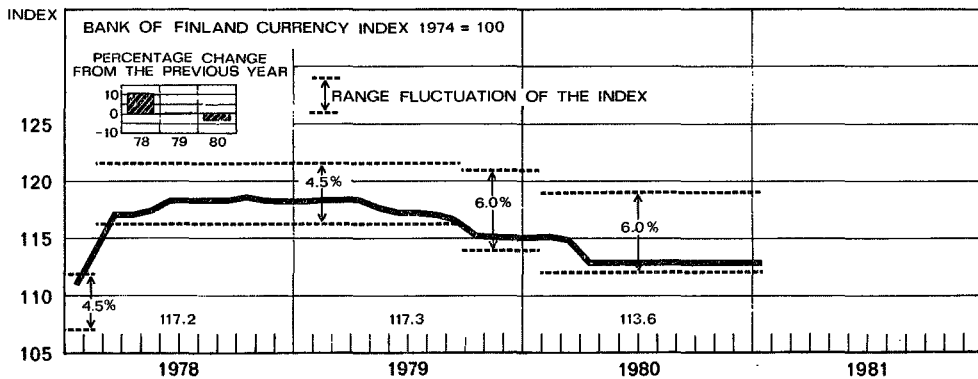
## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1979			Net holdings, Dec. 31, 1980			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Dec.	Jan.-Dec.
Gold <sup>2</sup>		1 073	-	1 073	1 073	-	1 073	-
Special drawing rights		430	-	430	397	-	397	-160
IMF reserve tranche		225	-	225	380	-	380	+165
Foreign bonds		-	-	-	2 125	-	2 125	+43
Convertible currencies		2 964	-3 223	-259	3 823	-7 194	-3 371	-515
Total		4 692	-3 223	1 469	7 798	-7 194	604	-467
Tied currencies		-678	-30	-708	-757	-67	-824	+1 068
Grand total		4 014	-3 253	761	7 041	-7 261	-220	+601

# 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											
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
Feb.	—	593	3 651	975	3 469	-975	775	3 178	668	2 510	4 661



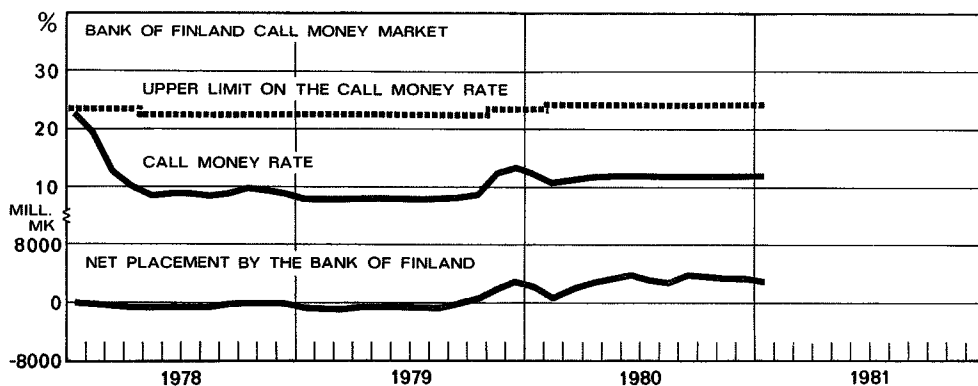
# MONETARY POLICY INDICATORS

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	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 <sup>2</sup>	9.25	26.80 <sup>2</sup>	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	9.77
1980										
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	9.83
1981										
Jan.	4 677	3 693	540	3 324	2 917	3 153	9.25	12.50	13.61	..
Feb.	4 976	3 905	600	3 443	3 033	3 307	9.25	12.50	..	..

See explanations on page 22.

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

<sup>2</sup> 1. 9.—31. 12. 1975.



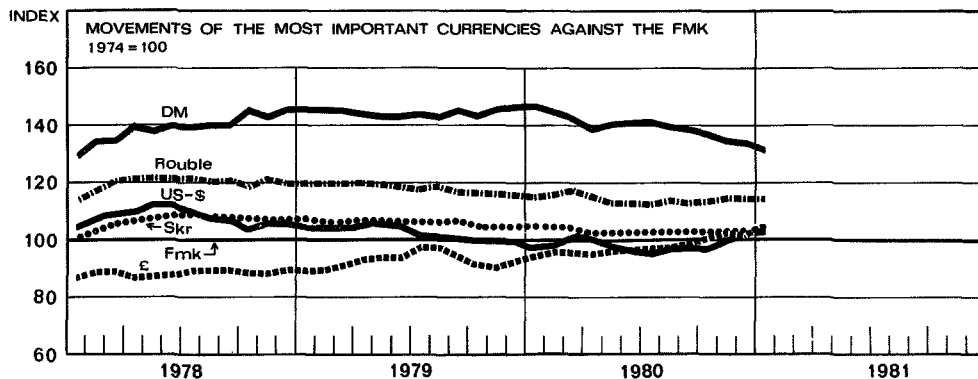


# FOREIGN EXCHANGE RATES

Mill. mk

Average selling rates for foreign exchange, mk

Period	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	Currency Index 1974=100
	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										
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
Feb.	4.073	9.358	88.59	75.50	61.88	189.90	209.14	82.18	5.779	113.1



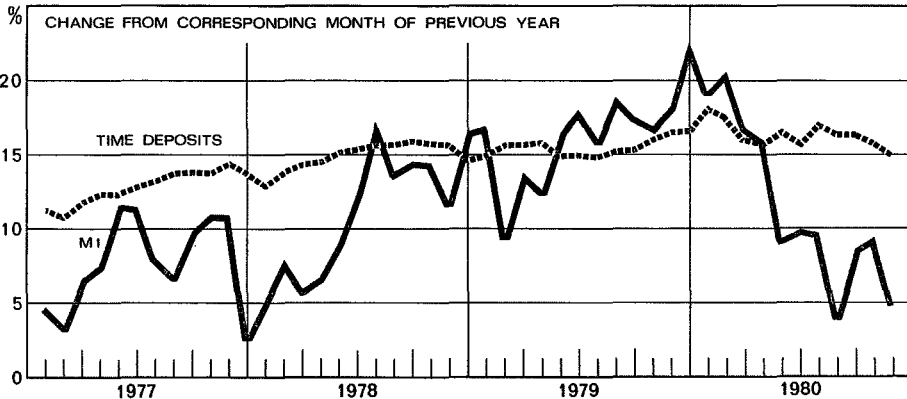
DEPOSITS BY THE PUBLIC

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										
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
Nov.	4 410	2 155	2 669	9 234	21 658	19 618	15 416	6 256	62 948	72 182



# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

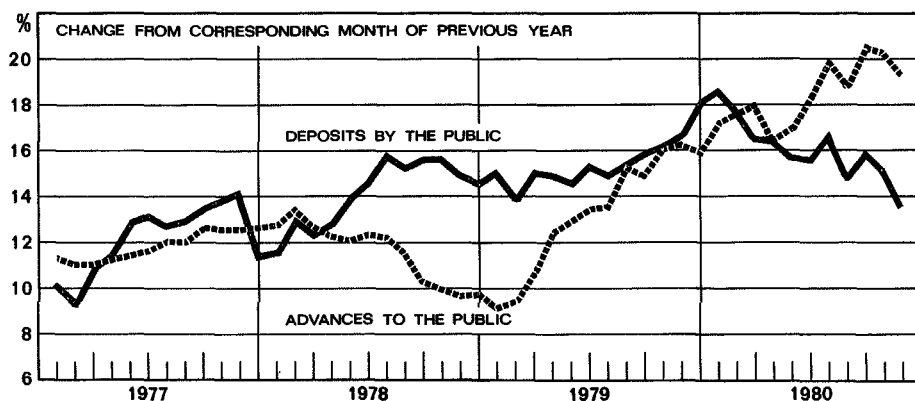
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> +Quasi- Money
	1	2	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

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	13 911	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
Nov.	35 789	18 920	16 491	10 166	69 911	2 543	8 912	81 366	..	..



