



# BANK OF FINLAND

*Monthly Bulletin*

**The 1981 incomes policy agreement**

**Monetary policy**

Finland's balance of payments  
January—March 1981

The Bank of Finland's investment inquiry  
of June 1981

Supplementary budget

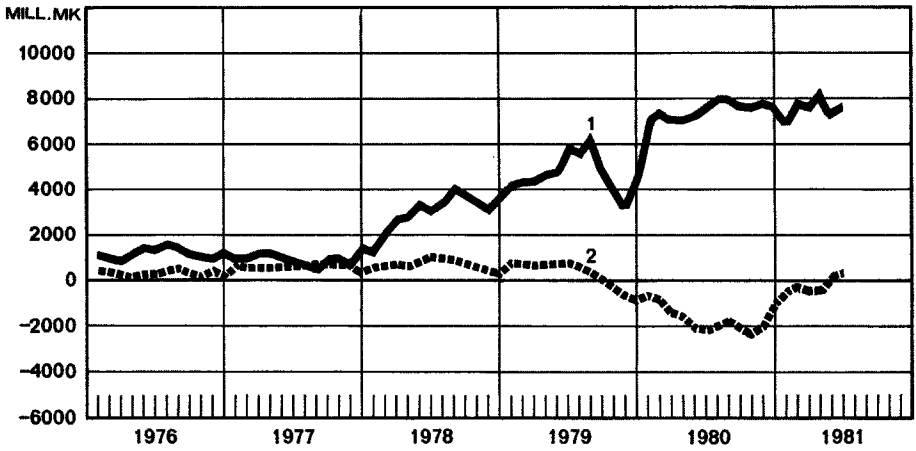
Establishing a business in Finland

Publications of the Bank of Finland

**AUGUST 1981**

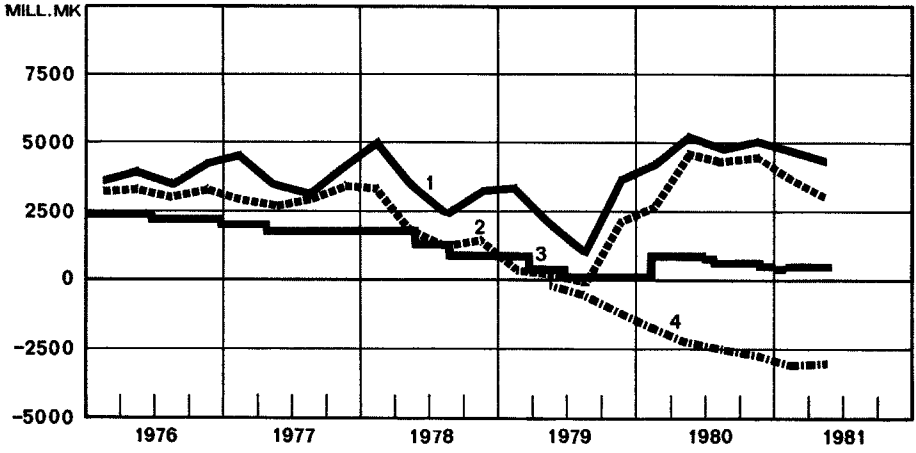
**Vol. 55 No. 8**

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



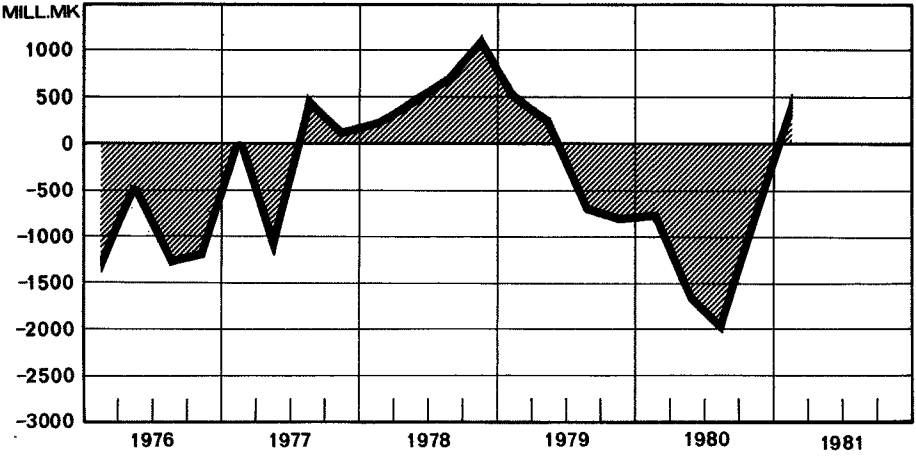
- 1. Gold and convertible currencies
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**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1976-81**



- 1. Total central bank debt
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**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1976-81**



Seasonally adjusted quarterly figures

# THE 1981 INCOMES POLICY AGREEMENT

by Harry Hendunen, Head of Bureau

Economics Department of the Ministry of Finance

The collective agreements concluded in 1980 were not based on a comprehensive labour market agreement, and for the most part they expired at the end of February 1981.<sup>1</sup> With the upswing, which had lasted for more than two years, coming to an end in the second half of 1980 and the outlook for demand in the world market deteriorating, the pursuit of an economic policy curbing inflation and sustaining competitiveness had become increasingly important.

The central government supported a moderate incomes policy line through its budget policy measures. As in the preceding years, personal income taxation was eased by adjusting the tax scales for 1981 and increasing tax deductions to compensate approximately for the rate of inflation in the previous year. Current transfers to families, such as child allowances, were increased, and the rates of employers' social security contributions to be applied this year were set at a lower level than in 1980. In addition, the schedules of indirect taxes, state tariffs and charges for 1981 were raised less than last year.

The gloomier economic prospects paved the way for the conclusion of a comprehensive incomes policy agreement. When it became clear that no agreements were going to be reached in the negotiations between the various parties, the Incomes Policy Mediator submitted, on February 3, 1981, at the Prime Minister's request, his proposal for a two-year comprehensive incomes policy agreement which was to be in force until the end of February 1983. The agreement proposed covered wages and salaries, prices, agricultural income and certain central government measures.

The Incomes Policy Mediator proposed that wages and salaries be raised by 3.8 per cent of the wage bill of the sector concerned as from March 1981; of this increase, 0.5 percentage points was earmarked for sector-by-sector wage arrangements. Wages and salaries were to be further raised by 2.6 per cent in September 1981, by 2.2 per cent in March 1982 and by 3.0 per cent in October 1982, calculated similarly on the basis of the wage bill of each sector. It was left to the organizations to agree on what form the pay increases should take in each sector: in general, they were to be implemented partly in mark terms and partly as percentage rises. In addition, an amount corresponding to 0.4 per cent of the wage bill of an individual enterprise or establishment was to be used in March 1982 for resolving special issues of the enterprise or establishment concerned. The comprehensive agreement also provided for increases for low-wage earners due in March 1982 as well as rises in supplementary payments for shift work. It was estimated that the pay increases proposed by the Incomes Policy Mediator would raise the level of earnings by a total of 13 per cent over the entire two-year agreement period.

The comprehensive agreement includes an index clause. For this purpose, a special wage revision index will be compiled; it is based on the consumer price index adjusted for changes in the terms of trade, with one third of the changes being taken into account. If the terms of trade weaken, the rise in the consumer price index will diminish, and, conversely, increase should the terms of trade improve. Changes in the terms of trade are calculated on the basis of export and import price indices. If the wage revision index rises by more than 6 per cent between March and December 1981 and by more than 7 per cent

<sup>1</sup> See the front article »Labour market agreements» in Bulletin 6/1980.

between December 1981 and November 1982, rises exceeding these thresholds will be fully compensated for by corresponding increases in wages in February 1982 and January 1983, respectively. The act prohibiting the use of index clauses was relaxed so that the index clause described above could be incorporated in the collective agreements concluded in keeping with the comprehensive incomes policy agreement.

The Earnings Guarantee system is included in the comprehensive agreement. Towards the end of the agreement period, the central labour market organisations will meet to assess how earnings have risen in the various sectors subject to the agreement. If earnings in certain sectors have risen less than the overall rise in earnings, possible additional wage increases will be agreed on.

Of the private sector collective agreements effective at the beginning of 1981, about one-third were long term. These agreements contain a clause providing for an increase in wages and salaries in 1981 — on top of the increases agreed on originally — in line with the general wage increases. The Incomes Policy Mediator proposed that these collective agreements be extended until the end of February 1983 and that the wage increases not yet settled be implemented as outlined above.

On the basis of the comprehensive agreement, a stipulation was incorporated in the collective agreements according to which any employee who has been in continuous employment for not less than one year will be entitled to an annual vacation of 2.5 weekdays for each month worked after April 1, 1983.

Price regulation during the agreement period will be based on permanent price control legislation. In addition, the central government and economic organizations have agreed on the principles to be followed in price policy and pricing during the agreement period. These organizations have also advised their members to refrain from price increases — with certain exceptions — until May 15, 1981.

During the agreement period, increases in farmers' incomes — mainly in the form of rises in the target prices of agricultural products — will correspond to the increase in income received by wage-earners on the basis of the comprehensive agreement. Moreover, prices will be raised to compensate for the rise in agricultural production costs.

The central government's obligations in the comprehensive agreement include adjustments for inflation in income taxation for 1982, the curtailment of housing costs and the development of social insurance.

In most sectors the incomes policy agreements have been concluded essentially in accordance with the proposal of the Incomes Policy Mediator. Almost all of the numerous labour disputes were settled through negotiations before any stoppages had occurred. The metal industry and the transport sector were the major sectors which signed agreements differing from the comprehensive agreement. These sectors also concluded two-year collective agreements, but their wage increases exceed the total increase proposed by the Incomes Policy Mediator by about 3 percentage points. However, earnings developments in these sectors are not safeguarded by the index clause.

