



BANK OF FINLAND

Monthly Bulletin

Developments in the securities market

Public finance

The new Finnish Fmk 10 bank note

Finland's gross long-term foreign debt
in January—March 1981

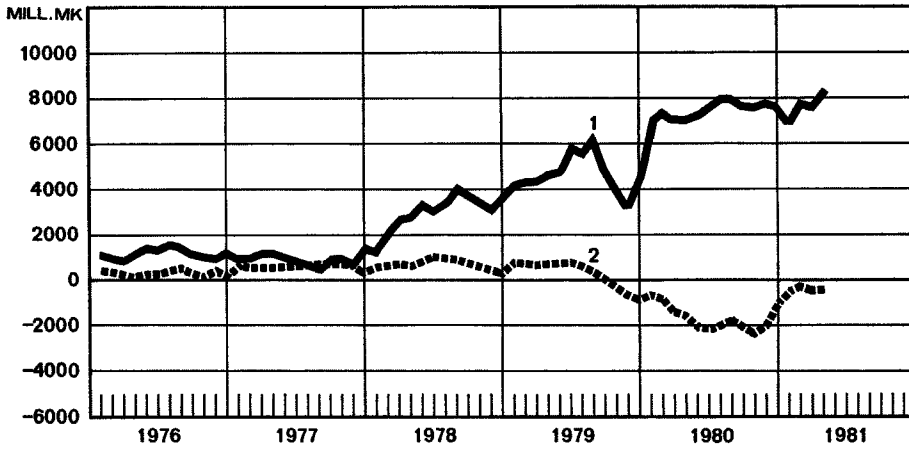
The new building cost index 1980 = 100

Double issue

JUNE—JULY 1981

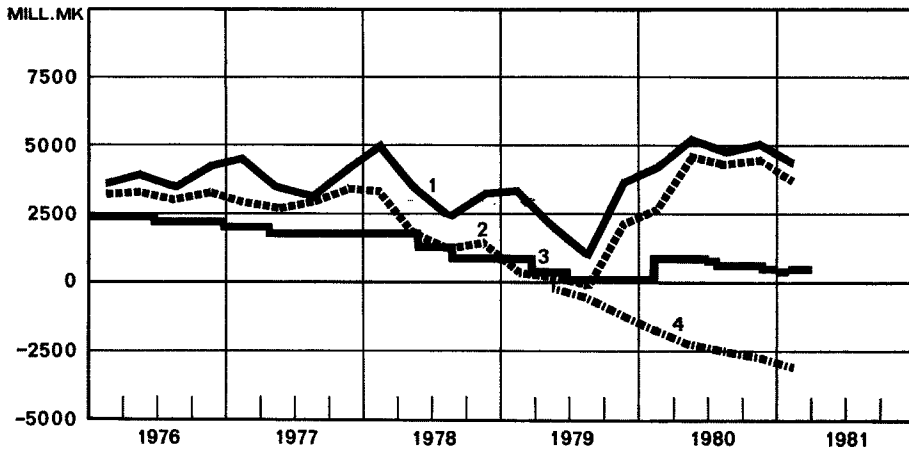
Vol. 55 Nos. 6—7

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



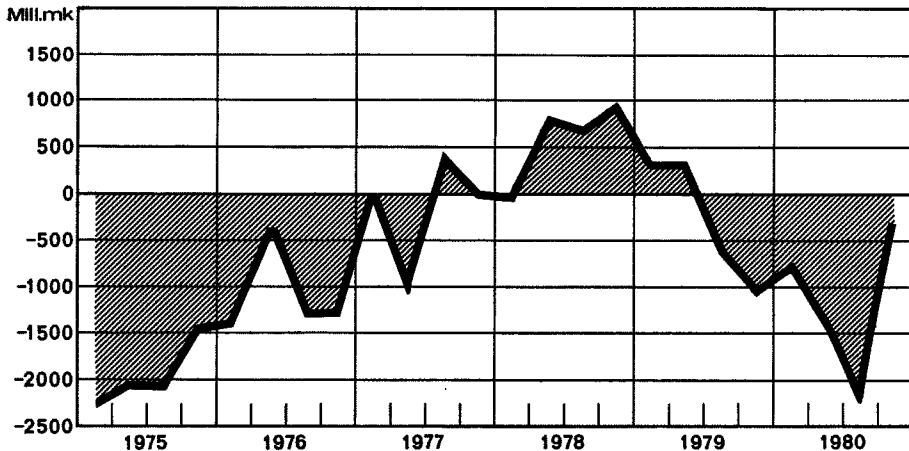
- 1. Gold and convertible currencies
- 2. Tied currencies

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

DEVELOPMENTS IN THE SECURITIES MARKET

by Timo Taivalaho, M.Pol.Sc.

Economics Department
Bank of Finland

The securities market has been affected by a number of contradictory forces during the past year. With the economic upturn peaking in 1980, conditions favoured a continuation of the brisk supply of and demand for securities. However, tightening money markets combined with weakening expectations depressed share prices in the latter half of 1980. More recently, the successful conclusion of two-year wage agreements in March and a somewhat easier economic policy stance have been reflected in firming prices in the stock market.

For the second year running, most Finnish companies had a financially successful year in 1980. This, together with a high rate of capacity utilization, generated further considerable growth in the volume of investment, and there was increased demand for outside funds, both in the form of borrowing and new share issues. Given the high level of interest rates abroad, the corporate sector relied primarily on domestic sources of finance.

While there was little increase in overall long-term borrowing by the central government in 1980, there was a marked growth in domestic bond issues at the expense of foreign finance. This of course accentuated the trend of the past few years of the increased role of government bonds in the Finnish securities market.

BOND AND SHARE ISSUES IN 1980

The sustained demand for securities in 1980 was attributable to increased real earnings, both in the corporate and the household sector, as well as the increased propensity to save of households. Following the rise of three-quarters of a percentage point in the general interest

rate level in February, 1980, interest rates on bank savings have ranged from 5 per cent on passbook savings to 9 per cent on two-year deposits. The interest rate on bonds for public subscription was raised by half a percentage point in February and by another half point in December 1980, and 5-year bonds currently yield 10 $\frac{1}{4}$ per cent interest, while the rate for 10-year bonds is 11 $\frac{1}{4}$ per cent.

Although both bonds and bank deposits are normally tax-free assets in the hands of private persons, higher yields and the generally greater interest rate consciousness of the public have increased the popularity of bonds. Furthermore, long-term bank deposits have grown faster than savings and checking accounts.

At the end of 1980, the total of domestic bonds in circulation stood at 12 400 million marks, 23 per cent higher than a year before. Following the practice first adopted in 1978 between the banks and the government, the latter agreed to limit the amount of its bond issues intended for public subscription in 1980 to 2 200 million marks, while the banks pledged to buy any portion of the issues not taken up by the public. Including issues for subscription by insurance companies and pensions institutions, a total of 2 490 million marks worth of government bonds were sold last year, of which about a fifth is estimated to have gone into bank portfolios. The sales of new government bonds increased 39 per cent in 1980, after having grown 12 per cent in the previous year.

In 1980, sales of new private bonds amounted to 1 450 million marks, two per cent less than in 1979. The mortgage banks raised 480 million from bonds intended for public subscription. Their sales of other bonds to the value of 680 million marks, as well as sales of bonds by

industrial companies totalling 290 million marks, were liable to tax and intended for subscription primarily by financial institutions.

New share issues launched in 1980 by companies quoted on the Helsinki Stock Exchange amounted to 360 million marks, as against a record of 590 million marks in the previous year. While several 1979 emissions continued into 1980, the actual amount of money invested was roughly the same in both years. A total of 29 companies of the 50 listed on the Helsinki Exchange increased their equity capital in 1979—1980. The total value of the listed companies at the end of 1980 was 8 100 million marks.¹ Dividends paid out in 1980 were 470 million marks, and in addition shareholders of the issuing companies benefited from fund emissions: free shares distributed had a nominal value of 290 million marks. Last year's good results have prompted nearly half of the listed companies to increase the dividend ratio, typically by one or two percentage points. Total dividends paid out this year are expected to be close to 600 million marks.

THE STOCK EXCHANGE

In 1980, trading was brisk on the Helsinki Stock Exchange, but share prices started to fall in late spring. Increased uncertainty stemming from weaker international developments and forecast slower economic growth in Finland was a major factor, but the stringent monetary policy adopted with the aim of curbing overheating and inflation undoubtedly contributed to the decline. In December, share prices were 9 per cent lower than in May and 2 ½ per cent below the corresponding level for December 1979. The turnover of the Exchange increased by a quarter to 700 million marks. Traded shares increased by a fifth to 310 million marks, while bonds grew by a third to 300 million marks; subscription rights and debentures accounted for the remainder.

¹ Calculated from the tax values of the shares, which are based on end-1980 prices. In nominal terms, the equity capital of the companies was 5 000 million marks.

CURRENT DEVELOPMENTS

Although continuing high level of exports and investment have warded off expectations of a sharp slowdown, policy measures undertaken since the incomes agreement have further restored confidence in the securities market. The Bank of Finland has moderated the tightness of monetary policy progressively since March by lowering both the call money rate and the cash reserve requirement, and more recently the government has decided on the schedule for the discontinuation and release of the various counter-cyclical deposits collected from firms.

Increased dividends are also reviving interest in holding shares. Prices of shares on the Helsinki Stock Exchange have been rising and were in mid-May some 8 per cent higher than at the end of 1980. However, in real terms share prices were still well below their May 1980 level and no higher than the low levels of 1978.

Trading on the Stock Exchange has expanded appreciably and the first four months of the current year saw a turnover of 340 million marks. The growth has come mainly from the vigorous trade in bonds, which on occasions has accounted for over two thirds of the total. Trading costs are low for bonds, and money placed even for a brief period can earn a competitive interest. On the other hand, the increase in bond trade during the past few years is also due to the fact that the banks have been unloading government securities from their own portfolios.

In 1981, the government will issue bonds to the value of 1 950 million marks for public subscription, the banks as before pledging to take up any unsold amounts. Taking into account increased redemptions of earlier loans, the government's recourse to the domestic capital market will be less than the high level attained last year.