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
<b>Total revenue</b>	<b>34 503</b>	<b>40 618</b>	Lending	2 754	3 047
Foreign borrowing	2 500	1 790	Other financial investment	457	421
Domestic borrowing	1 967	2 892	<b>Total expenditure</b>	<b>38 178</b>	<b>43 522</b>
<b>Total borrowing</b>	<b>4 467</b>	<b>4 682</b>	Redemption of foreign loans	217	186
<b>Deficit (+) or surplus (-)</b>	<b>+272</b>	<b>-386</b>	Redemption of domestic loans	847	1 206
Total	<b>39 242</b>	<b>44 914</b>	<b>Total redemptions</b>	<b>1 064</b>	<b>1 392</b>
			Total	<b>39 242</b>	<b>44 914</b>

State debt	1978	1979	1980			
	Dec.	Dec.	August	Sept.	Oct.	Nov.
<b>Foreign debt</b>	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
<b>Domestic debt</b>	<b>4 132</b>	<b>5 658</b>	<b>6 837</b>	<b>6 842</b>	<b>6 922</b>	<b>6 663</b>
<b>Total State debt</b>	<b>11 492</b>	<b>14 622</b>	<b>16 801</b>	<b>16 879</b>	<b>17 013</b>	<b>16 911</b>
Total debt mill \$	<b>2 859</b>	<b>3 915</b>	<b>4 584</b>	<b>4 618</b>	<b>4 604</b>	<b>4 461</b>

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
1980*	52 793	58 239	-5 446

1979

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

1980\*

Jan.	4 245	4 943	- 698
Feb.	3 795	4 232	- 437
March	4 735	4 409	+ 326
April	3 788	4 495	- 707
May	4 166	3 787	+ 379
June	4 501	5 742	-1 241
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.	4 486	4 171	+ 315
Dec.	5 589	5 505	+ 84

Indices of exports and imports  
1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1975	100	100	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
1980*	165	112	158	186	85

1978

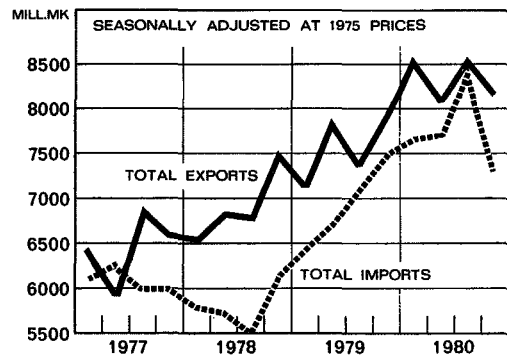
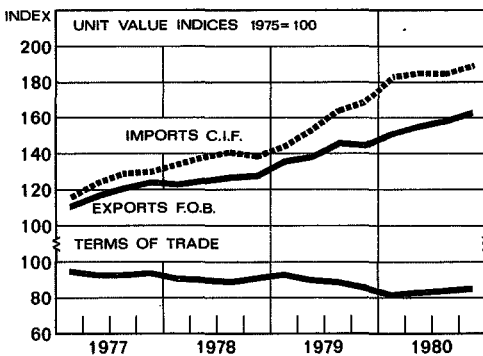
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92

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
Oct.-Dec.	177	112	164	190	86



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

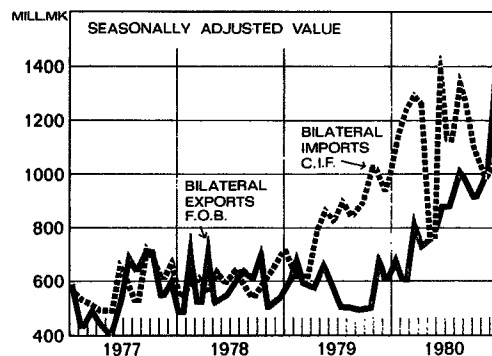
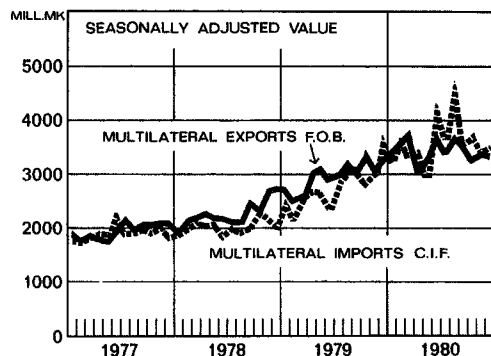
Period	Exports, f. o. b.					Imports, c. i. f.				
	Agri- cultural and other primary products	Wood industry products	Paper industry products	Metal, en- gineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer 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
1980*	1 403	7 742	15 751	11 544	16 353	38 607	4 087	7 992	7 442	111

## 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	2 809	200	534	632	57
March	247	554	1 269	1 087	1 578	2 918	191	595	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	529	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.	59	627	1 324	1 098	1 378	2 680	283	650	556	2
Dec.	260	669	1 479	1 566	1 615	3 667	380	856	597	5



## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—December				January—December			
	1979		1980*		1979		1980*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	67.5	29 317	63.7	33 615	55.6	24 596	52.1	30 352
Austria	0.7	301	0.7	391	1.3	558	1.2	693
Belgium and Luxembourg	1.5	652	1.5	765	1.8	810	1.7	976
Denmark	3.9	1 705	3.5	1 840	2.5	1 113	2.4	1 394
France	4.4	1 907	4.5	2 389	3.3	1 444	3.0	1 778
Federal Republic of Germany	11.0	4 779	10.6	5 606	12.9	5 706	12.6	7 348
Italy	2.2	955	2.4	1 265	2.4	1 049	2.4	1 387
Netherlands	4.2	1 813	4.3	2 259	2.7	1 191	2.5	1 474
Norway	5.4	2 337	4.2	2 206	2.5	1 120	2.1	1 224
Portugal	0.2	74	0.3	177	0.5	211	0.5	280
Spain	1.0	458	0.9	467	0.9	402	0.9	521
Sweden	16.1	6 975	16.5	8 718	13.8	6 113	12.1	7 031
Switzerland	1.7	759	1.6	843	1.8	799	1.6	924
United Kingdom	13.1	5 678	11.3	5 940	8.6	3 819	8.6	5 005
Other	2.1	924	1.4	749	0.6	261	0.5	317
<b>OECD countries outside Europe</b>	6.7	2 923	5.3	2 807	8.6	3 820	10.0	5 792
Canada	0.5	207	0.5	250	0.7	302	0.7	425
Japan	1.1	467	0.7	353	2.7	1 211	3.3	1 890
United States	4.2	1 850	3.1	1 667	5.0	2 219	5.8	3 373
Other	0.9	399	1.0	537	0.2	88	0.2	104
<b>CMEA countries</b>	16.3	7 056	19.9	10 523	23.3	10 303	24.7	14 399
Czechoslovakia	0.3	121	0.3	151	0.5	218	0.5	296
German Democratic Republic	0.8	356	0.6	331	0.6	249	0.6	328
Poland	0.5	195	0.4	237	1.9	842	1.7	997
Soviet Union	13.8	5 987	17.6	9 303	19.5	8 632	21.0	12 233
Other	0.9	397	1.0	501	0.8	362	0.9	545
<b>Latin America</b>	1.7	733	2.1	1 095	3.0	1 322	2.4	1 418
Argentina	0.3	141	0.5	239	0.2	107	0.1	62
Brazil	0.4	183	0.4	209	0.7	291	0.7	396
Colombia	0.1	58	0.1	63	0.9	391	0.7	441
Other	0.9	351	1.1	584	1.2	533	0.9	519
<b>Other</b>	7.8	3 401	9.0	4 753	9.5	4 181	10.8	6 278
<b>GRAND TOTAL</b>	100.0	43 430	100.0	52 793	100.0	44 222	100.0	58 239
of which								
<b>EFTA countries</b>	24.2	10 513	23.5	12 423	20.1	8 872	17.6	10 250
<b>EEC countries</b>	41.0	17 821	38.6	20 389	34.6	15 222	33.4	19 478
<b>OECD countries</b>	74.2	32 240	69.0	36 422	64.5	28 417	62.1	36 144

