



# BANK OF FINLAND

*Monthly Bulletin*

**Foreign trade**

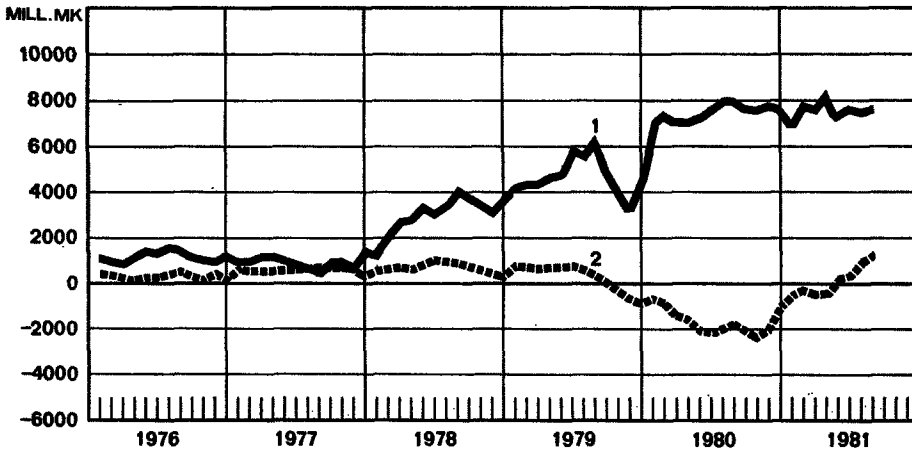
**The economic background of strikes  
in Finland**

**Finland's balance of payments  
January—June 1981**

**OCTOBER 1981**

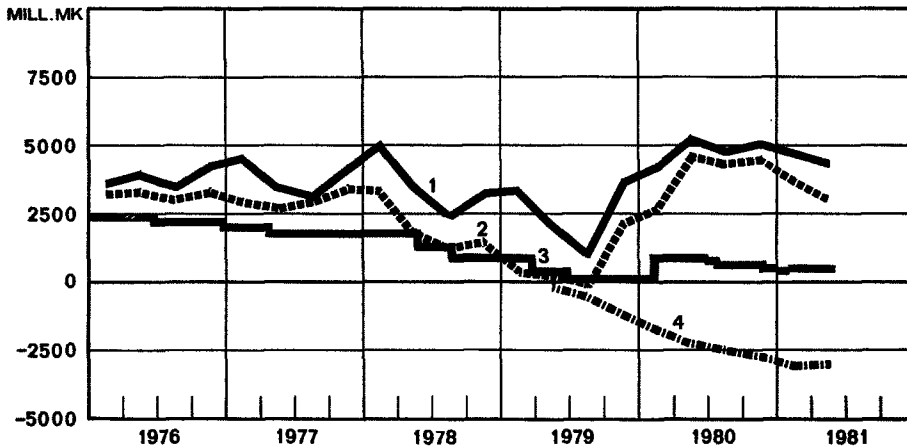
**Vol. 55 No. 10**

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



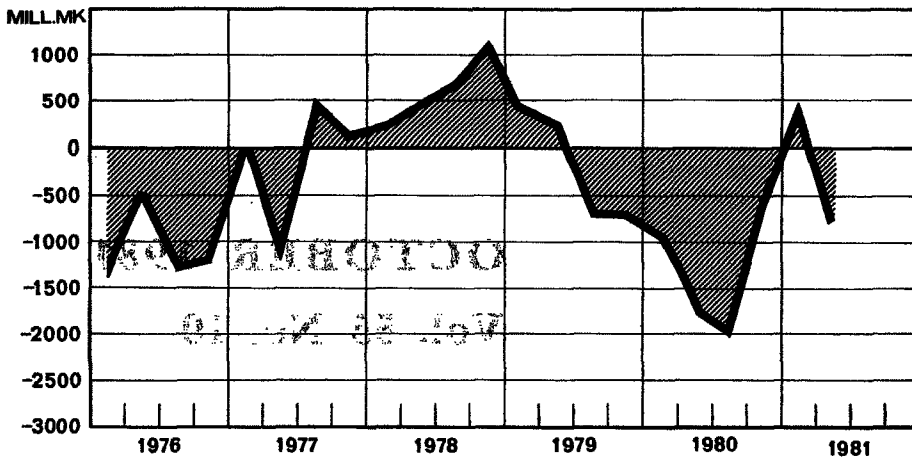
- 1. Gold and convertible currencies
- 2. Tied currencies

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



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

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1976-81**



Seasonally adjusted quarterly figures

# FOREIGN TRADE

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In the beginning of the year there seemed to be a consensus among economic forecasters in Finland that the deficit on the trade account for 1981 would be of approximately the same order as for the previous year, i.e., 5 500 million marks. Such an outcome was viewed as a natural consequence of the marked difference in the cyclical position of Finland vis-à-vis its traditional Western trading partners and of the pending increase in crude oil prices. However, the trade figures for the current year have so far proved these expectations to be overly pessimistic; the trade account for January—August showed a cumulative deficit of only about 500 million marks.<sup>1</sup>

Exports, especially export prices, have risen more rapidly than forecast, but more important has been the unexpectedly slow growth of imports. In part, this is the result of weaker activity, but it is principally an indication that the customarily close link between economic growth and the inflow of raw materials and energy products has been severed, at least for the time being.

The greater-than-expected strength in the trade account was wholly attributable to developments in trade volumes as the terms of trade weakened by 8 per cent during the first half of the year. Import prices rose faster than those of exports, particularly in the trade with the CMEA countries. Thus Finland's terms of trade vis-à-vis Socialist countries deteriorated by 23 per cent. This was a reflection of sharply

higher energy prices and the fact that Finland imports a large proportion of its crude oil from the Soviet Union. Moreover, since these imports are denominated in US dollars, recent exchange rate movements have further contributed to the terms-of-trade deterioration. In the trade with the Western economies, however, the strengthening of the US dollar has tended to have a more favourable effect on the terms of trade as the US dollar is a major invoicing currency for some of Finland's key export commodities. Hence, Finland's terms of trade vis-à-vis these countries have fallen by only some 3 per cent during the same period.

## EXPORTS

The slowdown in economic activity in the West, coupled with high interest rates, has meant weak demand for wood products as a building material and there has been a general rundown in stocks. Reflecting this, the seasonally adjusted volume of forest industry exports decreased at an annual rate of 9 per cent during the first half of the current year. The decline was mainly attributable to a drastic fall in exports of sawn-goods. By contrast, demand for paper products, especially that for newsprint and board, has held up surprisingly well.

The major source of growth in Finnish exports during the current year has been the bilateral trade with the Socialist countries. This year

<sup>1</sup> At the time of writing foreign trade figures were available for prices and volumes in the first half of the year and for values in January—August.

marks the beginning of a new five-year period in the trade with the Soviet Union. The rise in oil prices has considerably increased the scope for Finnish exports. For the current year the export quotas are heavily weighted in favour of metal industry products and consumption goods. During the first half of 1981, total exports of metal industry commodities increased at an annual rate of nearly 45 per cent, while those of foodstuffs and textiles rose by 62 per cent and 25 per cent, respectively. All in all the volume of exports rose at an annual rate of 12 per cent during the first half of the current year from the second half of 1980.

The recession in the market economies has been rather slow in affecting export prices, so that overall export prices rose at an annual rate of 12 per cent during the first half of the year. One reason for this relatively firm price development was the fairly moderate speculative buying and stockbuilding during the last raw-material boom: price levels did not rise excessively so that there was less downwards pressure on prices when demand began to taper off.

A more direct boost to Finnish export prices has come from movements in foreign exchange rates. In the paper industry and metal industry, where the effects of currency changes have been most prominent, export prices rose at an annual rate of 13 per cent and 12 per cent, respectively. At the same time prices of wood products went up by 9 per cent and those of chemicals by 15 per cent.

The regional distribution of Finnish exports in value terms experienced a major cyclical shift in the 12 months to July. The share of CMEA countries in total Finnish exports increased by 10 percentage points to 27 per cent. During the same period, the corresponding shares of the EEC and EFTA each fell by 6 percentage points, with exports to the EEC accounting for 36 per cent of Finnish exports and those to EFTA for 19 per cent. Oil producing countries took 5 per cent of total Finnish exports and developing countries 10 per cent.

## IMPORTS

Import activity was rather sluggish during the first eight months of the year. Investment in machinery and equipment was quite clearly concentrated in the forest industries, that is, in a sector where investments have traditionally had a relatively low import content. High interest rates and expectations of a fall in raw-material prices helped to check imports of raw materials. There also seems to have been a levelling off in the growth of households' disposable income, which explains the small decline in imports of consumer goods.

