



# BANK OF FINLAND

*Monthly Bulletin*

**Developments in the securities market**

**Public finance**

**New appointments at the Bank of Finland**

**The new government**

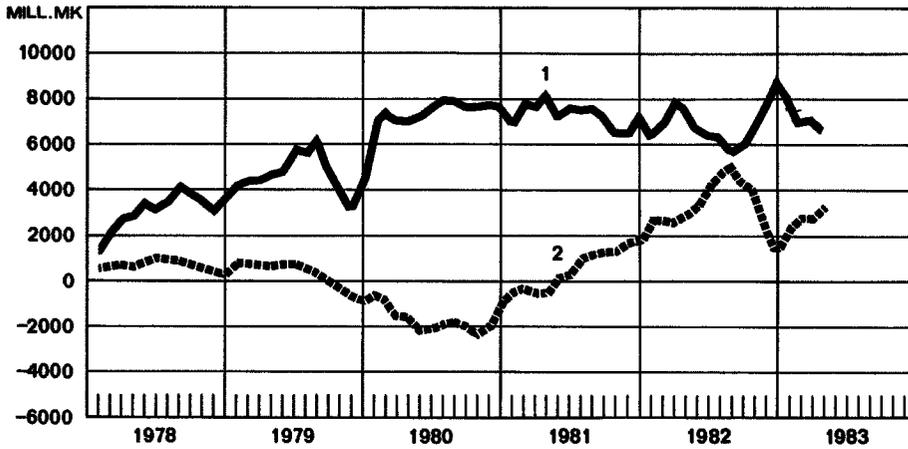
**Finland's balance of payments  
January-March 1983**

**Forward quotations for the rouble**

**JUNE—JULY 1983**

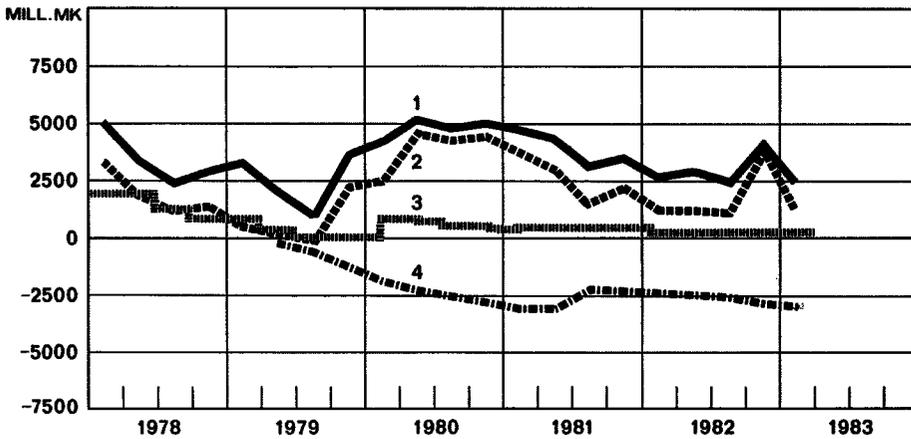
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**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1978 - 83**



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

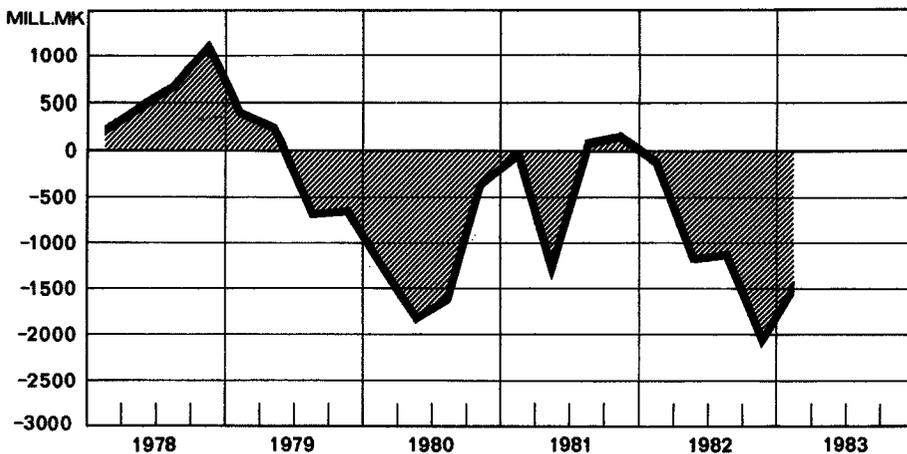
**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1978 - 83**