# 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- requited 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

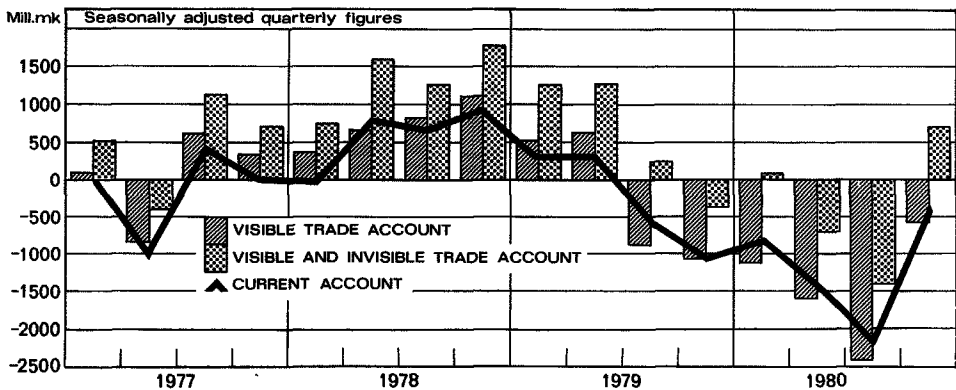
## 1979\*

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.





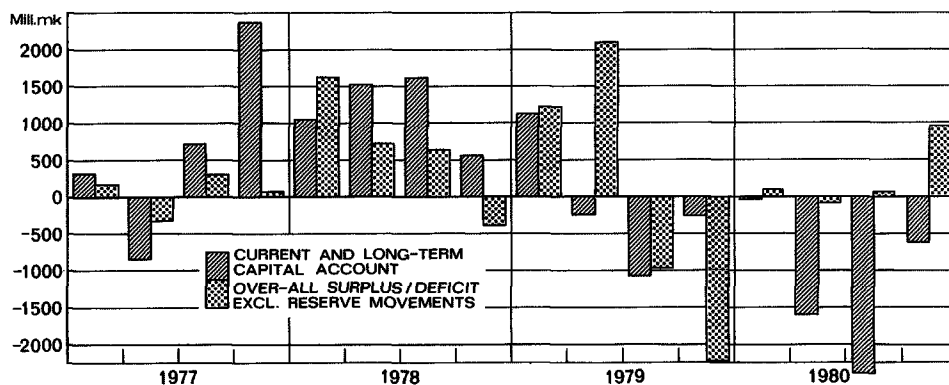
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net <sup>3</sup>	Miscellaneous, short-term capital items, incl. errors and omissions <sup>3</sup>	Over-all surplus deficit excl. reserve movements <sup>3</sup>	Bank of Finland foreign exchange reserves
+6 454	-2 745	-241	-229	+3 239	+2 659	-1 547	- 470	-451	+25	+216	-216
+9 007	-5 743	-774	-229	+2 261	+4 867	+ 130	-2 188	-699	+479	+2 589	-2 589
+6 230	-4 843	-541	-416	+ 430	- 380	+ 831	- 834	+1 290	-785	+122	-122
+5 183	-4 138	-400	-245	+ 400	-4 600	+3 400	-1 000	+4 000	-805	+995	-995
+2 907	- 691	+ 7	- 79	+2 144	+2 426	- 642	- 384	-915	-417	+68	-68
+1 876	- 854	-166	- 17	+ 839	+1 072	- 479	- 402	+627	+804	+1 622	-1 622
+2 900	-1 733	- 1	- 51	+1 115	+1 549	+ 328	- 402	-725	-28	+722	-722
+2 265	-1 089	- 96	- 39	+1 041	+1 648	+ 20	- 692	-587	+252	+641	-641
+1 966	-2 067	-511	-122	- 734	+ 598	+ 261	- 692	-14	-549	-396	+396
+2 202	-1 626	- 8	+ 50	+ 618	+1 143	- 19	- 63	+723	-552	+1 232	-1 232
+1 267	-1 453	-218	-174	- 578	- 278	+ 39	- 62	+1 966	+435	+2 100	-2 100
+1 258	- 892	-336	-105	- 75	-1 020	+ 422	- 354	-925	+892	-985	+985
+1 503	- 872	+ 21	-187	+ 465	- 225	+ 389	- 355	-474	-1 560	-2 225	+2 225
+2 108	-1 113	-171	- 65	+ 759	- 25	+ 136	- 31	+518	-515	+83	-83
+1 076	- 997	- 39	- 85	- 45	-1 585	+1 368	- 31	+1 666	-1 513	-95	+95
+1 126	- 913	- 36	-115	+ 62	-2 372	+ 597	- 12	+1 189	+652	+54	-54
+ 873	-1 115	-154	+ 20	- 376	- 618	+1 299	- 926	+627	+571	+953	-953

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

<sup>1</sup> Including Direct investment, net.

<sup>2</sup> Including Allocations of Special drawing rights 139 million in 1979 and 133 million in 1980.

<sup>3</sup> Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

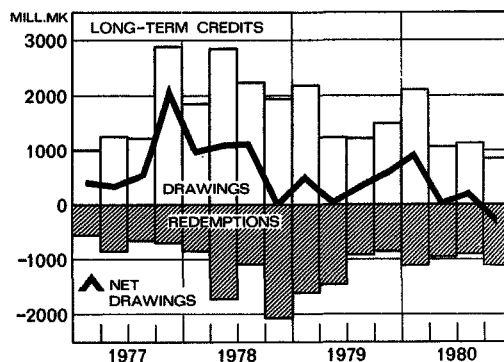
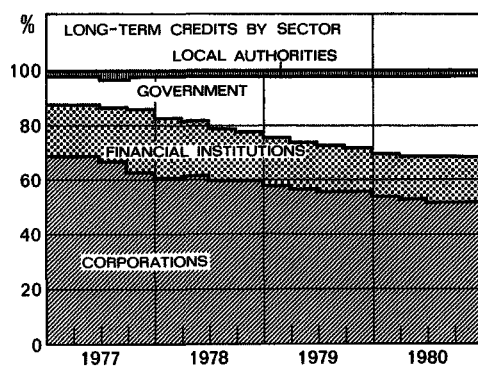


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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	
1977	2 289	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
1980*	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793
<b>1977</b>										
Dec.	2 289	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
<b>1978</b>										
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
<b>1979*</b>										
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
<b>1980*</b>										
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
Dec.	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793

See explanations on page 22.

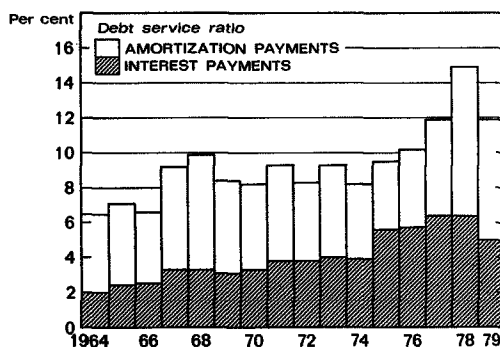
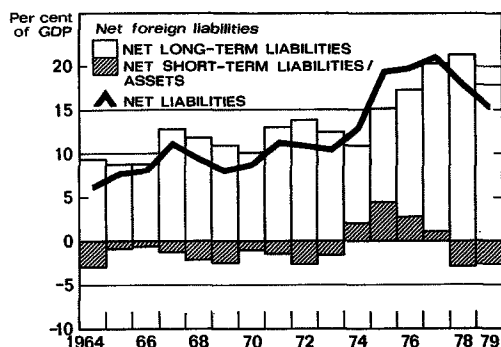