It is estimated that the growth of total output will stagnate during 1981. For the year as a whole, the volume of gross domestic product may still be 3 per cent up on 1980. Production is likely to pick up again during the latter half of 1982. In view of the past upswing and the acceleration in inflation during it, the two-year incomes policy agreement now concluded can be considered very moderate. Wage drift, which last year averaged only 2.5 per cent, is likely to remain almost the same during this agreement period. The index of wage and salary earnings is expected to rise this year, on average, by 12.5 per cent and next year by slightly less. As labour productivity is anticipated to rise by about 2 per cent annually, unit labour costs will probably rise this year,

(continued on page 33)

	1980		1981			
	July 31	Dec. 31	June 30	July 15	July 23	July 31
<b>Assets</b>						
Gold and foreign exchange receivables	8 190	8 024	8 272	8 471	9 004	8 925
Gold	1 073	1 073	1 073	1 073	1 073	1 073
Special drawing rights	570	397	521	521	521	697
IMF reserve tranche	225	380	380	380	380	380
Foreign bonds	2 049	2 125	1 422	1 422	1 397	1 400
Convertible currencies	4 191	3 841	4 371	4 133	4 489	4 129
Tied currencies	82	208	1 050	942	1 144	1 246
Other foreign receivables	1 054	1 540	1 632	1 632	1 632	1 632
Mark subscription to Finland's IMF quota	1 054	1 540	1 632	1 632	1 632	1 632
Receivables from financial institutions	4 423	5 350	4 679	5 807	4 572	3 806
Banks' cheque accounts	919	481	604	625	630	611
Call money market advances	3 047	3 674	2 635	3 793	2 534	1 876
Till-money credits	—	643	740	688	710	621
Bonds	408	527	611	630	638	638
Other financial institution receivables	49	25	89	71	60	60
Receivables from the public sector	1 285	1 225	1 155	1 175	1 177	1 186
Government promissory notes	700	512	354	354	354	354
Bonds	196	288	337	351	357	367
Total coinage	386	403	463	464	464	464
Other public sector receivables	3	22	1	6	2	1
Receivables from corporations	2 985	3 399	3 739	3 845	3 843	3 825
Financing of exports	1 299	1 502	1 593	1 613	1 607	1 583
Financing of domestic deliveries	1 362	1 561	1 848	1 933	1 939	1 942
Bonds	186	220	199	198	198	198
Other corporate receivables	138	116	99	101	99	102
Other assets	76	80	83	83	83	84
<b>Total</b>	<b>18 013</b>	<b>19 618</b>	<b>19 560</b>	<b>21 013</b>	<b>20 311</b>	<b>19 458</b>
<b>Liabilities</b>						
Foreign exchange liabilities	1 912	983	108	100	98	100
Convertible accounts	43	18	40	26	25	20
Tied accounts	1 869	965	68	74	73	80
Other foreign liabilities	1 931	2 430	2 652	2 652	2 652	2 652
IMF mark accounts	1 365	1 864	1 956	1 956	1 956	1 956
Allocations of special drawing rights	566	566	696	696	696	696
Notes and coins in circulation	4 466	4 954	5 212	5 181	5 171	5 166
Notes	4 104	4 572	4 799	4 764	4 752	4 746
Coins	362	382	413	417	419	420
Deposit certificates in circulation	1 940	1 900	700	1 100	1 100	600
Claims of financial institutions	3 440	3 739	3 914	4 876	4 145	3 770
Banks' cheque accounts	4	1	1	1	1	1
Call money market deposits	475	290	1 430	2 390	1 655	1 240
Cash reserve deposits	2 649	3 317	2 346	2 343	2 343	2 396
Capital import deposits	292	108	123	119	119	120
Other financial institution claims	20	23	14	23	27	13
Claims of the public sector	43	591	696	718	731	731
Cheque accounts	1	2	0	1	1	1
Counter-cyclical reserves	42	545	545	545	545	545
Counter-cyclical deposits	—	37	132	132	145	145
Capital import deposits	—	—	—	23	23	23
Other public sector claims	0	7	19	17	17	17
Claims of corporations	862	978	1 465	1 506	1 522	1 528
Deposits for investment and ship purchase	530	717	1 252	1 295	1 303	1 315
Capital import deposits	323	83	—	—	—	—
Export deposits	2	110	205	204	204	204
Other corporate claims	7	68	8	7	15	9
Other liabilities	15	13	14	15	15	15
Equalization accounts	1 432	1 767	2 439	2 482	2 489	2 504
Capital accounts	1 972	2 263	2 360	2 383	2 388	2 392
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	441	441	750	750	750	750
Net earnings	131	422	210	233	238	242
<b>Total</b>	<b>18 013</b>	<b>19 618</b>	<b>19 560</b>	<b>21 013</b>	<b>20 311</b>	<b>19 458</b>

End of year or month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	-
1977	337	543	1 212	2 092	496	-2 031	557	391	328	- 63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	591	-634	1 900
1980											
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
June	1 974	1 422	4 331	7 727	437	-1 020	7 144	1 155	696	-459	700
July	2 150	1 400	4 109	7 659	1 166	-1 020	7 805	1 186	731	-455	600

## FOREIGN EXCHANGE SITUATION

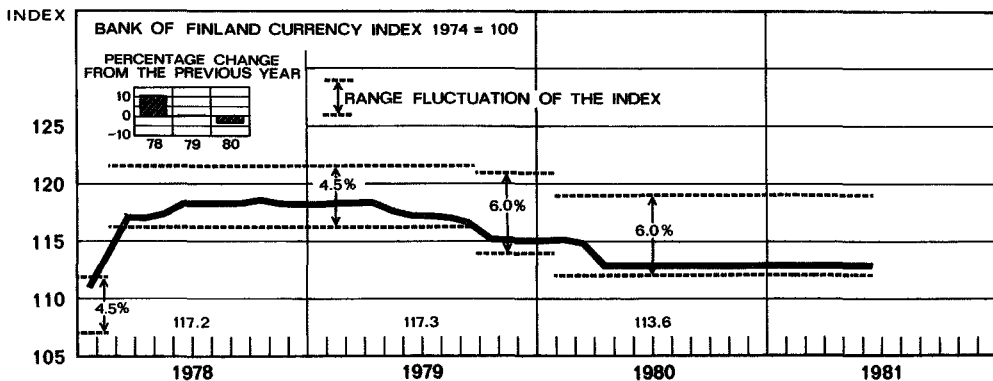
Mill. mk

	Net holdings, Dec. 31, 1980			Net holdings, June 30, 1981			Change		
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	June	Jan.-June	
Gold		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	1 421	—	1 421	-287	-704
Convertible currencies		3 823	-7 194	-3 371	4 330	-7 837	-3 507	+329	-136
Total		7 798	-7 194	604	7 725	-7 837	-112	+42	-716
Tied currencies		-757	-67	-824	438	-70	368	+125	+1 192
Grand total		7 041	-7 261	-220	8 163	-7 907	256	+167	+476

Domestic financial sector

Corporate sector

End of year or month	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)	Notes and coins in circulation
	1	2	3	4	5	6	7	8	9	10	11
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980	—	480	3 674	290	3 317	-1 064	1 611	3 063	642	2 421	4 954
1980											
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
June	—	603	2 635	1 430	2 346	-1 303	765	3 441	1 167	2 274	5 212
July	—	610	1 876	1 240	2 396	-1 186	36	3 525	1 228	2 297	5 166



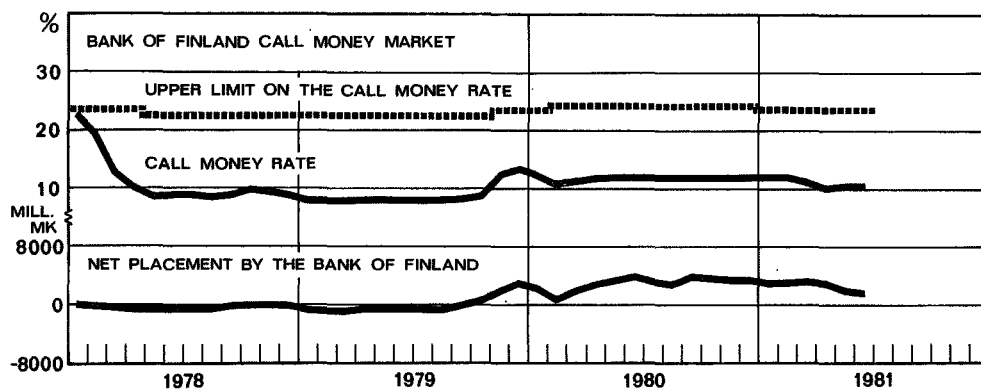
# MONETARY POLICY INDICATORS

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 <sup>1</sup> %
	1	2	3	4	5	6	7	8	9	10
1974	3 204	2 840	2 494	—	—	—	9.25	—	10.57	9.52
1975	4 000	3 611	2 725	—	—	239 <sup>2</sup>	9.25	26.80 <sup>2</sup>	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03
1980	4 963	4 097	783	2 542	2 220	3 313	9.20	12.38	12.37	9.77
1980										
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	9.85
May	3 950	2 848	600	2 918	2 523	2 249	9.25	11.00	11.20	9.86
June	3 658	2 634	600	2 569	2 228	2 036	9.25	11.00	10.96	9.85
July	3 513	1 760	600	2 346	2 052	1 161	9.25	11.00	..	..

See explanations on page 22.

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

<sup>2</sup> 1. 9.—31. 12. 1975.