The volume of imports fell at an annual rate of 14 per cent during the first half of this year as compared with the latter half of 1980. The decline was most pronounced in raw materials and crude oil, the volume of which decreased by 23 per cent. Imports of investment goods fell by 7 per cent and that of consumer goods by 3 per cent. On the other hand, imports of fuels and lubricants increased by 12 per cent.

In line with developments in world markets, there was a marked rise in prices of energy imports, whereas prices of raw materials fell significantly. The increase in energy import prices amounted to about 60 per cent at an annual rate, while prices of imported raw materials fell by 12 per cent.

As in the regional distribution of exports, there was a similar shift in imports in favour of CMEA countries in the twelve months to August. However, in imports the shift was considerably smaller, i.e., a rise of 3 percentage points to 27 per cent of total commodity imports. The share of industrial countries remained unchanged at approximately 60 per cent.

## PROSPECTS

Exports to Western countries, which on average account for about 80 per cent of Finland's foreign trade, are expected to reach their lowest point during the second half of 1981.

(continued on page 31)

	1980		1981			
	Sept. 30	Dec. 31	Sept. 8	Sept. 15	Sept. 23	Sept. 30
<b>Assets</b>						
Gold and foreign exchange receivables	7 882	8 024	9 191	9 036	8 892	8 907
Gold	1 073	1 073	1 073	1 073	1 073	1 073
Special drawing rights	563	397	689	689	676	676
IMF reserve tranche	215	380	380	380	380	380
Foreign bonds	2 088	2 125	1 398	1 436	1 446	1 582
Convertible currencies	3 830	3 841	4 345	4 329	4 099	3 714
Tied currencies	113	208	1 306	1 129	1 218	1 482
Other foreign receivables	1 045	1 540	1 632	1 632	1 632	1 632
Mark subscription to Finland's IMF quota	1 045	1 540	1 632	1 632	1 632	1 632
Receivables from financial institutions	5 515	5 350	4 168	5 339	4 529	3 987
Banks' cheque accounts	726	481	644	659	642	567
Call money market advances	4 307	3 674	2 084	3 262	2 481	1 994
Till-money credits	—	643	709	674	697	709
Bonds	447	527	671	670	676	676
Other financial institution receivables	35	25	60	74	33	41
Receivables from the public sector	1 284	1 225	1 207	1 200	1 197	1 198
Government promissory notes	650	512	354	354	354	354
Bonds	241	288	380	370	369	370
Total coinage	392	403	469	471	472	473
Other public sector receivables	1	22	4	5	2	1
Receivables from corporations	3 118	3 399	3 817	3 825	3 918	3 951
Financing of exports	1 375	1 502	1 555	1 525	1 603	1 631
Financing of domestic deliveries	1 400	1 561	1 962	2 000	2 014	2 018
Bonds	230	220	196	195	193	193
Other corporate receivables	113	116	104	105	108	109
Other assets	77	80	85	84	85	85
<b>Total</b>	<b>18 921</b>	<b>19 618</b>	<b>20 100</b>	<b>21 116</b>	<b>20 253</b>	<b>19 760</b>
<b>Liabilities</b>						
Foreign exchange liabilities	1 994	983	67	68	67	74
Convertible accounts	34	18	28	29	24	27
Tied accounts	1 960	965	39	39	43	47
Other foreign liabilities	1 931	2 430	2 652	2 652	2 639	2 639
IMF mark accounts	1 365	1 864	1 956	1 956	1 943	1 943
Allocations of special drawing rights	566	566	696	696	696	696
Notes and coins in circulation	4 366	4 954	4 962	4 965	4 943	5 023
Notes	4 004	4 572	4 543	4 546	4 524	4 604
Coins	362	382	419	419	419	419
Deposit certificates in circulation	2 250	1 900	850	1 250	1 250	450
Claims of financial institutions	3 723	3 739	4 233	4 776	3 976	4 147
Banks' cheque accounts	4	1	1	1	1	32
Call money market deposits	525	290	1 630	2 140	1 245	1 380
Cash reserve deposits	2 982	3 317	2 429	2 424	2 424	2 464
Capital import deposits	182	108	106	189	243	244
Other financial institution claims	30	23	17	22	63	27
Claims of the public sector	43	591	747	728	728	727
Cheque accounts	0	2	1	1	1	0
Counter-cyclical reserves	42	545	545	545	545	545
Counter-cyclical deposits	—	37	145	145	145	145
Capital import deposits	—	—	43	22	22	22
Other public sector claims	1	7	13	15	15	15
Claims of corporations	950	978	1 570	1 568	1 573	1 610
Deposits for investment and ship purchase	635	717	1 356	1 357	1 362	1 400
Capital import deposits	261	83	—	—	—	—
Export deposits	48	110	205	202	202	202
Other corporate claims	6	68	9	9	9	8
Other liabilities	14	13	16	14	14	14
Equalization accounts	1 618	1 767	2 576	2 657	2 617	2 623
Capital accounts	2 032	2 263	2 427	2 438	2 446	2 453
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	441	441	750	750	750	750
Net earnings	191	422	277	288	296	303
<b>Total</b>	<b>18 921</b>	<b>19 618</b>	<b>20 100</b>	<b>21 116</b>	<b>20 253</b>	<b>19 760</b>

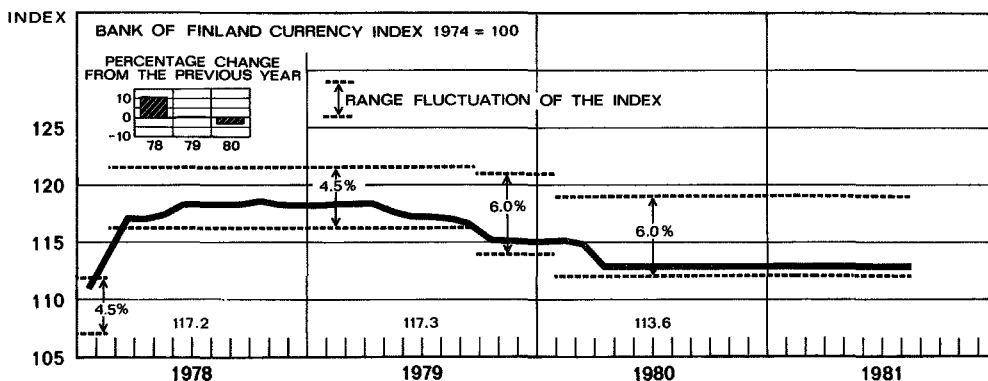
End of year or month	Foreign sector							Public sector			
	Gold SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	Deposit certificates in circulation
	1	2	3	4	5	6	7	8	9	10	11
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	-
1977	337	543	1 212	2 092	496	-2 031	557	391	328	- 63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	591	-634	1 900
1980											
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
Aug.	2 142	1 420	4 154	7 716	1 362	-1 020	8 058	1 209	747	-462	450
Sept.	2 129	1 582	3 687	7 398	1 435	-1 007	7 826	1 198	727	-471	450

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1980			Net holdings, Aug. 31, 1981			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Aug.	Jan.-Aug.
Gold	1 073	-	1 073	1 073	-	1 073	-	-
Special drawing rights	397	-	397	689	-	689	-8	+292
IMF reserve tranche	380	-	380	380	-	380	-	-
Foreign bonds	2 125	-	2 125	1 420	-	1 420	+20	-705
Convertible currencies	3 823	-7 194	-3 371	4 155	-7 259	-3 104	+160	+267
Total	7 798	-7 194	604	7 717	-7 259	458	+172	-146
Tied currencies	-757	-67	-824	1 362	-122	1 240	+147	+2 064
Grand total	7 041	-7 261	-220	9 079	-7 381	1 698	+319	+1 918

End of year or month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Discounted and rediscounted bills	Cheque account receivables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receivables (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net receivables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980	—	480	3 674	290	3 317	-1 064	1 611	3 063	642	2 421	4 954
1980											
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
Aug.	—	610	1 916	1 770	2 429	-1 348	-325	3 517	1 263	2 254	5 088
Sept.	—	535	1 994	1 380	2 464	-1 155	-160	3 649	1 308	2 341	5 088