May 21, 1981

	1980		1981			
	May 30	Dec. 31	May 8	May 15	May 22	May 29
Assets						
Gold and foreign exchange receivables	7 441	8 024	8 264	8 212	8 286	7 886
Gold	1 073	1 073	1 073	1 073	1 073	1 073
Special drawing rights	570	397	521	521	521	521
IMF reserve tranche	225	380	380	380	380	380
Foreign bonds	1 976	2 125	1 734	1 729	1 720	1 708
Convertible currencies	3 528	3 841	4 486	4 438	4 388	3 808
Tied currencies	69	208	70	71	204	396
Other foreign receivables	1 054	1 540	1 540	1 540	1 632	1 632
Mark subscription to Finland's IMF quota	1 054	1 540	1 540	1 540	1 632	1 632
Receivables from financial institutions	5 417	5 350	5 183	5 753	4 822	4 515
Banks' cheque accounts	980	481	674	661	583	582
Call money market advances	3 981	3 674	3 330	3 933	3 017	2 717
Till-money credits	—	643	576	554	615	597
Bonds	411	527	553	553	558	559
Other financial institution receivables	45	25	50	52	49	60
Receivables from the public sector	1 264	1 225	1 124	1 139	1 144	1 161
Government promissory notes	700	512	354	354	354	354
Bonds	173	288	307	321	327	344
Total coinage	384	403	453	454	456	456
Other public sector receivables	7	22	10	10	7	7
Receivables from corporations	2 657	3 399	3 583	3 589	3 612	3 643
Financing of exports	1 126	1 502	1 507	1 506	1 532	1 558
Financing of domestic deliveries	1 207	1 561	1 771	1 777	1 776	1 782
Bonds	194	220	208	206	207	206
Other corporate receivables	130	116	97	100	97	97
Other assets	75	80	84	83	83	83
Total	17 908	19 618	19 778	20 316	19 579	18 920
Liabilities						
Foreign exchange liabilities	2 033	983	367	347	111	112
Convertible accounts	18	18	122	33	36	31
Tied accounts	2 015	965	245	314	75	81
Other foreign liabilities	1 931	2 430	2 560	2 560	2 652	2 652
IMF mark accounts	1 365	1 864	1 864	1 864	1 956	1 956
Allocations of special drawing rights	566	566	696	696	696	696
Notes and coins in circulation	4 389	4 954	4 902	4 922	4 930	5 082
Notes	4 039	4 572	4 493	4 514	4 521	4 672
Coins	350	382	409	408	409	410
Deposit certificates in circulation	2 490	1 900	1 300	1 800	1 800	300
Claims of financial institutions	2 993	3 739	4 148	4 206	3 572	4 214
Banks' cheque accounts	2	1	1	1	1	6
Call money market deposits	245	290	1 000	1 290	710	1 340
Cash reserve deposits	2 562	3 317	3 055	2 840	2 782	2 783
Capital import deposits	176	108	77	67	67	66
Other financial institution claims	8	23	15	8	12	19
Claims of the public sector	45	591	668	667	680	680
Cheque accounts	1	2	1	0	0	0
Counter-cyclical reserves	42	545	545	545	545	545
Counter-cyclical deposits	—	37	104	104	117	117
Other public sector claims	2	7	18	18	18	18
Claims of corporations	597	978	1 100	1 068	1 074	1 100
Deposits for investment and ship purchase	267	717	861	866	870	892
Capital import deposits	325	83	40	—	—	—
Export deposits	—	110	195	199	199	203
Other corporate claims	5	68	4	3	5	5
Other liabilities	14	13	16	13	13	14
Equalization accounts	1 511	1 767	2 325	2 331	2 333	2 341
Capital accounts	1 905	2 263	2 392	2 402	2 414	2 425
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	64	422	129	139	151	162
Total	17 908	19 618	19 778	20 316	19 579	18 920

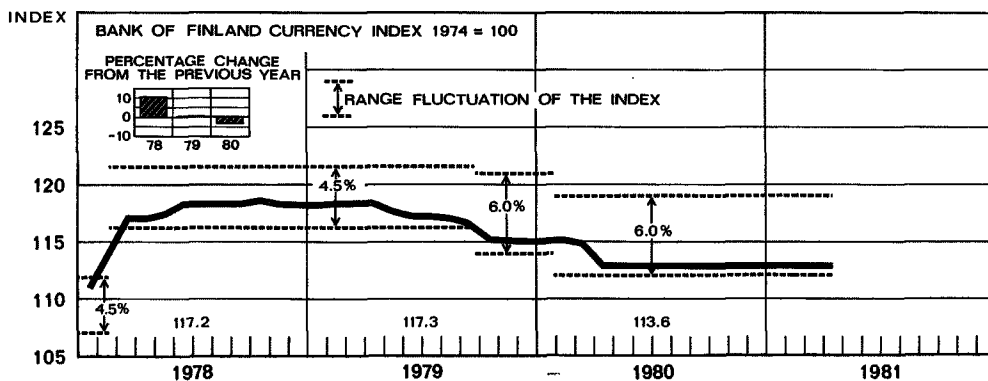
End of year or month	Foreign sector							Public sector			
	Gold SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	Deposit certificates in circulation
	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											
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
March	1 974	1 764	4 107	7 845	-363	-1 020	6 462	1 112	656	-456	1 800
April	1 974	1 726	4 698	8 398	-349	-1 020	7 029	1 116	667	-449	1 300
May	1 974	1 708	3 777	7 459	315	-1 020	6 754	1 161	680	-481	300

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1980			Net holdings, April 30, 1981			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	April	Jan.-April
Gold ²		1 073	—	1 073	1 073	—	1 073	—
Special drawing rights		397	—	397	521	—	521	+124
IMF reserve tranche		380	—	380	380	—	380	—
Foreign bonds		2 125	—	2 125	1 726	—	1 726	-38
Convertible currencies		3 823	-7 194	-3 371	4 699	-7 611	-2 912	+235
Total		7 798	-7 194	604	8 399	-7 611	788	+197
Tied currencies		-757	-67	-824	-349	-191	-540	+115
Grand total		7 041	-7 261	-220	8 050	-7 802	248	+312

End of year or month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabili-ties, net	Net receiv-ables (1+2+3-4-5-6)	Perma-nent special financing schemes	Liabili-ties, net	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1975	3 385	130	372	95	—	-343	4 136	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											
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
March	—	620	4 978	1 610	3 472	-1 188	1 704	3 249	724	2 525	4 960
April	—	550	3 197	925	3 055	-1 141	908	3 290	782	2 508	5 033
May	—	576	2 717	1 340	2 783	-1 131	301	3 340	797	2 543	5 082



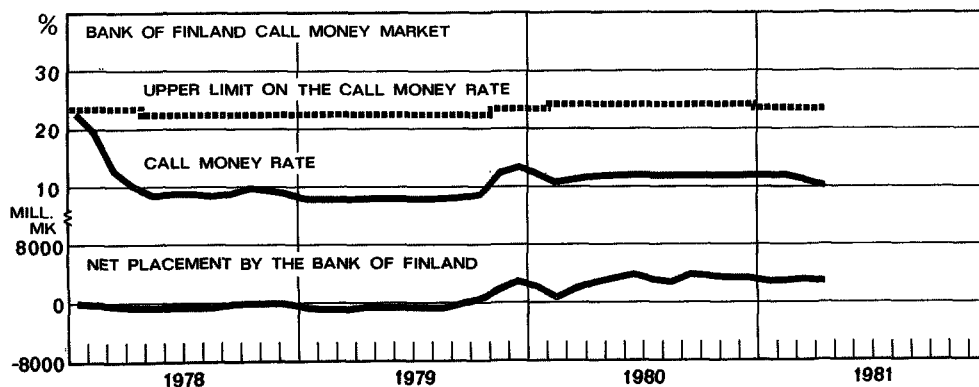
MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks, mill. mk	Cash reserve deposits of the commercial banks, mill. mk	Bank of Finland placements in the call money market, mill. mk	Base rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9	10
1974	3 204	2 840	2 494	—	—	—	9.25	—	10.57	9.52
1975	4 000	3 611	2 725	—	—	239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03
1980	4 963	4 097	783	2 542	2 220	3 313	9.20	12.38	12.37	9.77
1980										
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	9.84
Feb.	4 976	3 905	600	3 443	3 033	3 307	9.25	12.50	12.82	9.84
March	5 039	4 026	600	3 458	3 022	3 429	9.25	11.72	12.89	9.85
April	5 838	3 974	600	3 259	2 829	3 377	9.25	10.57	10.32	..
May	3 950	2 848	600	2 918	2 523	2 249	9.25	11.00

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

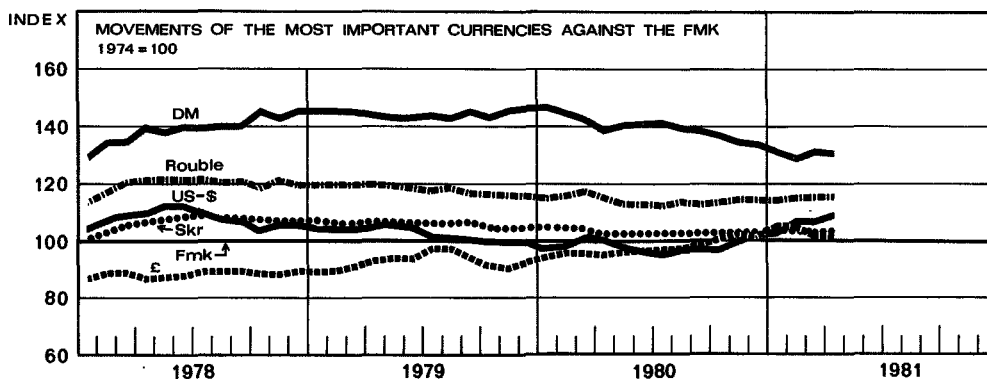


FOREIGN EXCHANGE RATES

Mill. mk

Average selling rates for foreign exchange, mk

Period	Average selling rates for foreign exchange, mk									Currency index 1974=100
	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
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										
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
March	4.072	9.098	88.65	75.78	61.78	193.33	211.94	82.26	5.810	113.1
April	4.151	9.061	88.76	76.20	61.37	192.38	210.91	81.66	5.825	113.1
May	4.321	9.047	88.51	76.52	60.18	188.58	209.60	79.04	5.922	113.1



DEPOSITS BY THE PUBLIC

Mill. mk

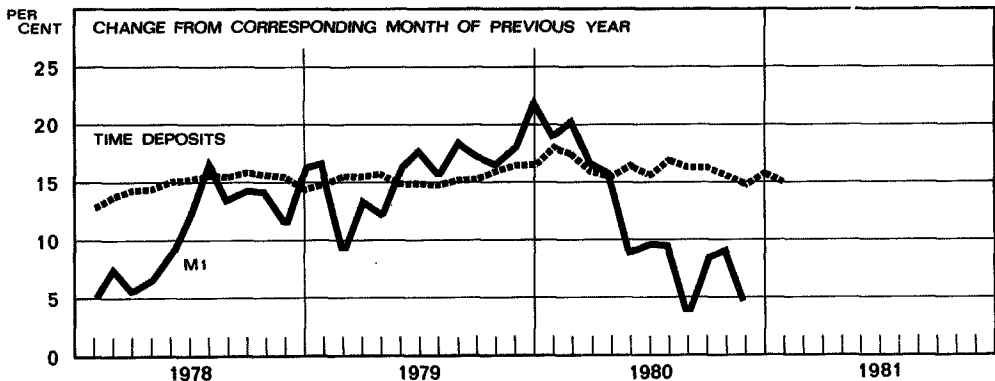
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	10
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	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
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180