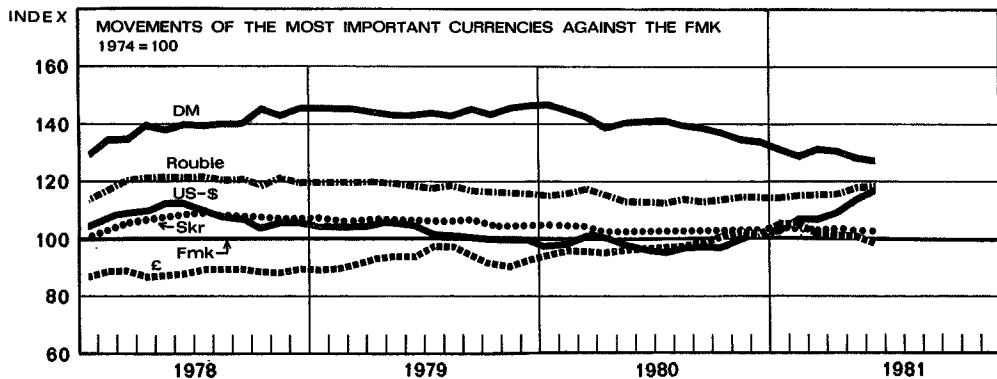


# FOREIGN EXCHANGE RATES

Mill. mk

Average selling rates for foreign exchange, mk

Period	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	Currency Index 1974=100
	1	2	3	4	5	6	7	8	9	10
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3
1980	3.730	8.691	88.43	75.81	66.53	205.58	222.87	88.65	5.741	113.6
1980										
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
June	4.448	8.805	88.34	75.62	59.90	187.41	214.73	78.97	5.951	113.1
July	4.543	8.546	87.97	74.82	59.78	186.54	217.10	78.75	6.028	113.1



# DEPOSITS BY THE PUBLIC

Mill. mk

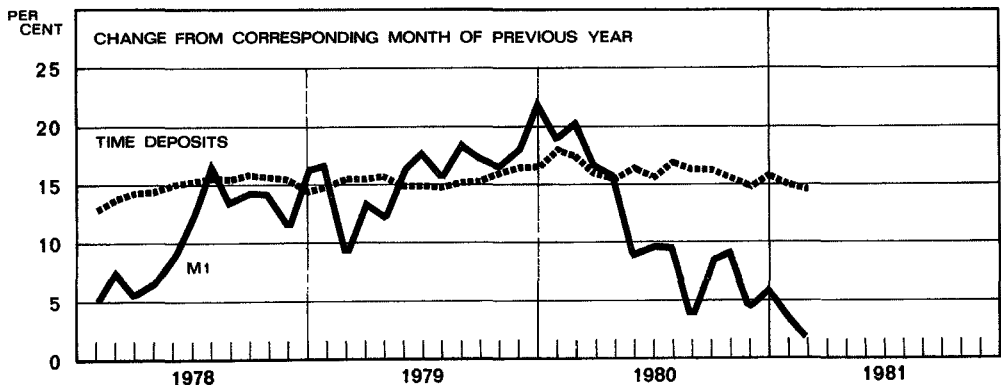
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	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

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

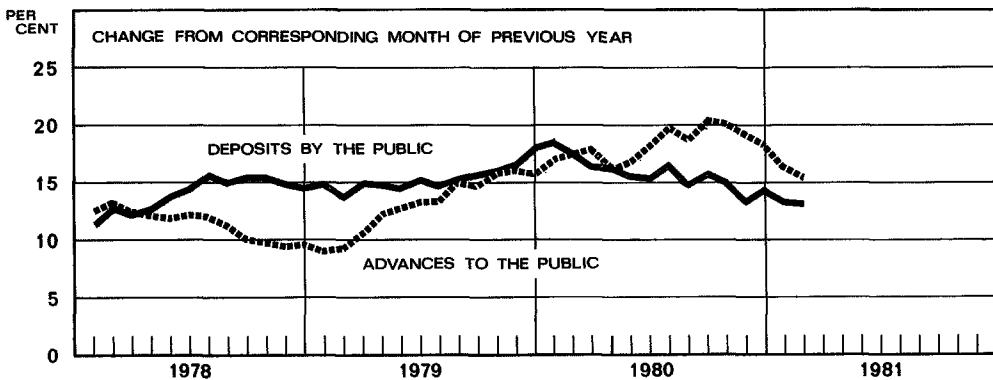
Jan.	4 519	2 183	3 011	9 713	22 516	20 394	16 164	6 440	65 514	75 227
Feb.	3 999	2 123	2 848	8 970	22 492	20 683	16 485	6 578	66 238	75 208
March	4 522	2 036	3 913	10 471	22 405	20 581	16 420	6 652	66 058	76 529
April	4 552	2 189	3 366	10 107	23 119	20 851	16 673	6 732	67 375	77 482



# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi- Money
	1	2	3	4	5	6	7		8	9
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										
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
Feb.	36 102	19 462	17 015	9 978	71 487	2 865	8 205	82 557	13 649	81 707
March	36 904	19 617	17 211	9 977	72 291	2 884	8 534	83 709	15 093	82 994
April	37 444	19 751	17 421	10 120	73 015	2 884	8 837	84 736	14 852	84 105



## STATE FINANCES

Mill. mk

Revenue	Jan.-March		Expenditure	Jan.-March	
	1980	1981		1980	1981
Income and wealth tax (net)	3 033	4 689	Wages, salaries, pensions etc.	1 761	2 050
Gross receipts	(8 749)	(10 811)	Repair and maintenance	193	260
Refunds & local authorities	(—5 716)	(—6 122)	Other consumption expenditure	1 044	1 287
Other taxes on income and wealth	99	78	Total consumption expenditure	2 998	3 597
Employers' child allowance payments	34	56	State aid to local authorities	2 250	2 628
Sales tax	2 713	3 239	State aid to industries	1 736	1 877
Customs duties and import charges and levies	307	335	of which: agric. price subsidies	(691)	(891)
Excise duties	1 914	2 119	Child allowances	347	397
Excise duty on alcoholic beverages	528	599	Share in national pensions and sickness insurance schemes	121	133
Excise duty on tobacco	318	316	Other transfer expenditure	1 338	1 663
Excise duty on liquid fuel	581	636	Total transfer expenditure	5 792	6 698
Other excise duties	487	568	Machinery and equipment	343	375
Tax on autom. and motor-cycles	353	402	Construction of buildings	164	162
Stamp duties	233	254	Land and waterway construction	434	440
Special diesel etc. vehicles tax	37	53	Total real investment	941	977
Other taxes and similar revenue	188	236	Interest on State debt	287	424
Total taxes	8 911	11 461	Net deficit of State enterprises	—185	—134
Miscellaneous revenue	930	970	Other expenditure	2	3
Interest, dividends etc.	92	143	Total other expenditure	104	293
Redemptions of loans granted	67	121	Increase in inventories	—72	—37
<b>Total revenue</b>	10 000	12 695	Lending	698	739
Foreign borrowing	1 053	301	Other financial investment	119	144
Domestic borrowing	1 161	796	<b>Total expenditure</b>	10 580	12 411
<b>Total borrowing</b>	2 214	1 097	Redemption of foreign loans	66	66
<b>Deficit (+) or surplus (—)</b>	—1 194	—672	Redemption of domestic loans	374	643
			<b>Total redemptions</b>	440	709
<b>Total</b>	11 020	13 120			

State debt	1978	1979	1980	1981		
	Dec.	Dec.	Dec.	Jan.	Feb.	March
<b>Foreign debt</b>	7 360	8 964	10 341	10 384	10 782	10 841
Loans	4 607	6 050	7 585	7 559	7 516	7 625
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	17	17	12	12
Cash debt (net)	—735	—596	—823	—400	—326	—683
<b>Domestic debt</b>	4 132	5 658	6 779	7 176	7 202	6 954
<b>Total State debt</b>	11 492	14 622	17 120	17 560	17 984	17 795
Total debt mill \$	2 859	3 915	4 422	4 515	4 415	4 370

# 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\*

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.	4 434	4 395	+39
March	5 041	4 618	+ 423
April	4 657	4 920	-263
May	5 539	5 881	-342

Jan.-May

1980*	20 732	21 864	-1 132
1981*	24 669	24 286	+383

Indices of exports and imports  
1975 = 100

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

1979

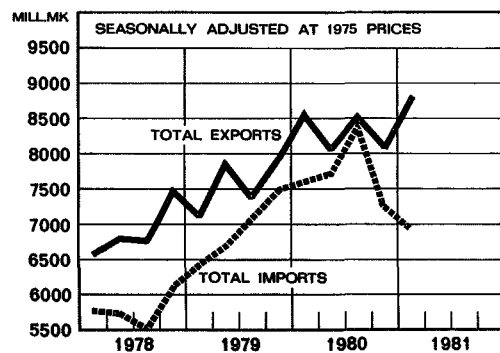
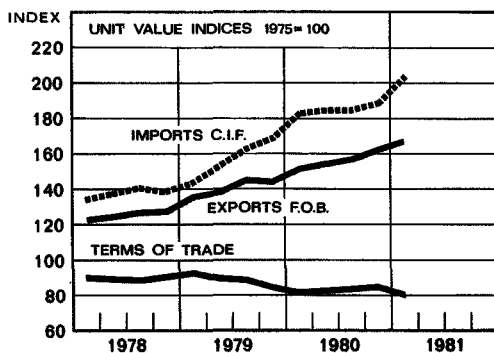
Jan.-March	140	90	137	145	94
Apr.-June	154	94	140	154	91
July-Sept.	138	100	147	164	90
Oct.-Dec.	171	113	146	170	86

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\*

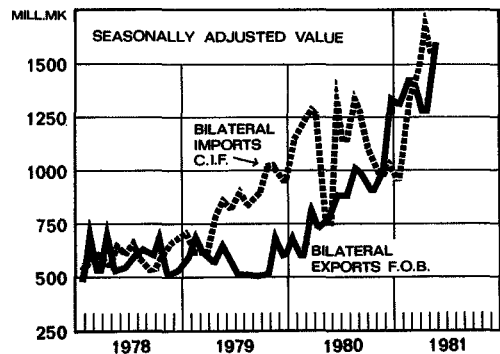
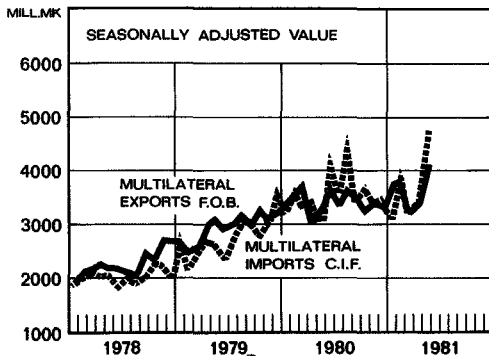
Jan.-March	169	94	169	205	82
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# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1980*	1 403	7 742	15 751	11 546	16 353	38 622	4 088	7 989	7 440	111
1980*										
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	1 435	2 823	238	619	701	14
March	299	557	1 387	1 069	1 729	2 933	210	799	669	7
April	72	570	1 502	1 050	1 463	3 130	271	750	767	2
May	318	644	1 376	1 678	1 523	4 186	344	679	668	4
Jan.-May										
1980*	779	2 923	6 006	4 403	6 621	14 415	1 167	2 916	3 283	83
1981*	1 185	2 889	6 930	6 137	7 528	15 776	1 346	3 665	3 470	29



