



BANK OF FINLAND

Monthly Bulletin

Statement by Dr. Ahti Karjalainen,
Acting Governor of the Bank of Fin-
land, on the occasion of the closing of
the accounts for 1981

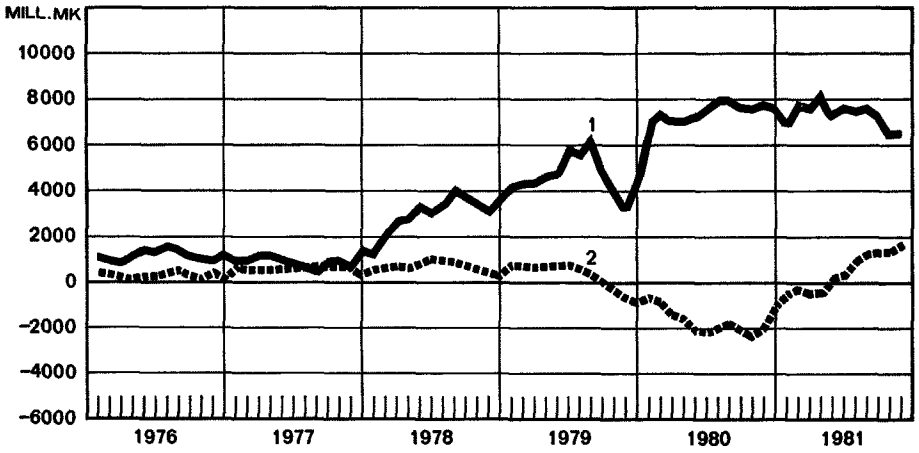
Finnish industry: an overview

Trade agreement between Finland and the
U.S.S.R. for 1982

JANUARY 1982

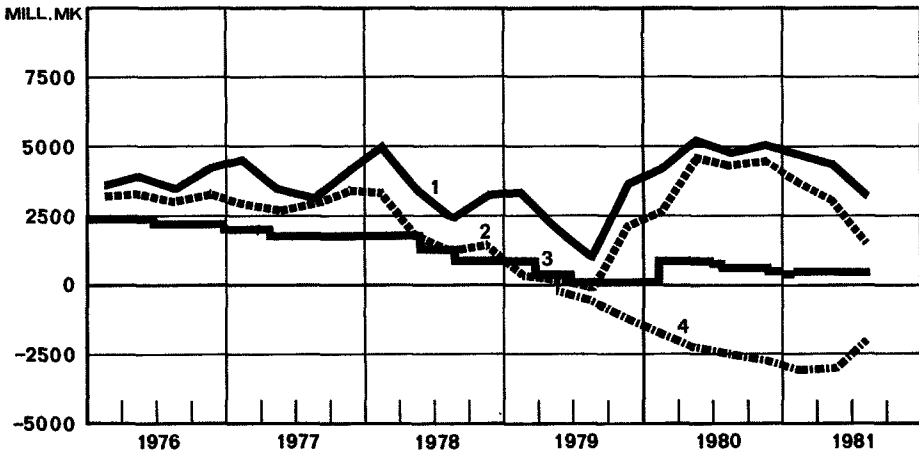
Vol. 56 No. 1

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



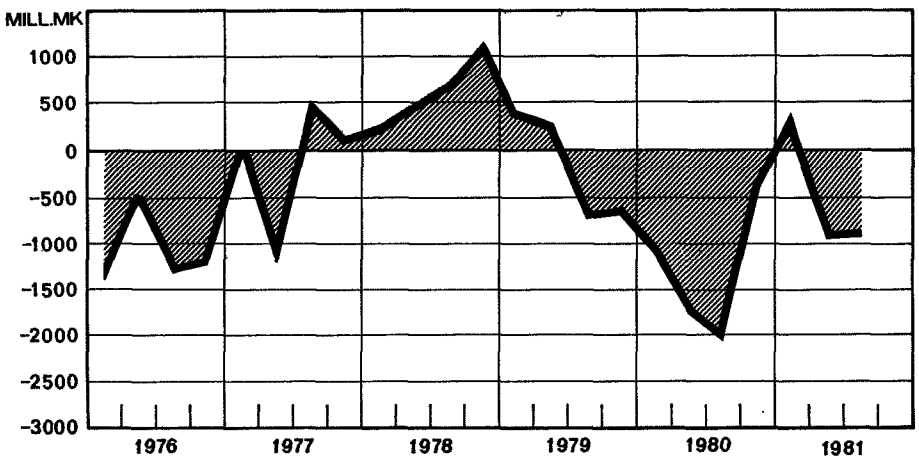
- 1. Gold and convertible currencies
- 2. Tied currencies

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

STATEMENT BY DR. AHTI KARJALAINEN, ACTING GOVERNOR OF THE BANK OF FINLAND, ON THE OCCASION OF THE CLOSING OF THE ACCOUNTS FOR 1981

Economic developments in Finland during 1981 indicate that the economic imbalances caused by the past upswing are proving to be notably smaller than those which have generally followed corresponding cyclical phases previously. This applies particularly to the current account, which showed a substantially smaller deficit than in 1980; moreover, in both these years the deficit was modest relative to the level of GDP. Although the annual rate of inflation in Finland slightly exceeded the average for the OECD countries, the rise in prices slowed down appreciably in the course of the year and was again close to the rate prevailing in Finland's competitor countries towards the end of the year.

Mainly as a result of a decline in Finnish exports to Western markets, economic growth decelerated notably during 1981, and unemployment began to increase again in the course of the year. Economic growth was principally sustained by Finland's exports to the Socialist countries, which grew by about one-third in volume terms. The favourable effects of this trade as regards production and employment rested on the bilateral nature of Finland's trade with the Soviet Union and the necessity of covering the costs of energy imports, which had risen mainly in previous years, by a corresponding increase in Finnish exports.

The relatively balanced economic development did not call for any fundamental changes in

central bank policy in 1981. The external value of the Finnish mark expressed in terms of a currency index was kept stable throughout the year, despite the very sharp fluctuations in exchange rates between the various currencies on international foreign exchange markets.

Furthermore, the domestic level of interest rates was kept unchanged throughout the year. On the other hand, the monetary policy line followed in the regulation of the banks' central bank financing was clearly eased in the spring, so as to alleviate the economic recession. In this context, the Bank of Finland released part of the cash reserve deposits collected from the deposit banks, so that the reserve requirement was reduced on three occasions from 4.6 per cent to 3.0 per cent of the stock of deposits outstanding. The eased monetary policy line was maintained during the latter half of the year, which required a few minor revisions in the terms of central bank financing.

In its pursuit of monetary policy, the Bank of Finland has, however, endeavoured to avoid such an easing of the financial market which could jeopardize the curbing of inflation. As the corporate sector's counter-cyclical reserves can — on the basis of the decisions made during last year — be freely used by corporations, the current monetary policy line should not hamper the implementation of profitable investments.

In the economic policy decisions of 1982, attention should, as before, be focussed on the continued curbing of inflation, in addition to selected reflationary measures. The containing of inflation is the soundest way of ensuring Finland's international competitiveness and

promoting employment. Competitiveness is essential if Finland is to benefit in full from the coming international upswing. This will be even more important if the upswing of the world economy is delayed or remains sluggish.

January 4, 1982

	1980	1981			
	Dec. 31	Dec. 8	Dec. 15	Dec. 23	Dec. 31
Assets					
Gold and foreign exchange receivables	8 024	8 307	7 590	8 084	9 463
Gold	1 073	1 075	1 382	1 382	1 382
Special drawing rights	397	635	635	613	632
IMF reserve tranche	380	380	380	380	394
Foreign bonds	2 125	1 409	1 408	1 402	1 405
Convertible currencies	3 841	3 372	2 732	3 563	3 686
Tied currencies	208	1 436	1 053	744	1 964
Other foreign receivables	1 540	1 632	1 632	1 632	1 606
Mark subscription to Finland's IMF quota	1 540	1 632	1 632	1 632	1 606
Receivables from financial institutions	5 350	4 936	6 266	5 239	3 690
Banks' cheque accounts	481	605	720	639	495
Call money market advances	3 674	2 817	4 011	3 117	1 796
Till-money credits	643	777	800	751	768
Bonds	527	695	695	694	594
Other financial institution receivables	25	42	40	38	37
Receivables from the public sector	1 225	1 192	1 219	1 254	1 236
Government promissory notes	512	354	354	354	354
Bonds	288	353	372	387	386
Total coinage	403	481	482	483	483
Other public sector receivables	22	4	11	30	13
Receivables from corporations	3 399	4 541	4 540	4 498	4 549
Financing of exports	1 502	1 743	1 732	1 697	1 754
Financing of domestic deliveries	1 561	2 098	2 098	2 091	2 111
Bonds	220	188	188	187	187
Other corporate receivables	116	512	522	523	497
Other assets	80	89	89	89	89
Total	19 618	20 697	21 336	20 796	20 633
Liabilities					
Foreign exchange liabilities	983	82	98	99	96
Convertible accounts	18	28	42	44	41
Tied accounts	965	54	56	55	55
Other foreign liabilities	2 430	2 602	2 602	2 580	2 597
IMF mark accounts	1 864	1 906	1 906	1 884	1 871
Allocations of special drawing rights	566	696	696	696	726
Notes and coins in circulation	4 954	5 708	5 935	5 901	5 595
Notes	4 572	5 278	5 501	5 459	5 152
Coins	382	430	434	442	443
Deposit certificates in circulation	1 900	1 550	1 550	1 550	1 600
Claims of financial institutions	3 739	3 335	3 859	3 384	3 797
Banks' cheque accounts	1	2	0	20	0
Call money market deposits	290	650	1 230	640	1 080
Cash reserve deposits	3 317	2 476	2 469	2 469	2 492
Capital import deposits	108	182	144	246	201
Other financial institution claims	23	25	16	9	24
Claims of the public sector	591	700	690	689	578
Cheque accounts	2	1	1	1	1
Counter-cyclical reserves	545	545	545	545	433
Counter-cyclical deposits	37	145	144	143	143
Other public sector claims	7	9	0	0	1
Claims of corporations	978	1 424	1 422	1 425	1 433
Deposits for investment and ship purchase	717	1 415	1 415	1 418	1 425
Capital import deposits	83	—	—	—	—
Export deposits	110	0	0	0	0
Other corporate claims	68	9	7	7	8
Other liabilities	13	17	15	13	15
Equalization accounts	1 767	2 717	2 570	2 525	609
Capital accounts	2 263	2 562	2 595	2 630	4 313
Primary capital	1 400	1 400	1 400	1 400	3 000
Reserve fund	441	750	750	750	750
Net earnings	422	412	445	480	563
Total	19 618	20 697	21 336	20 796	20 633