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
Dec.	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180

1981

Jan	4 519	2 183	3 011	9 713	22 516	20 394	16 164	6 440	65 514	75 227
-----	-------	-------	-------	-------	--------	--------	--------	-------	--------	--------



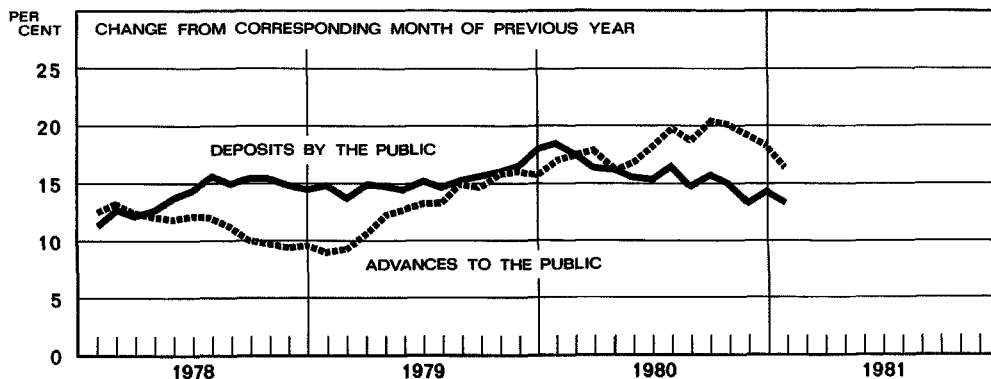
ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi- Money
	1	2	3	4	5	6	7		8	9
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
1980	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601

1980										
Jan.	30 524	16 754	14 395	8 399	61 745	2 158	6 169	70 072	13 767	71 810
Feb.	31 247	16 960	14 525	8 618	62 648	2 378	6 324	71 350	13 389	72 421
March	31 902	17 114	14 640	8 720	63 256	2 584	6 536	72 376	13 354	72 405
April	32 196	17 310	14 820	8 764	64 070	2 479	6 541	73 090	13 396	73 240
May	32 764	17 535	15 039	8 898	64 817	2 545	6 874	74 236	13 594	74 137
June	34 065	17 733	15 243	9 317	65 980	2 765	7 613	76 358	14 588	75 749
July	34 707	17 932	15 497	9 528	66 753	2 607	8 304	77 664	14 438	77 325
Aug.	34 814	18 177	15 715	9 528	67 215	2 531	8 488	78 234	13 825	77 066
Sept.	35 314	18 483	16 061	9 954	68 545	2 700	8 567	79 812	14 141	77 670
Oct.	35 931	18 711	16 282	10 061	69 360	2 623	9 002	80 985	14 234	78 290
Nov.	35 789	18 920	16 491	10 166	69 911	2 543	8 912	81 366	13 757	78 488
Dec.	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601

1981										
Jan.	35 612	19 269	16 849	10 004	70 763	2 564	8 407	81 734	14 307	81 615



STATE FINANCES

Mill. mk

Revenue	Jan.-Feb.		Expenditure	Jan.-Feb.	
	1980	1981		1980	1981
Income and wealth tax (net)	2 616	3 363	Wages, salaries, pensions etc.	1 155	1 324
Gross receipts	(5 585)	(7 230)	Repair and maintenance	129	173
Refunds & local authorities	(-2 969)	(-3 867)	Other consumption expenditure	695	863
Other taxes on income and wealth	40	47	Total consumption expenditure	1 979	2 360
Employers' child allowance payments	33	38	State aid to local authorities	1 507	1 749
Sales tax	2 015	2 298	State aid to industries	1 137	1 236
Customs duties and import charges and levies	214	213	of which: agric. price subsidies	(430)	(627)
Excise duties	1 307	1 444	Child allowances	1	393
Excise duty on alcoholic beverages	348	383	Share in national pensions and sickness insurance schemes	76	94
Excise duty on tobacco	285	295	Other transfer expenditure	1 230	1 175
Excise duty on liquid fuel	353	446	Total transfer expenditure	3 951	4 647
Other excise duties	321	320	Machinery and equipment	231	254
Tax on autom. and motor-cycles	226	189	Construction of buildings	113	114
Stamp duties	155	163	Land and waterway construction	277	270
Special diesel etc. vehicles tax	22	25	Total real investment	621	638
Other taxes and similar revenue	120	115	Interest on State debt	208	300
Total taxes	6 748	7 895	Net deficit of State enterprises	-99	-110
Miscellaneous revenue	718	678	Other expenditure	3	2
Interest, dividends etc.	75	94	Total other expenditure	112	192
Redemptions of loans granted	55	92	Increase in inventories	-25	-52
Total revenue	7 596	8 759	Lending	481	497
Foreign borrowing	470	300	Other financial investment	100	105
Domestic borrowing	808	451	Total expenditure	7 219	8 387
Total borrowing	1 278	751	Redemption of foreign loans	27	9
Deficit (+) or surplus (-)	-1 316	-602	Redemption of domestic loans	312	512
Total	7 558	8 908	Total redemptions	339	521
			Total	7 558	8 908

State debt	1978	1979	1980		1981	
	Dec.	Dec.	Nov.	Dec.	Jan.	Feb.
Foreign debt	7 360	8 964	10 248	10 341	10 384	10 782
Loans	4 607	6 050	7 295	7 585	7 559	7 516
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	17	17	17	12
Cash debt (net)	-735	-596	-649	-823	-400	-326
Domestic debt	4 132	5 658	6 663	6 779	7 176	7 202
Total State debt	11 492	14 622	16 911	17 120	17 560	17 984
Total debt mill \$	2 859	3 915	4 461	4 422	4 515	4 415

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223
1978	35 206	32 338	+2 868
1979	43 430	44 222	-792
1980*	52 795	58 250	-5 455

1980*

May	4 167	3 785	+ 382
June	4 501	5 742	-1 241
July	4 349	5 007	- 658
Aug.	3 921	5 478	-1 557
Sept.	4 579	5 133	- 554
Oct.	4 639	5 306	- 667
Nov.	4 487	4 172	+ 315
Dec.	5 589	5 548	+ 41

1981*

Jan.	4 998	4 472	+ 526
Feb.	4 433	4 394	+39
March	5 041	4 633	+ 408

Jan.-March

1980*	12 775	13 584	- 809
1981*	14 472	13 499	+ 973

Indices of exports and imports
1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1975	100	100	100	
1976	117	96	103	107	96
1977	129	88	119	124	96
1978	138	84	126	138	91
1979	151	99	142	159	89
1980*	165	112	158	186	85

1979

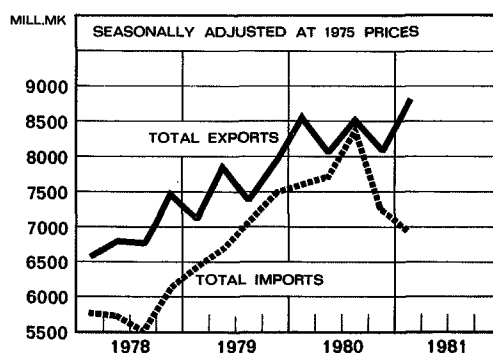
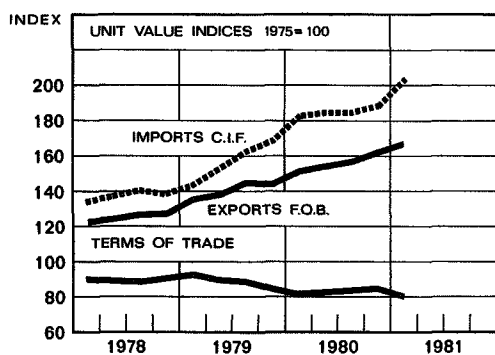
Jan.-March	140	90	137	145	94
Apr.-June	154	94	140	154	91
July-Sept.	138	100	147	164	90
Oct.-Dec.	171	113	146	170	86

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

1981*

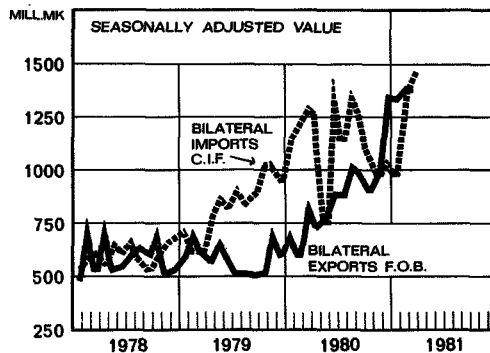
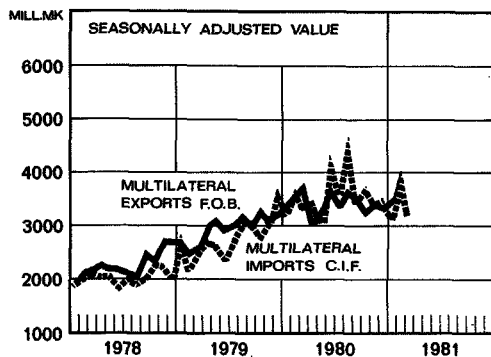
Jan.-March	169	94	169	205	82
------------	-----	----	-----	-----	----



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f. o. b.					Imports, c. i. f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 068	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	11 546	16 353	38 622	4 088	7 989	7 440	111
1980*										
May	168	660	1 357	771	1 211	2 555	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	3 173	539	722	571	2
Aug.	47	582	1 387	684	1 221	3 572	459	838	602	7
Sept.	76	690	1 374	931	1 508	3 399	388	706	637	3
Oct.	56	742	1 313	1 040	1 488	3 475	436	727	665	3
Nov.	59	627	1 324	1 099	1 378	2 680	284	650	556	2
Dec.	260	669	1 479	1 566	1 615	3 710	380	856	597	5
1981*										
Jan.	392	592	1 341	1 295	1 378	2 704	283	818	665	2
Feb.	104	526	1 324	1 045	1 434	2 822	238	619	701	14
March	299	557	1 387	1 069	1 729	2 949	210	797	671	6
Jan. March										
1980*	572	1 721	3 642	2 667	4 173	8 886	822	1 781	2 017	78
1981*	795	1 675	4 052	3 409	4 541	8 475	731	2 234	2 037	22



FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January-March				January-March			
	1980*		1981*		1980*		1981*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	69.3	8 849	59.3	8 583	57.1	7 754	56.0	7 554
Austria	0.7	85	0.6	82	1.2	169	1.3	177
Belgium and Luxembourg	1.6	202	1.3	194	1.9	260	1.8	246
Denmark	3.7	471	2.6	378	2.5	340	2.4	319
France	5.0	636	4.6	668	3.3	455	3.8	514
Federal Republic of Germany	11.7	1 491	10.2	1 472	13.4	1 827	13.0	1 757
Italy	2.8	353	2.2	319	2.7	364	2.5	337
Netherlands	4.9	630	3.8	547	2.7	360	2.6	351
Norway	4.4	567	6.3	909	2.0	271	2.6	348
Portugal	0.3	44	0.3	37	0.5	71	0.6	76
Spain	0.9	112	0.7	107	1.3	170	0.8	107
Sweden	18.5	2 370	12.9	1 862	14.1	1 916	12.6	1 702
Switzerland	2.0	257	1.9	272	1.7	226	1.8	247
United Kingdom	11.4	1 457	10.4	1 509	9.3	1 259	9.2	1 238
Other	1.4	174	1.5	227	0.5	66	1.0	135
OECD countries outside Europe	5.6	718	6.0	862	9.2	1 255	13.8	1 863
Canada	0.5	69	0.7	104	0.9	118	0.7	95
Japan	0.8	96	1.2	170	3.0	408	4.4	589
United States	3.3	426	3.4	487	5.2	710	8.6	1 164
Other	1.0	127	0.7	101	0.1	19	0.1	15
CMEA countries	14.8	1 891	24.9	3 603	25.0	3 393	24.0	3 242
Czechoslovakia	0.2	31	0.2	32	0.6	77	0.7	95
German Democratic Republic	0.7	87	0.7	96	0.6	86	0.7	96
Poland	0.5	58	0.2	28	1.5	196	0.8	106
Soviet Union	12.5	1 598	23.1	3 340	21.3	2 892	20.6	2 783
Other	0.9	117	0.7	107	1.0	142	1.2	162
Latin America	1.3	171	1.7	245	3.2	437	2.4	329
Argentina	0.3	39	0.4	62	0.1	9	0.1	13
Brazil	0.3	38	0.4	57	0.7	101	0.4	62
Colombia	0.2	22	0.1	15	1.1	142	0.7	96
Other	0.5	72	0.8	111	1.3	185	1.2	158
Other	9.0	1 146	8.1	1 179	5.5	745	3.8	511
GRAND TOTAL	100.0	12 775	100.0	14 472	100.0	13 584	100.0	13 499
of which								
EFTA countries	26.2	3 346	22.0	3 177	19.7	2 675	19.3	2 602
EEC countries	41.7	5 326	36.3	5 252	36.0	4 891	35.7	4 825
OECD countries	74.9	9 567	65.3	9 445	66.3	9 009	69.8	9 417

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Invest- ment income, net	Un- requited transfers, net	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
-----------	-------	-------	-------	-------	------	------	--------	-------	------	-----	-------

1978

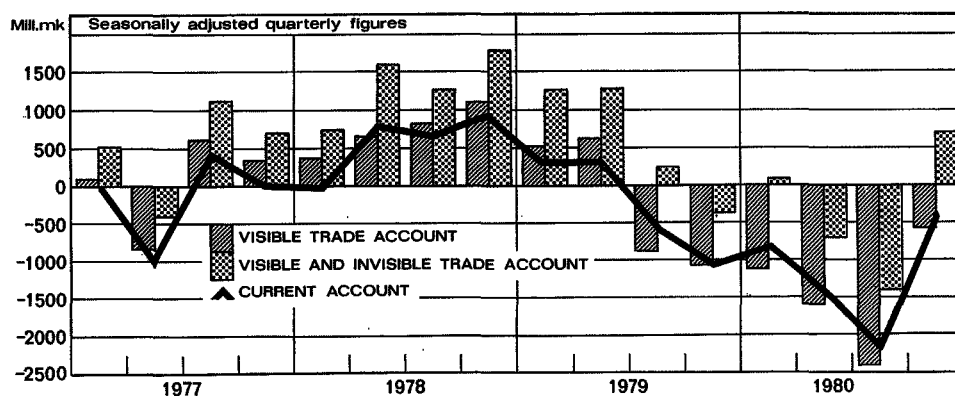
Jan.-March	7 753	7 445	+ 308	+ 457	- 72	+185	+ 878	- 569	- 80	+ 4	+ 233
Apr.-June	8 625	8 086	+ 539	+ 479	+ 4	+205	+1 227	- 781	- 40	+ 28	+ 434
July-Sept.	8 284	7 906	+ 378	+ 500	+217	+140	+1 235	- 617	- 42	+ 31	+ 607
Oct.-Dec.	10 406	9 163	+1 243	+ 588	- 8	+273	+2 096	- 746	- 49	+ 31	+1 332

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

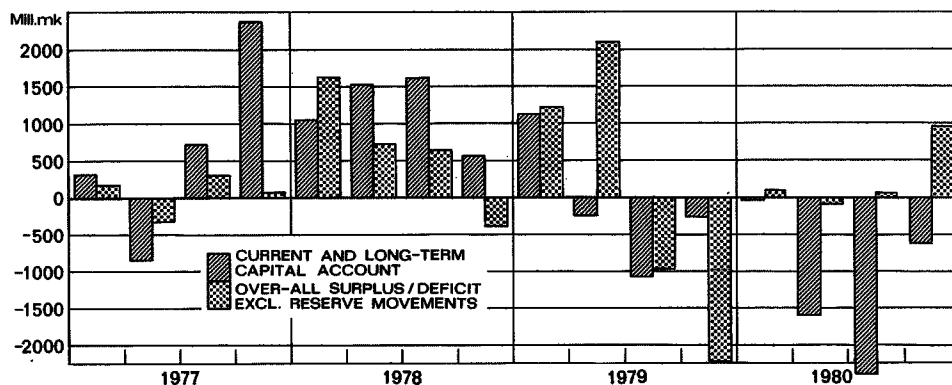


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net ²	Miscellaneous, short-term capital items, incl. errors and omissions ²	Over-all surplus deficit excl. reserve movements ²	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 —

¹ Including Direct investment, net.

² 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	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675
1980*	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793

1977

Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
------	-------	-------	-----	-------	--------	-------	-------	-----	--------	--------

1978

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

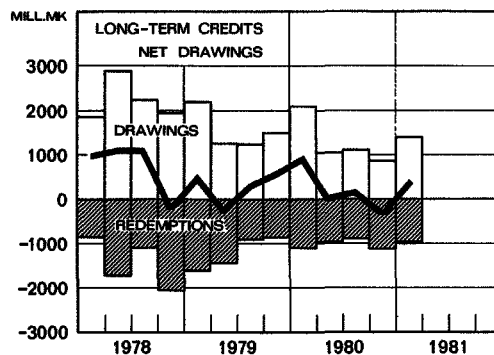
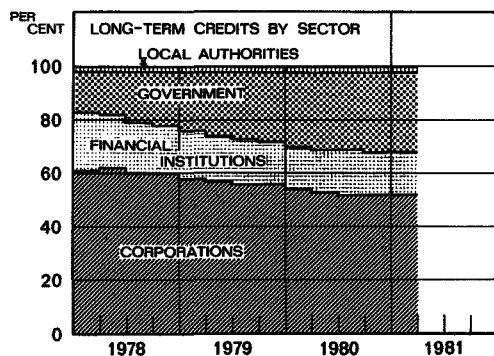
1979*

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

1980*

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

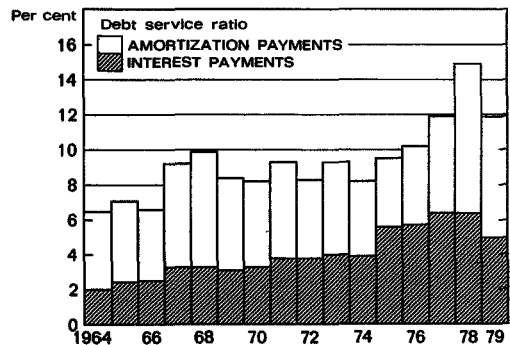
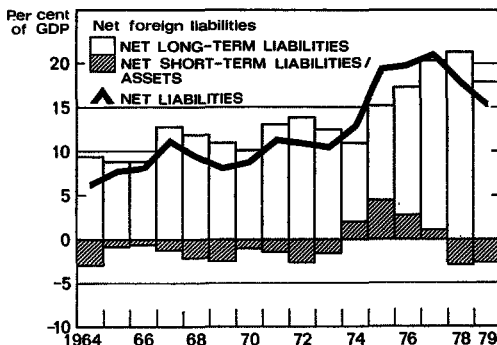


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
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 1980 = 100 ¹		
		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			
1979	791	138.0	135.0	148.7	133.1	150.7	139.2			
1980	919	160.7	156.6	175.0	160.1	167.7	155.9	100.0	100.0	100.0
1980										
Aug.	939	164.0	159.9	178.7	163.3	171.6	159.4	101.1	101.3	106.8
Sept.	947	165.6	162.0	178.2	165.5	172.6	159.9	102.2	101.3	102.6
Oct.	957	167.3	163.9	179.2	167.3	173.9	161.7	104.0	104.5	104.0
Nov.	963	168.3	164.9	180.5	168.2	174.4	163.7	104.4	104.5	104.5
Dec.	971	169.6	165.9	182.8	170.0	174.8	164.5	104.9	104.5	105.3
1981										
Jan.	983	171.8	168.2	184.6	172.6	176.5	166.1	106.7	105.3	106.8
Feb.	1 003	175.3	170.7	191.6	177.7	176.9	168.4	107.0	105.3	107.3
March	1 020	178.2	173.7	194.1	181.2	179.4	169.9	107.4	105.4	107.8
April	1 029	179.9	175.6	194.9	183.4	181.2	170.4	108.6	109.5	108.1

¹ New series. See item.