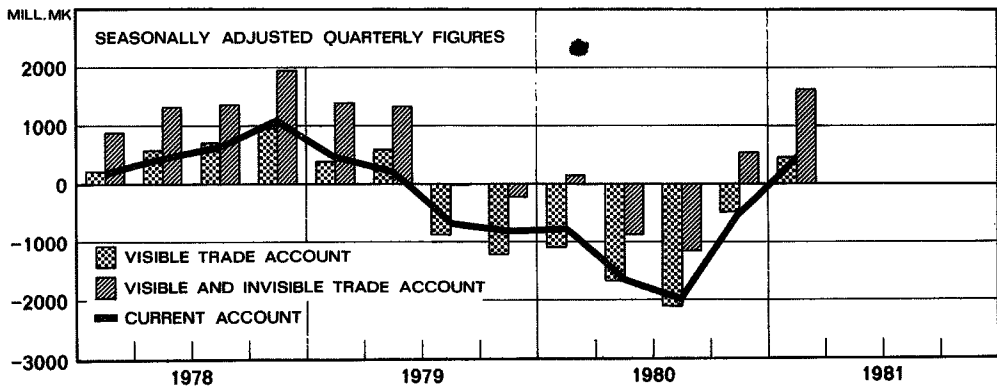
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January-May				January-May			
	1980*		1981*		1980*		1981*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	68.0	14 088	56.8	14 020	55.5	12 131	52.5	12 741
Austria	0.8	160	0.5	126	1.3	279	1.3	305
Belgium and Luxembourg	1.6	323	1.4	339	2.0	431	1.8	447
Denmark	3.5	726	2.8	705	2.4	523	2.2	543
France	4.9	1 025	4.3	1 062	3.4	749	3.5	853
Federal Republic of Germany	12.0	2 482	9.5	2 344	13.4	2 926	12.5	3 034
Italy	2.5	512	2.1	515	2.7	586	2.4	583
Netherlands	5.2	1 070	3.6	885	2.7	601	2.6	638
Norway	4.1	852	4.9	1 220	2.0	440	2.3	558
Portugal	0.4	90	0.3	65	0.6	125	0.5	121
Spain	0.8	170	0.8	188	1.1	233	0.7	161
Sweden	17.1	3 543	12.8	3 156	12.6	2 760	11.6	2 817
Switzerland	1.9	401	1.6	404	1.6	358	1.7	422
United Kingdom	11.8	2 437	10.6	2 612	9.2	2 011	8.6	2 077
Other	1.4	297	1.6	399	0.5	109	0.8	182
<b>OECD countries outside Europe</b>	5.6	1 172	6.1	1 499	10.5	2 300	12.5	3 033
Canada	0.6	131	0.8	193	0.9	184	0.6	153
Japan	0.8	160	1.0	244	3.5	765	4.1	1 002
United States	3.3	691	3.5	861	6.0	1 320	7.6	1 844
Other	0.9	190	0.8	201	0.1	31	0.2	34
<b>CMEA countries</b>	16.3	3 383	26.3	6 481	23.6	5 161	25.4	6 159
Czechoslovakia	0.3	58	0.2	50	0.6	131	0.7	157
German Democratic Republic	0.7	146	0.6	147	0.6	127	0.6	152
Poland	0.8	163	0.1	33	1.6	351	1.1	266
Soviet Union	13.6	2 820	24.6	6 056	19.9	4 362	22.0	5 332
Other	0.9	196	0.8	195	0.9	190	1.0	252
<b>Latin America</b>	1.5	316	2.1	525	3.5	770	2.2	528
Argentina	0.4	77	0.5	123	0.2	38	0.2	40
Brazil	0.4	87	0.3	77	0.8	186	0.5	127
Colombia	0.1	31	0.1	26	1.1	241	0.5	118
Other	0.6	121	1.2	299	1.4	305	1.0	243
<b>Other</b>	8.6	1 773	8.7	2 144	6.9	1 502	7.4	1 825
<b>GRAND TOTAL</b>	100.0	20 732	100.0	24 669	100.0	21 864	100.0	24 286
of which								
<b>EFTA countries</b>	24.5	5 084	20.3	5 001	18.3	4 004	17.6	4 282
<b>EEC countries</b>	42.1	8 719	35.6	8 777	36.0	7 872	34.0	8 268
<b>OECD countries</b>	73.6	15 260	62.9	15 519	66.0	14 431	65.0	15 774

# BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Un- required transfers, net	Other, net	Current account
1977	30 805	30 961	-156	+1 747	-23	+526	+2 094	-2 434	-198	-42	-580
1978	35 068	32 600	+2 468	+2 024	+141	+803	+5 436	-2 713	-211	+94	+2 606
1979*	43 302	44 430	-1 128	+3 010	+157	+359	+2 398	-2 840	-430	+111	-761
1980*	52 860	58 315	-5 455	+3 027	+324	+607	-1 497	-3 308	-451	+70	-5 186
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	9 168	+515	+652	-112	+318	+1 373	-656	-204	+24	+537
Apr.-June	10 847	10 193	+654	+745	+13	-71	+1 341	-963	-91	+25	+312
July-Sept.	10 210	11 573	-1 363	+792	+251	+76	-244	-671	-51	+33	-933
Oct.-Dec.	12 562	13 496	-934	+821	+5	+36	-72	-550	-84	+29	-677
1980*											
Jan.-March	12 787	13 608	-821	+870	-102	+325	+272	-786	-168	+6	-676
Apr.-June	12 470	14 027	-1 557	+558	+81	+104	-814	-724	-99	+34	-1 603
July-Sept.	12 865	15 641	-2 776	+844	+299	+120	-1 513	-765	-102	+12	-2 368
Oct.-Dec.	14 738	15 039	-301	+755	+46	+58	+558	-1 033	-82	+18	-539
1981*											
Jan.-March	14 472	13 609	+863	+998	-80	+69	+1 850	-995	-109	+3	+749





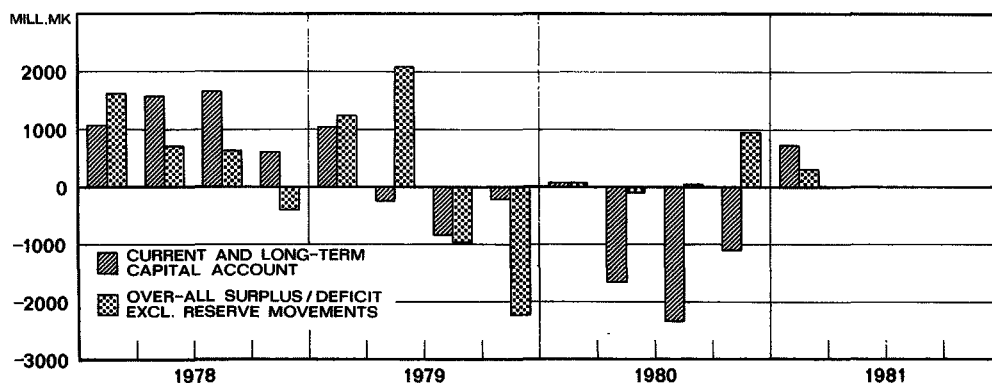
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net <sup>2</sup>	Miscellaneous, short-term capital items, incl. errors and omissions <sup>2</sup>	Over-all surplus deficit excl. reserve movements <sup>2</sup>	Bank of Finland foreign exchange reserves
+6 454	-2 745	-241	-401	+3 067	+2 487	-1 547	-470	-279	+25	+216	-216
+9 007	-5 743	-774	-225	+2 265	+4 871	+130	-2 188	-703	+479	+2 589	-2 589
+6 230	-4 843	-541	-337	+509	-252	+831	-834	+1 211	-834	+122	-122
+5 183	-4 140	-433	-428	+182	-5 004	+3 255	-967	+3 930	-219	+995	-995
+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	-38	+1 042	+1 649	+20	-692	-588	+252	+641	-641
+1 966	-2 067	-511	-119	-731	+601	+261	-692	-17	-549	-396	+396
+2 202	-1 626	-8	-46	+522	+1 059	-19	-63	+819	-564 <sup>3</sup>	+1 232	-1 232
+1 267	-1 453	-218	-174	-578	-266	+39	-62	+1 966	+423	+2 100	-2 100
+1 258	-892	-336	+70	+100	-833	+422	-354	-1 100	+880	-985	+985
+1 503	-872	+21	-187	+465	-212	+389	-355	-474	-1 573	-2 225	+2 225
+2 108	-1 113	-171	-65	+759	+83	+302	-31	+518	-789 <sup>3</sup>	+83	-83
+1 076	-997	-39	-86	-46	-1 649	+1 498	-32	+1 666	-1 578	-95	+95
+1 126	-913	-36	-146	+31	-2 337	+711	-452	+1 189	+943	+54	-54
+873	-1 117	-187	-131	-562	-1 101	+744	-452	+557	+1 205	+953	-953
+1 404	-955	-227	-231	-9	+740	-512	+96	+127	-142 <sup>3</sup>	+309	-309

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

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

<sup>2</sup> Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

<sup>3</sup> Including Allocations of Special drawing rights 139 million in 1979, 133 million in 1980 and 131 million in 1981.

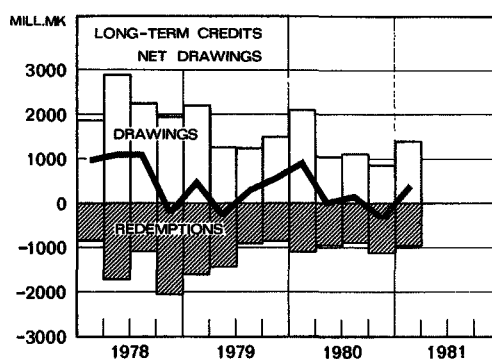
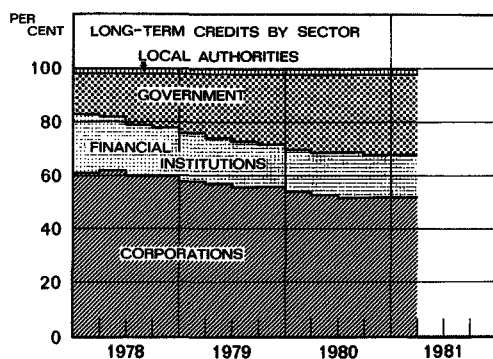


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
<b>1978</b>										
March	2 499	1 673	840	5 012	25 107	6 068	1 774	159	33 108	28 096
June	2 517	1 759	862	5 138	26 769	6 134	1 865	159	34 927	29 789
Sept.	2 548	1 785	885	5 218	28 212	5 812	1 885	187	36 096	30 878
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
<b>1979*</b>										
March	3 001	1 972	1 008	5 981	28 214	5 584	1 924	221	35 943	29 962
June	3 179	2 089	1 029	6 297	27 763	5 172	1 923	226	35 084	28 787
Sept.	3 419	2 226	1 066	6 711	27 724	4 956	1 930	232	34 842	28 131
Dec.	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675
<b>1980*</b>										
March	3 625	2 456	932	7 013	29 122	4 692	1 971	288	36 073	29 060
June	3 534	2 539	967	7 040	28 887	4 517	1 990	268	35 662	28 622
Sept.	3 594	2 649	972	7 215	29 251	4 482	2 029	278	36 040	28 825
Dec.	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793
<b>1981*</b>										
March	4 254	2 945	1 229	8 428	30 523	4 455	2 138	442	37 558	29 130

See explanations on page 22.