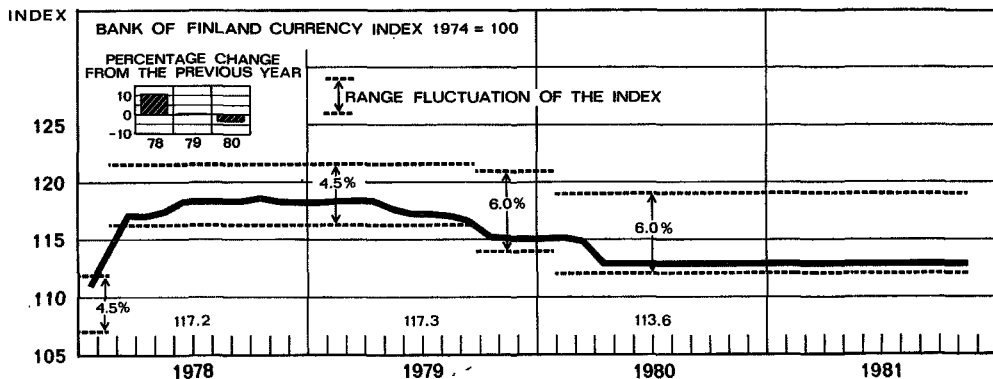
End of year or month	Foreign sector							Public sector			
	Gold SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	Deposit certificates in circulation
	1	2	3	4	5	6	7	8	9	10	11
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
1981	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	578	-658	1 600
1980											
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
Oct.	2 131	1 597	2 908	6 636	1 472	-1 007	7 101	1 213	698	-515	750
Nov.	2 090	1 498	3 065	6 653	1 878	-970	7 561	1 196	699	-497	1 550
Dec.	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	578	-658	1 600

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1980			Net holdings, Nov. 30, 1981			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Nov.	Jan.-Nov.
Gold	1 073	—	1 073	1 075	—	1 075	—	+2
Special drawing rights	397	—	397	635	—	635	-41	+238
IMF reserve tranche	380	—	380	380	—	380	—	—
Foreign bonds	2 125	—	2 125	1 498	—	1 498	-99	-627
Convertible currencies	3 823	-7 194	-3 371	3 066	-6 903	-3 837	+406	-466
Total	7 798	-7 194	604	6 654	-6 903	-249	+266	-853
Tied currencies	-757	-67	-824	1 878	-109	1 769	+387	+2 593
Grand total	7 041	-7 261	-220	8 532	-7 012	1 520	+653	+1 740

End of year or month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receiv-ables (1+2+3-4-5-6)	Perma-nent special financing schemes	Liabili-ties, net	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
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
1981	—	495	1 796	1 080	2 492	-1 174	-107	3 865	749	3 116	5 595
1980											
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	5 089
Sept.	—	535	1 994	1 380	2 464	-1 155	-160	3 649	1 308	2 341	5 023
Oct.	—	561	2 443	780	2 469	-1 164	919	3 786	1 327	2 459	5 131
Nov.	—	607	3 218	1 430	2 476	-1 226	1 145	3 829	1 124	2 705	5 201
Dec.	—	495	1 796	1 080	2 492	-1 174	-107	3 865	749	3 116	5 595



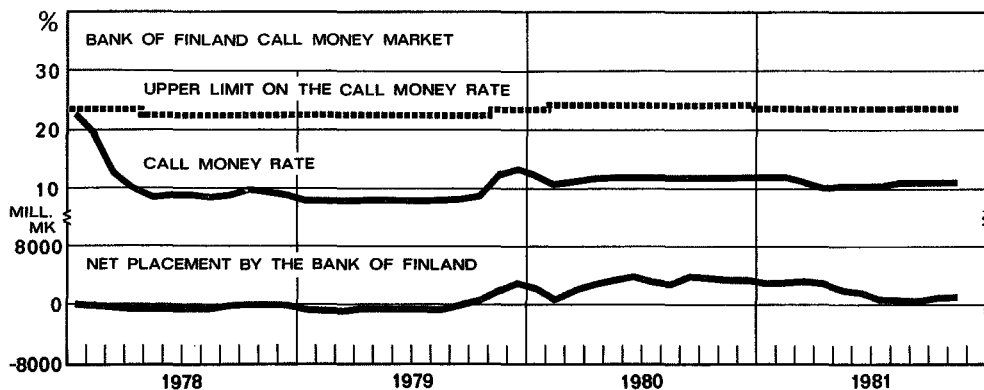
MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks mill. mk	Cash reserve deposits of the commercial banks mill. mk	Bank of Finland placements in the call money market, mill. mk	Base rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9	10
1975	4 000	3 611	2 725	—	—	239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03
1980	4 963	4 097	783	2 542	2 220	3 313	9.20	12.38	12.37	9.77
1981	4 087	2 754	595	2 795	2 442	2 161	9.25	11.48	11.61	..
1980										
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	10.26	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	11.05	9.81
Oct.	3 544	2 032	600	2 459	2 151	1 434	9.25	11.50	11.37	9.81
Nov.	3 533	2 092	600	2 465	2 157	1 494	9.25	11.50	11.26	..
Dec.	3 941	2 850	600	2 473	2 164	2 253	9.25	11.30	11.74	..

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

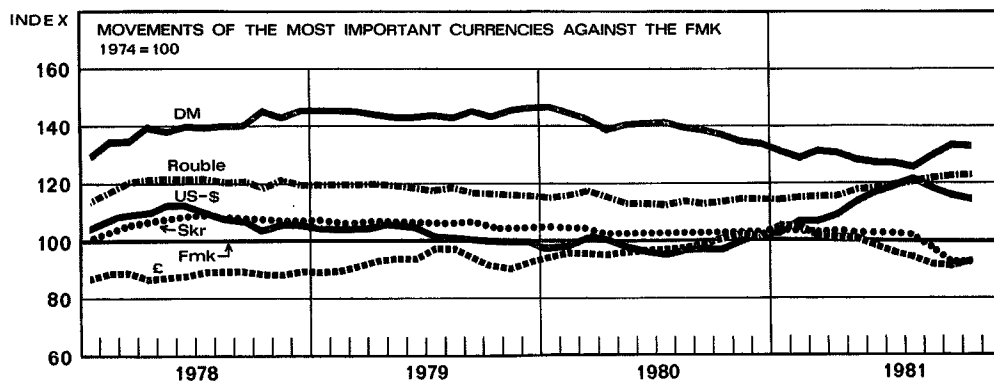


FOREIGN EXCHANGE RATES

Mill. mk

Average selling rates for foreign exchange, mk

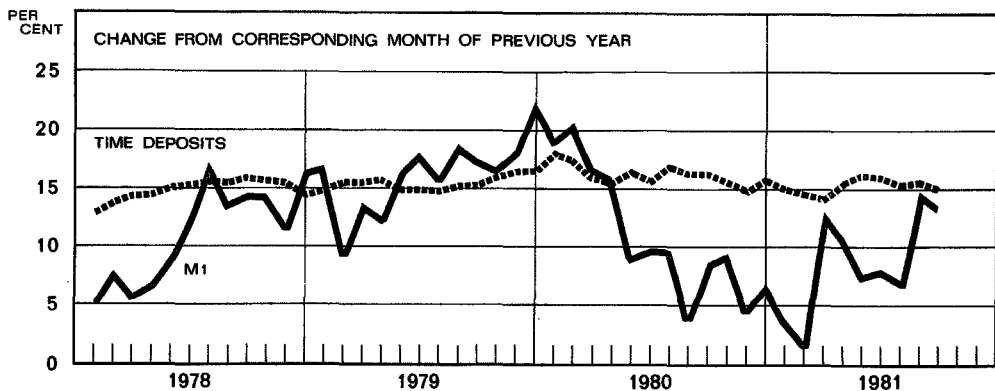
Period	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 CI Rbl SUR	Currency index 1974=100
	1	2	3	4	5	6	7	8	9	10
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	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
1981	4.315	8.731	85.74	75.54	60.96	191.31	220.34	79.92	5.986	113.1
1980										
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
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
Oct.	4.424	8.173	80.19	75.19	61.61	196.84	234.86	79.05	6.165	113.1
Nov.	4.354	8.301	79.70	75.18	61.11	195.91	244.06	79.98	6.188	113.1
Dec.	4.375	8.368	79.24	75.96	60.07	194.01	241.26	76.96	6.207	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 deposit banks	Commer- cial 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										
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
July	4 728	2 577	3 102	10 407	24 316	21 818	17 485	6 957	70 576	80 983
Aug.	5 076	2 716	3 194	10 986	24 554	22 012	17 596	7 053	71 215	82 201
Sept.	5 070	2 804	3 226	11 100	24 239	22 056	17 723	7 058	71 076	82 176



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

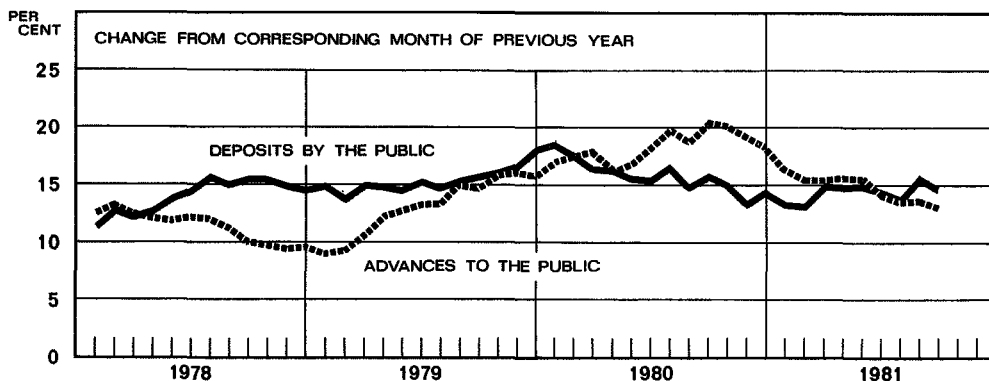
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi- Money
1977	24 679	12 312	10 547	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

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	15 763	87 304
July	38 494	20 570	18 358	10 876	75 599	2 940	9 759	88 298	15 465	88 405
Aug.	39 011	20 845	18 686	10 474	76 295	2 948	9 773	89 016	15 856	89 507
Sept.	39 325	21 199	19 079	10 773	77 556	3 128	9 692	90 376	..	..