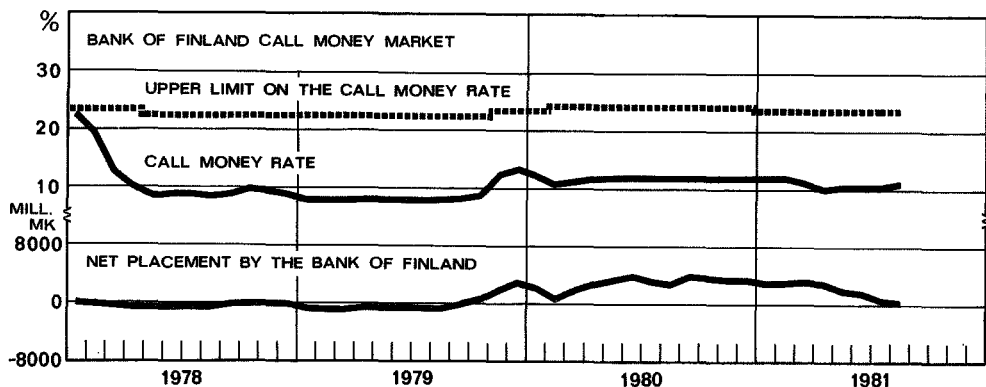
# MONETARY POLICY INDICATORS

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										
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	10.73	9.85
Aug.	3 115	1 678	600	2 393	2 099	1 080	9.25	11.45	10.58	9.85
Sept.	3 265	1 558	600	2 428	2 126	959	9.25	11.50	..	..

See explanations on page 22.

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

<sup>2</sup> 1.9.—31.12.1975.



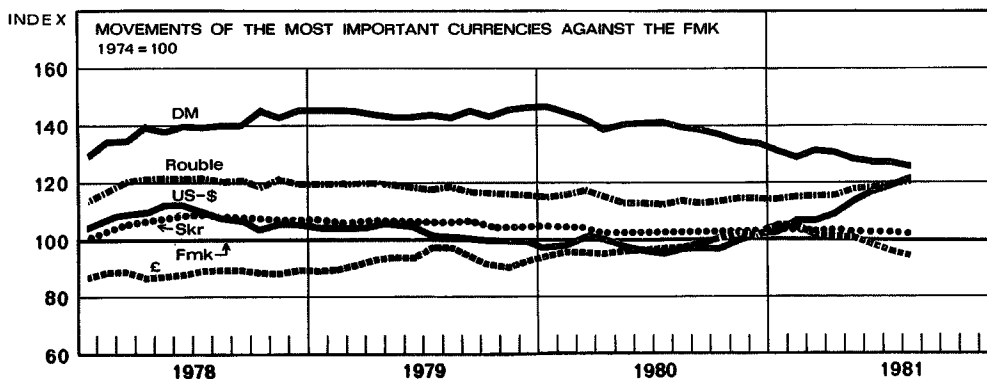


# FOREIGN EXCHANGE RATES

Mill. mk

Average selling rates for foreign exchange, mk

Period	Average selling rates for foreign exchange, mk									Currency index 1974=100
	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3
1980	3.730	8.691	88.43	75.81	66.53	205.58	222.87	88.65	5.741	113.6
<b>1980</b>										
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
<b>1981</b>										
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
Aug.	4.629	8.445	87.59	75.24	59.23	185.36	213.77	77.77	6.078	113.1
Sept.	4.504	8.197	83.48	75.79	61.25	191.31	222.42	80.18	6.127	113.1



DEPOSITS BY THE PUBLIC

Mill. mk

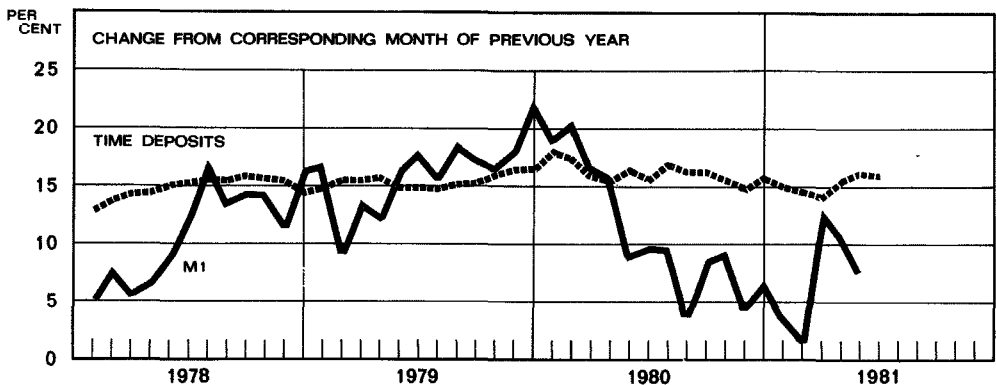
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	10
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180

1980

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
May	4 334	2 391	3 035	9 760	23 800	21 177	16 919	6 769	68 665	78 425
June	5 424	2 434	2 956	10 814	23 803	21 451	17 094	6 863	69 211	80 025



# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

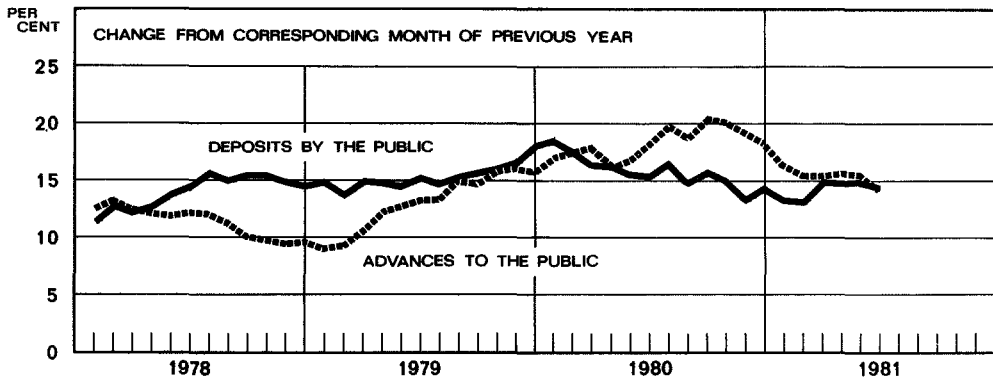
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quas- Money
	1	2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

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
May	38 034	20 004	17 704	10 149	73 769	2 912	9 210	85 891	14 634	85 186
June	38 541	20 278	18 039	10 502	74 629	3 044	9 687	87 360	..	..



## STATE FINANCES

Mill. mk

Revenue	Jan.-July		Expenditure	Jan.-July	
	1980	1981		1980	1981
Income and wealth tax (net)	6 523	8 810	Wages, salaries, pensions etc.	4 596	5 311
Gross receipts	(19 963)	(23 616)	Repair and maintenance	592	693
Refunds & local authorities	(-13 440)	(-14 806)	Other consumption expenditure	2 585	3 130
Other taxes on income and wealth	148	144	Total consumption expenditure	7 773	9 134
Employers' child allowance payments	37	57	State aid to local authorities	5 705	6 670
Sales tax	6 611	7 760	State aid to industries	3 995	4 652
Customs duties and import charges and levies	776	830	of which: agric. price subsidies	(1 594)	(2 070)
Excise duties	4 882	5 427	Child allowances	693	793
Excise duty on alcoholic beverages	1 457	1 673	Share in national pensions and sickness insurance schemes	297	316
Excise duty on tobacco	598	627	Other transfer expenditure	3 299	3 996
Excise duty on liquid fuel	1 626	1 665	Total transfer expenditure	13 989	16 427
Other excise duties	1 201	1 462	Machinery and equipment	794	907
Tax on autom. and motor-cycles	885	970	Construction of buildings	422	424
Stamp duties	594	661	Land and waterway construction	1 029	1 073
Special diesel etc. vehicles tax	106	127	Total real investment	2 245	2 404
Other taxes and similar revenue	589	698	Interest on State debt	660	851
Total taxes	21 151	25 484	Net deficit of State enterprises	-25	123
Miscellaneous revenue	1 881	1 928	Other expenditure	4	22
Interest, dividends etc.	594	645	Total other expenditure	639	996
Redemptions of loans granted	395	503	Increase in inventories	-74	-149
Total revenue	24 021	28 560	Lending	1 865	1 789
Foreign borrowing	1 472	1 422	Other financial investment	304	294
Domestic borrowing	1 807	1 517	Total expenditure	26 741	30 895
Total borrowing	3 279	2 939	Redemption of foreign loans	148	177
Deficit (+) or surplus (-)	+335	+573	Redemption of domestic loans	746	1 000
Total	27 635	32 072	Total redemptions	894	1 177
			Total	27 635	32 072