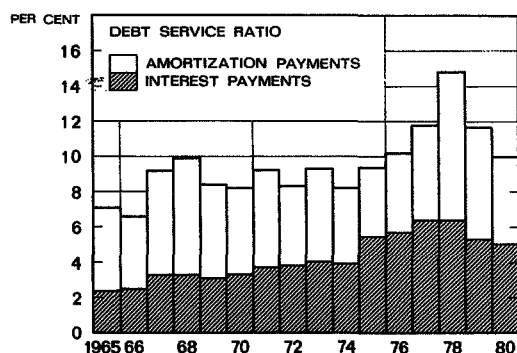
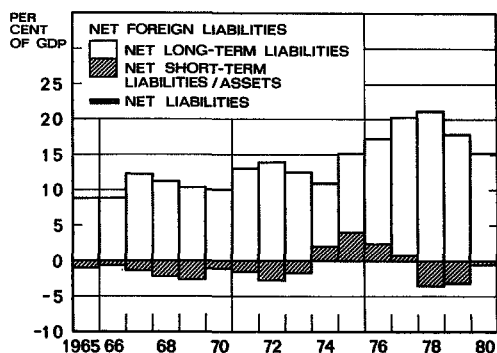


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 776	3 960	7 334	15 070	1 423	6 335	8 241	15 999	929	26 670	4 516	2 082
6 545	4 731	8 698	19 974	1 478	6 379	7 309	15 166	-4 808	24 852	6 623	3 769
7 918	6 579	9 970	24 467	2 340	9 333	7 816	19 489	-4 978	23 697	6 457	3 472
9 895	9 560	12 532	31 987	3 089	16 240	11 849	31 178	-809	27 984	6 716	3 274
5 491	3 507	7 622	16 620	1 293	6 594	7 559	15 446	-1 174	26 922	1 392	779
6 748	4 194	7 907	18 849	1 772	6 610	7 752	16 134	-2 715	27 074	1 494	673
7 003	4 509	8 247	19 759	1 483	6 264	7 419	15 166	-4 593	26 285	1 628	984
6 545	4 731	8 698	19 974	1 478	6 379	7 309	15 166	-4 808	24 852	2 109	1 333
7 804	4 187	8 845	20 836	1 611	6 692	7 332	15 635	-5 201	24 761	1 970	1 284
9 871	4 053	9 131	23 055	1 604	8 404	7 476	17 484	-5 571	23 216	2 085	1 082
8 601	4 205	9 508	22 314	1 579	7 620	7 808	17 007	-5 307	22 824	1 315	604
7 918	6 579	9 970	24 467	2 340	9 333	7 816	19 489	-4 978	23 697	1 087	502
8 708	6 936	10 224	25 868	3 113	10 179	7 865	21 157	-4 711	24 349	1 756	937
9 279	7 133	10 509	26 921	3 727	11 970	9 545	25 242	-1 692	26 943	1 518	730
9 250	7 478	11 469	28 197	3 605	13 539	10 567	27 711	-486	28 339	1 554	761
9 895	9 560	12 532	31 987	3 089	16 240	11 849	31 178	-809	27 984	1 888	846
9 701	9 629	12 458	31 788	2 680	16 526	11 804	31 010	-778	28 352	1 746	732

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 <sup>1</sup>		
		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										
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
May	1 037	181.3	177.1	196.1	184.6	183.3	171.7	108.9	109.6	108.4
June	1 042	182.1	177.7	197.7	185.2	184.8	172.4	109.7	109.6	109.5

<sup>1</sup> New series.

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											
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
May	144.4	137.1	157.4	146.2	142.1	168.0	137.2	148.3	148.5	135.7	150.1
June	145.3	138.4	157.8	146.4	142.1	168.3	137.4	150.3	149.7	137.1	151.0

## WAGES

Index of wage and salary earnings 1975 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
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

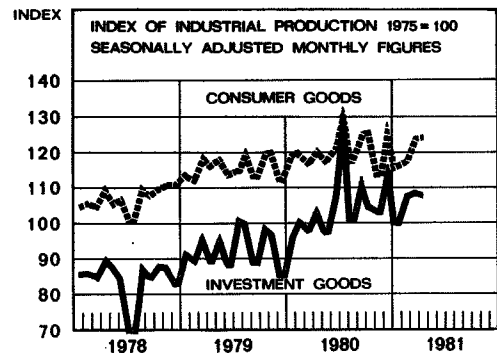
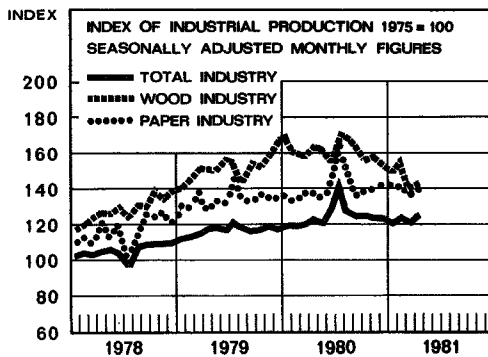
Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
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
1981*										
Jan.-March	113	128	70	143	78	86	112	96	125	115

# 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
<b>1980*</b>											
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
<b>1981*</b>											
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
March	135.2	118.9	134.3	139.8	112.2	161.3	150.8	168.4	109.7	129.4	123.1
April	126.5	109.4	126.0	131.0	113.7	166.1	131.7	159.1	106.9	123.5	126.3
May	133.9	124.0	127.5	139.1	114.5	170.9	150.1	159.0	110.8	137.1	131.7



# LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1972 = 100	Wholesale volume index 1972 = 100
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*								
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	103	130
March	3 622	2 295	2 167	128	5.6	4 305	108	144
April	3 623	2 272	2 158	114	5.0	4 563	..	..
May	3 624	2 333	2 215	118	5.1	..	..	..

## 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
1980*											
Jan.-March	8.55	3.38	1.04	3.13	0.55	8.46	3.82	0.76	2.82	0.74	43.61
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
1981*											
Jan.-March	7.17	2.85	0.90	2.47	0.49	7.91	3.50	0.54	2.81	0.80	45.82

# 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 lending rates weighted by credit outstanding.

Total central bank debt of the commercial banks = Discounted and rediscounted bills (until 30.6. 1979, subsequently the banks have not been allowed to discount or rediscount bills) + net cheque account receivables from the commercial banks + call money debt + bond transactions with repurchase obligation — call money deposits by the commercial banks.

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

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

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

## FOREIGN EXCHANGE RATES

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

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

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

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

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

*Money Supply*. M<sub>1</sub> = 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 development credits + 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: Investments goods weight 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 311-2) 8.0, manufacture of paper and paper products (SIC 341) 15.2, manufacture of industrial chemicals (SIC 351-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 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, IBRD 1948, GATT 1950, UN 1955, IFC 1958, IDA 1960, EFTA 1961, ADB 1966, OECD 1969, and IDB 1977.

## LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1970) 2.7 mill. ha (9.6%) area 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 15.6 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1979): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 483 743 inhabitants, Tampere (Tammerfors) 166 883, 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 m<sup>3</sup> (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 690 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 61 million m<sup>3</sup> and the total removal calculated on the basis of roundwood consumption was 49 million m<sup>3</sup>.

AGRICULTURE (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 (June 30, 1981): Passenger vessels 144 (263 458 gross reg. tons), tankers 43 (1 245 887 gross reg. tons), dry cargo vessels 197 (906 378 gross reg. tons), other vessels 95 (14 798 gross reg. tons), total 479 (2 430 521 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-ST, 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 Fml 20.9, Skr 16.8, £ 13.4, DM 13.1, \$ 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 12 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. Posti-pankki 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 ¼%. The range of rates for other credits granted by the Bank of Finland is between 7 ½% and 10 ½%. Other credit institutions: time deposits 5%; 6 month deposits 6 ¼%; 12 month deposits 7 ¾%; 24 month deposits 9%; 36 month deposits 9 ¾% + savings premium; 36 month deposits 9 ¾% + tax concession and sight deposits 2%. The highest lending rate 12 ½%.

# MONETARY POLICY

by T. R. G. Bingham, D.Phil. (Oxon.) and Antti Heinonen, Lic. Pol. Sc.

Monetary Policy Department  
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## THE CHANGING ROLE OF MONETARY POLICY

Although monetary policy, in one form or another, is one of the oldest types of discretionary economic policy, the developments of the past decade show that it is still very much in a state of flux. Not only has innovation characterized the means by which it is implemented, but the very ends to which it should be used have been the subject of lively debate and varying emphasis both between countries and over time.

In Finland, monetary policy has traditionally played a rather important role. A number of forces have, however, altered the weight attached to it. These forces arise from changes

in the severity of economic problems, shifts in the priority attached to economic policy goals and dissatisfaction with other types of economic policy.

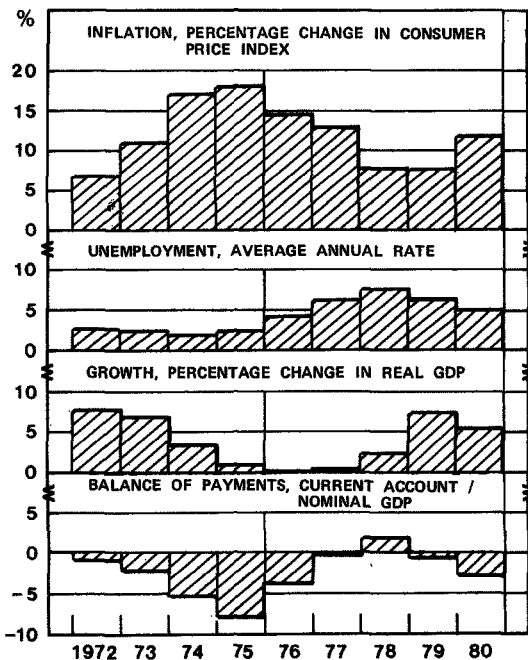
The sharp increase in the current account deficit in the wake of the first oil crisis (see Chart 1) brought monetary policy into focus in Finland. It, together with other economic policy, was used in the attempt to restore underlying stability in the economy.