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*			
Dec.	5 589	5 548	+ 41

1981*			
Jan.	4 998	4 495	+503
Feb.	4 434	4 400	+34
March	5 041	4 617	+424
April	4 657	4 916	-259
May	5 538	5 907	-369
June	5 308	4 858	+450
July	4 245	4 412	-167
Aug.	4 776	5 941	-1 165
Sept.	5 097	5 290	-193
Oct.	5 626	5 202	+424

Jan.-Oct.			
1980*	42 719	48 530	-5 811
1981*	49 720	50 038	-318

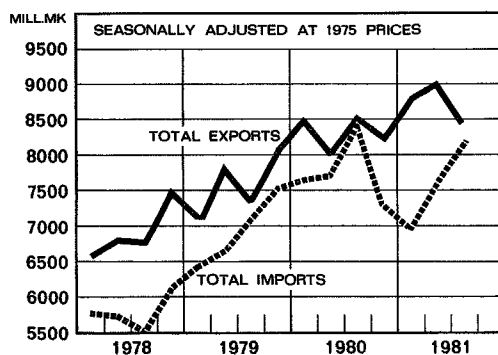
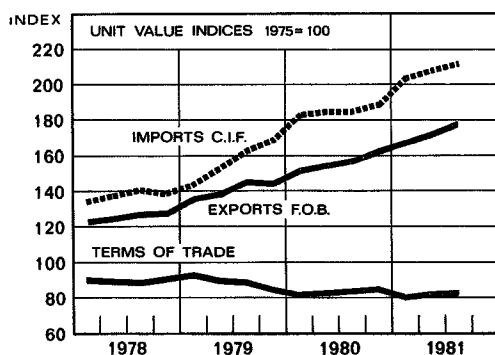
Indices of exports and imports
1975 = 100

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	69
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					
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	83
July-Sept.	156	105	179	213	84



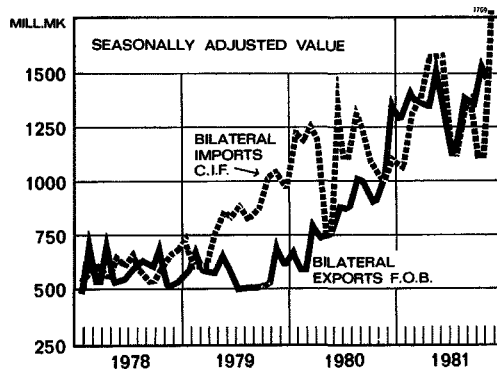
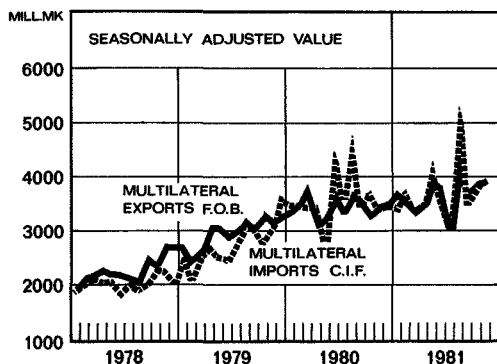
FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Exports, f.o.b.

Imports, c.i.f.

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
1980*										
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	2 727	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	209	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	4 209	344	682	668	4
June	89	717	1 362	1 371	1 769	2 993	621	665	565	14
July	86	504	1 453	1 164	1 038	2 640	588	614	537	33
Aug.	95	515	1 316	918	1 932	3 584	644	1 035	671	7
Sept.	103	536	1 560	1 028	1 870	3 461	561	590	674	4
Oct.	82	574	1 589	1 511	1 870	3 208	454	779	757	4
Jan.-Oct.										
1980*	1 084	6 446	12 948	8 881	13 360	32 232	3 424	6 483	6 287	104
1981*	1 640	5 735	14 210	12 129	16 006	31 709	4 213	7 351	6 674	91



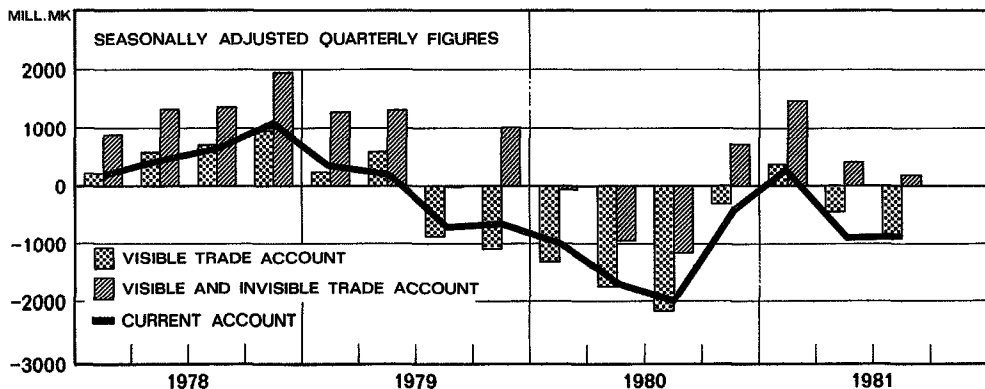
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January-October				January-October			
	1980*		1981*		1980*		1981*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	65.7	28 071	57.2	28 422	51.9	25 172	50.4	25 201
Austria	0.8	324	0.6	302	1.2	569	1.2	594
Belgium and Luxembourg	1.4	621	1.4	694	1.7	830	1.7	857
Denmark	3.6	1 557	3.2	1 591	2.4	1 162	2.2	1 108
France	4.7	2 018	3.9	1 943	3.1	1 487	3.2	1 592
Federal Republic of Germany	11.0	4 712	9.3	4 603	12.7	6 158	12.1	6 061
Italy	2.4	1 020	2.0	973	2.4	1 159	2.3	1 144
Netherlands	4.6	1 949	3.5	1 734	2.5	1 232	2.7	1 335
Norway	4.3	1 825	4.9	2 441	2.1	1 003	2.6	1 283
Portugal	0.3	148	0.3	133	0.5	249	0.5	238
Spain	0.9	369	0.7	364	0.8	393	0.6	304
Sweden	17.0	7 248	13.4	6 663	11.9	5 776	10.9	5 474
Switzerland	1.7	711	1.4	689	1.6	773	1.6	828
United Kingdom	11.6	4 948	10.9	5 432	8.5	4 143	8.2	4 088
Other	1.4	621	1.7	860	0.5	238	0.6	295
OECD countries outside Europe	5.4	2 291	6.0	2 988	9.7	4 733	12.2	6 112
Canada	0.5	211	0.7	325	0.8	373	0.6	318
Japan	0.7	311	0.7	360	3.2	1 567	3.8	1 878
United States	3.1	1 321	3.7	1 815	5.6	2 718	7.5	3 775
Other	1.1	448	0.9	488	0.1	75	0.3	141
CMEA countries	18.1	7 729	25.9	12 891	25.4	12 348	27.1	13 583
Czechoslovakia	0.3	126	0.2	114	0.5	261	0.6	313
German Democratic Republic	0.6	250	0.7	321	0.6	269	0.6	309
Poland	0.5	221	0.1	63	1.8	896	1.4	715
Soviet Union	15.7	6 728	24.2	12 043	21.5	10 447	23.4	11 728
Other	1.0	404	0.7	350	1.0	475	1.1	518
Latin America	2.0	844	2.2	1 083	2.7	1 294	2.0	998
Argentina	0.5	207	0.4	190	0.1	58	0.1	65
Brazil	0.4	177	0.3	159	0.7	354	0.6	308
Colombia	0.1	52	0.1	70	0.8	402	0.5	231
Other	1.0	408	1.4	664	1.1	480	0.8	394
Other	8.8	3 784	8.7	4 336	10.3	4 983	8.3	4 144
GRAND TOTAL	100.0	42 719	100.0	49 720	100.0	48 530	100.0	50 038
of which								
EFTA countries	24.2	10 333	20.7	10 295	17.4	8 432	17.0	8 484
EEC countries	40.0	17 104	35.4	17 617	33.5	16 269	32.8	16 423
OECD countries	71.1	30 361	63.2	31 410	61.6	29 905	62.6	31 313

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	Unrequited 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											
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	13 613	+859	+904	-79	+78	+1 762	-998	-109	-7	+648
Apr.-June	15 495	15 764	-269	+911	+85	-154	+573	-1 259	-105	+6	-785
July-Sept.	14 103	15 711	-1 608	+902	+461	+85	-160	-1 024	-90	+11	-1 263



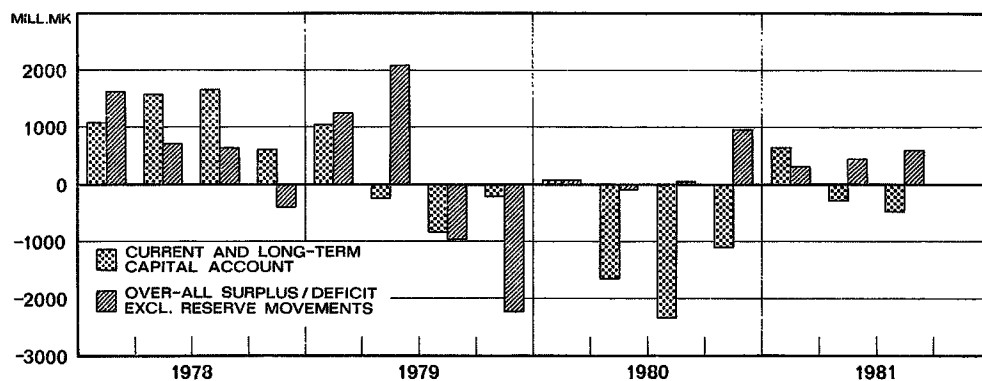
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net ²	Miscellaneous, short-term capital items, incl. errors and omissions ²	Over-all surplus deficit excl. reserve movements ²	Bank of Finland foreign exchange reserves
+6 454	-2 745	-241	-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
+2 265	-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 ³	+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 ³	+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	+638	-526	+789	+143	-735 ³	+309	-309
+1 948	-1 213	+11	-248	+498	-287	+788	+790	+70	-931	+430	-430
+1 932	-797	-154	-192	+789	-474	+67	+90	-608	+1 512	+587	-587

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

¹ Including Direct investment, net.