- 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, 1978 - 83**



Seasonally adjusted quarterly figures

# DEVELOPMENTS IN THE SECURITIES MARKET

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Thanks largely to the expansionary policy stance adopted by the authorities, the Finnish economy continued to grow — albeit rather slowly — in 1982. The stimulative measures were aimed mainly at enhancing the competitive position of the corporate sector. Especially improving the outlook for firms' operating conditions were the devaluations of the Finnish mark in October and the accompanying general fiscal policy measures.

Because of continued satisfactory profitability in much of the corporate sector and a slight decline in investment activity, the financial deficit of this sector remained relatively small. With abundant liquidity in the financial markets, favourable conditions were created for the expansion of the securities market. On the demand side, private persons' willingness to invest on the securities market was encouraged by an increase in the allowance for capital income in personal taxation.

Although long-term borrowing by the central government increased by 60 per cent in 1982, new issues in the domestic bond market grew by less than 30 per cent. A major part of the increased borrowing requirement was covered by banking institutions and capital imports, thus allowing room for private share and bond issues.

## BONDS AND DEBENTURES

At the end of 1982, the total of bonds outstanding was 17.1 billion marks, 20 per cent higher than a year earlier. Debentures and other debt instruments increased by nearly a third and

amounted to 6.4 billion marks at the end of the year. Despite the growing share of bonds and debentures in the financial markets, this form of long-term finance is still comparatively rare in Finland, as is indicated, for instance, by the fact that their volume in relation to bank deposits was still no higher than a fifth.

The increase in the relative share was perhaps partly due to the widening of the difference in yields, since the decline of bank deposit rates by three-quarters of a percentage point in June 1982 was followed by a fall of only about one-third of a percentage point in the rate on tax-free bonds sold to the public. Five-year bonds for subscription by the public currently yield 10 per cent interest, while the rate on 10-year bonds is 11 ¼ per cent; the yield on taxable debentures is close to 13 per cent.

As has been the practice for several years, State domestic borrowing in 1982 was based on prior agreements. The government and the banks agreed to set the amount of bonds to be offered for public subscription at 2.5 billion marks, the banks pledging to buy any portion of the issues not taken up by the public. It was further agreed that an additional 0.3 billion marks be issued for subscription by insurance companies and pensions institutions. Sales of new government bonds increased by 27 per cent in 1982 after having decreased slightly in the previous year.

Sales of new private bonds, debentures and other debt instruments increased by almost a half. The share of tax-free bonds — intended for purchase by households — in total issues was 43 per cent. Last year witnessed the

launching of the first convertible bond issue in Finland, but this type of instrument does not seem to be competitive because of its unfavourable tax treatment.

Also indicative of the increased activity in bond markets was the briskness of trading in the secondary market for bonds. Transactions in bonds on the Helsinki Stock Exchange doubled from the previous year's figure to reach 2.2 billion marks.

## SHARES

New share issues launched in 1982 by companies quoted on the Helsinki Stock Exchange amounted to a record one billion marks as against of 0.1 billion marks in the previous year. Altogether, 15 of the 50 companies listed on the Helsinki Stock Exchange increased their equity capital in 1982.

Despite the substantial volume of new emissions, it was insufficient to satisfy the demand for shares and at the end of the year share prices were some 40 per cent higher than one year previously. The value of traded shares grew by 65 per cent to 0.6 billion marks. Reflecting both the large number of new issues and the rise in share prices, the total value of

the listed companies at the end of 1982 was 14.6 billion marks, nearly fifty per cent more than in the previous year. Dividends paid out amounted to 0.6 billion marks, 8 per cent more than one year earlier.

## CURRENT DEVELOPMENTS

Trading on the Helsinki Stock Exchange has continued brisk in 1983. This has also been reflected in the share price index, which rose by some 20 per cent during the first four months of the current year. In the same period, the total turnover on the Stock Exchange grew by nearly 50 per cent compared with the same period last year.