The acceleration of inflation over the past decade has also drawn monetary policy into the limelight. It is noteworthy, however, that in Finland the justification for monetary restraint to combat inflation has not rested on a quantity theory footing. Rather it has been felt that credit restraint reduces aggregate demand, in particular, the investment component and in this way reins in rising prices (see Chart 2).

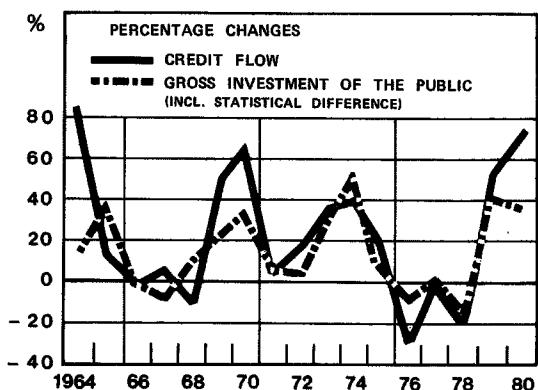
A third reason for the importance attached to monetary policy is the growing conviction that incomes policy, used extensively in Finland from the late 1960s onwards, will only be successful if it supports and is supported by market incentives and other economic policy. Thus general economic policy, of which monetary policy is a part, has come to be seen as indirectly influencing the demand for and, to some degree, the supply of labour and in this way providing the foundation on which incomes policy settlements are built.

Not all developments, however, have magnified the importance of monetary policy. To the extent that Finland, along with the other industrial countries, is entering an era of

**CHART 1. MAIN ECONOMIC INDICATORS**



**CHART 2. TOTAL CREDIT EXPANSION**



slower growth engendered by rising energy prices, industrial maturity, slower innovation or whatever, monetary policy may become less important. In the period of more rapid growth prior to 1973, it was commonly believed that monetary ease might stimulate activity in Finland more easily and quickly than in other countries because demand for credit was thought to exceed the supply at the prevailing rate of interest. More modest growth prospects for Finland and other industrial countries coupled with higher real interest rates may generate greater equilibrium in the financial market and increase the customary asymmetry in monetary policy. In the future, therefore, monetary policy may play a less important role, at least in stimulating activity.

Another feature of the Finnish financial system reducing the significance of monetary policy is the dominance of variable rate financial contracts which tend to make changes in the interest rate less efficient as an instrument of counter-cyclical policy. The relevant rate of interest is not the one prevailing at the time a financial contract is negotiated, but the expected rate over the term of the contract. Moreover, since all rates change whenever the reference rate (in Finland's case the Bank of Finland's base rate) changes, the direct cost impact of interest rate changes is greater than in a fixed rate system.

The growing commercial and financial integration of the Finnish economy with the rest of

the world increases the need to co-ordinate monetary with other types of economic policy. The exchange rate is of greater relative significance for smaller countries like Finland than for larger ones where a higher proportion of economic activity is directed to the domestic market. More active use of exchange rate policy since the mid-1970s has shifted some of the burden for structural and counter-cyclical policy from the shoulders of monetary policy in Finland.

Fiscal policy has also assumed a portion of the burden previously borne by monetary policy. As a result of the long-term upward trend in the size of the public sector, and the creation and expansion of various counter-cyclical deposits and levies, fiscal policy has become more important than heretofore.

Another feature of monetary policy which has varied between countries and over time is the time horizon used in planning and implementing monetary policy. In the period running from 1975 to 1977, a concerted stabilization policy in which monetary measures played a key role was implemented in Finland. Given the slump in international economic activity, this policy required a fairly long-term view. Once a firm base had been established for economic activity, more emphasis could be given to counter-cyclical policy with an attendant reduction in the time horizon. Even in these conditions, however, longer term considerations must be kept in mind since otherwise policy might be blown off course by short-term pressures.

#### CYCLICAL DEVELOPMENTS AND MONETARY POLICY

In recent years the relative stability of the Finnish economy has increased. In part this change is attributable to a rise in instability in other OECD countries. In part it is attributable to growing diversification of the structure of production, and in part to the differential impact of rising energy prices on Finland's and other industrial countries' economies. Since

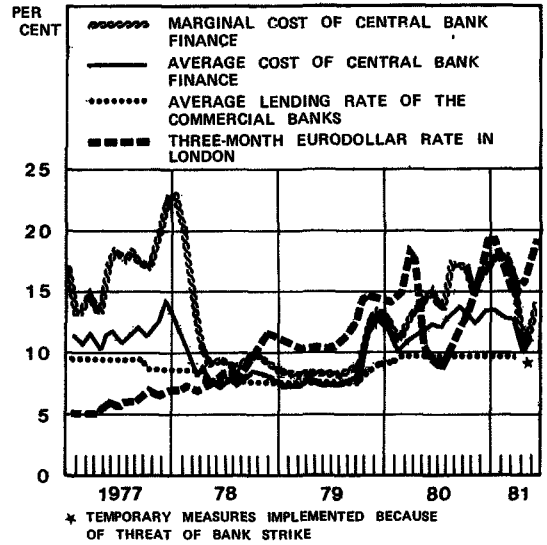
the bulk of Finland's energy imports come from Socialist countries on a bilateral basis, an increase in energy prices leads automatically to an increase in export demand. Finland is thus spared some of the depressive effects which other energy importing countries face when oil prices rise. Terms of trade losses and the overall impact on world conditions cannot, of course, be escaped.

Despite the increase in underlying structural stability, the prevailing view is that counter-cyclical measures are still needed. In 1977—1979, for example, monetary policy was relaxed in the attempt to ensure that the cost and availability of finance would not be an obstacle to a resumption of economic growth. In 1979—1980 a more stringent stance was adopted. At this time Finland's growth rate was rapid and there was a danger that inflationary pressure would get out of hand and undermine the country's competitiveness. In contrast with previous periods of monetary restriction, the current account was not a cause for immediate concern (see Chart 1).

The current year has witnessed a change in cyclical conditions. It is expected that both foreign and domestic demand will fall off and that growth will decelerate, though it should still remain above the OECD average. Although inflation remains a threat, Finland's performance relative to other countries in this area is markedly better than at the same phase in earlier cycles. Moreover, Finland's current account deficit, contrary to earlier expectations, has not risen sharply. On the other hand the prospects for employment do not seem bright. Despite rapid growth in 1980, the unemployment rate remained more or less constant at slightly below 5 per cent for most of the year. The forecast deceleration in activity is therefore expected to increase the seriousness of the problem of unemployment.

A relaxation of monetary policy was deemed appropriate in these conditions. The change in policy stance was signalled in the spring of 1981 by the release of reserve deposits held at the Bank of Finland. The average and marginal

CHART 3. KEY INTEREST RATES



costs of the banks' financing at the central bank were also lowered. The average cost declined from about 13 ½ per cent at the end of last year to slightly more than 11 per cent in early summer (Chart 3). The commercial banks' average lending rate has remained more or less constant at slightly less than 10 per cent. The weighted marginal rate fell from a peak of 18 per cent to roughly 14 per cent, with the maximum permitted lending rate remaining at 12 ½ per cent. The Bank of Finland's base rate has been kept at 9 ¼ per cent, the level to which it had been raised in two steps in the previous period of tightness.

There are a number of reasons why the relaxation of the current year has not been as large as in the previous period of monetary ease. First, international rates have been at unprecedentedly high levels. Consequently, domestic monetary ease could lead more to re-adjustment of financial portfolios with domestic borrowing replacing foreign borrowing and holdings of foreign assets replacing holdings of domestic assets than to increases in real activity. Secondly, inflation is higher than in the previous period of monetary relaxation. Thirdly, growth is expected to be more solid than in the last cyclical downswing so that a smaller degree of easing may have

the same impact as before. Fourthly, excessive monetary ease at the present might create liquidity reserves in the banking system which would reduce the efficacy of restrictive policy in a subsequent upswing.

## IMPLEMENTATION

### CENTRAL BANK FINANCE

Monetary policy has mainly been implemented by adjusting the cash reserve requirement and regulating the conditions for the commercial banks' central bank finance. Although the general system of regulating the banks' central bank finance has been more or less the same throughout the post-war period, there have recently been significant changes in the techniques of implementation.

In July 1979 the system of quota and supra-quota borrowing was revised. The changes increased the relative importance of the call money market<sup>1</sup> and made the system easier to administer. The supra-quota borrowing facility, on which supplementary interest charges were levied, was dismantled, and the banks were given credit in the form of cheque account overdrafts at base rate up to their quotas, and thereafter in the form of call money account overdrafts. The most significant consequences were that all banks borrowing in the call money market faced identical interest rates and that a clearly perceptible indicator of the marginal cost of liquidity was created. In February 1980, changes in financial conditions induced the Bank to revert to its earlier practice of levying supplementary interest charges. This time, however, surcharges were placed on call money market credit in excess of certain limits.<sup>2</sup>

In recent years disruptions in domestic financial flows caused by short-term capital movements have increased because of rapidly changing exchange rate expectations and interest rate

differentials. These, together with the fluctuations in the government's cash position, have focussed attention on short-term financial conditions. Moreover, the development of the arsenal of monetary policy instruments has made it possible to react to such changes more frequently than before. Adjustments in the quotas and the coefficients for the various call money credit tranches have been used to modulate short-term financial conditions, whereas changes in cash reserve requirements have been used to set the basic tone of monetary policy. Thus in August 1980 the quotas were lowered from 900 million marks to 700 million marks because of an inflow of short-term capital which eased the central bank position of the commercial banks. Simultaneously the coefficients determining the call money credit tranches were lowered from 5 and 8 to 4 and 7 times the quota. In October, however, the earlier coefficients were re-adopted in order to counter a seasonal easing of market conditions. In setting policy parameters during the tight money period, the Bank acted to ensure that most of the commercial banks paid a 4 per cent surcharge on their call money borrowing. Occasionally one or two banks also paid a 10 per cent surcharge so that their marginal rate was 22.5 per cent.