State debt	1978	1979	1980	1981		
	Dec.	Dec.	Dec.	May	June	July
Foreign debt	7 360	8 964	10 341	11 401	11 828	12 098
Loans	4 607	6 050	7 585	7 796	7 950	8 088
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	17	12	112	112
Cash debt (net)	-735	-596	-823	-198	-1 067	-844
Domestic debt	4 132	5 658	6 779	7 610	6 995	7 356
Total State debt	11 492	14 622	17 120	19 011	18 823	19 454
Total debt mill \$	2 859	3 915	4 422	4 400	4 232	4 282

# 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\*

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	4 491	+507
Feb.	4 434	4 400	+34
March	5 041	4 618	+423
April	4 657	4 916	-259
May	5 538	5 902	-364
June	5 307	4 891	+416
July	4 247	4 416	-169

Jan.-July

1980*	29 579	32 614	-3 035
1981*	34 222	33 634	+588

Indices of exports and imports  
1975 = 100

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

1979

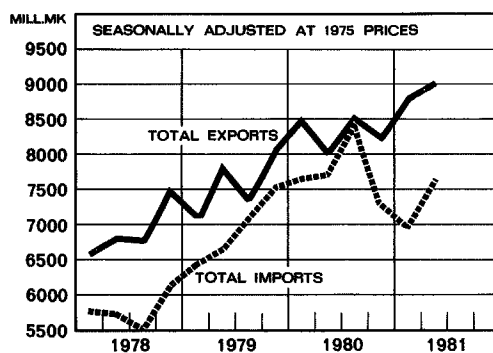
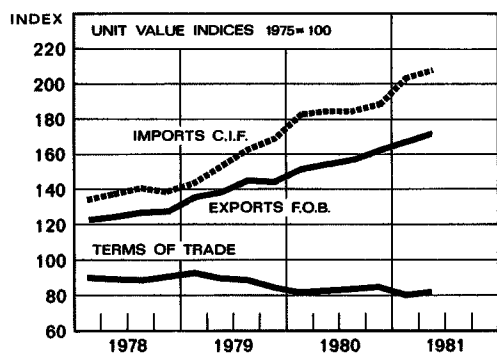
Apr.-June	154	94	140	154	91
July-Sept.	138	100	147	164	90
Oct.-Dec.	171	113	146	170	86

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\*

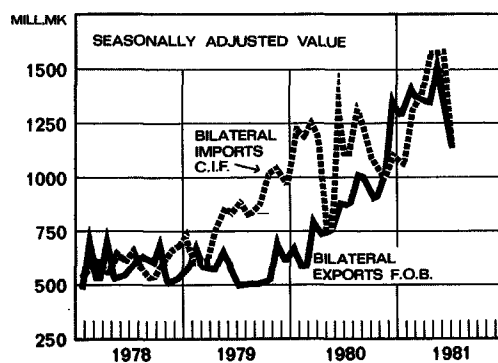
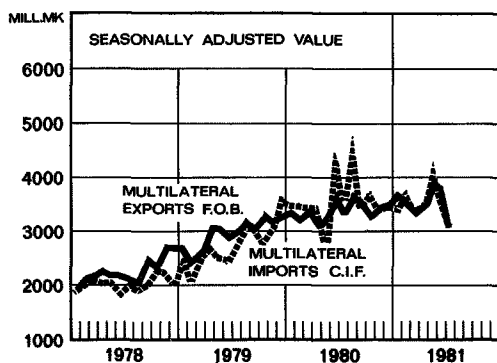
Jan.-March	169	94	169	205	82
Apr.-June	177	107	173	209	82



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f. o. b.					Imports, c. i. f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	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
<b>1980*</b>										
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
<b>1981*</b>										
Jan.	392	592	1 341	1 295	1 378	2 723	283	818	665	2
Feb.	104	526	1 324	1 045	1 435	2 828	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	3 126	271	750	767	2
May	318	644	1 376	1 678	1 522	4 204	344	682	668	4
June	89	717	1 361	1 372	1 768	3 026	621	665	565	14
July	86	504	1 455	1 164	1 038	2 644	588	614	537	33
<b>Jan.-July</b>										
1980*	905	4 432	8 874	6 226	9 142	21 786	2 141	4 212	4 383	92
1981*	1 360	4 110	9 746	8 673	10 333	21 484	2 555	4 947	4 572	76



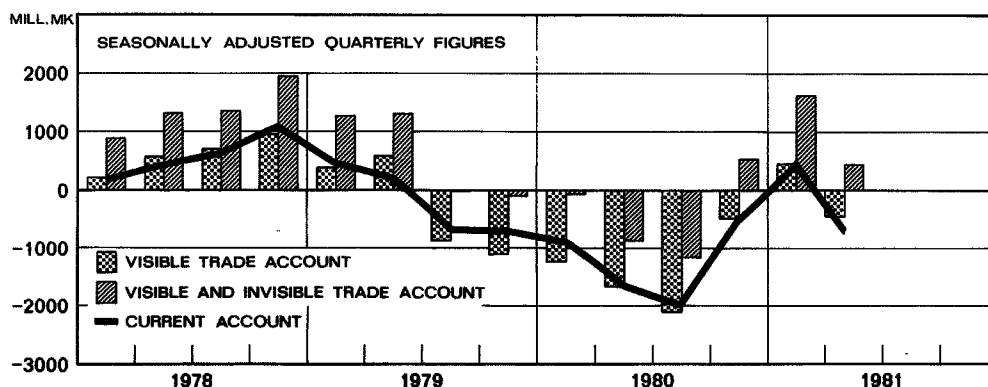
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January-July				January-July			
	1980*		1981*		1980*		1981*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	66.3	19 595	55.8	19 087	53.2	17 353	51.8	17 406
Austria	0.7	215	0.5	187	1.2	395	1.2	410
Belgium and Luxembourg	1.5	443	1.3	457	1.8	591	1.8	613
Denmark	3.5	1 025	3.1	1 059	2.4	787	2.3	762
France	5.1	1 496	4.2	1 445	3.2	1 040	3.4	1 155
Federal Republic of Germany	11.4	3 385	9.3	3 184	12.7	4 143	12.3	4 126
Italy	2.6	764	2.0	698	2.5	814	2.4	801
Netherlands	4.7	1 405	3.4	1 157	2.6	855	2.6	867
Norway	4.0	1 170	4.5	1 538	2.0	657	2.6	883
Portugal	0.4	108	0.3	87	0.6	175	0.5	155
Spain	0.9	253	0.8	273	1.0	309	0.6	199
Sweden	16.6	4 901	12.3	4 190	12.3	4 016	11.3	3 815
Switzerland	1.8	520	1.5	510	1.6	529	1.8	591
United Kingdom	11.8	3 477	10.7	3 672	8.8	2 870	8.3	2 801
Other	1.3	433	1.9	630	0.5	172	0.7	228
<b>OECD countries outside Europe</b>	5.4	1 606	5.8	2 003	10.0	3 257	12.1	4 065
Canada	0.5	161	0.7	237	0.8	276	0.7	232
Japan	0.8	227	0.8	287	3.2	1 029	3.8	1 283
United States	3.1	912	3.4	1 179	5.8	1 895	7.4	2 474
Other	1.0	306	0.9	300	0.2	57	0.2	76
<b>CMEA countries</b>	17.9	5 291	27.1	9 272	24.7	8 056	27.3	9 196
Czechoslovakia	0.3	90	0.2	76	0.5	183	0.6	219
German Democratic Republic	0.6	174	0.6	200	0.5	171	0.7	220
Poland	0.6	190	0.1	38	1.9	615	1.5	508
Soviet Union	15.4	4 548	25.4	8 697	20.9	6 779	23.5	7 899
Other	1.0	289	0.8	261	0.9	308	1.0	350
<b>Latin America</b>	1.6	487	2.4	808	3.3	1 060	2.2	739
Argentina	0.4	132	0.4	149	0.1	47	0.1	52
Brazil	0.4	117	0.3	105	0.9	284	0.7	230
Colombia	0.1	40	0.1	45	1.0	307	0.5	160
Other	0.7	198	1.6	509	1.3	422	0.9	297
<b>Other</b>	8.8	2 600	8.9	3 052	8.8	2 888	6.6	2 228
<b>GRAND TOTAL</b>	100.0	29 579	100.0	34 222	100.0	32 614	100.0	33 634
of which								
<b>EFTA countries</b>	23.5	6 969	19.1	6 554	17.9	5 824	17.6	5 917
<b>EEC countries</b>	41.2	12 196	35.5	12 133	34.2	11 167	33.5	11 269
<b>OECD countries</b>	71.6	21 201	61.6	21 090	63.2	20 610	63.8	21 471

# BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Invest- ment income, net	Un- requited transfers, net	Other, net	Current account
1977	30 805	30 961	-156	+1 747	-23	+526	+2 094	-2 434	-198	-42	-580
1978	35 068	32 600	+2 468	+2 024	+141	+803	+5 436	-2 713	-211	+94	+2 606
1979*	43 302	44 430	-1 128	+3 010	+157	+359	+2 398	-2 840	-430	+111	-761
1980*	52 860	58 315	-5 455	+3 029	+324	+605	-1 497	-3 308	-451	+70	-5 186
1978											
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	+326	+273	-787	-168	+6	-676
Apr.-June	12 470	14 027	-1 557	+557	+81	+103	-816	-723	-99	+34	-1 604
July-Sept.	12 865	15 641	-2 776	+845	+299	+119	-1 513	-765	-101	+12	-2 367
Oct.-Dec.	14 738	15 039	-301	+757	+46	+57	+559	-1 033	-83	+18	-539
1981*											
Jan.-March	14 472	13 586	+886	+1 004	-79	+78	+1 889	-998	-109	-7	+775
Apr.-June	15 498	15 796	-298	+1 056	+81	-125	+714	-1 256	-102	+7	-637





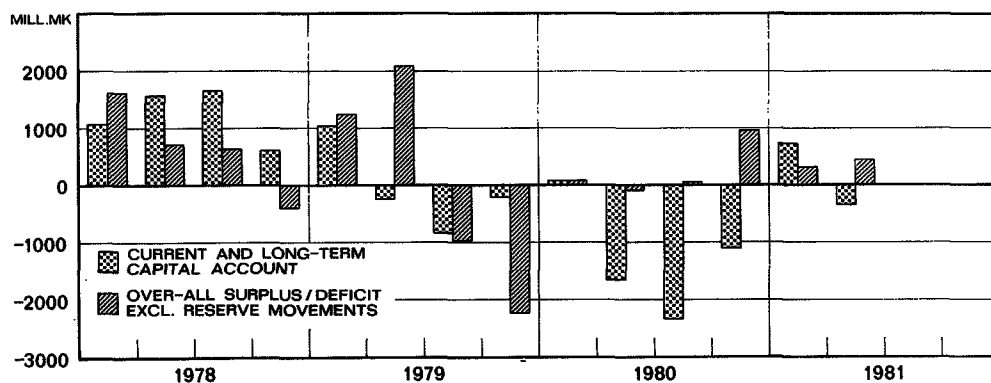
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, 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
+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	-1 650	+1 498	-32	+1 666	-1 577	-95	+95
+1 126	-913	-36	-146	+31	-2 336	+711	-452	+1 189	+942	+54	-54
+873	-1 117	-187	-131	-562	-1 101	+744	-452	+557	+1 205	+953	-953
+1 404	-955	-227	-232	-10	+765	-551	+719	+143	-767 <sup>3</sup>	+309	-309
+1 948	-1 213	-195	-249	+291	-346	+880	+720	+70	-894	+430	-430

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.

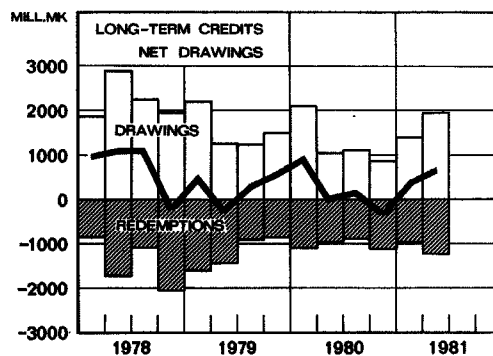
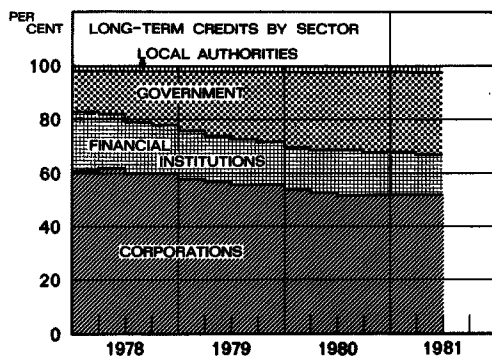


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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	10
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>										
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
June	4 473	3 161	1 278	8 912	32 814	4 467	2 180	406	39 867	30 955

See explanations on page 22.

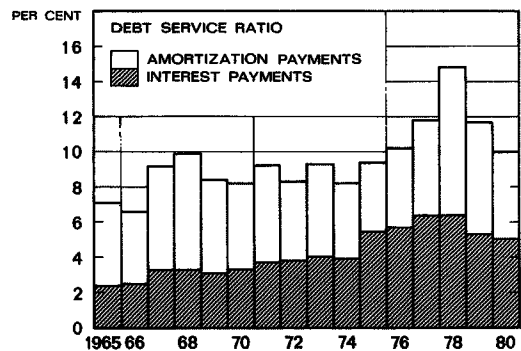
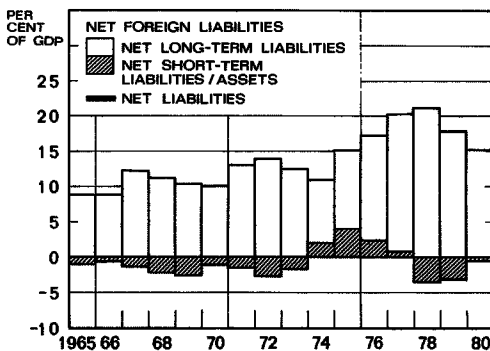


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
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	-1 679	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	12 442	31 772	2 680	16 542	12 347	31 569	-203	28 927	1 749	732
10 125	10 853	12 489	33 467	2 437	18 080	14 068	34 585	1 118	32 073	2 170	897

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
<b>1980</b>										
Dec.	971	169.6	165.9	182.8	170.0	174.8	164.5	104.9	104.5	105.3
<b>1981</b>										
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
July	1 048	183.1	179.0	197.5	185.7	187.0	173.8	110.3	109.6	110.4
Aug.	1 057	184.7	180.5	199.5	187.5	187.9	175.3	110.4	109.6	110.6

<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
<b>1980</b>											
Dec.	136.4	128.5	149.8	141.2	132.8	152.1	132.3	144.1	141.1	128.0	141.0
<b>1981</b>											
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
July	145.7	140.1	157.9	144.4	142.1	168.6	137.9	152.5	150.2	137.0	151.7
Aug.	146.2	139.8	157.9	146.7	142.1	171.5	138.6	152.6	150.0	139.2	152.2

## 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	170.5	146.3	165.8	160.5	156.6	169.7	165.7	167.5	166.6
1980*										
Apr.-June	178.1	172.0	144.8	165.8	160.9	157.0	170.0	165.6	168.3	166.9
July-Sept.	178.4	170.7	147.1	166.0	161.2	157.1	170.8	166.9	168.1	167.5
Oct.-Dec.	189.3	179.0	153.9	173.7	167.6	163.1	178.7	174.0	176.0	175.0
1981*										
Jan.-March	190.9	183.1	158.1	178.9	174.1	169.2	182.6	178.9	180.2	179.5
Apr.-June	199.3	193.4	160.4	184.6	179.5	173.8	191.0	185.4	188.5	186.9

## 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	108
Apr.-June	111	117	87	168	73	89	111	103	119	113
July-Sept.	106	105	161	70	97	86	113	103	120	109
Oct.-Dec.	119	126	77	148	119	90	127	111	122	115
1980*										
Jan.-March	112	126	73	145	79	87	110	96	124	112
Apr.-June	114	126	83	139	79	89	112	104	124	117
July-Sept.	115	116	187	89	111	86	123	106	125	113
Oct.-Dec.	124	135	80	152	121	86	131	114	127	119
1981*										
Jan.-March	113	128	71	139	78	85	112	96	127	115