Period	Consumer prices 1977 = 100										
	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											
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
Feb.	138.8	129.3	155.5	143.2	132.8	159.4	134.5	145.3	144.9	130.0	145.8
March	140.6	133.6	157.3	142.8	134.1	163.2	135.2	145.3	146.0	130.4	147.7
April	142.4	136.4	157.4	145.1	134.1	168.1	137.0	145.4	147.4	134.5	149.6

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	132.8	149.5	145.6	142.6	150.8	148.6	149.3	148.9
1980*	179.3	170.1	146.3	166.5	160.5	156.6	169.6	165.8	167.2	166.5
1980*										
Jan.-March	168.9	160.2	139.4	158.2	152.2	149.4	159.2	156.4	157.4	156.9
Apr.-June	178.1	172.0	144.8	166.6	160.9	157.0	170.0	165.6	168.3	166.9
July-Sept.	178.4	170.7	147.1	166.8	161.2	157.1	170.9	166.9	168.1	167.5
Oct.-Dec.	189.3	177.5	153.9	174.6	167.6	163.1	178.4	174.4	175.1	174.8
1981*										
Jan.-March	192.2	179.9	154.6	179.7	173.9	169.0	181.0	178.6	177.9	178.3

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	94	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.	118	126	75	153	116	91	127	112	120	114
1980*										
Jan.-March	112	126	72	149	79	87	109	97	122	112
Apr.-June	113	125	81	145	79	89	111	104	122	116
July-Sept.	115	115	181	95	110	86	121	106	122	112
Oct.-Dec.	123	133	77	162	119	86	129	114	124	118

PRODUCTION

Index of industrial production 1975 = 100

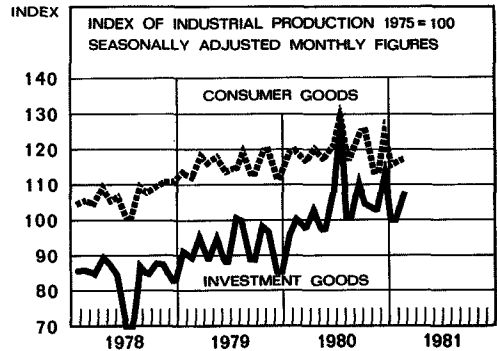
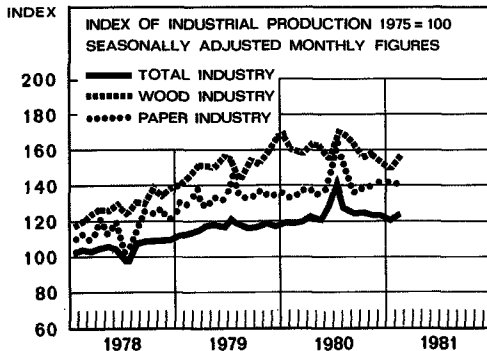
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1977	101.8	93.6	100.9	104.4	96.3	199.0	104.6	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*	126.1	106.8	122.2	132.8	114.5	163.0	142.9	138.0	112.7	120.8	126.5

1980*

Feb.	124.7	104.9	121.4	131.2	101.1	160.9	137.3	136.0	105.4	118.8	121.3
March	131.6	108.3	127.3	139.5	106.6	175.7	149.3	150.0	106.4	124.0	123.5
April	124.6	105.5	120.9	131.1	110.7	188.7	129.4	142.1	109.1	120.0	124.7
May	127.6	107.4	125.6	133.6	121.0	203.4	132.5	144.5	114.7	123.9	123.0
June	123.8	113.0	116.7	129.7	109.9	171.0	129.3	133.5	112.7	126.0	130.1
July	89.5	59.4	77.9	102.6	109.7	90.2	150.6	88.2	82.3	67.9	145.1
Aug.	124.5	100.5	121.6	132.0	110.6	147.6	154.2	140.6	119.7	113.9	127.8
Sept.	134.1	120.5	128.5	140.0	121.3	179.6	145.2	144.7	131.4	135.8	126.2
Oct.	142.7	120.3	142.1	148.6	141.1	177.1	154.5	159.8	141.9	137.7	126.6
Nov.	132.3	119.1	128.4	137.4	123.5	154.8	149.1	143.2	122.5	132.7	125.6
Dec.	127.5	117.1	127.0	130.2	112.7	140.1	137.8	134.9	95.8	128.7	125.5

1981*

Jan.	128.6	108.3	125.7	135.2	103.8	141.2	152.2	151.7	103.0	121.9	122.9
Feb.	123.5	109.9	118.5	129.2	97.1	148.6	139.4	143.6	107.0	121.8	125.1



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 ₁	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
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*	3 606	2 315	2 203	112	4.8	38 283	119	141
1980*								
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	150	158
1981*								
Jan.	3 616	2 280	2 148	132	5.8	3 397	106	124
Feb.	3 622	2 300	2 174	126	5.5	3 839
March	3 622	2 295	2 167	128	5.6

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											
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
1980*	50.53	19.66	5.43	18.41	3.99	42.34	17.05	4.73	14.56	3.81	50.82
1979*											
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
July-Sept.	11.97	4.69	1.01	4.49	0.91	10.77	3.47	1.37	4.05	1.11	54.62
Oct.-Dec.	11.09	3.38	0.74	5.10	1.29	13.49	5.80	1.65	4.37	1.15	50.82

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 ending rates weighted by credit outstanding.

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

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

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

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

FOREIGN EXCHANGE RATES

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

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

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

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

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

BALANCE OF PAYMENTS

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

FOREIGN ASSETS AND LIABILITIES

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

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

Columns 21 and 22 during the year and the quarter.

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

PRICE INDICES

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

WAGES — PRODUCTION

Pages 19—20. Figures supplied by the Central Statistical Office. Page 20. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: Investment goods weight 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 31-2) 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 381-9) 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, BRD 1948, GATT 1950, UN 1955, IFC 1956, IDA 1960, EFTA 1961, ADB 1966, CECD 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 1.4%. 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 46.6, in East and Central Finland 14.0, in North Finland 4.0 and in the whole country an average of 15.8 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 6.3%, 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 5 145 (4%), ownership of dwellings 10 217 (7%), other services 29 808 (21%), total 144 418. Index of real domestic product 112 (1975 = 100).

FOREST RESOURCES (1979). The growing stock comprised of 1 606 million m³ (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 690 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 61 million m³ and the total removal calculated on the basis of roundwood consumption was 49 million m³.

AGRICULTURE (1979). Cultivated land 2.3 million hectares. Number of holdings 229 356 of which 157 673 are of more than 5 ha. Measure of self-sufficiency in bread cereals 44%, 70% in 1980.

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 (March 31, 1981): Passenger vessels 143 (238 085 gross reg. tons), tankers 41 (1 115 882 gross reg. tons), dry cargo vessels 207 (997 671 gross reg. tons), other vessels 95 (14 620 gross reg. tons), total 486 (2 366 258 gross reg. tons)

MOTOR VEHICLES (Dec. 31, 1980): Passenger cars 1 225 931, lorries and vans 149 151, buses 8 963, others 8 782, total 1 392 827.

FINNISH AIRLINES (April 1, 1981): Finnair and Kar-Air have in use 6 DC-8, 1 DC-6-3T, 5 Super Caravelles, 9 DC-9 10/14/15, 12 DC-9-51, 2 DC-10-30, 2 Fokker F-27 and 1 Embraer Bandeirante. Companies have scheduled traffic outside of Finland to 37 airports and to 20 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 20.1, Skr 17.4, £ 13.5, DM 13.2, \$ 10.0, other currencies 25.8. 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 2 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1980). There are two big and five small commercial banks with in all 880 offices, 275 savings banks, 372 co-operative banks, five mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-five 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 ½%. 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 ½%; 12 month deposits 7 ½%; 24 month deposits 9% 36 month deposits 9 ½% + savings premium; 36 month deposits 9 ½% + tax concession and sight deposits 2%. The highest lending rate 12 ½%.

PUBLIC FINANCE

by Immo Pohjola, Lic.Pol.Sc.
and Erkki J. Tassia, M.Pol.Sc.

Economics Department of the Ministry of Finance

Although the GDP growth rate in Finland slowed in 1980 from more than 7 per cent in the previous year to 5 per cent, it was still one of the fastest among the OECD countries. In the preceding years, the corporate sector's profitability and competitiveness had been purposefully enhanced by means of economic policy measures. This enabled a more rapid expansion in Finnish exports to Western markets than the growth of these markets in general. The rise in oil prices in 1979—1980 weakened the terms of trade and restrained particularly the growth of households' real income and consumption. However, Finland imports most of its oil supplies from the Soviet Union and it was able to increase the volume of its exports to the Soviet Union, thereby compensating for the growth in the value of imports and alleviating the impact of the deterioration in the terms of trade on production and employment. Owing to the rapid expansion in the volume of exports, industry operated at near-full capacity during 1980, which, coupled with improved corporate profitability, induced a rapid increase in private investment. Hence, industrial investment was the economy's fastest growing demand component in 1980.

With the economy continuing to grow rapidly, the average unemployment rate fell to 4.8 per cent in 1980. Because of the rise in import prices and domestic cost developments, the rate of inflation accelerated substantially. The deterioration in the terms of trade and the continued rapid expansion in production also led to a large increase in the volume and value of imports. The current account deficit grew to about 5 000 million marks, or 2.7 per cent of GDP.

CENTRAL GOVERNMENT FINANCE

THE BUDGET PROPOSAL

In the summer of 1979 when the budget proposal for 1980 was being prepared, it was assumed that the prerequisites for satisfactory longer-term economic development could be ensured, even if output growth in Finland's major market areas were to remain fairly sluggish. The rate of inflation was expected to be the same as in the previous year. In spite of an acceleration in the growth of investment, it was estimated that the growth of domestic demand would slow down. As, moreover, the growth of exports was forecast to decelerate to about a third of what it had been the previous year, GDP growth was expected to amount to only 4 per cent and external equilibrium to weaken noticeably.

Attempts were made to reduce unemployment by supporting the growth of domestic demand and structural changes in production fostering the demand for labour. In order to curb rising costs incurred by the use of labour and investments, adjustments were made in the tax schedules. Measures limiting the supply of labour were also used.

In keeping with the practice established since 1977, the budget proposal for 1980 also contained proposals for the adjustment of income and wealth taxation to compensate for inflation in 1979. The proposed 7.5 per cent average adjustment in income tax scales and major allowances corresponded to the actual price development in 1979. It was also proposed that better account be taken of personal allowances in tax prepayments, so as to bring tax prepay-

ments more closely into line with the final assessment and, accordingly, to reduce tax rebates.

The tax concession granted for investments of industrial machinery and equipment was reduced from 50 per cent to $33\frac{1}{3}$ per cent; other wise, sales tax rates were kept unchanged. In addition, it was proposed that employers' child allowance contributions would not be collected in 1980.

In the parliamentary debate on the budget proposal, some changes were made, which decreased both revenue and expenditure, in net terms, by about 200 million marks. On the revenue side, the most important change was the decision to rescind the postponement of tax rebates until March 1981. In order to cover the resultant decline in revenue, the amount of borrowing proposed was increased by 1 600 million marks. Proposed expenditure totalled about 48 700 million marks, of which about 7 500 million marks was earmarked to be financed through borrowing. The 1980 budget contained appropriations for the continuation of employment measures and, to some extent, for their intensification, for the implementation of an extensive energy policy programme, and for the expansion of research enhancing the economy's real competitiveness and of product development and export promotion activities. Finance for the continuation of major social reforms was also ensured.