Assuming the international upturn gets well under way during 1983, the Finnish economy should also begin to recover in the latter half of the year. The improving economic prospects together with the liquidity in the financial market are likely to sustain the buoyancy of trading in the securities market. Towards the end of the year, however, the recent tightening of the economic policy stance will probably diminish the possibility of excessive growth in activity in the market.

May 20, 1983

	1982		1983				
	May 31	Dec. 31	May 6	May 13	May 23	May 31	
<b>Assets</b>							
Gold and foreign exchange receivables	10 371	10 552	10 065	10 014	10 552	10 228	
Gold	1 382	1 382	1 382	1 382	1 383	1 383	
Special drawing rights	526	609	526	526	527	528	
IMF reserve tranche	397	453	455	455	456	457	
Foreign bonds	1 064	765	227	267	329	379	
Convertible currencies	3 532	5 813	4 195	4 142	4 551	3 881	
Tied currencies	3 470	1 530	3 280	3 242	3 306	3 600	
Other foreign receivables	1 615	3 963	3 974	3 976	3 984	3 998	
Mark subscription to Finland's IMF quota	1 615	1 843	1 843	1 843	1 843	1 854	
Term receivables	—	2 120	2 131	2 133	2 141	2 144	
Receivables from financial institutions	4 039	5 409	6 115	7 272	5 964	5 556	
Banks' cheque accounts	511	169	361	504	462	357	
Call money market advances	1 888	3 126	3 577	4 651	3 213	2 919	
Till-money credits	849	889	858	798	964	953	
Bonds	745	1 179	1 290	1 290	1 297	1 298	
Other financial institution receivables	46	46	29	29	28	29	
Receivables from the public sector	964	1 040	1 462	1 453	1 432	1 401	
Government promissory notes	—	—	210	210	210	210	
Bonds	420	435	594	581	565	534	
Total coinage	532	559	629	634	640	643	
Other public sector receivables	12	46	29	28	17	14	
Receivables from corporations	4 770	4 990	4 992	5 002	5 009	5 024	
Financing of exports	1 667	1 788	1 727	1 725	1 752	1 764	
Financing of domestic deliveries	2 391	2 514	2 689	2 702	2 685	2 688	
Bonds	182	163	152	152	149	149	
Other corporate receivables	530	525	424	423	423	423	
Other assets	93	99	104	103	103	103	
	Total	21 852	26 053	26 712	27 820	27 044	26 310
<b>Liabilities</b>							
Foreign exchange liabilities	48	22	72	81	61	64	
Convertible accounts	34	17	54	62	41	39	
Tied accounts	14	5	18	19	20	25	
Other foreign liabilities	3 196	5 410	4 585	4 587	4 605	4 616	
IMF mark accounts	1 785	1 927	1 848	1 848	1 848	1 854	
Allocations of special drawing rights	726	833	839	839	841	842	
Term liabilities	685	2 650	1 898	1 900	1 916	1 920	
Notes and coins in circulation	5 534	6 062	5 969	5 981	5 969	6 042	
Notes	5 077	5 572	5 469	5 473	5 459	5 531	
Coins	457	490	500	508	510	511	
Deposit certificates in circulation	2 000	1 700	2 100	2 750	2 750	950	
Claims of financial institutions	4 257	4 791	5 526	5 966	5 160	6 103	
Banks' cheque accounts	0	6	1	1	8	1	
Call money market deposits	1 420	1 470	1 325	1 760	802	1 071	
Cash reserve deposits	2 707	3 132	4 128	4 128	4 128	4 772	
Capital import deposits	102	177	56	42	187	186	
Other financial institution claims	28	6	16	35	35	73	
Claims of the public sector	171	50	0	1	0	1	
Cheque accounts	0	1	0	1	0	1	
Counter-cyclical reserves	117	—	—	—	—	—	
Capital import deposits	54	49	—	—	—	—	
Other public sector claims	0	0	0	0	0	0	
Claims of corporations	1 396	1 687	1 689	1 666	1 657	1 658	
Deposits for investment and ship purchase	1 204	1 416	1 271	1 245	1 236	1 242	
Capital import deposits	184	265	411	414	414	410	
Other corporate claims	8	6	7	7	7	6	
Other liabilities	14	23	21	18	16	16	
Equalization accounts	776	1 609	1 896	1 906	1 952	1 976	
Capital accounts	4 460	4 699	4 854	4 864	4 874	4 884	
Primary capital	3 000	3 000	3 000	3 000	3 000	3 000	
Reserve fund	1 032	1 032	1 365	1 365	1 365	1 365	
Undisposed profits	281	—	334	334	334	334	
Net earnings	147	667	155	165	175	185	
	Total	21 852	26 053	26 712	27 820	27 044	26 310