# PRODUCTION

Index of industrial production 1975 = 100

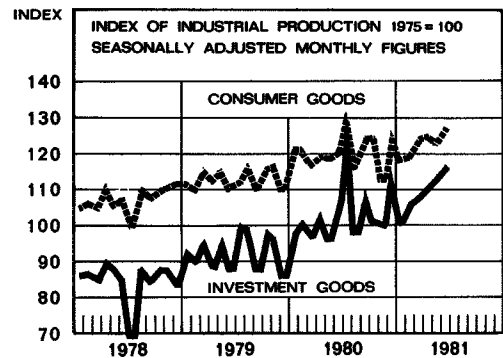
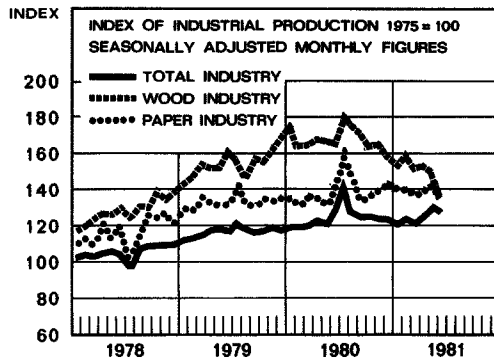
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
<b>1977</b>	101.8	93.6	100.9	104.4	96.3	199.0	104.6	101.0	94.7	98.7	101.9
<b>1978</b>	107.0	85.6	108.1	111.9	103.9	130.3	118.2	109.6	93.5	99.6	107.0
<b>1979*</b>	118.3	93.7	113.7	127.0	110.8	155.6	134.0	123.7	102.3	110.3	118.4
<b>1980*</b>	127.2	104.8	121.8	135.9	118.0	169.1	141.1	137.2	112.9	122.4	127.5

## 1980\*

June	124.5	111.1	116.2	132.1	113.2	177.4	127.6	132.6	115.7	127.9	131.1
July	89.5	58.3	76.8	104.0	113.1	93.6	148.6	87.9	83.9	68.6	144.9
Aug.	125.5	98.5	121.5	134.8	114.0	153.1	152.2	139.9	119.8	115.5	128.3
Sept.	135.3	117.8	128.6	143.3	125.1	186.3	143.3	143.8	130.4	137.2	127.0
Oct.	143.7	117.2	141.7	152.0	145.4	183.8	152.5	158.8	139.4	138.6	127.3
Nov.	133.1	115.6	128.1	140.3	127.3	160.6	147.2	142.4	119.4	133.3	127.0
Dec.	127.8	113.3	124.8	133.2	116.2	145.3	136.0	134.2	96.6	129.0	128.1

## 1981\*

Jan.	130.3	106.8	126.2	138.6	107.0	146.5	150.3	151.0	104.0	124.3	125.4
Feb.	125.0	108.6	118.6	132.5	100.0	154.2	137.6	142.8	105.5	124.4	127.2
March	136.9	117.0	134.6	143.5	115.6	172.2	148.9	170.1	109.0	131.6	125.6
April	128.4	107.2	127.1	134.8	117.5	176.1	130.0	157.9	106.8	125.7	128.4
May	135.6	120.9	129.3	142.7	121.7	178.4	148.2	157.6	110.6	139.1	133.0
June	123.2	118.1	121.6	125.3	118.9	148.1	111.5	153.3	108.4	135.3	128.4



## 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*								
Oct.	3 615	2 355	2 234	102	4.4	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	4 564	118	140
May	3 624	2 333	2 215	118	5.1	3 588	121	147
June	3 623	2 542	2 415	127	5.0	2 184	125	141
July	3 625	2 556	2 422	134	5.2	..	..	..

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

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

## STATE FINANCES

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

## FOREIGN TRADE

Pages 11—13. Figures supplied by the Board of Customs. *Indices* (p. 11): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries*: (p. 13): from January 1980 imports by countries of origin exports by countries of consignment.

## BALANCE OF PAYMENTS

Pages 14—15. Figures are calculated by the Bank of Finland. In the current account, the figures for visible and invisible trade have been revised from 1970 so that they are in accordance with the revised System of National Accounts. In addition to the Board of Customs figures, exports include fuel for carriers but exclude stevedoring expenses and imports include seamen's duty-free imports, fuel for carriers and adjusted allowance for smuggling.

On Jan. 1, 1980, foreign bonds were included in the convertible foreign exchange reserves of the Bank of Finland and not in the short-term capital account as earlier. The figures for other years have also been revised accordingly.

## FOREIGN ASSETS AND LIABILITIES

Pages 16—17. Figures calculated by the Bank of Finland. Long-term assets: Other = financial loans 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 1956, IDA 1960, EFTA 1961, ADB 1966, OECD 1969, and IDB 1977.

## LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1970) 2.7 mill. ha (9.6%) 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) 165 883, Turku (Åbo) 163 903.

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

LANGUAGE (1979): Finnish speaking 93.6% Swedish speaking 6.3%, others 0.1%.

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

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

## TRADE AND TRANSPORT

NATIONAL INCOME (1980), in million marks: Gross domestic product at factor cost by industrial origin: agriculture 6 863 (4%), forestry and fishing 8 330 (5%), manufacturing 54 285 (33%), construction 12 102 (7%), trade, restaurants and hotels 19 169 (11%), transport and communication 13 557 (8%), banking and insurance 6 613 (4%), ownership of dwellings 11 048 (7%) other services 34 146 (21%), total 166 113. Index of real domestic product 118 (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 (1980). Gross value of industrial production 170 869 mill. marks, number of workers 419 404, salaried employees 140 613, motive power (1979) 7.7 mill. kW. Index of industrial production 127 for 1980 (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 (Sept. 1, 1981): Finnair and Kar-Air have in use 3 DC-8, 1 DC-6-ST, 5 Super Caravelles, 9 DC-9 10/14/15, 3 DC-9-41, 12 DC-9-51, 3 DC-10-30, 2 Fokker F-27 and 1 Emprae Bandeirante. Companies have scheduled traffic outside of Finland to 39 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 the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 22.0, Skr 16.5, £ 13.2, DM 13.0, \$ 9.9, other currencies 25.4. 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. Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-five private insurance companies also grant credits.

RATES OF INTEREST (Feb. 1, 1980). The base rate applied by the Bank of Finland on credit extended to the banks in the context of the quota facility is 9 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 ¼%; 24 month deposits 9%; 36 month deposits 9 ¼% + savings premium; 36 month deposits 9 ¼% + tax concession and sight deposits 2%. The highest lending rate 12 ½%.

# THE ECONOMIC BACKGROUND OF STRIKES IN FINLAND

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In Finland, fairly little attention has been paid to the examination of strikes. In the existing studies, the method of presentation is often descriptive and the approach, in general, mainly sociological or historical. The connection between strikes and the development of the business cycle and of income distribution has rarely been examined. This may stem, in part, from the fairly widespread view according to which strikes are some kind of »extra-economic» phenomena reflecting mostly political, organizational or various temporary motives.

In the present article, strikes are dealt with against the background of cyclical developments as part of the economy's income formation process. The framework for the analysis is based on the dichotomy existing in the labour market. The clash of the parties' direct interests is reflected in the income distribution struggle and the development of real wages. Political and organizational factors, which have affected some strike action, have been excluded from this report.

## THE HISTORY OF STRIKES IN FINLAND

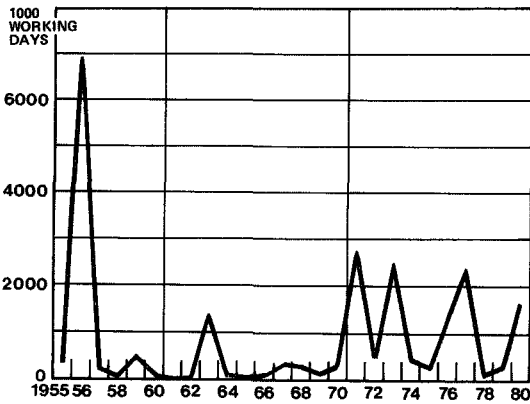
Some statistical data on strikes are available in Finland as far back as the end of the last century. When comparing the essential characteristics of strikes in different periods, it can be observed that the nature of strikes has changed significantly since World War II. Previously, strikes generally involved smaller groups, and had a tendency to become

prolonged and very burdensome for their participants. During the postwar period, however, strikes have affected much larger groups of employees but at the same time their average duration has shortened appreciably.

In the years directly following World War II, wildcat strikes played an important role, whereas there were fairly few official strikes. However, the income distribution struggle, aggravated by an acceleration in inflation, and an intense political conflict led to a sharp increase in losses of working days in 1949—1950. In the latter year, the losses amounted — primarily as a result of a prolonged metal industry strike — to more than 4.5 million working days, equalling total losses experienced in the period between the two world wars.