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities							
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)	Net short-term liabilities (18-14)	Net liabilities (10 + 19)	Debt service, flow	Of which amortization payments, flow
11	12	13	14	15	16	17	18	19	20	21	22
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
4 306	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	23 609	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										
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
1981										
Jan.	983	171.8	168.2	184.6	172.6	176.5	166.1	241.2	203.3	251.1

## 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											
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
1981											
Jan.	137.6	128.8	155.5	140.4	132.8	153.4	133.9	145.2	142.4	129.4	144.4

## 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							
1979*	161.6	151.6	134.1	149.5	145.6	142.6	150.8	148.6	149.3	148.9
1980*	179.2	170.3	147.7	166.5	160.5	156.6	169.5	165.7	167.3	166.4
1979*										
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	158.2	152.2	149.4	159.2	156.3	157.4	156.9
Apr.-June	178.1	172.1	147.1	166.6	160.9	157.0	169.8	165.3	168.3	166.8
July-Sept.	178.4	171.0	149.1	166.8	161.2	157.1	170.9	166.8	168.3	167.5
Oct.-Dec.	188.7	178.0	153.9	174.6	167.6	163.1	178.2	174.2	175.1	174.6

## PRODUCTION

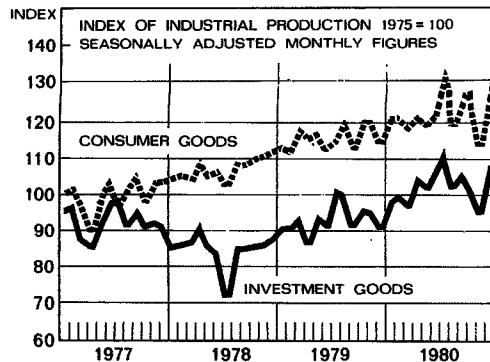
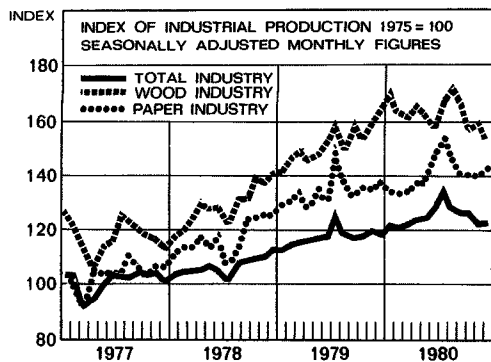
### Volume indices of production 1975 = 100

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	
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
1980*	125.3	102.6	123.1	132.3	114.5	163.0	142.9	138.0	112.7	118.4	125.7
1979*											
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.	129.6	109.1	128.9	135.3	123.5	154.7	149.1	143.2	122.5	124.3	123.2
Dec.	125.3	107.3	127.8	128.9	112.8	140.1	137.8	134.9	95.9	122.0	123.7



## 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
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	114	139
Dec.	3 615	2 294	2 179	115	5.0	3 775		

## 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 (with 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 351-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.6, and metal industry (SIC 37—38) 25.9.

## LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

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

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



# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

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

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

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

NUMBER OF INHABITANTS (1979): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1979): In South Finland 48.6, 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 (1979): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 483 743 inhabitants, Tampere (Tammerfors) 165 883, Turku (Åbo) 163 903.

EMPLOYMENT (1979): Agriculture and forestry 12%, industry and construction 34%, commerce 14%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 26%.

LANGUAGE (1979): Finnish speaking 93.6%, Swedish speaking 63.3%, others 0.1%.

EDUCATION (1980): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 15 colleges of university standard.

CHANGE OF POPULATION (1979): births 13.3 ‰, deaths 9.2 ‰, change + 2.3 ‰, net immigration - 1.9 ‰. Deaths in France 10.1 ‰ and Great Britain 11.9 ‰.

## 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 6 145 (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 (1979). The growing stock comprised of 1 806 million m<sup>3</sup> (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 690 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 61 million m<sup>3</sup> and the total removal calculated on the basis of roundwood consumption was 49 million m<sup>3</sup>.

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 (1979). Gross value of industrial production 138 668 mill. marks, number of workers 396 020, salaried employees 133 650, motive power (1978) 7.6 mill. kW. Index of industrial production 118 for 1979 (1975 = 100).

STATE RAILWAYS (Dec. 31, 1980): Length 6 076 km.

MERCHANT FLEET (Dec. 31, 1980): Passenger vessels 143 (238 040 gross reg. tons), tankers 39 (1 101 330 gross reg. tons), dry cargo vessels 213 (992 682 gross reg. tons), other vessels 92 (14 119 gross reg. tons), total 487 (2 346 171 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 Empraer 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, Posti-pankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-six private insurance companies also grant credits.

RATES OF INTEREST (Feb. 1, 1980). The 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 ½%. Other credit institutions: time deposits 5%; 6 month deposits 6 ¼%; 12 month deposits 7 ¾%; 24 month deposits 9% 36 month deposits 9 ¾% + savings premium; 36 month deposits 9 ¾% + tax concession and sight deposits 2%. The highest lending rate 12 ½%.

# THE BALANCE OF PAYMENTS AND FOREIGN EXCHANGE POLICY IN 1980

by Esko Aurikko, Lic.Pol.Sc.  
and Timo Taivalaho, M.Pol.Sc.

Bank of Finland

After three years of approximate balance, Finland's current account moved into clear deficit in 1980. As in many other countries, balance-of-payments developments could be largely attributed to higher energy prices. In Finland terms-of-trade losses were responsible for nearly two thirds of the year's increase in the current account deficit from 810 million marks (0.5 per cent of GDP) in 1979 to 5 000 million marks (2.7 per cent of GDP) last year. However, part of the increased deficit was due to the continued strength of Finland's relative cyclical position. At 5.5 per cent in 1980, Finland's GDP growth rate was the highest among the OECD countries for the second year running. Strong domestic demand at a time when recessionary tendencies were being increasingly felt in Finland's major markets naturally placed an additional burden on the external balance.

But, notwithstanding the above factors, the underlying balance remained fairly satisfactory. The basic strength stemmed largely from Finland's external competitiveness, which, despite a slight decline, remained at a reasonably good level in 1980. Thus, there were some further gains in Finland's market shares abroad.

Long-term borrowing was effectively curbed by high foreign interest rates and net imports of long-term capital covered only a tenth of the current deficit. On the other hand, there was a substantial inflow of primarily trade-related short-term capital, and the foreign exchange reserves of the Bank of Finland increased by nearly 1 000 million marks. Finland's net foreign indebtedness edged up by just over half

a percentage point to about 16 per cent of GDP at the end of 1980.

## COMMODITY EXPORTS

The past year saw a distinct weakening of foreign demand, with the growth of imports almost stagnating in Finland's major markets in Western Europe. Against this background, the 4 per cent increase in the volume of Finland's western exports can be viewed with some satisfaction. The outcome was undoubtedly facilitated by the sustained competitiveness of Finnish industry and by the fact that markets for important forest industry products remained fairly buoyant throughout most of the year.

The oil-induced deficit on the bilateral payments account with the Soviet Union led to a sharp increase in export demand, especially for the products of the engineering and pulp and paper industries as well as for many consumer goods. The overall increase in exports to the CMEA countries in 1980 amounted to some 30 per cent and, in addition, left many firms with quite satisfactory order books for the current year.

All in all, the volume of commodity exports grew by 9 per cent last year. This was the fifth consecutive annual increase since the trough of 1975, after which the increase in the volume of exports has increased by approximately 10 per cent a year on average. Coupled with brisk domestic demand, this created a situation broadly reminiscent of 1974 in which many sectors of industry were working at, or near, full capacity.