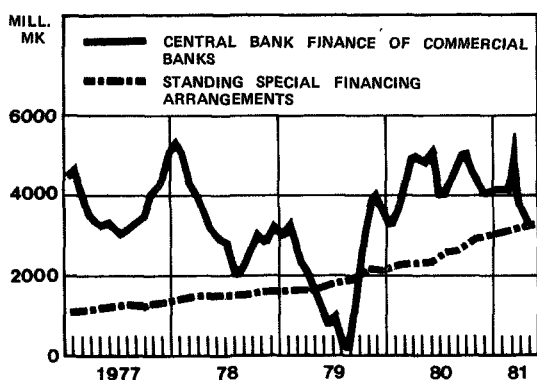
Two decisions on the quotas were made at the end of 1980. In December the quotas were lowered to 600 million marks and during the same month it was decided that the quotas should be reduced temporarily by 10 per cent in January 1981. Apart from temporary modifications in the tranche coefficients in April when a bank strike appeared imminent, no changes have been made in the quotas or tranche coefficients during the current year. The adoption of an easier monetary policy in the spring can be seen primarily in the lowering of the call money rate from 12.5 per cent to 11 per cent (see Chart on page 6) and in the release of cash reserve deposits.

In addition to granting central bank finance to the commercial banks, the Bank of Finland has channelled central bank credit to the

<sup>1</sup> The call money market is a deposit and overdraft facility in the central bank intended originally to even out interbank differences in liquidity and to deal with liquidity fluctuations caused by the government's cash transactions.

<sup>2</sup> These changes and the reasons for them are discussed in more detail in an article in the July 1980 number of this Bulletin.

**CHART 4. CENTRAL BANK CREDIT TO THE DOMESTIC PRIVATE SECTOR**



economy through special financial arrangements which are administered in co-operation with the banks. The basic conditions for the three permanent financing schemes, the domestic suppliers' credit scheme, the short-term export credit arrangement and the new export credit scheme, have not been changed recently, but their relative importance has nonetheless been growing (see Chart 4), because of high international interest rates and stringency in the domestic financial market.

In October the Bank decided to grant to banking institutions till-money credit bearing no interest. Prior to the introduction of this facility, the banks shifted notes and coin back and forth between the Bank of Finland, the post offices and their own offices quite unnecessarily in order to minimize the costs of central bank finance. In order to reduce the resource costs associated with these movements, the Bank of Finland granted the banks credit to finance their holdings of till money. As a result, the cost of central bank finance fell, but the Bank took account of this when formulating its general monetary policy measures.

#### CASH RESERVE DEPOSITS

As part of its tight monetary policy, the Bank continued to collect cash reserve deposits in 1980.<sup>1</sup> The cash reserve deposits reached their

<sup>1</sup> The cash reserve system is described in the April 1979 number of this Bulletin.

maximum in March of this year when they totalled almost 3 500 million marks or 4.6 per cent of deposits.

The release of cash reserve deposits began in April of this year. So far the deposits have been released in three steps. At the end of June the Bank of Finland held a total of about 2 350 million marks in reserve deposits and the reserve requirement stood at 3.0 per cent.

#### CREDIT POLICY GUIDELINES

The Bank of Finland revised its credit policy guidelines in November 1980. The financial institutions were asked to act so that their use of central bank finance would not increase in 1981. It was felt that this would require stringency when dealing with credit applications.

When monetary policy was eased in the spring of this year, the Bank of Finland issued new guidelines. The financial institutions were requested to give priority in their lending to the financing of profitable investment and production. The banks were further advised to take a very reserved attitude towards finance for the acquisition of dwellings, particularly in population centres. In addition the financial institutions were asked to try to encourage local authorities to implement their investment projects primarily in 1982. The guidelines pointed out that current forecasts imply a potential tightening of monetary policy at the end of next year.

New guidelines for personal credits were also issued in May 1981. The new instructions are in some respects easier than the earlier ones. Particular stress was laid on prior savings as a condition for the receipt of a loan.

The personal credit guidelines are not meant to influence cyclical conditions but rather to set forth minimum terms for lending to the household sector. The banks are asked to apply these guidelines in light of liquidity conditions and the general credit policy guidelines in force.

## ITEMS

**Finland's balance of payments January—March 1981.** According to the Bank of Finland's preliminary figures, the current account showed a surplus of 749 million marks for the first quarter of this year, as against a deficit of 676 million marks in the corresponding period of 1980. The net outflow of long-term capital amounted to 9 million marks, while the short-term foreign debt declined by 431 million marks. The foreign exchange reserves of the Bank of Finland increased by 309 million marks.

The visible trade account registered a surplus of 863 million marks for the first quarter of this year, as compared with a deficit of 821 million marks in the corresponding period of 1980. The value of visible exports rose by 13 per cent, of which the volume increase accounted for 2 percentage points. The value of exports increased in almost all industrial sectors and, for instance, exports of metal industry products were still significant. The value of imports fell by one per cent and the volume by 11 per cent. The largest decline was recorded for imports of fuels, raw materials and producer goods. However, the value of imports of investment and consumer goods was up on the corresponding period of 1980.

The invisible trade account showed a surplus of 987 million marks for January—March, or slightly less than in the corresponding period of last year. The increase of more than 100 million marks in the surplus on the transport account was offset by a decline of 259 million marks in receipts on the »other services» account. The deficit on the travel account declined by 22 million marks, amounting to 80 million marks. Receipts grew by 20 per cent and expenditure by 12 per cent.

Interest expenses on borrowing abroad increased appreciably owing to a rise in interest rates, and although interest earnings from foreign receivables grew at the same time, the investment income deficit was 209 million

## MAJOR BALANCE OF PAYMENTS ITEMS, JANUARY—MARCH 1981, MILL. MK <sup>1</sup>

	Receipts	Expenditure	Net
Visible trade (exports f.o.b., imports c.i.f.)	14 473	13 493	980
Adjustment items	—1	116	—117
Visible trade account	14 472	13 609	863
Transport (c.i.f.)	1 431	433	998
Travel	476	556	—80
Other services	797	728	69
Invisible trade account	2 704	1 717	987
<b>VISIBLE AND INVISIBLE TRADE ACCOUNT</b>	<b>17 176</b>	<b>15 326</b>	<b>1 850</b>
Investment income, net	561	1 556	—995
Unrequited transfers	85	194	—109
Other	425	422	3
<b>A. CURRENT ACCOUNT</b>	<b>18 247</b>	<b>17 498</b>	<b>749</b>
	Change in receivables	Change in liabilities	Net
Long-term financial loans and suppliers' credits: drawings	—394	1 404	1 010
redemptions	167	—955	—788
Direct investment	—130	58	—72
Other long-term capital	—219	60	—159
<b>B. LONG-TERM CAPITAL ACCOUNT</b>	<b>—576</b>	<b>567</b>	<b>—9</b>
<b>BASIC BALANCE (A+B)</b>			<b>740</b>
Prepayments and liabilities related to imports			—512
Prepayments and receivables related to exports			96
Short-term capital of authorized banks			127
Other short-term capital			3
Errors and omissions			—276
<b>C. SHORT-TERM CAPITAL ACCOUNT</b>			<b>—562</b>
<b>D. Allocations of SDRs</b>			<b>131</b>
<b>OVERALL BALANCE (A+B+C+D)</b>			<b>309</b>
Change in the foreign exchange reserves of the Bank of Finland			—309
Receivables: increase —, decrease +			
Liabilities: increase +, decrease —			

<sup>1</sup> Preliminary figures.

marks up on the previous year, totalling 995 million marks. Unrequited transfer expenditure declined, in net terms, by 59 million marks.

The net outflow of long-term capital amounted to 9 million marks, as against a net inflow of 759 million marks for January—March 1980. Drawings of long-term loans totalled 1 404 million marks, or 704 million marks less than in the same period last year, with the central government accounting for 21 per cent of the drawings. Redemptions of long-term loans amounted to 955 million marks. Long-term export credits granted to foreign customers totalled 394 million marks, while redemptions of outstanding export credits amounted to 167 million marks. Finnish direct investment abroad came to 130 million marks and foreign direct investment in Finland to 58 million marks.

The short-term capital account (incl. errors and omissions in the balance of payments) showed a deficit of 562 million marks. The short-term import debt declined by 512 million marks. Prepayments and receivables related to exports fell, in net terms, by 96 million marks. The net debt of the authorized banks grew by 127 million marks.

The overall balance showed a surplus of 309 million marks for January—March. The convertible foreign exchange reserves of the Bank of Finland declined by 90 million marks, while the tied foreign exchange debt fell by 399 million marks. At the end of March, the convertible foreign exchange reserves of the Bank of Finland amounted to 7 482 million marks.

### **The Bank of Finland's investment inquiry of June 1981**

*Industrial investment in 1980.* The volume of manufacturing investment continued to grow briskly in 1980, exceeding that of the previous year by more than a third. The fastest increase in investment volume occurred in the forest industries, but investment also expanded rapidly in other manufacturing. However, the

energy sector's investment activity declined, and hence the total volume of industrial investment<sup>1</sup> was up by a fifth.

Actual industrial investment last year fell a little short of the levels envisaged in companies' plans in the Bank of Finland's investment inquiry of November 1980. Investment in machinery and equipment was less than planned, a part of it evidently being postponed until this year. Building investment, on the other hand, was greater than planned.

*Planned investment for 1981.* Companies' plans suggest that industrial investment volume will continue to grow this year but at a distinctly slower rate. The value of investment is estimated to reach 13 500 million marks in 1981. A sectoral analysis points to a further rapid increase in both the forest and metal industries' investment volumes. In the forest industry, the effects of fairly long completion periods needed for larger projects can be seen; despite cutbacks in output, investment in machinery and equipment is still clearly growing. As demand is likely to remain favourable in the near future, investment activity in the metal industry is expected to accelerate. Industrial building investment will, according to plans, drop this year, although investment in machinery and equipment will still continue to rise.

In constant price terms, industrial investment should reach about the same level as that achieved during the previous cyclical peak in 1975. In relation to production, however, investment activity will be lower than in the mid-1970s.

In the light of recent inquiries, the previously very optimistic expectations held by companies have gradually become more cautious. The forest and chemical industries, in particular, have scaled down their investment plans. In the metal industry and in the electricity, gas and waterworks sector, investment planned for 1980 seems to have been deferred until 1981.