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.

³ 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

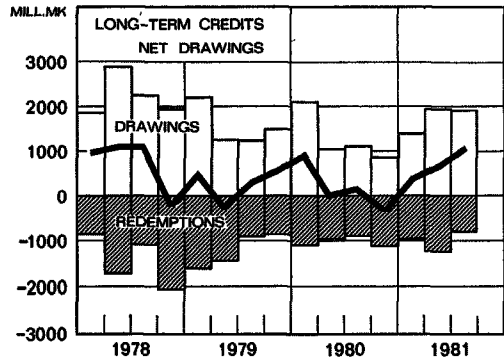
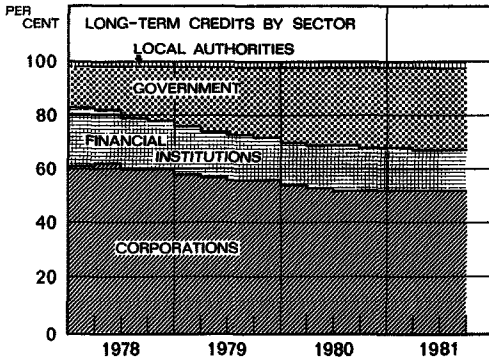
1978										
Sept.	2 548	1 785	885	5 218	28 212	5 812	1 885	187	36 096	30 878
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660

1979*										
March	3 001	1 972	1 008	5 981	28 214	5 584	1 924	221	35 943	29 962
June	3 179	2 089	1 029	6 297	27 763	5 172	1 923	226	35 084	28 787
Sept.	3 419	2 226	1 066	6 711	27 724	4 956	1 930	232	34 842	28 131
Dec.	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675

1980*										
March	3 625	2 456	932	7 013	29 122	4 692	1 971	288	36 073	29 060
June	3 534	2 539	967	7 040	28 887	4 517	1 990	268	35 662	28 622
Sept.	3 594	2 649	972	7 215	29 251	4 482	2 029	278	36 040	28 825
Dec.	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793

1981*										
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
Sept.	4 559	3 329	1 282	9 170	34 414	4 377	2 168	392	41 351	32 181

See explanations on page 22.

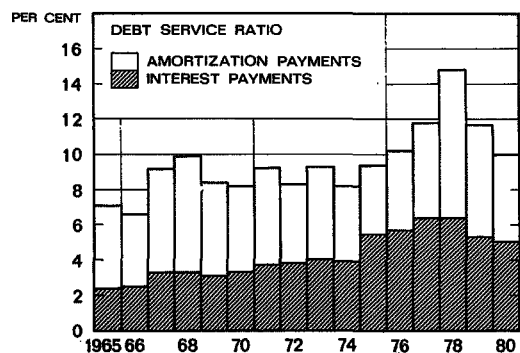
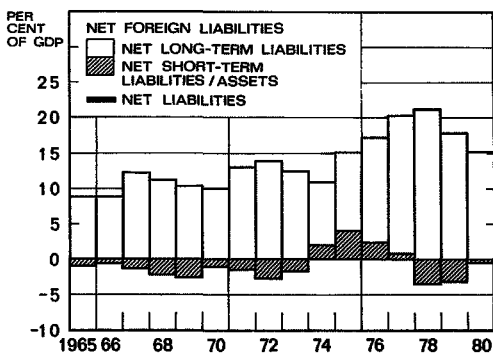


FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
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	12 357	31 687	2 680	16 542	12 332	31 554	-133	28 997	1 749	732
10 125	10 853	12 299	33 277	2 437	18 080	14 037	34 554	1 277	32 232	2 170	897
10 817	11 776	12 288	34 881	2 403	18 487	14 227	35 117	236	32 417	1 631	595

See explanations on page 22.



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100						Building costs 1980 = 100 ¹		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1978	727	125.8	124.1	131.8	119.2	140.3	129.5			
1979	791	138.0	135.0	148.7	133.1	150.7	139.2			
1980	919	160.7	156.6	175.0	160.1	167.7	155.9	100.0	100.0	100.0

1981

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
Sept.	1 064	185.9	181.9	200.2	189.0	189.8	175.3	112.2	112.8	111.8
Oct.	1 070	187.0	183.6	199.0	189.4	191.7	177.5	113.0	112.8	112.9
Nov.	1 085	189.6	187.2	197.7	193.0	192.2	179.1	113.1	112.8	112.8

¹ New series.

Consumer prices 1977 = 100

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

1981

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
Sept.	148.1	144.7	158.0	149.5	142.1	172.6	139.9	152.6	152.3	139.7	153.0
Oct.	149.4	146.4	158.0	150.6	146.7	172.8	141.1	154.2	151.3	140.2	154.4
Nov.	149.4	146.0	158.0	151.4	146.7	173.7	141.3	154.3	151.1	140.9	154.7

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*	178.6	170.4	146.3	165.8	161.9	156.1	169.8	166.1	167.3	166.7
1980*										
July-Sept.	178.3	170.6	147.1	166.0	162.8	156.2	170.9	167.3	168.0	167.6
Oct.-Dec.	189.3	178.9	153.9	173.7	169.8	162.8	178.8	174.6	175.9	175.3
1981*										
Jan.-March	191.0	183.1	158.1	179.0	176.9	168.9	182.7	179.5	180.3	179.9
Apr.-June	199.6	194.3	163.8	184.9	182.4	173.4	191.8	186.2	189.5	187.8
July-Sept.	202.3	195.2	165.8	187.4	184.1	175.4	193.9	188.5	191.3	189.9

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										
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	79	85	112	96	127	115
Apr.-June	117	129	87	147	76	88	121	106	127	120

PRODUCTION

Index of industrial production 1975 = 100

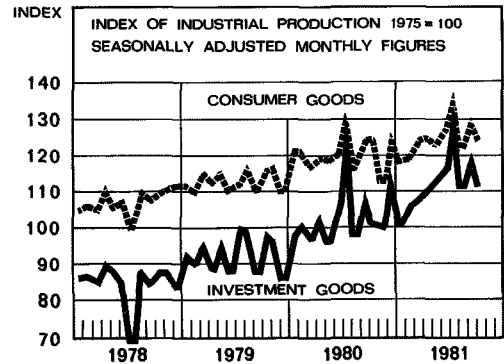
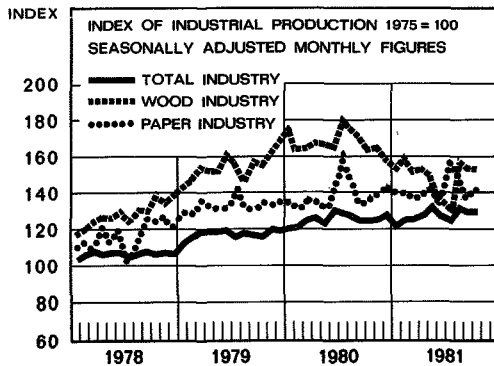
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1977	101.8	93.6	100.9	104.4	96.3	199.0	104.6	101.0	94.7	98.7	103.1
1978	107.0	85.6	108.1	111.9	103.9	130.3	118.2	109.6	93.5	99.6	108.2
1979*	118.3	93.7	113.7	127.0	110.8	155.6	134.0	123.7	102.3	110.3	119.0
1980*	127.2	104.8	121.8	135.9	118.0	169.1	141.1	137.2	112.9	122.4	126.7

1980*

Oct.	143.7	117.2	141.7	152.0	145.4	183.8	152.5	158.8	139.4	138.6	125.8
Nov.	133.1	115.6	128.1	140.3	127.3	160.6	147.2	142.4	119.4	133.3	126.3
Dec.	127.8	113.3	124.8	133.2	116.2	145.3	136.0	134.2	96.6	129.0	129.4

1981*

Jan.	130.3	106.8	126.2	138.6	107.0	146.5	150.3	151.0	104.4	124.3	123.2
Feb.	125.0	108.6	118.6	132.5	100.0	154.2	137.6	142.8	105.5	124.4	126.6
March	136.9	117.0	134.6	143.5	115.6	172.2	148.9	170.1	109.0	131.6	126.5
April	128.4	107.2	127.1	134.8	117.5	176.1	130.0	157.9	106.8	125.7	128.8
May	135.6	120.9	129.3	142.7	121.7	178.4	148.2	157.6	110.6	139.1	133.6
June	123.2	118.1	121.6	125.3	118.9	148.1	111.5	153.3	108.4	135.3	128.6
July	87.9	60.6	80.1	99.0	113.0	67.8	146.6	103.3	71.5	67.7	126.0
Aug.	129.5	112.5	125.9	135.9	118.0	138.2	156.6	156.8	102.2	123.7	132.5
Sept.	138.6	127.5	132.7	144.3	130.8	166.0	144.4	152.0	115.4	144.0	130.7
Oct.	143.6	127.7	140.8	149.3	146.5	163.0	156.8	149.5	112.5	144.0	130.4



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

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	1 600	..	..
Aug.	3 627	2 454	2 330	124	5.1	1 732	..	..
Sept.	3 639	2 363	2 245	118	5.0	2 793	..	..
Oct.	3 641	2 352	2 230	122	5.2	3 440	..	..

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*

Apr.-June	18.92	8.21	2.64	5.69	1.24	8.68	3.63	0.84	3.04	0.69	52.38
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
Apr.-June	16.83	7.54	2.79	4.56	0.80	6.99	3.34	0.52	2.29	0.49	51.97

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 15.2, other producer goods weight 58.2, and consumer goods weight 26.6. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.7, manufacture of wood, and wood and cork products (SIC 331-2) 5.1, manufacture of paper and paper products (SIC 341) 12.3, manufacture of industrial chemicals (SIC 351-2) 5.3, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.9, and metal industry (SIC 37—38) 31.9.

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

Page 21. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Forest Research Institute, *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) 186 883, 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 m³ (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 690 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 61 million m³ and the total removal calculated on the basis of roundwood consumption was 49 million m³.