ECONOMIC DEVELOPMENTS IN 1980

At the beginning of 1980, the economic outlook was slightly brighter than in the summer of 1979 when the budget proposal was being prepared. Of the demand components, visible and invisible exports and investment were expected to grow more than forecast earlier, whereas consumption was estimated to grow more slowly than forecast. This, in fact, turned out to be the case, these trends even strengthening in the course of 1980.

Of the demand components, export growth — contrary to predictions — reached its 1979 level. Fixed investment increased twice as much as forecast in the budget proposal, or by 12 per cent. On the other hand, consumption growth fell short of the forecast mainly because of the deterioration in the terms of trade. Owing to these factors, GDP growth amounted to 5 per cent, or one percentage point more than originally forecast.

The continued rapid economic growth was reflected mainly in an increase in vacancies in secondary and tertiary industries. Despite the growth in the supply of labour, the unemployment rate dropped from 6.1 per cent to 4.8 per cent.

With both the volume and value of imports rising clearly more than those of exports, the current account showed a deficit of about 5 000 million marks, as against a deficit of less than 1 000 million marks for 1979.

The increase in import prices and the incomes policy agreements contributed to the rise in the consumer price index from the forecast 7.5 per cent to 11.6 per cent. Two percentage points of the rise in consumer prices could be ascribed to increases in indirect taxes and state tariffs and charges; this was slightly more than in the preceding few years. The rise in the level of real earnings in 1980 was almost as much as in the previous year, that is, 4 per cent. Households' real disposable income increased by 4 per cent, of which more than 0.5 percentage points could be attributed to changes in the timing of tax collection.

In 1980, the Government presented three supplementary budgets, which were designed to rectify the differences between the forecast and the actual economic development. The supplementary budgets together increased state expenditure by about 3 600 million marks, or by 7.5 per cent of the total of the ordinary budget, as against 8 per cent in the preceding two years. Estimates of the yield from taxes and other revenue were raised in line with increases in expenditure.

STATE REVENUE

In 1980, total state revenue (excluding borrowing) amounted to about 44 300 million marks, 16 per cent more than in 1979 (Table 1). The substantial increase in the yield from income and wealth taxes was attributable to the fact that, owing to a revision in tax collection, municipalities, parishes and the Social Insurance Institution participated in the payment of tax rebates and that the adjustments for inflation were 4 percentage points less than the rise in the level of earnings.

The yield from sales taxes was 15 per cent up on the previous year on account of a slight acceleration in the growth of the value of domestic demand and a reduction in tax concessions granted for industrial machinery and equipment investments. The yield from customs duties, import charges and levies increased by a quarter owing to the continued vigorous growth in the value of imports.

The total yield from excise duties increased as a result of rises in the prices of tobacco and alcoholic beverages and in the excise duties on fuel. In spite of the increases in the schedules for duties, the total yield from excise duties was only 13 per cent up on the previous year, partly reflecting the sluggishness of private consumption. The total yield from taxes on automobiles and motor-cycles increased by no more than 5 per cent. The collection of employers' child allowance contributions was resumed during the second half of the year; however, as these were only collected temporarily and at reduced rates, the yield from them was only a quarter of that in the previous year. Taxes and similar revenue totalled about 39 400 million marks, which was 17 per cent more than in 1979.

STATE EXPENDITURE

State expenditure (excluding redemptions of loans) totalled about 48 400 million marks, or 13 per cent more than in 1979. Expenditure increased more slowly than in the previous year, which was due in large part to a reduction from 38 per cent to 7 per cent in the growth of state

subsidies to industries. In 1979, the growth in this expenditure had accelerated because of a sharp rise in the price disparity compensations for oil products and certain foodstuffs. The volume of total expenditure grew by only 0.5 per cent and the Government succeeded in limiting the increase in consumption expenditure to 3 per cent. The volume of real and financial investment declined.

CENTRAL GOVERNMENT BORROWING REQUIREMENT

The growth of state revenue accelerated clearly in 1980, whereas the growth of expenditure slowed down, so that expenditure increased less than revenue. As a consequence, the borrowing requirement was slightly smaller than in the previous year, or about 4 100 million marks. If the redemptions of loans totalling about 1 500 million marks are included, the gross borrowing requirement amounted to about 5 600 million marks. Drawings of new long-term loans totalled about 5 000 million marks, which was about 300 million marks more than in the previous year. Of the new loans, foreign loans accounted for about 1 800 million marks and domestic loans for about 3 200 million marks. Of domestic borrowing, about 2 200 million marks was raised by 5 and 10 year bonds intended for public subscription. Of the 700 million mark credit facility granted by the Bank of Finland in 1978, 354 million marks was drawn. The other loans were mainly bonds sold to insurance companies and pension institutions. As a result of the heavy borrowing in recent years, redemptions increased by 27 per cent.

The state's net long-term borrowing remained approximately at its 1979 level, amounting to about 3 500 million marks, of which net foreign borrowing accounted for about 1 500 million marks. As a consequence of changes in exchange rates, foreign debt grew slightly more than net borrowing. At the end of 1980, the state's total debt, of which about 10 300 million marks was external, amounted to about 18 000 million marks. At 9.6 per cent of GDP

TABLE 1. STATE CASH REVENUE AND EXPENDITURE IN 1979—1980

Revenue	1979	1980
	Mill. mk	
Total taxes on income and wealth	9 774	12 540
Sales taxes	10 649	12 262
Customs duties and import charges	629	784
Excise duties	8 204	9 233
Other taxes and similar revenue	4 416	4 564
Other revenue	3 729	4 166
Redemptions of loans granted	750	751
	<hr/>	<hr/>
Total revenue	38 151	44 300
Borrowing	4 743	5 002
	<hr/>	<hr/>
Total	42 894	49 302
Expenditure		
Consumption expenditure	11 821	13 702
Transfer expenditure	22 759	25 485
Real investment	3 943	4 098
Interest on state debt and index compensations	974	1 214
Other expenditure ¹	— 148	48
Lending	2 952	3 349
Other financial investment	517	540
	<hr/>	<hr/>
Total expenditure	42 818	48 436
Redemptions	1 182	1 503
Deficit (—), surplus (+)	—1 106	— 637
	<hr/>	<hr/>
Total	42 894	49 302

¹ Incl. net deficit of State enterprises.

and about one third of annual state revenue, this was still fairly low by international standards.

State expenditure (including redemptions of loans) exceeded state revenue (including borrowing) by about 600 million marks; the resultant cash deficit was covered by reducing the central government's short-term financial reserves. About 500 million marks was transferred to the central government's counter-cyclical reserves; however, this amount will only be considered to be state expenditure and to affect the cash position when it is used to finance expenditure at some time in the future. Owing to an increase in expenditure postponed to this year and the financial responsibilities related to it, as well as to a decline in financial reserves, there was a distinct weakening in the state's liquidity position in 1980. See Table 1.

LOCAL GOVERNMENT FINANCE

Economic developments in 1979 were clearly more favourable than anticipated. Local government tax revenue grew by 15.7 per cent, whereas local government budgets had been based on growth estimates of only 3 per cent. As state subsidies also continued to increase vigorously and the growth of expenditure was kept within the limits estimated, the financial position of municipalities was very easy at the beginning of 1980.

In 1980, as well, economic developments were more favourable than forecast. At the end of the year, the growth of local government tax revenue slowed because municipalities had to participate in the payment of tax refunds as a result of the tax reform. On average, the final local government tax rate was reduced below the prepayment rate. Nevertheless, local government tax revenue still grew very rapidly during the first half of the year, partly as a result of excessive tax prepayments received by municipalities from the central government. The excess in tax prepayments was due to a greater-than-forecast rise in nominal earnings, which raised the proportion of the progressive state tax in total tax revenue above the level called for when the relative shares of income tax revenue were decided on at the beginning of year. The decline in the share of municipalities could not be taken into account until the end of the year. Owing to the revisions made at the end of the year, local government tax revenue grew in 1980 by only 5 per cent. However, the sluggishness in the growth of tax revenue was largely ostensible, since, owing to the tax reform, municipalities also received their share in the final collection of income taxes, which were all transferred to municipalities during 1981.

Attempts have been made to restrain the expansion of local government expenditure and the rise in local government tax rates by means of special agreements concluded between the central government and the central municipal organizations; in the preceding few years, the objectives set in these agreements have been reached with a fair amount of success. How-

ever, the real growth of consumption expenditure has tended to exceed the desired rate of about 3 per cent, whereas the growth of administrative real investment has tended to fall short of the permitted rate of 2 per cent. According to preliminary estimates, consumption expenditure grew in 1980 by more than 3.5 per cent and administrative real investment by 6 per cent. The growth in the volume of local government consumption expenditure has been curbed by developments in the educational system. The comprehensive school reform has been completed, and the age groups reaching school-going age have declined; on the other hand, the size of classes is being gradually diminished. The emphasis in the growth of consumption expenditure has been shifted onto the provision of social, recreational and cultural services. In particular, expenditure on children's day-care increased rapidly last year. With the structure of the growth of consumption expenditure changing, the increase in the state subsidies received by municipalities has slowed down. Nevertheless, an increasing share of local government consumption expenditure in 1980 was still covered by state subsidies.

The large increase in local government investment expenditure in 1980 was attributable, in particular, to the acceleration in the growth of revenue and the prolonged easy financial position. Investment growth centred on social security institutions and office buildings. With the private sector also investing vigorously, especially the building industry experienced bottlenecks in production. To reduce the harmful effects of the bottlenecks, the collection of an investment tax was started in November 1980; it was to be collected for one year and also applied to local government investments in industrialized parts of the country. It was hoped that the collection of the investment tax would defer investment projects to a later point in time. Because of the tax, certain municipalities and municipal federations brought forward the starts of their large investment projects, as a result of which the impact of the investment tax was smaller than expected.

On average, the financial position of municipalities remained very easy until the autumn of

1980. At the end of September, municipalities had 35 per cent more bank deposits than one year earlier, although the total amount of bank advances received by municipalities during the same period had increased by only 5 per cent. In the last quarter of the year, the changes in the timing of the yield from local taxes resulting from the tax reform caused an imputed weakening in the financial position of municipalities. According to preliminary estimates, the local government financial surplus amounted to only about 400 million marks in 1980, as against a surplus of about 1 700 million marks in 1979. Municipalities' bank deposits declined by about 600 million marks during the last quarter of the year. As municipalities received, for the first time, their share in the final taxes paid in the winter of 1981, the weakening in the financial position of municipalities turned out to be temporary. In general, local government financial prospects were favourable at the beginning of 1981.