Although international cyclical fluctuations are reflected exceptionally strongly in Finland, the 1950s and 1960s were, on the whole, a period of continued vigorous growth also in Finland. Losses of working days through strikes during these decades were small, with the exception of two years. Though losses in 1963 amounted to almost 1.5 million working days, the general strike in 1956 represented an even more important exception. Behind it lay political pressures, which were also connected with developments in the labour market. These pressures, built up over a long period, were released as the income distribution struggle heightened owing to the rapid acceleration of inflation. The general strike lasted for three weeks and caused a loss of 7 million working days.

## WORKING DAYS LOST THROUGH STRIKES IN FINLAND DURING 1956—1970



Apart from the above exceptions, the losses caused by strikes in the 1950s and 1960s were relatively small, particularly when compared with those experienced in the 1970s. While, excluding the general strike, about 1.5 million working days were lost through strikes in 1951—1960, the total loss for 1961—1970 amounted to more than 2.5 million working days. In the economically volatile years of the 1970s, strike activity increased sharply, so that a total loss of 12 million working days was recorded for 1971—1980.

### THE 1970s — A DECADE OF STRIKES

1968 saw the beginning of a period of stabilization backed by a broadly-based coalition government, and there were no major strikes. The pursuit of stabilization policies was continued until the end of 1970, and as real earnings also grew at a rapid rate, the labour market remained quiet. However, as the devaluation of the Finnish mark in 1967 had, despite a vigorous increase in real wages, paved the way for a sharp rise in corporate profits, and as production was expected to continue growing rapidly in 1971, in the wake of the record growth for the preceding two years, pressures on wage claims began to arise. Because of the metal industry strike, 1971 turned out to be the most serious strike year of the 1970s, with the loss of working

days amounting to almost 3 million. Conditions within the metal industry trade union also played a part in generating pressures leading to this strike. Actual GDP growth, about 2 per cent, was clearly less than expected.

It was anticipated that the growth rate would not accelerate to any notable extent in 1972, and there were no major strikes that year. Although only a few wildcat strikes were recorded for 1971—1972, these accounted for almost half of the total loss for 1972. Total output showed an increase of 7.5 per cent for 1972.

A large number of working days was lost through strikes in 1973. A construction strike and the lockout by employers that followed accounted for about two thirds of these losses. Losses through wildcat strikes increased, exceeding those of the previous two years combined.

Wildcat strikes were prevalent in 1974 and 1975 when no significant official strikes were recorded. In both years, wildcat strikes accounted for 98 per cent of the losses caused by strikes. The amount of wildcat strike losses in 1974 was the same as in 1973, whereas it declined slightly in 1975.

In 1974—1975, the acceleration in inflation and the large amount of wage drift in certain sectors caused substantial changes in income distribution and the wage structure. This may have contributed to the pressures which made the recession years 1976 and 1977 such active strike years. For the first time since the beginning of the 1950s large losses occurred in two consecutive years. In 1976, wildcat strikes reached their peak for the 1970s and caused a loss of more than 800 000 working days. The total loss for 1976 amounted to more than 1.3 million working days.

Several major strikes occurred in 1977 when wildcat strikes also maintained the record level reached in the previous year. Thus, almost 2.5 million working days were lost in all. When considering the background for the strikes in

1976 and 1977 it should be borne in mind that very strong growth expectations — which, however, never materialized — prevailed at that time in Finland, as in other industrial countries.

There were no major strikes in 1978, a year of sluggish economic growth, and all the record-low losses for this year were caused by wildcat strikes. Economic growth was expected to be sluggish in 1979 as well, and the number of strikes remained low. However, the growth of GDP exceeded all expectations and amounted to more than 7 per cent. Vigorous growth continued in 1980, in accordance with expectations, and it created opportune conditions for employees' income distribution struggle. In spite of high unemployment, the losses caused by strikes amounted to more than 1.6 million working days.

PROBLEMS RELATED TO STATISTICS AND RESEARCH

Considerable statistical problems are associated with the long-term examination of strikes. Reliable time series date back only as far as 1971. Hence, a more thorough economic and statistical analysis of strikes should start only from 1971.

In explaining strikes, account should be taken of special factors relating to individual sectors. Proneness to strikes is affected by differences in market conditions and profitability among various sectors, by special sectoral problems and negotiating traditions. As, moreover, in the years of great strike losses some major strikes have generally accounted for the majority of the working days lost,<sup>1</sup> an analysis of annual strike activity may easily lead to the examination of the reasons for individual strikes. Whilst such an examination is useful in explaining the reasons for past strikes, it is of minor help in preparing macroeconomic forecasts of strikes.

The roots of strikes clearly lie in the income distribution struggle. In a small, open economy like Finland, income distribution is affected by sharp cyclical fluctuations stemming from international developments: for instance, during an upswing the share of profits in national income has a tendency to rise, and vice versa. International linkages also increase the Finnish economy's sensitivity to inflation, which may change income distribution significantly in the short run. Structural changes in the economy, such as developments in the demographic and industrial structure, are also reflected in income distribution. When labour shifts from agriculture to manufacturing and service industries, the contribution of wages and salaries to national income rises along with the increase in the number of wage and salary earners.

Strikes are associated with the process by which the economy adjusts itself to the changes in relative prices and wages. Accordingly, strikes are not a phenomenon separate from overall economic development but a part of the economy's adjustment mechanism.

The present article is based on an econometric study one of the findings of which was that more than 90 per cent of the losses caused by strikes in Finland in 1968—1979 could be explained with the aid of various macroeconomic variables (the development of real wages, growth expectations, etc.).<sup>1</sup> The inter-

$$^1 \text{ DALO} = \frac{-.30}{(7.47)} \text{ REWA} + \frac{.40}{(5.00)} \text{ GREX} - \frac{1.55}{(6.19)} \text{ STAB} - \frac{.04}{(3.85)} \text{ EXPR} + \frac{12.30}{(40.51)}$$

R<sup>2</sup> = .95    R<sup>2</sup>C = .91    Rho = -.71    D-W = 2.5

Variables:

- DALO = working days lost by strikes, a logarithm
- REWA = percentage change in real wages less percentage change for the previous year
- GREX = percentage change in GDP growth forecast by the Ministry of Finance, published for each year in the Economic Review appended to the preceding autumn's budget proposal
- STAB = »stabilization dummy», with the value 1 for 1968—1970, and 0 for other years
- EXPR = percentage change in export prices

The estimation was carried out by using the Ordinary Least Squares Method and making the HILDRETH-LU correction. Data on strikes in 1980 became available after the completion of the present study. The addition of this year to the estimation period does not cause significant changes in the coefficients, the values of the t-statistics or the degrees of explanation.

<sup>1</sup> While, for instance, more than 10 million working days were lost in the 1970s, seven individual strikes accounted for more than half of these.

pretations presented above are based on these results.

From the employees' point of view, the development of real wages indicates the success of the income distribution struggle. Abrupt changes in the growth rate of real wages exert a shock effect which is reflected strongly in pressure on strikes. For instance, a sharp deceleration in the rise of real wages rapidly increases strike pressures. However, if a slow growth rate has already become established, the slowness of growth does not, in itself, any longer give rise to such strong reactions.

## STRIKES AND LOSSES CAUSED BY THEM

Strikes are always accompanied by losses. Employees lose their pay for the duration of the strike; the longer the strike lasts the more they lose and the harder it will be to cover the losses through even large rises in nominal wages. From the employers' point of view, strikes involve stoppages in production, distribution, etc., which may result in a permanently lower level of total output. Delays in deliveries may result in penalty payments and, in the worst event, the loss of the customer as he transfers his business to more reliable firms.

The threat of a strike or the possibility of one — even if not expressed aloud — underlie all incomes policy negotiations. Strategic solutions to the income distribution struggle lead to the realization of strike pressures, i.e. the outbreak of a strike, or the reaching of a compromise without losses caused by strikes. These choices of strategy are decisively affected by views about future economic developments. However, the prevailing rate of unemployment does not seem to affect strike behaviour in Finland to any notable extent.

Employers' reactions to employees' wage claims depend on a number of factors: the company's order-books, profitability, the volume of exports, export earnings, etc. The willingness to compromise depends on the

briskness of demand and the financial room for manoeuvre created by it. The strategic importance of a strike threat presented by employees is greatest whenever the stoppage is most unfavourable for the employers. It is a setting in which the strategy assumed by one party is based on the prediction of the other party's reactions. After the strategy has been chosen, it is quite rigid, particularly whenever the negotiations imply some publicity. The framework for the parties' choice of strategy is based on expectations about cyclical and economic developments.