<sup>1</sup> Includes manufacturing industries, mining, and electricity, gas and water works.



**TABLE 1. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1980, AND PLANNED CHANGES FOR 1981 AND 1982, BY INDUSTRIAL SECTOR, PER CENT**

	1980	1981	1982 <sup>1</sup>
Forest industries	45	11	-6
Metal industry	33	19	-10
Other manufacturing	28	-5	-12
Total manufacturing	35	7	-9
Electricity, gas and water	-29	30	10

**TABLE 2. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1980, AND PLANNED CHANGES FOR 1981 AND 1982, BY TYPE OF INVESTMENT, PER CENT**

	1980	1981	1982 <sup>1</sup>
Building investment	32	-8	-6
Investment in machinery and equipment	14	17	-6
Total industrial investment	20	9	-6

<sup>1</sup> Evidence from earlier inquiries suggests that investment plans made this far in advance tend to be clearly underestimated relative to realized investment.

*Planned investment for 1982.* Companies' plans indicate that industrial investment will fall in 1982. A decline is anticipated in all sectors of manufacturing. Investment in the energy sector, which began to expand in 1981, should rise in 1982 as well. One factor sustaining this growth is investment activity aimed at replacing energy imports.

Experience with previous investment inquiries indicates that investment plans made this far in advance tend to be most uncertain, and clearly underestimate ultimate levels of investment. Cyclical developments different from those expected by firms will affect implementation of planned investment. The fairly large investment volumes planned for 1982 suggest, however, that companies do not, for the moment, foresee any marked weakening in economic activity.

*Capacity utilization in 1981 and 1982.* Finnish industry recorded nearly full capacity utilization levels for 1980 on average. This year, manufacturing firms do not expect their capacity utilization levels to fall far below the cyclical peak. An exception is the forest

industries where a more pronounced downward trend in capacity is already discernible. Industry's average capacity utilization in 1981 is estimated to reach almost 88 per cent.

The majority of industrial firms forecast their level of capacity utilization to be unchanged in 1982. Firms expecting their utilization levels to be lower in the first half of 1982 than in the same period of 1981 slightly outnumber those expecting it to be higher. In the second half of 1982, capacity utilization is estimated to rise a little. All in all, capacity utilization levels are expected to remain fairly high.

**Supplementary budget.** In June, Parliament approved the first supplementary budget for 1981. The additional expenditure involved is mainly attributable to the maintenance of employment, the increase of export subsidies on agricultural products and the conclusion of the agreement on agricultural income. The increase in outlays totalled 1 155 million marks, representing 2 per cent of the expenditure of the ordinary budget. Some of these outlays are covered by savings in central government expenditure. So far, budgeted state expenditure exceeds budgeted revenue by 6.4 million marks. The unforeseen accrual of income will be budgeted in the final supplementary budget of the year.

Of the various items of expenditure, the following are the most notable. To finance the supplementary public works programme for the coming autumn an increase of 300 million marks in investment outlays was approved. Allocations made available for grants in support of productive activity in development regions were raised by 50 million marks to 300 million marks. To cover the increased need for export subsidies on dairy-products and meat, an additional outlay of 220 million marks was set aside. On the basis of the agreement on agricultural income, an additional 115 million marks was earmarked for agricultural price subsidies. An increase of 30 million marks was approved for compensations relating to the reduction in agricultural overproduction.

Including this supplementary budget, total budgeted state expenditure for 1981 totals 57 227 million marks, which is approximately 27 per cent of GDP.

**Establishing a business in Finland.** The Commission for Foreign Investments, which is subordinated to the Ministry of Trade and Industry, has published, in co-operation with the Bank of Finland, a booklet on the possibilities of investing in Finland. This booklet has been printed in English, French, German and Swedish and a Finnish version is also available in duplicated form. The new booklet is an extended and updated version of the corresponding publications issued in 1968 and 1970.

The booklet — comprising almost fifty pages — provides foreign investors with information on Finland and an outline of the legislation regulating business activity and the regulations governing the establishing of a business. It also provides information on taxation, central government support measures, the work force and the employer's major social and manpower policy obligations.

Foreign investment in Finland has contributed significantly to the increase in the economic wellbeing of the country, and the Government has long looked favourably on direct investment. From the Finnish standpoint, the most welcome investments are those which create lasting employment and raise the level of technology of industry, in accordance with the general objectives of Finnish industrial policy.

There are certain exceptions to the generally favourable attitude towards the inflow of foreign investments: investments in the forest and timber industries, or in mining and quarrying, are generally not permitted. The authorities also follow a fairly cautious line in the case of shipping and some other fields (e.g., credit rating agencies, securities trading, and publishing).

Although Finland does not offer any special privileges or incentives to foreign investors,

foreign enterprises setting up in Finland are treated according to the same principles as fully domestic ones. A clear example of this approach is offered by the foreign enterprises which have established a business in Finland's development regions during the last ten years: supported by the central government, they have got off to a good start and today provide work for a substantial number of Finns.

The booklet can be ordered free of charge from:

Commission for Foreign Investments  
Ministry of Trade and Industry  
Aleksanterinkatu 10  
SF-00170 Helsinki 17  
Tel. 1601 (exchange)

It is also available from the Bank of Finland.

**Publications of the Bank of Finland.** The Bank of Finland Year Book for 1980 has been published. The first section reviews the Finnish economy in 1980, and the subsequent three sections examine the Central Bank's monetary and foreign exchange policy, the Bank of Finland's balance sheet and income statement and the bank's relations with international organizations. A summary of news items relating to monetary and foreign exchange policy measures taken during the year is included. The statements of the bank and various banking transactions during the year under review are included in a statistical appendix. Helsinki 1981, 76 pp. ISSN 0081-9468.

Finnish Bond Issues 1980 has been published in an edition with text and explanatory notes in Finnish, Swedish and English. It gives a detailed description of the 57 loans issued in 1980, including the 6 denominated in foreign currency and floated abroad. In addition the introduction includes statistics on domestic and foreign bonds outstanding at the end of the 1970—1980 period, and on sales of domestic bonds in 1970—1980. Helsinki 1981, 59 pp. ISBN 951-686-068-0, ISSN 0585-9581.

(continued from page 2)

on average, by about the same amount as last year. It is forecast that Finland's international price competitiveness, which has remained fairly satisfactory, will not weaken much during this agreement period.

The rate of inflation has slowed down slightly since the latter half of 1980. The consumer price index is expected to rise by 10 per cent from December 1980 to December 1981, as against 13.7 per cent one year earlier. The index clause is expected to trigger claims for a total increase of 2 to 3 per cent in wages,

salaries and agricultural income, which will be paid mainly during 1983. The Earnings Guarantee included in the collective agreements will probably also induce new wage increases at that time. Furthermore, pressures on wage increases to rectify wage differentials may strengthen along with the coming upswing. 1983 may turn out to be a difficult year from the point of view of safeguarding Finland's competitive position. Hence, the curbing of inflation remains one of the central government's major economic policy objectives during the current agreement period.

July 20, 1981





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# BANK OF FINLAND

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## 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*

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## Directors

Markku Puntila                      Seppo Lindblom

Eino Helenius                      Pentti Koivikko

Kari Nars                      Antti Lehtinen

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## Senior officials

Pertti Kukkonen                      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*

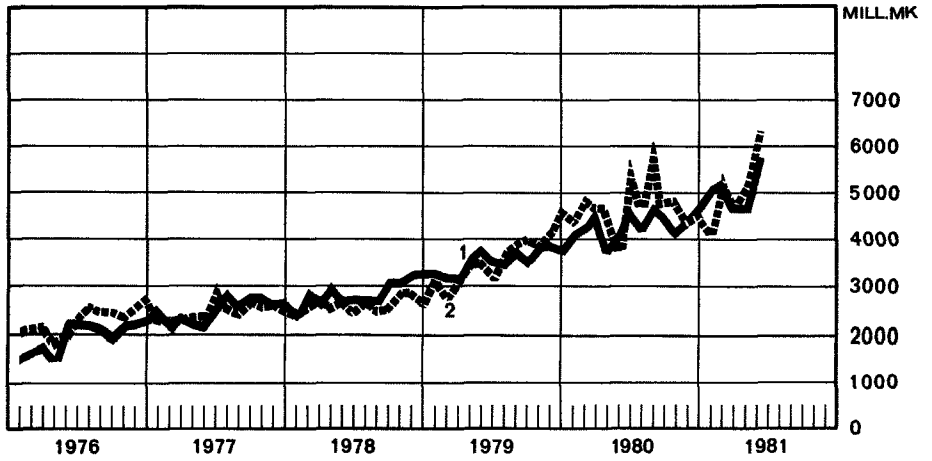
Erkki Vehkamäki                      Anton Mäkelä  
*Data Processing*                      *Personnel*

Stig G Björklund                      Reijo Mäkinen  
*Payments*                      *Cash*

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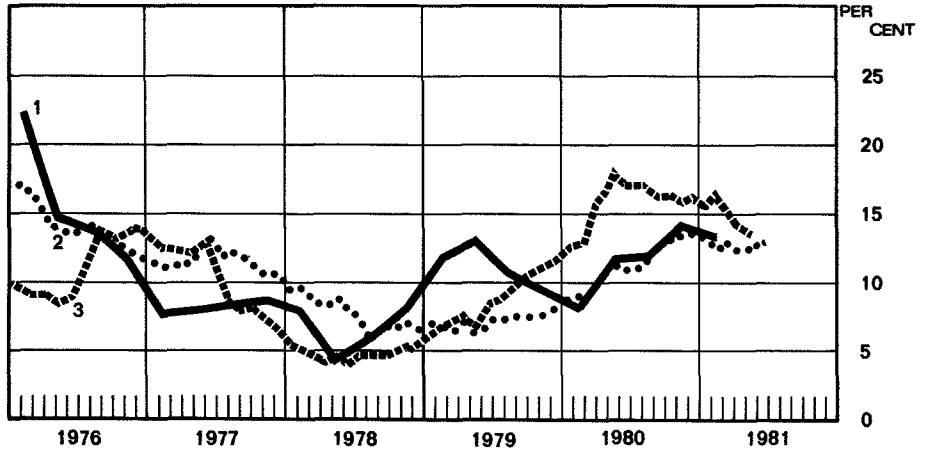
**FOREIGN TRADE, 1976-81**

- 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