SOCIAL SECURITY FUNDS¹

Reductions in social security contributions were part of the reflationary policy measures started in 1977. These reductions concerned the national pension contributions of the insured and the sickness insurance contributions of both the insured and employers. As corresponding reductions were not made in the payment of social security benefits and as, moreover, unemployment compensations grew rapidly along with rising unemployment, the financial position of social security funds weakened substantially because of these measures. In 1979, part of the reductions in contributions was cancelled and the improvement in employment led to a decline in employment insurance expenditure, so that the social security funds again showed a surplus.

In 1980, the unemployment insurance contribution was reduced by 0.1 pennies, whereas other social security contributions were kept

¹ In the autumn of 1980, the Central Statistical Office of Finland revised the sectoral coverage of national accounting so that social security funds now include only the Social Insurance Institution, unemployment funds, the Central Unemployment Fund, the Support Fund for Unemployment Funds and the Redundancy Payments Fund. Previously, part of employment pensions funds were included in social security funds, but after the revision, they are all included in the financial institution sector.

unchanged. Unemployment compensations declined further as the employment situation improved, but the first stage of the reform of the national pensions scheme started at the beginning of the year caused an increase in the pensions expenditure of the Social Insurance Institution. However, owing to favourable economic developments, the yield from insurance contributions increased 2 percentage points faster than the payment of benefits.

In May 1980, the Government decided on the timetable and financing of the continuation of the reform of the national pensions scheme. The first stage of the reform was to be completed by the middle of 1981. The second stage was to be started at the beginning of 1983 and the third stage at the beginning of 1985. It was decided that the pensions reform would be financed without raising the insurance contributions from the 1980 level.

PUBLIC FINANCE AND THE OVERALL ECONOMIC DEVELOPMENT

In keeping with the reflationary policy line adopted in 1977, the financial position of general government weakened heavily in the subsequent years, whereas the financial position of the private sector improved. Starting at the end of 1978, the growth of total output strengthened significantly and real income formation accelerated. At first, the corporate sector used its growing income to improve its capital structure. However, in 1979 an upturn in fixed investment got under way, and it strengthened further in 1980. Although both

corporate and household saving also rose sharply, domestic saving did not suffice to cover the increase in investment, so that the current account moved into deficit from the latter half of 1979.

The ratio of the financial surplus of general government to GDP in 1980 remained at the same low level as in the previous year. The central government showed a small financial surplus, while that of local government was unusually small owing to the tax reform and that of social security funds was smaller than the long-term average.

This indicates that, on the whole, the public sector remained a growth-sustaining factor. According to estimates made with the aid of the econometric models of the Ministry of Finance, the direct growth-sustaining impact of the public sector was almost as great as in the previous year. According to estimates of a full-employment budget, the revisions in revenue and expenditure schedules based on new decisions slightly supported economic activity in 1980.

The growth-sustaining impact of general government from 1977 until 1980 was based on a decline in the tax ratio and the continued real growth of public expenditure.

The fall in the ratio of total tax revenue to GDP in 1980 was attributable to changes in the timing of the payment of tax refunds and the fact that the final taxes paid in December were not recorded until 1981. Without the impact of these measures, the ratio of total tax revenue to GDP would have risen by 1.5 percentage points in 1980. Given these circumstances, the rise in the tax ratio will occur during 1981.

The acceleration in the growth of public expenditure in 1980 was mainly due to local government investment. At the same time, the increase in private domestic demand accelerated further. Private investment demand was strengthened by the continued vigorous export demand, a rise in industry's capacity utilization and the private sector's favourable income developments, which were partly a result of the

TABLE 2. THE FINANCIAL SURPLUSES OF GENERAL GOVERNMENT IN 1976—1980

Year	Central government, mill. mk	Local government, mill. mk	Social security funds, mill. mk	Overall surplus, per cent of GDP
1976	3 977	1 143	584	5.0
1977	2 698	1 043	298	3.2
1978	1 411	836	—253	1.4
1979 ¹	—739	1 737	161	0.7
1980 ¹	430	370	310	0.6

¹ Preliminary figures.

TABLE 3. THE RATIO OF TAXES TO GDP AND THE REAL GROWTH OF PUBLIC EXPENDITURE IN 1976—1980, PER CENT

	1976	1977	1978	1979 ¹	1980 ¹
Total tax revenue as a percentage of GDP	39.1	38.3	35.8	34.7	34.0
Real growth of public expenditure	4.0	3.6	3.4	2.9	3.5
Central government	-0.2	-0.8	4.6	3.1	3.3
Local government	5.8	6.2	2.3	2.8	3.4
Real growth of private consumption and fixed investment	-2.5	-2.9	-1.2	5.0	5.5
Real growth of exports	14.8	9.4	8.1	9.0	8.5
Real growth of GDP	0.3	0.4	2.3	7.2	5.0
Industry's capacity utilization	79.0	77.5	79.0	86.0	89.5

¹ Preliminary figures.

economic policy pursued. Under the prevailing capacity conditions, the simultaneous acceleration in private and public demand led to production bottlenecks in certain industries. Excessive demand triggered off a weakening in external balance and an acceleration in inflation.

The acceleration in inflation in 1980 was largely attributable to rises in the price of imported energy and their consequent effects. The rise in labour costs also raised prices more than previously, with the growth in productivity slowing down from the previous year. The pressures on prices induced by growing demand pressures were reflected primarily in the basic price index for domestic supply, which rose clearly more than the cost-of-living index, thus indicating that there existed unreleased pressures on consumer prices as well.

The curbing of inflation was still one of the major economic policy objectives, although certain measures, such as increases in indirect taxes and compulsory charges, contributed to the rise in prices. The cost-of-living index also rose as a result of rises in interest rates by a total of 2 percentage points in the autumn of 1979 and the winter of 1980. By contrast, the raising of the external value of the Finnish mark in March directly reduced the domestic prices of imported goods. On average, the currency index number of the mark was about 3.2 per cent lower in 1980 than in the previous year.

The rise in prices was also affected by the agreement concluded between the central government and economic organizations according to which wage drift exceeding 3 per cent would not be passed through to prices during the agreement period ending in the winter of 1981. In fact, wage drift averaged 2.4 per cent.

The central government also endeavoured to curb inflationary pressures indirectly. The adjustments for inflation in tax scales helped to restrain employees' wage claims. When it became evident that demand would continue to be brisk during 1981 and that supply would to some extent be insufficient, with bottlenecks arising especially because of a buildup in investments, the Government decided in the spring of 1980 on certain measures temporarily levelling off both private investment and public demand. In order to prevent enterprises from channelling their increasing profits immediately to real investments, enterprises were offered the chance to make investment deposits for a fixed period on terms more favourable than normal; these deposits were to be collected at the Bank of Finland. In addition, the central government started to collect compulsory export deposits and counter-cyclical deposits from enterprises, and the collection of child allowance contributions from employers was resumed.

As part of the buildup in investments was attributable to the temporary duration of the sales tax concession granted for investments, its period of validity was extended until the end of 1981. The central government also postponed some of its own expenditure, so as to reduce domestic demand pressures. The temporary investment tax, which the Government decided to start collecting in the autumn of 1980, was a pure preventive tax designed merely to defer the starting of less essential investment projects.

Apart from its own demand for final products, current transfers and economic legislation, general government also affects overall economic development through the financial market. The central government's borrowing from abroad

and the Bank of Finland, and changes in the central government's short-term placements in the banking system increased the supply of money by almost 2 000 million marks in 1980. On the other hand, the net sales of central government bonds intended for public subscription, which amounted to less than 1 400 million marks, worsened the deposit banks' position. Since 1978, the banks and the central government have annually agreed on the volume and terms of the central government bonds intended for public subscription to be sold, and the banks have pledged to take up any unsold bonds. In 1980, the public's willingness to purchase proved weaker than expected, so that the banks had to take up a considerable part of the bonds on sale. With the financial position of municipalities weakening temporarily at the end of the year, the financial position of banks was further hampered by a decline in municipalities' bank deposits.

The timing of central government foreign borrowing and the changes in short-term reserves were known beforehand with sufficient accuracy for them to be taken into account in the formulation of monetary policy. The weak demand for central government bonds intended for public subscription and the resultant increase in the banks' financial responsibility, together with the decline in municipalities' bank deposits at the end of the year, tightened

the banks' position. When, in the late summer of 1980, monetary policy was purposely tightened in order to check imbalances induced by excessive demand, the growth rate of bank lending slowed down very rapidly. This was also largely attributable to a rapid rise in the international level of interest rates, which particularly weakened the desire to import long-term capital.

In 1981, the direct impact of the public sector on domestic demand should be slightly restraining; e.g. because of the probable rise in the tax ratio. Although the central government net borrowing requirement is estimated to decline slightly, it will still be necessary to import capital in order to cover central government expenditure, and this will ease the financial market. In fact, a cautiously easing line has already been adopted in monetary policy, with at least a slight downswing being expected to also arrive in Finland. Under the present circumstances, there is little scope for manoeuvre in fiscal policy. The central government was forced to increase its debt substantially in 1979—1980 when the overall economic development was favourable. However, a slight increase in the tax ratio in 1981 and the existence of previously collected counter-cyclical reserves will allow the pursuit of a modest growth-supporting fiscal policy, should the coming downswing prove to be severe.

ITEMS

The new Finnish Fmk 10 bank note. As from 25th May, 1981, the Bank of Finland has issued a new type of Fmk 10 bank note. The old note of 1963 will remain legal tender.

There are substantial differences from the old note. Of these the most important are:

The note is printed on yellowish paper containing green fibres. It is more colourful than the old one, with bluish green and orange as the main colours.

The printed field on the front of the bank note is covered by quilloche-line patterns; one of them runs vertically along the right-hand edge, another, almost in the middle of the note, is star-shaped, and the rest of them form the background. There are four brown raised points to aid recognition of the note by the blind.

In the margin at right there is an unprinted area of about 35 mm in width, at the top of which the denomination is shown in figures (10) against a brown quilloche rosette. The watermark shows portraits of J. K. Paasikivi, smaller than the main portrait printed in dark green.

The back of the note features the lion of the Finnish coat of arms printed in violet. The printed background is covered by relief patterns depicting an anchor. On the left edge there is a vertical guilloche pattern and in the unprinted area, which is about 33 mm broad, there is a blue rosette.