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

INDUSTRY (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 (Dec. 31, 1981): Passenger vessels 148 (263 673 gross reg. tons), tankers 45 (1 281 984 gross reg. tons), dry cargo vessels 193 (918 246 gross reg. tons), other vessels 97 (15 035 gross reg. tons), total 483 (2 478 938 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 Embrae 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 22.4, Skr 16.2, £ 13.2, DM 12.6, \$ 10.3, other currencies 25.3. 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, Post-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% and sight deposits 2%. The highest lending rate 12 ½%.

FINNISH INDUSTRY: AN OVERVIEW

by Heikki Tulokas, M.Pol.Sc.
and Jouko Nieminen, M.Pol.Sc.

Confederation of Finnish Industries

INDUSTRY'S ROLE IN THE FINNISH ECONOMY

ONE THIRD OF GROSS DOMESTIC PRODUCT

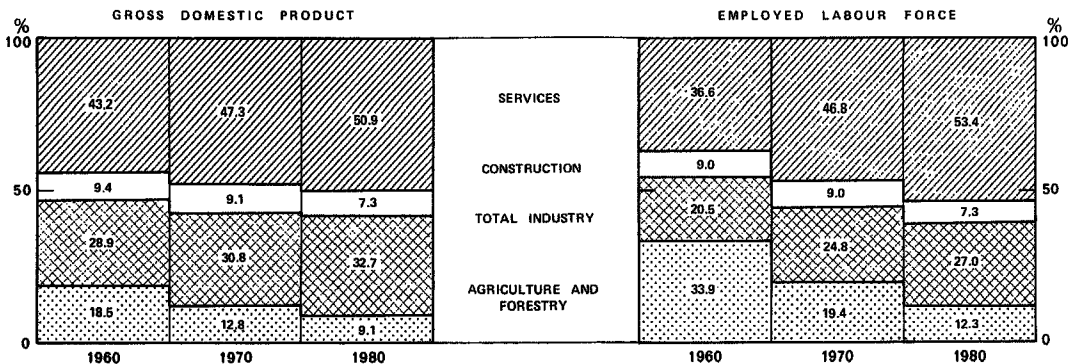
In Finland, as in highly industrialized market economies in general, industry plays a dominant role in the economy. Industrial output in many ways constitutes the nucleus of economic growth, decisively regulating developments in the other sectors of the economy.

In 1980 industry accounted for 33 per cent of Finland's gross domestic product and employed 27 per cent of the country's labour force. The position of industry in the Finnish economy is thus similar to that of industry in other market economies with the same standard of living as Finland. However, the structural changes which the Finnish economy has experienced over the past twenty years have occurred at a faster pace than in the other market economies, and the pattern of develop-

ment has been different. Finland's transition from an agricultural country into one dominated by services has been fairly direct without a clearcut industrial phase. Nevertheless, since the share of industry is still growing, Finland, unlike many other Western countries, cannot yet be said to have reached the so-called post-industrial stage (Chart 1).

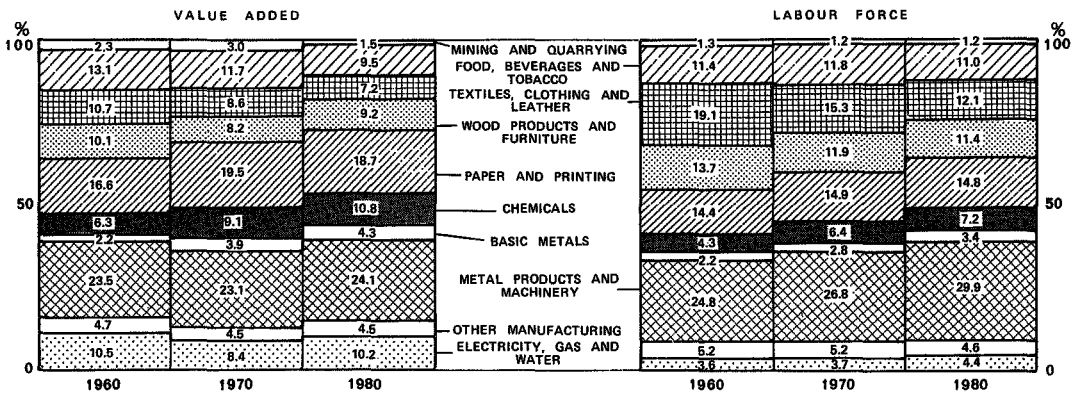
The increasing importance of industry may in part be due to the more efficient international division of labour and the higher degree of openness which this has brought to the economy. Industry, in fact, accounts for nearly all of Finland's visible exports and for 80 per cent of the country's total exports. The share of exports in total demand has risen substantially over the past two decades. On the other hand, domestic demand has undergone certain general structural changes which have not tended to favour industrial output, such as the heavier stress on public spending and higher consumption of services by households. In

CHART 1. DISTRIBUTION OF GROSS DOMESTIC PRODUCT AND EMPLOYED LABOUR FORCE BY SECTOR IN 1960, 1970 AND 1980, PER CENT



SOURCE: FINNISH NATIONAL ACCOUNTS

CHART 3. DISTRIBUTION OF INDUSTRIAL VALUE-ADDED AND LABOUR FORCE BY INDUSTRIAL CATEGORY IN 1960, 1970 AND 1980, PER CENT



SOURCE: FINNISH NATIONAL ACCOUNTS

of Finnish industry is thus centred on these two sectors. The chemical industries, the food-processing industry, the electricity, gas and water utilities, and the textile, clothing and leather industries each account for about 10 per cent of industrial production. Chart 3 shows the structure of Finnish industry in greater detail.

A typical feature of Finnish industry is the fact that the forest industries and the textile, clothing and leather industries still retain such large shares in industrial output. Likewise, the metal industry and the chemical industries play as yet a distinctly lesser role in Finland than in the Western market economies on average. The lack of diversity in natural resources, the small size of the home market and the fairly short industrial experience in many fields have contributed to the formation of this structure.

So far only the broad outlines of the various industrial categories have been sketched, without touching upon, for example, the shifts towards new products and product lines that have taken place within individual sectors.

THE DRIVING FORCE OF THE ECONOMY

The rapid changes in the country's economic and industrial structure have been associated with quite vigorous output growth. From 1960

to 1980 the volume of industrial output tripled at an average annual rate of 5.7 per cent. In Finland, as elsewhere, industry has been the driving force of economic growth, the rate of industrial output growth having been on average 1.4 times higher than GDP growth over the longer term (Chart 4).

A breakdown by industrial categories shows that the fastest expansion in the past two decades has occurred in the chemical industries, the metal industry and the electricity, gas and water sector. Slower than average growth

CHART 4. GROSS DOMESTIC PRODUCT, INDUSTRIAL OUTPUT AND VISIBLE EXPORTS, VOLUMES, 1950-1980

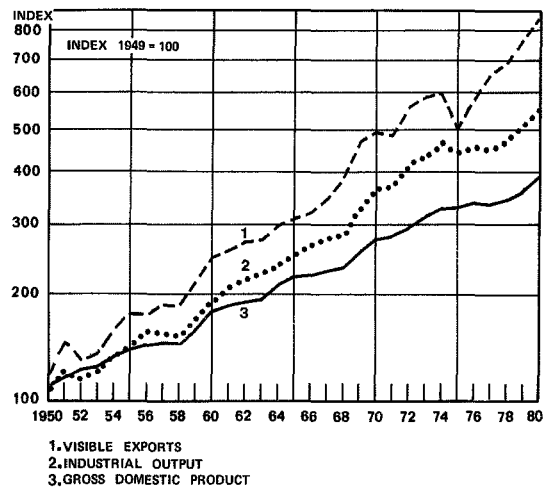
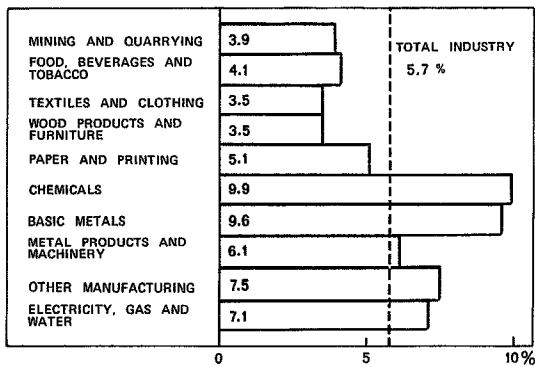


CHART 5. AVERAGE ANNUAL GROWTH RATE OF THE VOLUME OF INDUSTRIAL OUTPUT IN 1961—1980, BY INDUSTRIAL CATEGORY, PER CENT



has been recorded for the forest industries, the food-processing industry and the textile, clothing and leather industries (Chart 5).

In Finland, too, the long-term rate of output growth seems to have begun to slow in the mid-1970s. After the first oil crisis Finland experienced an exceptionally deep recession with industrial output volumes virtually stagnating for four years running. Nevertheless, the upturn in economic activity which started during the second half of 1978 almost matched previous upswings in both duration and strength. In 1979 the volume of industrial output rose by more than 10 per cent on the previous year, and in 1980 by nearly 8 per cent. In the course of 1981, however, the effects of the recession in the Western market economies began to be felt in Finland, with the result that the growth of output came to a halt again.

Cyclical fluctuations in industrial output in Finland are essentially export-led, since more than half of the net value of output goes to exports. Moreover, the commodity structure, which is quite heavily based on raw materials, has clearly intensified the effects of changes in international economic conditions. On the other hand, bilateral trade with the Soviet Union, which makes up about one fifth of Finland's visible exports, has since the 1970s noticeably offset the fluctuations in exports and output caused by the business cycle.

RELIANCE ON LARGE AND SMALL ENTERPRISES

There are nearly 15 000 industrial firms in Finland, operating in some 19 000 different establishments. Most firms can be classified as small enterprises engaged in industrial crafts, their contribution to total industrial output nevertheless being quite modest.

The vast majority, 96 per cent, of industrial firms belong to the category of small enterprises employing less than 100 people. These firms employ a little more than one fifth of the total industrial labour force and account for slightly less than one fifth of the gross value of industrial output. Industrial firms with at least 500 employees are classified as large enterprises and amounted to 130 in 1980. However, they employed about 60 per cent of the total industrial labour force and accounted for two thirds of the gross value of industrial output, Table 1.