**TABLE 1. FOREIGN TRADE BY AREAS, MILLIONS OF MARKS AND AS A PERCENTAGE OF TOTAL TRADE**

	Exports, f.o.b.				Change 80/79 %	Imports, c.i.f.				Change 80/79 %
	1979		1980			1979		1980		
	Mill. mk	%	Mill. mk	%		Mill. mk	%	Mill. mk	%	
EEC	17 821	41.0	20 389	38.6	14.4	15 222	34.4	19 478	33.4	27.9
EFTA	10 513	24.2	12 424	23.5	18.2	8 871	20.1	10 250	17.6	15.5
CMEA (Eur.)	7 038	16.2	10 499	19.9	49.2	10 150	22.9	14 203	24.4	39.9
Other	8 058	18.6	9 482	18.0	17.7	9 979	22.6	14 309	24.6	43.4
<b>Total</b>	<b>43 430</b>	<b>100.0</b>	<b>52 794</b>	<b>100.0</b>	<b>21.6</b>	<b>44 222</b>	<b>100.0</b>	<b>58 240</b>	<b>100.0</b>	<b>31.7</b>

Exports: by country of consumption  
Imports: by country of origin

In 1980, exports of forest industry products expanded by 7 per cent in volume and, supported by higher prices, their share in the total value of commodity exports rose to 44 per cent. Exports of metal and engineering products expanded by only 2 per cent in volume, while their share in the value of exports amounted to 29 per cent. Exports of basic metals actually decreased a little in volume terms, while substantial new orders for metal products and machinery were reflected mainly in an increase in work-in-progress and not yet in deliveries. The chemical industry recorded a 36 per cent increase in the volume of exports, and double-digit expansion also took place in deliveries of foodstuffs, unprocessed agricultural products, notably furs, and textiles and clothing.

With a share of 39 per cent, the EEC clearly remained the most important market area. A particularly favourable export performance in Sweden ensured EFTA countries a share of 23 per cent in Finnish exports. Rapid expansion of exports to the Soviet Union raised the share of CMEA countries in Finnish exports to 20 per cent in 1980 (see Table 1). Quite high growth rates were also achieved in exports to developing countries, but the share of this group was no higher than 10 per cent, about half of which was accounted for by OPEC countries. Reflecting weakened demand, exports to the United States actually fell last year.

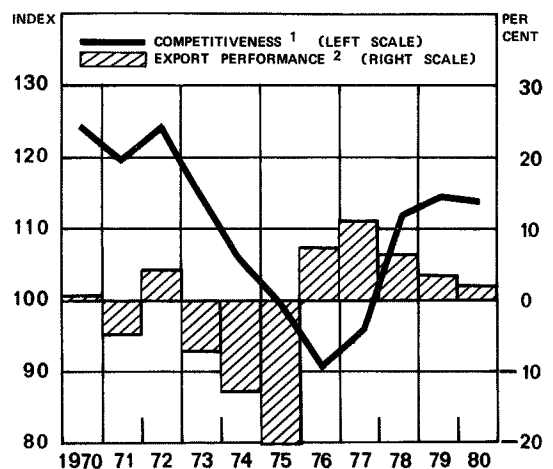
#### COMMODITY IMPORTS

Following a 9 per cent increase in 1979, total domestic demand in Finland expanded by 6 per cent last year, and this meant further sig-

nificant growth in the volume of imports. Commodity imports increased by some 13 per cent in volume as against nearly 20 per cent in 1979. The slight decline in the income elasticity of imports in an economy working at near full capacity in several sectors can be explained in part by tightening monetary and fiscal policies, supported by the high cost of credit abroad. Imports were also held in check by weakening economic prospects as well as by energy conservation coupled with some shortfalls in scheduled oil and coal deliveries.

Despite a decline in domestic use, imports of crude oil rose by one per cent last year to meet the demand for a notably higher level of exports of refined products. Imports of fuels and lubricants fell by 3 per cent. Sharply higher prices were therefore responsible for the two-percent-

**CHART 1. COMPETITIVENESS AND EXPORT PERFORMANCE**



<sup>1</sup> Relative unit labour costs, countries important for Finnish exports/Finland, in common currency, 1975 = 100.  
<sup>2</sup> Volume growth of western exports minus volume growth of markets.

age point rise in the share of energy imports to 28 per cent of total commodity imports. In 1980 imports covered 72 per cent of Finland's total energy requirements.

For most other import categories, the year-on-year growth rates were only a few percentage points lower than in 1979, although there was a clear deceleration towards the end of the year. Thus imports of raw materials and production necessities advanced by some 16 per cent in volume terms, their share in the total value of commodity imports amounting to 46 per cent.

Reflecting strong investment demand, imports of investment goods increased by over a third in volume, even though the domestic engineering industry supplied a relatively large proportion of new machinery. Here it should be noted that imports of investment goods were still below the previous peak of 1975 and in value terms accounted for only 14 per cent of total commodity imports. Imports of consumer goods increased by 16 per cent in volume terms and accounted for 13 per cent of total imports.

Shifts in the regional distribution of imports were primarily the result of higher energy prices, both the USSR and other oil suppliers increasing their import shares. The share of the EEC was 33 per cent and that of EFTA countries 18 per cent. CMEA countries accounted for roughly a quarter of Finnish imports in 1980. Developing countries supplied 13 per cent of Finnish imports, OPEC's contribution being 8 percentage points. Imports from the United States and Japan increased by over 50 per cent in value terms, with shares in total imports of 6 and 3 per cent, respectively.

#### FOREIGN TRADE PRICES AND THE TERMS OF TRADE

Last year saw another rapid increase in foreign trade prices, even if external price impulses were moderated by a further appreciation of the Finnish mark in March; on a year-on-year basis foreign exchange rates were 3.2 per cent lower.

In Finnish marks, import prices rose by 16.7 per cent. The price of crude oil was over 50 per cent higher than in 1979 and prices of fuels and lubricants went up by a quarter. Prices of raw materials and production necessities rose by 8 per cent, while increases for finished goods were a little lower. On the export side, the strong demand for forest products was also reflected in prices, which were nearly 16 per cent above the 1979 level. Prices of chemical industry exports increased at the same rate, largely because of the increasing share of oil products. For most other goods, price increases in Finnish marks remained under 10 per cent, and prices of agricultural products actually fell.

With the overall increase of export prices amounting to 11.4, Finland suffered a terms-of-trade loss of 4.6 per cent. In money terms the loss was equivalent to 2 700 million marks or roughly 1 ½ per cent of GDP. Since 1975, Finland's terms of trade have declined by about 15 per cent, but part of the fall can be attributed to the depreciation of the mark in 1977—78. Despite the overall decline, there were nevertheless some encouraging signs in terms-of-trade developments in 1980. After falling sharply in the first quarter, the terms of trade soon began to recover, and in the fourth quarter were actually higher than a year earlier,<sup>1</sup> a pattern of development similar to that which occurred in 1974 in the wake of the first oil price shock.

#### THE CURRENT ACCOUNT

In 1980, the trade account showed a deficit of 5 850 million marks as against a deficit of 1 220 million in the previous year; on a balance-of-payments basis, customs figures were roughly 400 million marks lower in both years. Valued on a f.o.b. basis, as against c.i.f. for imports, export receipts covered about 90 per cent of imports. Much of last year's trade deficit was concentrated in the second and third quarters, and the trade account was actually in surplus in March, May and again in the last two months of the year.

<sup>1</sup> See graph on p. 11.

**TABLE 2. BALANCE OF PAYMENTS,  
MILLION MARKS**

	1978	1979	1980 <sup>1</sup>
Commodity exports <sup>2</sup>	35 068	43 302	52 650
Commodity imports <sup>2</sup>	32 600	44 523	58 500
TRADE BALANCE	2 468	-1 221	-5 850
Services, net	2 968	3 557	4 300
BALANCE ON GOODS AND SERVICES	5 436	2 336	-1 550
Investment income & transfer payments	-2 830	-3 146	-3 450
CURRENT ACCOUNT	2 606	-810	-5 000
Long-term capital, net	2 261	430	400
BASIC BALANCE	4 867	-380	-4 600
Trade credits	-2 058	-3	2 400
Short-term capital of authorized banks	-699	1 290	4 000
Other short-term capital	479	-785	-805
OVERALL BALANCE	2 589	122	995
Bank of Finland foreign exchange reserves (increase —)	-2 589	-122	-995

<sup>1</sup> Preliminary. For details, see pages 14 and 15.