During an upswing, the threat of a strike by employees is an efficient means of pressure, because the realization of a strike is often the worst alternative from the employer's point of view. A strike threat during a downswing does not have the same weight, because the losses encountered by the employer then do not have so much significance. When demand is weak, an individual entrepreneur may even save as his labour costs are smaller as a result of the strike.

## STRIKES AND ECONOMIC EXPECTATIONS

In theory, it seems that strikes could most probably be avoided when the expectations of both parties are similar. In many cases, strikes reflect divergent expectations or miscalculations about the strategy of the other party — or one's own.

When the prospect of a strike is clearly unfavourable to one party or the other, the realization of the strike is probably doubtful, unless the situation is affected by other factors, such as trade union policies, political development in general, etc. The possibility of a strike is greatest when it is most difficult to forecast future economic and social developments and hence the strategy and expectations of the other party. On the other hand, information about the turning points in actual cyclical development is generally available only with a considerable — and even variable — lag.

An analysis of the economy's cyclical developments provides a clear explanation of Finnish strike behaviour. In the first stages of an upswing, enterprises are best able to pay higher wages. The willingness to pay is greatest some time after the onset of the upswing when growth prospects are bright and there are signs of a potential shortage of skilled labour. Pressures on price increases generally strengthen towards the end of the upswing, as the growth in productivity slackens. This results in growing claims for an acceleration in the rise of nominal wages, at the same time as the deterioration in economic prospects reduces enterprises' room for manoeuvre. At this stage, the probability of strikes increases; in fact, strikes have often tended to occur at a stage when the upswing is already coming to an end. On the other hand, cyclical development is then passing into a phase where employees' chances of a successful struggle begin to decline. This explains why a year of intensive strike activity is seldom followed by a similar year: the opportune stage in the business cycle has already been passed. From the point of view of the cyclical analysis, developments in the recession years 1976 and 1977 are an exception; as to the number of working days lost, the latter year even approaches the peak level for the 1970s.

The wage structure seems to be rather rigid in Finland. For instance, even when common wage-policies for the evening-out of income distribution have been pursued, their impact has been offset by wage drift in the strongest sectors. The various categories of employees

follow intensively the development of their relative wage positions. Certain export-led sectors, such as the metal industry and the forest industries, tend to benefit first from the wage drift permitted by an upswing and this alters the relative wage positions, creating pressures for compensation in other sectors. The failures or successes experienced in the relative wage struggle are reflected strongly within the organizations. Thus, changes in business conditions set off a process which goes on long after the first changes have occurred.

In the 1970s, new employee categories have begun to use strikes as a weapon in their struggle over the relative income level. For example, employees in the service industries have become clearly more active in the latter half of the 1970s. The same also concerns some small categories of high-salaried employees which hold key positions in various sectors. It has been proved that in Finland, too, new organizations are often more prone to strikes than the traditional, more established negotiating parties.

On the whole, it can be concluded that strikes seem to be the result of economic imbalances rather than the reason for them. Income distribution in Finland is very stable in the long run, but it varies in the short run as a result of sharp fluctuations in international demand and Finnish exports. Strikes are associated with the process by which the economy adjusts itself to these changes. Hence, the probability of strikes depends essentially on the economy's ability to forestall imbalances, including those caused by fluctuations in international demand.



Because of a rise in international interest rates, interest expenses on borrowing abroad increased by more than 1 000 million marks, and although interest earnings from foreign receivables grew at the same time, the investment income deficit was 744 million marks up on last year, totalling 2 254 million marks. The unrequited transfers account showed a deficit of 211 million marks.

The net inflow of long-term capital amounted to 281 million marks, as against a net inflow of 713 million marks for January—June 1980. Drawings of long-term loans amounted to 3 352 million marks, or 168 million marks more than in the same period last year, with the central government accounting for about a third of the drawings. Redemptions of long-term loans totalled 2 168 million marks. Long-term export credits granted to foreign customers amounted to 784 million marks, while redemptions of outstanding export credits totalled 362 million marks. Finnish direct investment abroad

amounted to 333 million marks and foreign direct investment in Finland to 82 million marks.

The short-term capital account (incl. errors and omissions in the balance of payments) showed a surplus of 189 million marks. The short-term import debt grew by 329 million marks. Prepayments and receivables related to exports increased, in net terms, by 1 439 million marks. The net debt of the authorized banks grew by 213 million marks.

The overall balance showed a surplus of 739 million marks for January—June. The convertible foreign exchange reserves of the Bank of Finland declined by 452 million marks, while receivables in tied currencies increased by 1 191 million marks. Allowing for the changes in exchange rates, the convertible foreign exchange reserves of the Bank of Finland amounted to 7 725 million marks at the end of June.



(continued from page 2)

However, exports to Socialist countries will still remain quite high. There is likely to be a revival in imports of crude oil, raw materials and investment goods during the second half of 1981. The trade account is currently moving into a deficit, as is clearly shown by trade figures for August. This trend is expected to continue for the rest of the year, even though the deterioration is being partially offset by a temporary improvement in the terms of trade. Nevertheless, the deficit on the trade account will fall short of that forecast at the beginning of the year.

During 1982 the growth in foreign trade is likely to be slow. No immediate upturn is expected in Western markets and because of a surplus in the bilateral trade in the current year there will be limited potential for growth in exports to Socialist countries. However, as Finland's cyclical position is expected to move closer to that of its main Western trading partners and as no marked increase in energy prices is in sight, the import bill will also remain moderate.

September 21, 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*

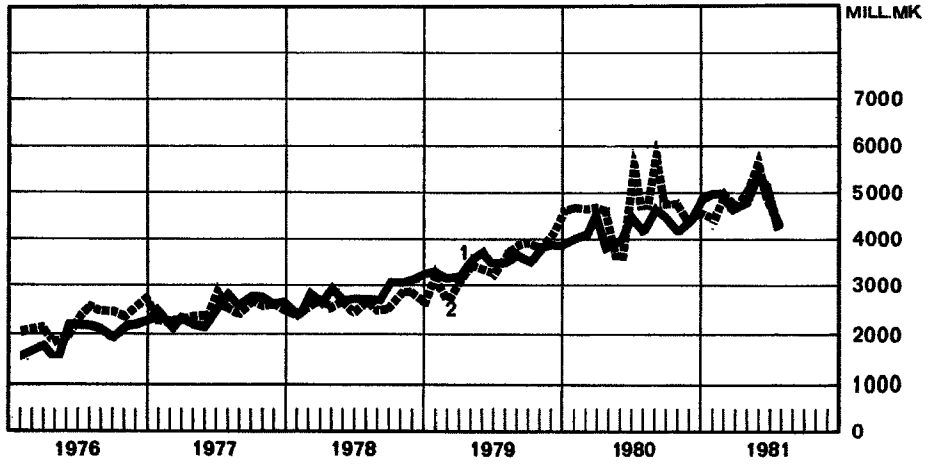
Erkki Vehkamäki                      Anton Mäkelä  
*Data Processing*                      *Personnel*

Stig G Björklund                      Reijo Mäkinen  
*Payments*                      *Cash*

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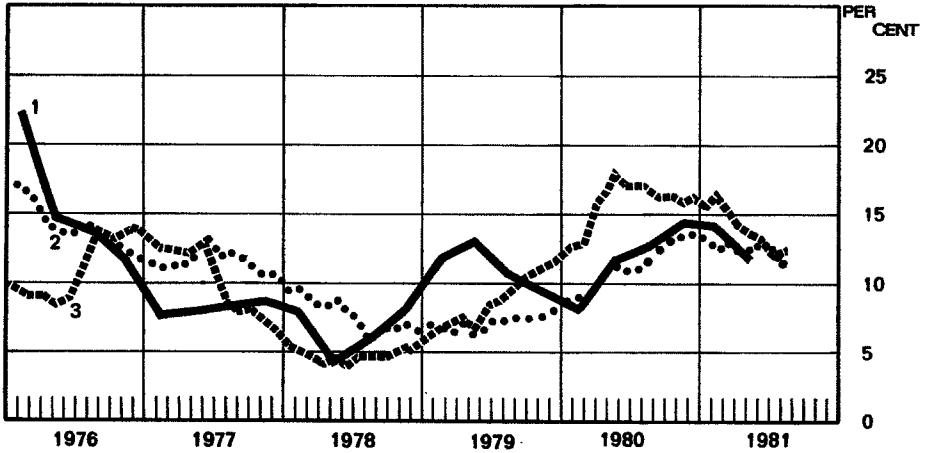
**FOREIGN TRADE. 1976-81**

- 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