In Finland, as in many other industrialized countries, conditions have altered slightly in favour of large enterprises and establishments over the past two decades. Among the factors influencing the increase in the average enterprise size have been changes in manufacturing techniques, marketing methods, working conditions and employees' social security. Similarly, the liberalization and expansion of international trade have contributed to the concentration of output and exports in large enterprises. In fact, the 20 largest export firms in Finland account for more than half of the

TABLE 1. DISTRIBUTION OF INDUSTRIAL FIRMS, EMPLOYEES AND TURNOVER BY SIZE OF ENTERPRISE IN 1978

	Enter-prises ¹	Employees, Per cent	Turn-over,
Small enterprises	96.0	23.0	17.2
Medium-sized enterprises	3.2	17.9	17.7
Large enterprises	0.8	59.1	65.1
Total	100.0	100.0	100.0

¹ Industrial firms with less than 100 employees are classified as small enterprises, those with 100—499 employees as medium-sized enterprises and those with at least 500 employees as large enterprises.

country's visible exports. The most rapid increase in concentration during the 1970s occurred in those sectors which were sensitive to international competition. Associated with this trend has been a decrease in the number of companies in Finland.

Despite the relatively large variations in size among Finnish industrial firms, even the large ones are modest by international standards, and are ranked well down lists of Europe's biggest companies. This has been ascribed to shortage of capital and the small home market, where there is little room for companies of an efficient size.

Notwithstanding the relatively high degree of concentration in industry, small and medium-sized Finnish enterprises have, because of their inventiveness and flexibility, proved crucially important when it comes to industrial innovation and adjustment.

RELiance ON MARKET FORCES

The majority of industrial firms in Finland operate on the basis of private ownership. Towards the end of the 1970s privately-owned limited companies accounted for almost 60 per cent of the gross value of industrial output and nearly 70 per cent of industrial jobs. The state-owned companies' share in the gross value of industrial output was almost a quarter, while their share in the industrial labour force was 13 to 14 per cent. The remaining industrial activity was divided among foreign companies, cooperative enterprises and other types of entrepreneurship.

The public sector's influence on entrepreneurship is exerted not only through legislation, general economic policy and financing, but also by means of the business activity which the central government and local authorities engage in. In particular, the state-owned companies' share in industrial output has grown to some extent in Finland over the past few decades, just as it has in many other highly industrialized market economies.

The growing role of the state-owned companies is not the outcome of attempts to nationalize the private sector. Rather, the underlying motives have been to diversify the industrial structure and safeguard national interests. To ensure the utilization of domestic natural forest and metal ore resources and to maintain self-sufficiency in foodstuffs and energy supply, state-owned companies have been set up in domains where private sector investment is hampered by the insufficiency of venture capital. Therefore the state-owned companies tend to dominate industrial sectors requiring large capital inputs, such as the basic metal industry, the mining industry, the chemical industries and the energy sector. At the end of 1980 a total of 14 state-owned companies were engaged in industrial activity in Finland.

Partly because of active government participation in industry, the contribution of foreign companies to industrial output has remained distinctly smaller in Finland than in, for example, the other Nordic countries. At present foreign companies account for some 4 to 5 per cent of both industrial output and labour. A firm is classified as a foreign company if more than 50 per cent of its equity capital is foreignowned.

PRODUCTIVE RESOURCES

RELiance ON A WELL-TRAINED LABOUR FORCE

A large part of the industrial expansion over the past few decades can be attributed to quantitative and qualitative changes in labour input. Industry is still more labour-intensive in Finland than in most other market economies. The fact that labour has traditionally been a more abundant factor of production than capital has contributed to labour intensity in output. However, since costs of labour input have risen notably faster than costs of capital input, the large industrial enterprises have become more capital-intensive.

Sectors which are more labour-intensive than average include certain branches of the manu-

TABLE 2. AVERAGE ANNUAL GROWTH RATES OF LABOUR INPUT AND PRODUCTIVITY IN MANUFACTURING AND THE ECONOMY AS A WHOLE IN 1961—1980, PER CENT

	Employed workforce	Working hours	Output/employed workforce	Output/working hours
Industry	1.6	0.7	4.0	4.9
The whole economy	0.2	-0.0	3.8	4.4

facture of metal products and machinery, the wood-processing industry, the food-processing industry, and the textile, clothing and leather industries.

Examined in a longer-term perspective, the industrial labour force in Finland will continue to grow in both absolute and relative terms. In this respect the country differs from most other highly industrialized market economies. The number of industrial workers fell during the recession of 1976—1978, but this can be regarded as an exceptional cyclical development. In 1980 Finnish industry employed a total of 605 000 workers. Since 1960 the industrial labour force has increased at an average rate of 2 per cent a year. Because of shorter working hours, however, the annual increase in labour input as measured in working hours has been less than one per cent, Table 2.

Productivity in Finland still lags behind that of the country's major competitors, a fact which can perhaps be largely ascribed to the scarcity of capital. On account of low productivity, wage levels have until recent years been among the lowest in the industrialized countries. In 1980 labour costs accounted for 18 per cent of the gross value of industrial output and for 50 per cent of industry's value-added.

However, the well-trained labour force has become an important competitive asset to Finnish industry. Apart from material investments, investment in education has been considerable over the past few decades. Thus, for example, about 40 per cent of the population of working age now has vocational qualifications, as against 15 per cent in 1960.

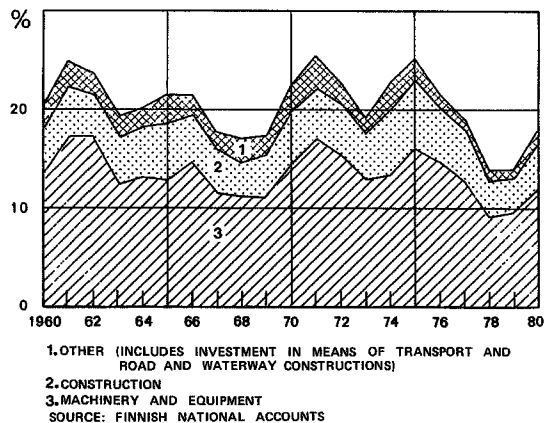
RELIANCE ON A RELATIVELY UP-TO-DATE CAPITAL STOCK

Fixed investment as a percentage of GDP has long been fairly high in Finland by international standards. Sizeable capital formation has traditionally been financed by large savings and, until the late 1970s, also by considerable capital imports.

The industrial sector, in particular, has rapidly become more capital-intensive. Since 1960 the gross capital stock of Finnish industry has increased at an estimated average rate of over 5 per cent a year. During the same period the capital stock per employee almost doubled. Owing to vigorous investment the capital stock is relatively up-to-date and, in many industrial sectors, technologically highly competitive.

Viewed over the long term, total industry's share in the fixed investment of the economy has grown slightly, averaging 26 per cent between 1960 and 1980. Acquisitions of machinery and equipment have accounted for two thirds of industry's capital formation. Investment's share in industrial value-added has exhibited sharp annual fluctuations around the average of 20 per cent. In recent years, however, this share has fallen distinctly below the long-term average (Chart 6).

CHART 6. RATES OF INVESTMENT IN MANUFACTURING IN 1960—1980: SHARE OF FIXED INVESTMENT IN INDUSTRIAL VALUE-ADDED



**TABLE 3. DISTRIBUTION OF INDUSTRIAL
FIXED INVESTMENT BY INDUSTRIAL
CATEGORY IN THE 1960s AND 1970s, PER CENT**

	Ten-year average	
	1961—1970	1971—1980
Forest industries	29.1	24.7
Metal industry	16.5	18.8
Chemical industries	12.0	9.3
Electricity, gas and water	20.2	28.3
Other	22.2	18.9
Total industry	100.0	100.0

Among the capital-intensive industries are the basic metal industry, the paper industry, the chemical industries and the electricity, gas and water utilities. The metal industry's share in industrial capital formation has grown continuously during the past few decades, whereas that of the forest industries has fallen. The most expansionary phases in the forest industries were in the early 1960s and in the early and late 1970s. They coincided with the conclusion of the major trade policy agreements: the EFTA Agreement of 1961 and the EEC Agreement of the early 1970s with its schedule for the reduction of tariffs on paper products. The increase in the chemical industries' share of investment can be mainly ascribed to the establishment and expansion of domestic oil refining capacity and the petrochemical industry, Table 3.

PROCESSING OF DOMESTIC AND FOREIGN RAW MATERIALS

Finnish industry has to rely on imports for many essential raw materials. Finland's resources of non-renewable raw materials are relatively varied even though they are scarce and rapidly being depleted. There are, however, abundant supplies of renewable raw materials.

Of the renewable domestic resources, timber is undoubtedly the most important. The country's total forest resources are estimated to amount to about 1 630 million cubic metres of timber, which is slowgrowing but of high quality fibre. However, prices for timber have in recent years been clearly higher in Finland than in the main competing countries primarily because of the high costs of acquisition and transport. The

annual cut has varied substantially in line with the sharp cyclical fluctuations experienced by the forest industries. Consequently the actual cut fell considerably short of the annual allowable cut in several years during the 1960s and 1970s. Despite the increase in forest resources, the forest industries' productive capacity roughly corresponds to annual forest growth at the moment. There is scope in the future for only a gradual increase in the use of wood as an industrial raw material. Since the 1970s industrial policy has therefore started to emphasize raw materials and factors of production other than wood as sources of industrial growth.

The Finnish bed-rock is considered to be geologically promising. The metal ores and minerals forming the raw material basis for refinement are of reasonably good quality, even though these natural resources are not quite sufficient to satisfy the demands of domestic industry. The deposits discovered have for the most part been small and of low metal content. Apart from metal ores and concentrates the mining industry provides various industrial minerals, peat, and sand, stone and gravel for use in construction.

Most imported raw materials are already in a refined state when they enter Finland. Owing to the long distances, transportation problems and the relatively small size of orders, Finnish industry often has to pay considerably higher prices for imported raw materials than competing industries in continental Europe.

Costs of raw materials account for almost half (47 per cent in 1979) of the gross value of industrial output, thus clearly being the most significant single cost factor. Following the sharp rises in raw-material prices in the 1970s, firms have started to pay more attention than before to efficiency, recycling and savings in the processing of raw materials.

RELIANCE ON IMPORTED ENERGY

Finland's process-intensive industry is a fairly heavy user of energy. Until the first oil crisis, the automation of production was associated

with a rapid increase in energy consumption. However, because of the rises in energy prices and extensive energy-saving investments in the 1970s, energy is now used much more efficiently and the pattern of industrial energy supply has changed.