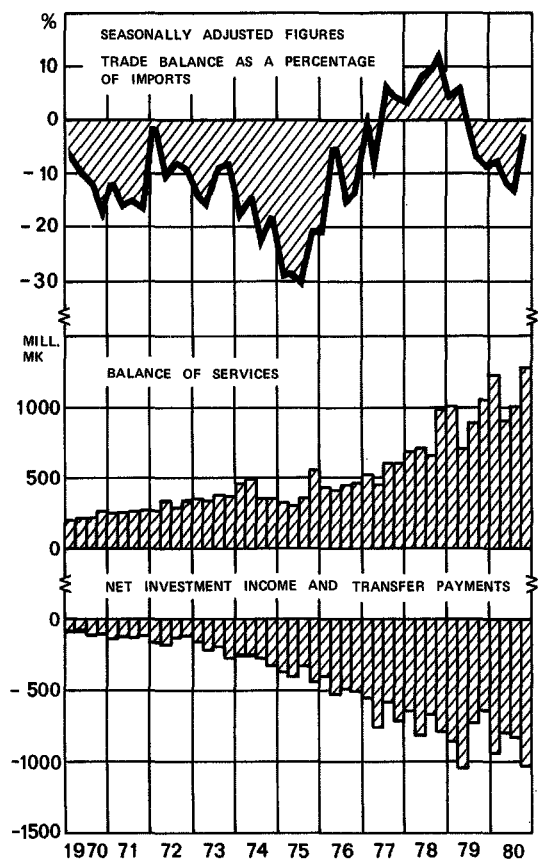
<sup>2</sup> Balance of payments basis. See table 1 for customs figures.

With a 16 per cent increase in receipts, service income accounted for roughly 17 per cent of total exports of goods and services. Transport income registered only a moderate increase, mainly because of rather weak freight rates. Tourist receipts grew a little faster, and the highest growth rates were recorded for other services, largely as a result of construction work abroad.

Expenditure on services went up by 14 per cent and the share of services in total imports amounted to 10 per cent. The surplus on the services account increased by a quarter to 4 300 million marks. Last year, the surplus on services was no longer sufficient to cover the deficit on commodity trade, and the balance on goods and services swung from a surplus of 2 340 million marks in 1979 to a deficit of 1 550 million in 1980.

Higher interest rates together with increased foreign debt were responsible for the widening of the deficit on net investment income from 2 840 million marks to 3 200 million marks last year. There was little change in the net deficit on transfer payments and other invisible transactions.

**CHART 2. PRINCIPAL CURRENT ACCOUNT  
COMPONENTS**



Hence last year's developments yielded a current account deficit of 5 000 million Finnish marks, equivalent to 2.7 per cent of GDP. Roughly half of the deficit originated in bilateral trade. However, despite the clear deterioration in the current account following the reasonably balanced development of the previous three years, the relative deficit was not quite as large as those of the mid-1970s, which had originated under much the same circumstances. An important difference may lie in the international competitiveness of Finnish industry.

As Chart 3 illustrates, the external balance calculated in fixed prices has largely followed movements in the relative cyclical position of Finland vis-à-vis her main trading partners. Finland's improved competitiveness (Chart 1) has, since 1977, improved the trade-off between the relative level of activity and the external balance, and has thus helped to offset some

of the strain imposed on the current account by deteriorating terms of trade.

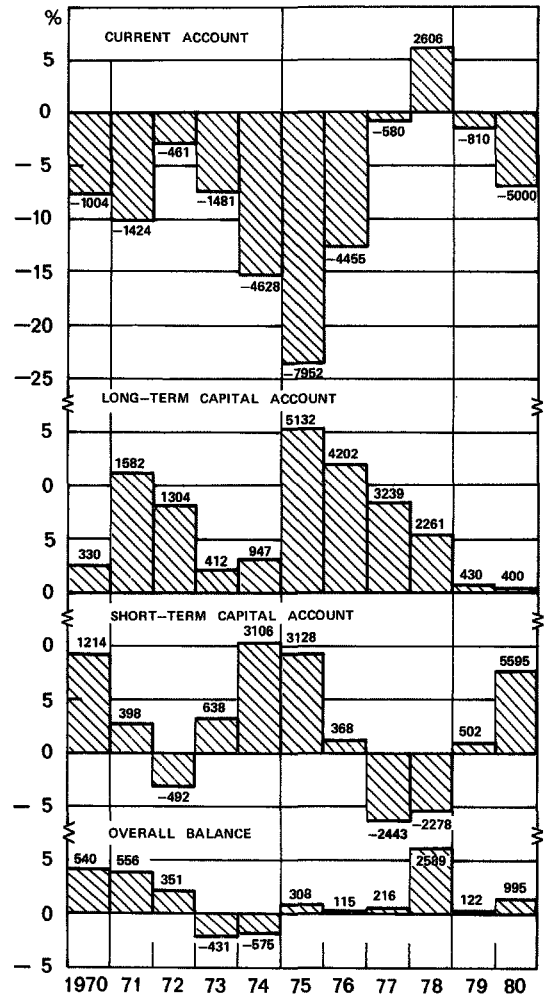
Viewing current account developments as a reflection of financial imbalances in the economy, the origins of last year's deficit can be found in the much higher level of investment. There was no decline in the ratio of gross saving to GDP; in fact, preliminary figures point to a slightly increased savings rate. The financial surplus of the public sector is estimated to have increased somewhat, while the financial deficit of the household sector remained at a modest level. On the other hand, the financial deficit of the corporate sector grew markedly in the wake of a 40 per cent increase in investment outlays.

### CAPITAL FLOWS<sup>1</sup>

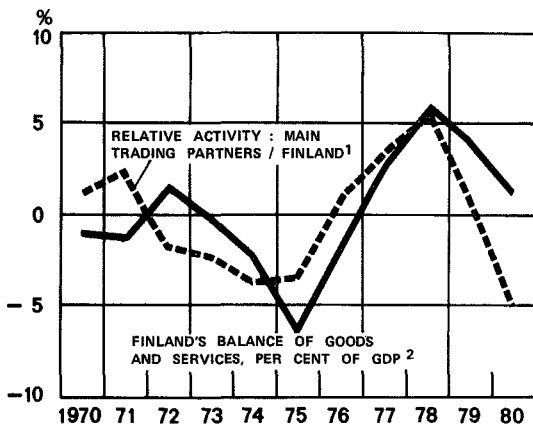
Capital movements in 1980 were dominated by short-term capital, since net imports of long-term capital amounting to 400 million marks covered less than 10 per cent of the current account deficit. The government imported long-term capital to the value of 1 560 million marks in net terms, while redemptions of existing loans by firms, banks and other financial institutions, and municipalities exceeded new loans by 520

<sup>1</sup> See first front article of this Bulletin for more detailed information.

**CHART 4. PRINCIPAL BALANCE OF PAYMENTS COMPONENTS AS A PERCENTAGE OF CURRENT PAYMENTS AND IN MILLIONS OF MARKS**



**CHART 3. CYCLICAL POSITION AND REAL EXTERNAL BALANCE**



<sup>1</sup> GDP deviation from trend in Finland's main trading partners minus GDP deviation from trend in Finland.

<sup>2</sup> In fixed (1975) prices.

million marks. Other long-term capital items, including export credits, direct investment, subscriptions to international agencies etc., brought about a net outflow of 640 million marks. Despite growing investment, the private sector emerged as a net exporter of long-term capital for the second consecutive year. Naturally the high cost of foreign credit induced firms to tap other sources of finance whenever possible.