Finland's gross long-term foreign debt in January—March 1981. At the end of March 1981, Finland's gross long-term foreign debt amounted to the equivalent of 37 558 million marks. Drawings of long-term foreign capital totalled 1 601 million marks, and redemptions 991 million marks. The net inflow of long-term capital thus reached 610 million marks in January—March 1981, as against 985 million marks in the corresponding period last year.

In a breakdown of drawings by type of credit, financial loans accounted for 79 per cent, import and leasing credits for 9 per cent, direct investments for 5 per cent and subscriptions for 7 per cent.

FINLAND'S GROSS LONG-TERM FOREIGN DEBT BY TYPE OF CREDIT IN JANUARY—MARCH 1981. MILLION MARKS¹

	Debt Dec. 31, 1980	Drawings	Redemp- tions	Net drawings	Import of exchange rates	Debt March 31, 1980
Financial loans	29 298	1 269	823	+446	+779	30 523
Individual financial loans	13 170	864	650	+214	+565	13 949
Bonds and debentures	16 128	405	173	+232	+214	16 574
Import credits	4 377	135	126	+ 9	+ 69	4 455
Leasing credits	102	0	6	— 6	+ 5	101
LONG-TERM CREDITS	33 777	1 404	955	+449	+853	35 079
Direct investments	2 075	85	27	+ 58	+ 5	2 138
Subscriptions	238	112	9	+103	—	341
LONG-TERM GROSS DEBT	36 090	1 601	991	+610	+858	37 558

¹ The mark values of debt outstanding have been calculated by using the selling rates of the same date, drawings and redemptions by using the average monthly selling rates.

Drawings by enterprises amounted to 971 million marks or 69 per cent of total drawings, while those by central and local government totalled 299 million marks or 21 per cent, and those by financial institutions accounted for 124 million marks or 10 per cent.

The new building cost index 1980 = 100.

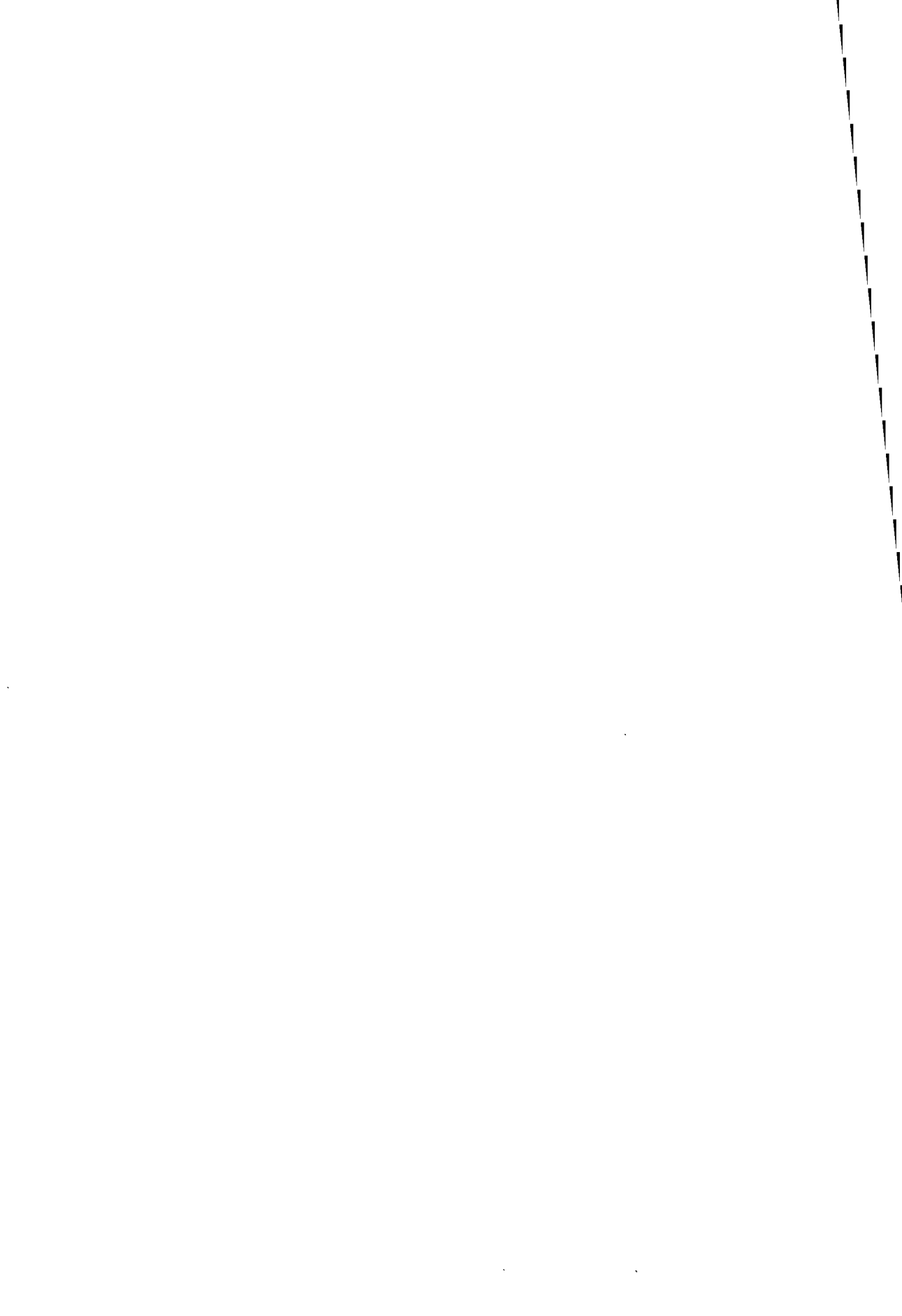
The building cost indices published by the Central Statistical Office have been updated. In accordance with international recommendations, 1980 has been selected as the new base year for the indices.

The Central Statistical Office has commenced publication of the new index series by releasing the index number for April 1981 together with the index numbers for the first three months of this year. The monthly index numbers for 1980 are obtainable from the Central Statistical Office. The building cost index 1973 = 100 has been discontinued; the index number for April 1981 is the last figure calculated in this series.

Because of rapid developments in the building industry and the fixed-weight formula used in calculating the index, the building cost indices must be regularly updated so as to remain reliable indicators of cost development.

In the renewal of the indices, it was not found necessary to alter the underlying structure of the index used in the calculations. Nor have any revisions been made in the calculation methods and in the methods for defining and compiling price data. However, the weight structure has been checked and changed, the cost breakdown now differing from that of the index series of 1973. In addition, the selection of materials has been partly revised.

Double issue. This number of the Bank of Finland Monthly Bulletin appears as a double issue because of new summer holiday arrangements in the Government Printing Centre.



BANK OF FINLAND

Board of Management

Mauno Koivisto

Chairman, absent as Prime Minister

Ahti Karjalainen Rolf Kullberg
Vice Chairman, Acting Chairman Acting Vice Chairman

Pentti Uusivirta Ele Alenius

Harri Holkeri Seppo Lindblom
Acting Member of the Board

Directors

Markku Puntila Seppo Lindblom

Eino Helenius Pentti Koivikko

Kari Nars Antti Lehtinen

Senior officials

Pertti Kukkonen Ralf Pauli
Director, ADP-planning Monetary Policy

Raimo Hyvärinen Kari Pekonen
Domestic Financing Exchange Policy

M. Vanhala Kari Holopainen
Foreign Exchange Bilateral Trade

Pekka Tukiainen J. Ojala
Foreign Financing Exchange Control

Seppo Kostiainen Juhani Hirvonen
Deputy, Economics Dept. Deputy, Research Dept.

Markku Pietinen H. T. Hämäläinen
Information Administration

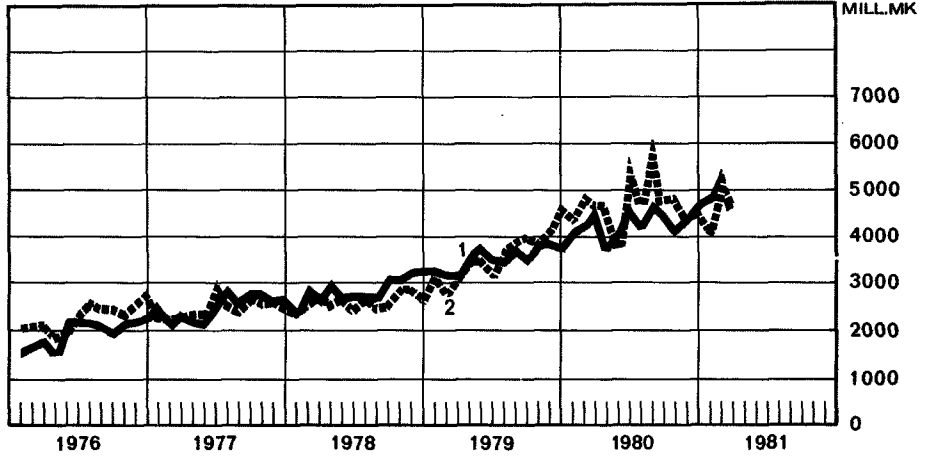
Timo Männistö U. Levo
Internal Audit International Legal Affairs

Erkki Vehkamäki Anton Mäkelä
Data Processing Personnel

Stig G Björklund Reijo Mäkinen
Payments Cash

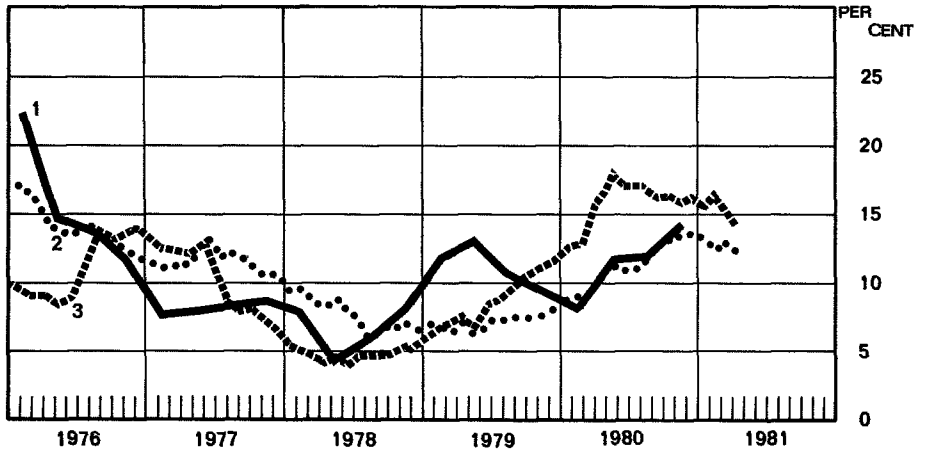
FOREIGN TRADE, 1976-81

- 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, 1976-81

- 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