Industry accounts for roughly half of the economy's total consumption of energy. About one third of the energy consumed by industry — quite a high proportion by international standards — is obtained from back-pressure energy generated in manufacturing processes. The major fuels bought by industry are heavy and light fuel oils, coal and natural gas. The consumption of heavy fuel oil, in particular, has dropped substantially since 1973.

Where the supply of electrical power is concerned, industry has endeavoured to achieve an adequate degree of selfsufficiency, partly as a means of ensuring the availability of electricity and keeping prices under control. In fact, the various industrial, central and local government producers of electrical power cooperate efficiently with each other in a competitive setting.

APPLICATION OF INTERNATIONAL TECHNOLOGY

Technology questions have attracted considerable attention in Finland, as elsewhere, in recent years. The relatively modest resources devoted to research and development have been the subject of special concern. R & D outlays in Finland during the last few years have amounted to only a little more than one per cent of GDP, a figure which places Finland on the same level as the smaller countries of Europe or those which have only just embarked upon industrial development. R & D has, however, been designated as an area of special emphasis in Finnish industrial policy and, for example, the Technology Committee has proposed in a recent report that the share of R & D be raised to 2 per cent of GDP by 1990.

Given the very limited resources allocated to R & D, it has been possible for Finland to aim for technological leadership in only a few

narrowly defined sectors. Fields in which Finland is especially strong include forest industry technology, ships for use in arctic conditions and other vessels, mining industry technology (notably copper) and energysaving technology.

A RELATIVELY INDEBTED FINANCIAL STRUCTURE

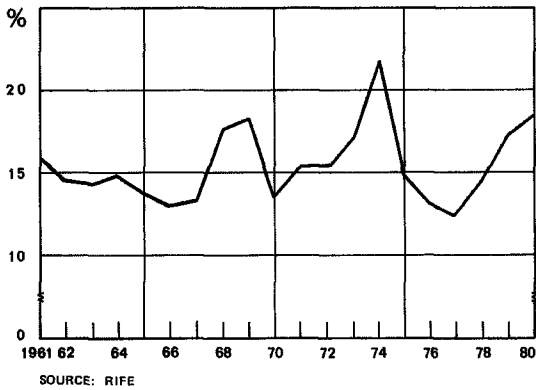
Industrial firms in Finland are accustomed to relying heavily on external capital for their financing. In 1980 the average share of external capital in the balance sheet total of industrial firms amounted to 76 per cent. The high level of indebtedness may be partly ascribed to rather vigorous investment activity in relation to internal financing. In the 1970s, for example, industrial firms were able to meet on average only 65 per cent of their investment through internal financing. In addition, the financial structure of firms has been distorted because of the immaturity of the domestic financial market and the unfavourable treatment of equity capital in taxation. According to the Act on the Taxation of Business and Professional Income (EVL), only part of dividends are exempt from corporate income tax, whereas interest expenses are deductible in full when assessing taxable income.

Long-term foreign debt financing has at times accounted for a remarkably large proportion of external capital in industry. At the end of 1980 long-term foreign debt represented about one fifth of the industrial firms' total debt outstanding.

The downward trend in yield on capital experienced by many of the more mature industrial countries has not been evident in Finland. However, annual fluctuations in profitability have — especially in the 1970s — been quite sharp, following the general movements in the business cycle.

Developments in profitability have varied considerably in both timing and intensity among the different industrial categories. The fluctuations have largely originated from the open

CHART 7. INDUSTRIAL FIRMS' GROSS YIELD ON CAPITAL IN 1961—1980, PER CENT



sector, where especially forest industry products have been vulnerable to changes in export demand and export prices. Indeed, markedly greater variations in profitability have been recorded for the forest industries than for other industrial sectors.

An exceptionally sharp decline in profitability from a long-term point of view occurred during the recession of 1975—1977. As a result of the devaluations of the Finnish mark and moderate cost increases, profitability of industrial output rose in 1978 and 1979, but started to fall again in 1980 (Chart 7).

COMPETITIVENESS

STRUCTURE

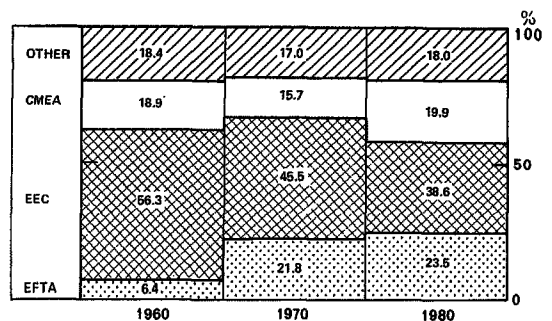
The industrialized market economies of Europe together with the Soviet Union clearly constitute the major market area for Finnish exports. The Soviet Union has for the last few years been the most important single trading partner, accounting for 18 per cent of Finland's visible exports in 1980. The corresponding share for Sweden was 17 per cent, while Great Britain and the Federal Republic of Germany each accounted for 11 per cent. The distribution of visible exports by trading area is presented in Chart 8.

The relatively heavy concentration of Finnish exports in the above-mentioned markets has become a problem, as the growth of demand in some of Finland's major trading partners has remained weaker than average for some considerable time. Finland noted with special concern the way in which the economic difficulties being experienced by her most important Western trading partners, Great Britain and Sweden, became increasingly critical during the 1970s. The slowdown in economic growth in the traditional export markets has been a factor speeding up the reorientation of trade towards rapidly expanding markets further afield, such as the oil-producing countries and the newly industrializing countries.

Another structural problem facing Finnish exports is their concentration on products for which demand has grown fairly slowly. For forest industry products, in particular, the increase in demand over the past two decades has been distinctly slower than that for world trade as a whole, even if the relatively favourable price developments for forest industry products have had a positive effect on the terms of foreign trade over the longer term. Nevertheless, the terms of trade have deteriorated since the mid-1970s as a consequence of the rises in energy prices, although less than in most other Western countries.

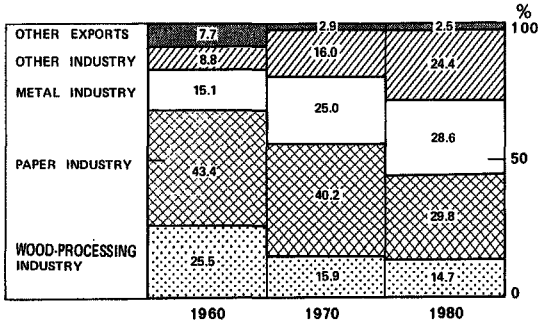
Of the country's visible exports in 1980, the forest industries accounted for 45 per cent,

CHART 8. DISTRIBUTION OF FINNISH VISIBLE EXPORTS BY TRADING¹ AREA IN 1960, 1970 AND 1980, PER CENT



¹ Trading areas defined throughout according to composition at the end of 1980.

CHART 9. DISTRIBUTION OF VISIBLE EXPORTS BY INDUSTRIAL CATEGORY IN 1960, 1970 AND 1980, PER CENT



SOURCE: BOARD OF CUSTOMS

the metal industry for 29 per cent, the chemical industries for 11 per cent and the textile and clothing industries for 8 per cent. The structure of Finnish exports has become notably more diversified over the past two decades (Chart 9).

Despite the structural problems referred to above, the expansion of Finland's trade has been able to keep pace fairly well with the growth of world trade. From 1960 to 1980 the volume of visible exports increased at an average annual rate of 6.3 per cent. Export developments were particularly favourable during the latter half of the 1970s. Finland is in fact one of the few market economies which has succeeded in maintaining its share of the world market at levels prevailing before the first oil crisis.

TRADE POLICY

The trade policy pursued in the world during the past few decades has been marked by efforts to remove as many obstacles to trade as possible. Finland has contributed to the liberalization of trade, mainly by concluding tariff or free trade agreements with various countries and regional groupings and by participating in multilateral trade negotiations. The course selected has become manifest over the years in numerous individual decisions and agreements, which have enabled Finland to

secure a competitive position for its products at every stage of economic integration in Europe.

Finland's participation in the General Agreement on Tariffs and Trade (GATT) of 1949 was an important landmark in Finnish trade policy. Under the agreement Finland was granted most-favoured-nation treatment with its associated advantages and commitments in the Western market economies.

The European Free Trade Agreement (EFTA) was concluded in 1960 primarily by those European countries which had decided to stay out of the European Economic Community (EEC), founded two years before. Through the FINNEFTA Agreement Finland was secured an equal competitive position in, for example, Great Britain, which was at that time the main market for Finnish forest industry products.

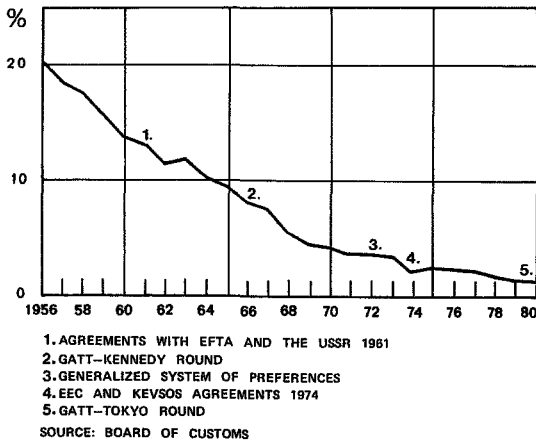
The free trade agreement between Finland and the EEC came into force at the beginning of 1974. The agreement included the gradual removal of industrial tariffs, liberalization of trade from other barriers and measures to prevent possible distortions arising from free trade. Under the agreement, Finland's exports to EEC markets will be wholly free of tariffs as from 1984.

The network of agreements between Finland and the Soviet Union is more extensive than any other arrangement between a Western and a Socialist country. Most of the Finnish agreements have been forerunners of economic relations between East and West.

In trading with developing countries Finland has, since 1972, followed the recommendation of the United Nations, according to which imported products originating from developing countries are granted tariff concessions.

As a result of the trade agreements referred to above, Finland will in a few years time collect duty only on goods imported from the United

CHART 10. PERCENTAGE SHARE OF TARIFFS IN FINNISH IMPORTS IN 1956—1980



States, Japan and a few other countries. Moreover, these tariffs have been reduced as a result of the progress made in the GATT negotiations (Chart 10).