Imports of short-term capital amounted to 5 600 million marks. These were largely related to trade and were highest in the third quarter when the trade deficit was at its widest. The stock of short-term import credits is estimated to have risen by 3 400 million marks last year, while

the increase in the value of imports was 14 000 million marks. Capital outflows in the form of short-term export credits totalled 2 200 million marks. On the export side, there was also an inflow of 1 200 million marks in the form of prepayments for future bilateral exports, mainly in the final weeks of the year. Altogether, short-term trade credits in the corporate sector yielded a net inflow of 2 400 million marks.

Imports of short-term capital by Finnish banks, principally, though not exclusively, geared to the financing of foreign trade, amounted to 4 000 million marks, being particularly brisk in the second and third quarters of the year. There was an allocation of Special Drawing Rights amounting to 133 million marks, while miscellaneous short-term capital items, including errors and omissions, brought about an outflow of 940 million marks.

#### EXTERNAL LIQUIDITY AND FOREIGN DEBT

With capital imports exceeding the deficit on current account, there was a surplus of 995 million marks on the overall balance, the counterpart being a corresponding increase in the foreign exchange reserves of the Bank of Finland. Taking exchange rate adjustments into account, the foreign exchange reserves of the central bank increased by 1 278 million marks to 7 041 million marks in the course of the year. Convertible reserves increased from 6 441 million marks to 7 798 million marks, and at the end of 1980 corresponded to about 9 weeks' multilateral imports as against roughly 10 weeks' imports a year earlier. There was a substantial negative balance in the tied currency accounts for most of the year, but the end-December negative balance of 757 million marks was only 79 million marks larger than a year earlier.

At the end of 1980, Finland's overall net external debt stood at 29 800 million marks, 5 200 million higher than in 1979. With the substantial increase in output, indebtedness as a ratio to total production increased by only 0.6 percent-

age points to 15.9 per cent of GDP. By way of comparison it can be noted that this figure is well below the corresponding indebtedness ratios of, e.g., Denmark and Norway, but higher than that of Sweden. Finland's net long-term debt amounted to 28 800 million marks at the end of last year, and there was also a net debt on short-term assets and liabilities totalling 1 000 million marks. The government's share of net long-term debt increased further to about one third of the total. Finland's debt service costs on long-term loans declined in relative terms from 11.7 per cent of current receipts in 1979 to 9.9 per cent last year.

#### FOREIGN EXCHANGE POLICY

International exchange and capital markets continued to be rather volatile in 1980, as witnessed by sizeable swings in the exchange rates of the major currencies. The main factor causing instability was the unprecedented sharp and large movements in U.S. dollar interest rates; inflation rates and current account imbalances in various countries played a clearly secondary role. Marked variations in interest rate differentials between the U.S. dollar and other major currencies during the year were reflected most notably in the weakening of the deutschemerk and strengthening of the pound sterling against the U.S. dollar.

Exchange markets in Finland were rather calm during 1980, despite the unsettled conditions on international markets. Movements in the convertible exchange reserves of the Bank of Finland were relatively small. These reserves ranged from a low point of 7 153 million marks at the end of January to a peak of 8 065 million marks at the end of July. (See chart inside front cover).

On January 30, the Government decided, on the Bank of Finland's proposal, to lower the fluctuation limits of the currency index by some 2 per cent. The new fluctuation limits established were 112.0 and 119.0, compared with the old limits of 114.0 and 121.0. This meant

only that the external value of the Finnish mark could fluctuate within a range which had appreciated relative to that prevailing before. The limits were shifted so as to permit an equal range of variation on either side of the currency index, and hence to curb destabilizing expectations on domestic exchange and financial markets. The actual value of the currency index was, however, kept unchanged at 115.4.

To ease inflationary pressures on domestic prices stemming from continuing and vigorous rises in import and export prices, the Board of Management of the Bank of Finland decided on March 25 to raise the external value of the Finnish mark by 2 per cent within the range of fluctuation limits of the currency index. As a result the index value was lowered to 113.1, and expressed as a monthly average it was still at this level at the end of the year.

The Bank of Finland currency index declined by 2 per cent during 1980 and on a year-on-year basis by 3.2 per cent, as shown in the chart on page 5. This was equivalent to an appreciation of the external value of the Finnish mark by 2 per cent and 3.3 per cent, respectively. Due to the developments on international exchange markets, the exchange rates of the currencies most important in Finland's foreign trade changed considerably during the year, as is illustrated by the chart on page 7.

The forward markets were also quiet during the first months of the year. Up till the end of the first quarter, the Bank of Finland continued to quote forward rates for the U.S. dollar and provide the banks with access to forward cover. However, by a decision which became effective on April 1, 1980, the Bank of Finland terminated its operations in the forward market for U.S. dollars under normal conditions, thereby bringing the market into line with those prevailing in most industrial countries. At the same time, the banks were issued guidelines concerning open exchange positions. In December, explicit limits for open positions were established. To safeguard the functioning of the forward markets, the banks were, in connection with the new guidelines, allowed to borrow abroad to cover

their exchange risks related to forward operations.

The Bank of Finland continues to provide forward cover for contracts between banks and firms denominated in roubles and clearing dollars, since the banks have no other means of covering the exchange risks connected with such customer contracts.

The forward exchange markets functioned satisfactorily during the year despite large fluctuations in foreign interest rates. These fluctuations were reflected in the forward rates quoted by the banks, which are based on the differential between domestic and foreign interest rates.

Credits drawn from the IMF under the oil facility in 1975 and 1976 were not repurchased in 1980 due to advance repurchases made by Finland in 1979. The amount of credit outstanding under the facility was 66 million SDRs. At the end of 1980, the Bank of Finland had at its disposal a total of 1 350 million U.S. dollars in the form of credit line facilities negotiated with international bank consortia, which could be drawn at short notice if needed to support exchange reserves.<sup>1</sup>

In October, the Bank of Finland decided to extend the banks' authority to sell foreign exchange required for the payment of certain current transactions. In December, as a step to stabilize the domestic credit markets, the Bank of Finland established quotas for the banks within which they can negotiate financial credits from foreign banks. This financing can be used for advances to importers for cash payment purposes. The aim of the measure was to support the tightness of the domestic monetary markets and at the same time to assist in the surveillance of short-term capital movements through banks. However, the measure did not restrict the level of import credits that Finnish banks can advance to their customers, nor did it in any way interfere with usual import credits of up to six months which can be extended automatically by foreign suppliers to Finnish importers.

<sup>1</sup> See second front article of this Bulletin for more detailed information.



## ITEMS

**Credit facility agreement.** On February 12, 1981, the Bank of Finland and an international consortium led by Crédit Lyonnais signed a credit facility agreement amounting to 150 million U.S. dollars. The Arab Banking Corporation, the Caisse Nationale de Crédit Agricole, the National Bank of Canada, and The Sanwa Bank, Limited, have also participated in the arrangements. This credit facility will be available for nearly seven years. The rate of interest and other credit terms are most favourable, reflecting the terms currently applied to prime borrowers on the international capital market.

Including the agreement now concluded, the

total amount of credit facility arrangements negotiated with foreign banks and available to the Bank of Finland is 1 500 million U.S. dollars, or the equivalent of about 6 000 million Finnish marks. These credit facilities can be used, whenever needed, to support Finland's foreign exchange reserves and external liquidity.

**Publication of the Bank of Finland.** In series B, the following publication has appeared: 35, Hannu Halttunen, Exchange Rate Flexibility and Macroeconomic Policy in Finland. Doctoral thesis, published in English. Helsinki 1980, 189 pp. ISBN 951-686-064-8, ISSN 0357-4776.

(continued from page 2)

Following the transition in the early 1970s from fixed to floating exchange rates together with external shocks in international foreign exchange markets, foreign cyclical developments and rapid changes in raw material and energy costs have made movements in reserves more volatile and less predictable. Furthermore, the net external debt of Finland has grown and the role of leads and lags has increased along with the greater importance of foreign trade and finance. Thus, as the reserves of the Bank of Finland have become more vulnerable to international and domestic disturbances, there has arisen a need to reorientate reserve policies.