Hence duties are for the most part levied only on Finnish exports to countries outside the areas covered in the free trade agreements. However, success in facing up to the challenge of intensifying international competition has not depended on favourable trading conditions alone, but has also required that Finnish firms participate more actively in foreign markets. Although Finnish enterprises did not become active abroad until the 1970s, more than a thousand Finnish firms — most of them marketing companies — now operate outside Finland.

FUTURE PROSPECTS

Surveys of the future prospects for Finnish industry have been made at fairly frequent intervals in recent years. The forecasts, estimates and scenarios put forward generally indicate that the trends of development in the 1980s are likely to be broadly similar to those of the past few decades. The most recent estimates have been slightly more optimistic compared with many of the forecasts made during the latter half of the 1970s.

Two fairly extensive long-term forecasts of industrial growth were published in 1981. According to the scenario proposed by the Economic Planning Centre (TASKU), industrial output should increase on average by 4 per cent a year until 1995. In a projection extending up to 1995, the Research Institute of the Finnish Economy (ETLA) has calculated that output should grow at an average annual rate of 5 per cent. Industrial growth in both forecasts is crucially dependent on a rise in productivity, even though the industrial labour force is expected to continue to grow in the 1980s.

Changes in the structure of industrial output and exports are likely to develop along the same lines as during the past two decades, although structural shifts between the main industrial sectors are expected to become less pronounced. The chemical industries and the metal industry are forecast to maintain their roles as growth leaders. The overall industrial growth rate should continue to be higher than the GDP growth rate.

These forecasts for Finnish industry in the 1980s are to a large extent conditional on economic developments in the world at large. The importance of foreign trade in the economy is constantly growing, and the benefits to be gained from free trade critically depend on the manner in which existing resources are utilized. The significance of real competitiveness and technology has been underscored still further by the movement towards economic integration.

Even in conditions of intensifying competition there would appear to be reasonable room for manoeuvre for a small country like Finland. Finnish exports represent barely one per cent of world trade. Market demand, together with the closing of the technological gap which currently exists between Finland and the more advanced market economies, should offer virtually unlimited potential for export growth. How this potential is exploited ultimately depends on the kind of operating environment created for companies at home through economic, industrial and trade policy.

The industrial policy pursued in Finland since the mid-1970s has accorded closely with the requirements of positive adjustment put forward especially by the OECD. It has not been possible in Finland as in many wealthier Western countries, to give massive support to firms or entire industrial sectors in difficulty. Instead, Finnish economic policy during the last few

years has focussed on developing the general prerequisites for the expansion of output, particularly that of the competitive export industry. This has meant that firms have had to constantly rationalize their activities and intensify their efforts so as to adjust to changing circumstances.

ITEMS

Trade agreement between Finland and the U.S.S.R. for 1982. The Finnish-Soviet trade agreement for 1982 was signed in Helsinki on December 1, 1981.

According to the agreement, the total value of trade between the two countries in 1982 is expected to rise to approximately 31 000 million marks, equivalent to more than 5 000 million roubles. This exceeds the value of trade in the annual protocol for the current year by more than twenty per cent, and is somewhat higher than the record level of trade actually recorded this year. The structure of Finnish exports will be the same as in previous years, with no domestic sector being required to drastically reduce exports.

In 1982, the value of Finnish exports of goods is estimated to amount to approximately 14 100 million marks. To this total must be added over 1 000 million marks for construction projects by Finnish firms in the Soviet Union. The value of Finnish imports of goods is expected to reach 15 400 million marks. Border trade will further raise the value of total trade by approximately 500 million marks.

Hence total trade between the two nations will be in balance, although as in previous years the value of Finnish imports exceeds that of exports in the figures for the actual exchange of goods. Owing to the balance in trade, the

balance outstanding on the clearing account between the two countries is not expected to increase next year.

There are no major changes in the composition of Finnish imports. The quotas for the crude oil and oil products category comprise 7—7.5 m tonnes of crude oil, 1.5—2 m tonnes of diesel oil and 1.5 m tonnes of heavy fuel oil. Natural gas and solid fuels will be imported in the same quantities as before, as, too, will pulp wood. By contrast, imports of saw logs are set to rise by 25 per cent to 500 000 solid cubic metres.

Reflecting the endeavour to balance trade by expanding Finnish imports, there will be marked increases in imports of machinery and equipment, raw materials and chemicals. Imports of machinery and equipment will be 10 per cent higher than in the current year.

Exports of metal industry products to the Soviet Union will break all previous records, reaching a total value of 6 500 million marks. The share of the metal industry proper in the total export of goods is more or less the same as this year, that is, 46 per cent. Exports of ships alone account for 21 per cent of total exports in the new agreement. For the first time in the machinery and equipment category there is a quota of 1 100 million marks for structures, industrial buildings and housing projects, representing about 8 per cent of total visible

exports. Less than half of the quota is to be filled by the metal industry proper, the greater part being shared between the building materials industry and suppliers of appliances.

The share of the forest industries in total exports will amount to 24 per cent, equivalent to 3 400 million marks. Exports of consumer goods will account for 10 per cent of total exports, while the shares of food and agricultural products and chemical industry products will each be 6 per cent.

The total value of trade agreed upon in the new agreement exceeds the targets established in the five year framework agreement for 1981—1985 by some 70 per cent. Moreover, the combined value of trade in 1981 and 1982 amounts to half the total value of 18—20 000 million roubles estimated for 1981—1985 when the Long-Term Programme for Economic Cooperation was extended last autumn.

BANK OF FINLAND

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<i>Vice Chairman, Acting Chairman</i>	<i>Acting Vice Chairman</i>

Pentti Uusivirta	Ele Alenius
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Harri Holkeri	Seppo Lindblom
	<i>Acting Member of the Board</i>

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Markku Puntila	Seppo Lindblom
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Eino Helenius	Pentti Koivikko
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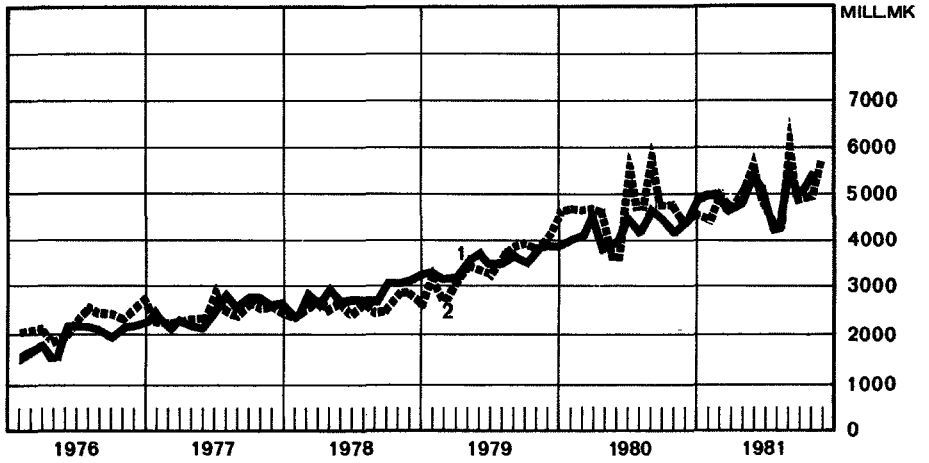
Kari Nars	Antti Lehtinen
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<i>Director, ADP-planning</i>	<i>Monetary Policy</i>
Raimo Hyvärinen	Kari Pekonen
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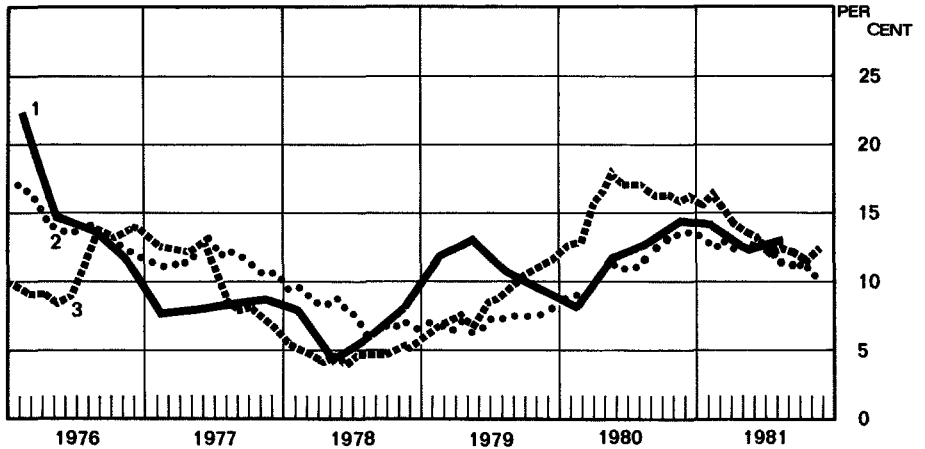
FOREIGN TRADE, 1976-81

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



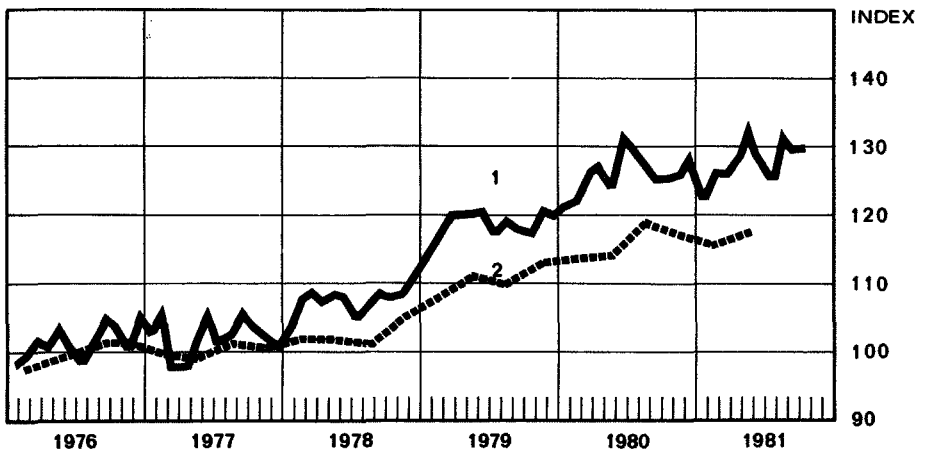
PRICES AND WAGES, 1976-81

- 1. Index of wage and salary earnings 1975 = 100, quarterly figures
 - 2. Consumer price index 1977 = 100, monthly figures
 - 3. Basic price index for domestic supply 1975 = 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



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