Consequently, to support the reserves of the Bank of Finland, a policy of negotiating a series of credit facility arrangements with foreign banks was adopted in 1973. This policy was also regarded as necessary because it offered considerable advantages as compared with other credit facilities available to Finland or with the alternative of increasing visible reserves.

External liquidity held in the form of credit facility agreements, rather than larger visible reserves, is not subject to exchange rate risks. Likewise, undrawn facilities, in contrast to visi-

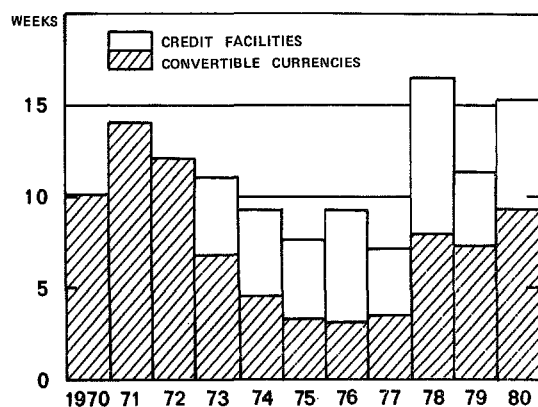
ble reserves, are not subject to the erosion of purchasing power during periods of rapid international inflation. They are, however, available for immediate use and provide effective support for the external liquidity of the country as a whole. In so doing, they also indirectly bolster the credit-standing of individual Finnish borrowers abroad.

#### CREDIT FACILITY AGREEMENTS AND THEIR USES

On July 26, 1973, the first credit facility agreement for 100 million US dollars was signed between the Bank of Finland and a consortium of foreign private banks. A similar agreement for 200 million dollars was concluded a month later. The credit facilities were deemed necessary because the foreign exchange reserves had fallen and confidence in the external value of the Finnish mark had diminished. This situation was mainly due to unsettled conditions on international capital and foreign exchange markets and accelerating inflation worldwide, resulting in reduced inflows of long-term foreign capital. The aim of the credit facilities was to support and strengthen the potential liquidity position of the Bank of Finland and to prevent sudden liquidity changes endangering the room for manoeuvre of foreign exchange policy.

In 1974, the facilities were increased to 500 million dollars. On June 4, 1975, the International Monetary Fund approved a stand-by arrangement for the Government of Finland authorizing purchases of currencies up to the equivalent of 95 million SDRs over the following twelve months. As no purchases under this arrangement were made, the agreement expired in June 1976. However, credits totalling 800 million marks were purchased under the oil facilities for 1975 and 1976. In view of the expanding scale of Finland's foreign transactions, the first 100 million dollar credit facility was replaced in 1976 by a facility for 300 million dollars available for seven years.

#### CONVERTIBLE RESERVES AND CREDIT FACILITIES OF THE BANK OF FINLAND IN WEEKS OF MULTILATERAL IMPORTS



In late 1977, nervousness on the domestic exchange markets led to sizeable short-term capital outflows and a sharp decrease in the reserves of the Bank of Finland (see chart inside the front cover). In order to strengthen the country's external liquidity, two drawings, totalling 300 million dollars, were made on the credit facilities. Thus 400 million dollars on these facilities were available at the end of 1977.

Repayments of these drawings were facilitated by a rapid rise in reserves in 1978, following an 8 per cent devaluation of the Finnish mark in February. At the end of 1978, a total of 1 000 million dollars of credit facilities were available, corresponding to nearly 9 weeks of imports. By the end of 1979, credit facilities were equivalent to only 4 weeks of imports, partly because of increased imports and partly because of the expiration of some of the facilities.

All the credit facilities currently available, and amounting to 1 500 million dollars, have been concluded during 1980—1981. The largest single facility, 600 million dollars, was signed on July 16, 1980 with 20 leading US and Canadian banks. It replaced two of the earlier facilities for 300 million dollars each. The other facilities, each from 100 to 200 million dollars, were concluded with smaller bank consortia. The facilities will be available for 5—8 years. The rate of interest collected on drawn amounts is either LIBOR-based or prime-rate-based. In general, the terms have improved significantly

over the last two years, thus enhancing Finland's reputation abroad as a prime borrower.

## PROSPECTS

During the current year, weakening demand in western markets will reduce the growth of Finland's exports to this area. However, because of slackening domestic demand and the growth of exports to socialist countries, the current account is not expected to weaken as much as in the initial phase of the previous recession. This year, the foreign exchange reserves of the Bank of Finland are forecast to remain at approximately the present, relatively high, level, as imports of short-term and, in particular, long-term capital are expected to be rather brisk.

The experience so far gained from maintaining part of the external reserves in the form of credit facilities has been encouraging. In view of reserve developments and a slowdown in the growth of foreign trade, it seems that the credit facilities currently available will be quite sufficient in the near future. The policy regarding credit facilities is constantly being reviewed against the background of developments in foreign trade, external reserves and capital movements.

February 20, 1981





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# BANK OF FINLAND

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## 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.*

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## Directors

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

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## 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

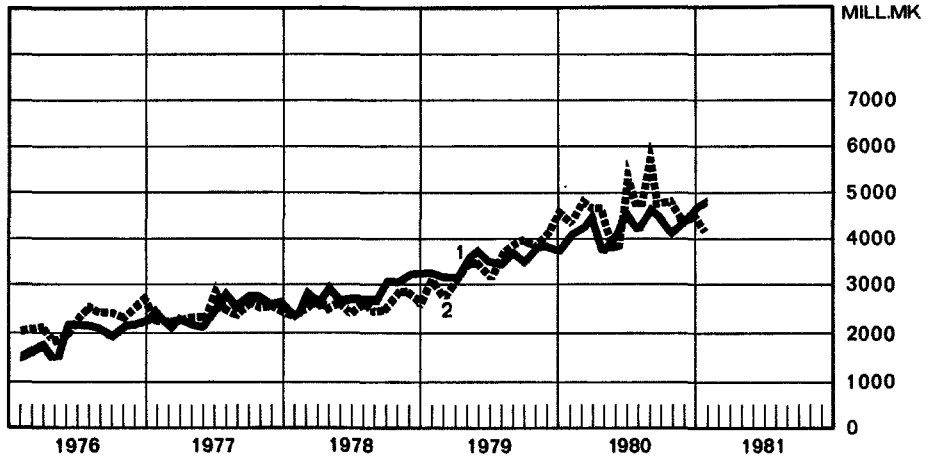
*Payments*

Reijo Mäkinen

*Cash*

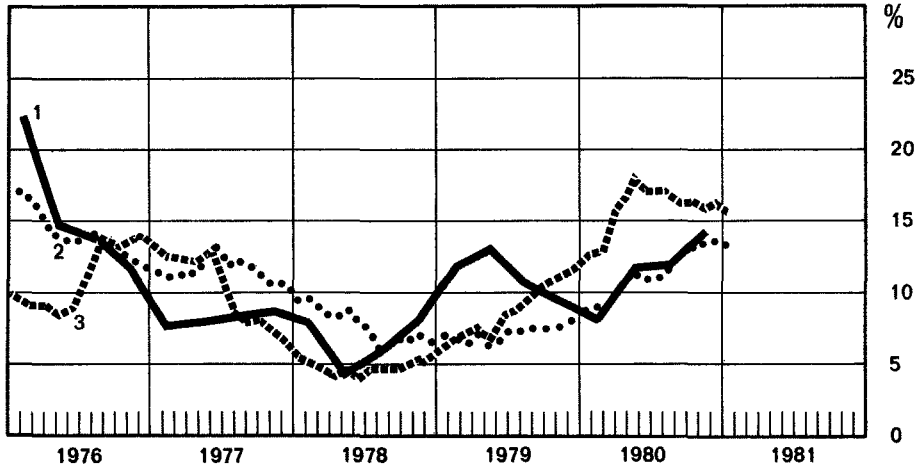
**FOREIGN TRADE, 1976-81**

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



**PRICES AND WAGES, 1976-81**

- 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