End of year or month	Foreign sector							Public sector			
	Gold SDRs, 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
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
1982	2 444	765	5 796	9 005	1 525	-1 447	9 083	1 040	50	-990	1 700
<b>1982</b>											
April	2 343	1 117	4 267	7 727	3 084	-1 612	9 199	965	195	-770	2 150
May	2 305	1 064	3 498	6 867	3 456	-1 581	8 742	964	171	-793	2 000
June	2 286	910	3 335	6 531	4 314	-1 583	9 262	977	143	-834	2 200
July	2 286	899	3 280	6 465	4 909	-1 583	9 791	987	163	-824	2 000
Aug.	2 348	851	2 657	5 856	5 207	-1 555	9 508	985	147	-838	1 600
Sept.	2 348	857	2 920	6 125	4 306	-2 537	7 894	973	107	-866	2 000
Oct.	2 348	709	4 042	7 099	4 128	-4 427	6 800	986	112	-874	2 000
Nov.	2 310	752	4 946	8 008	2 697	-3 295	7 410	978	50	-928	2 800
Dec.	2 444	765	5 796	9 005	1 525	-1 447	9 083	1 040	50	-990	1 700
<b>1983</b>											
Jan.	2 450	523	5 142	8 115	2 488	121	10 724	1 113	0	-1 113	1 580
Feb.	2 405	600	4 109	7 114	2 922	180	10 216	1 209	0	-1 209	1 650
March	2 408	278	4 560	7 246	2 919	-664	9 501	1 555	1	-1 554	1 800
April	2 407	232	4 068	6 707	3 380	-654	9 433	1 477	1	-1 476	1 650
May	2 368	379	3 842	6 589	3 575	-618	9 546	1 401	1	-1 400	950

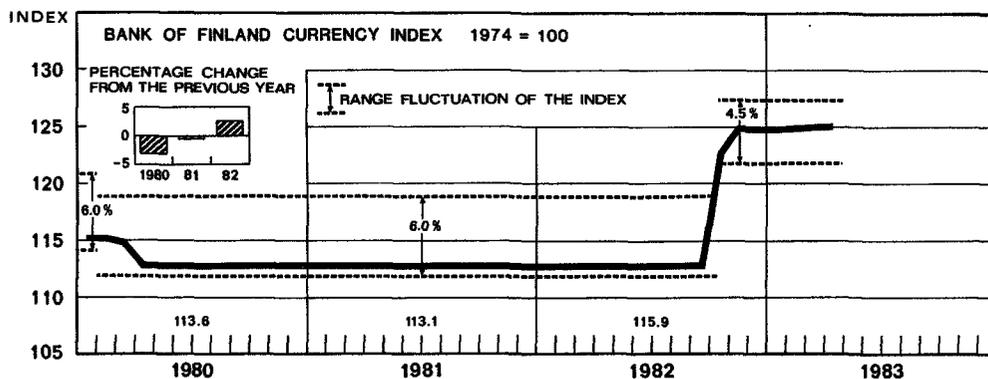
## FOREIGN EXCHANGE POSITION

Mill. mk

	Net holdings, Dec. 31, 1982			Net holdings April 29, 1983			Change		
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	April	Jan.-April	
Gold	1 382	—	1 382	1 383	—	1 383	—	+1	
Special drawing rights	609	—	609	569	—	569	-1	-40	
IMF reserve tranche	453	—	453	456	—	456	—	+3	
Foreign bonds	764	—	764	232	—	232	-46	-532	
Convertible currencies	5 796	-11 049	-5 253	4 068	-10 257	-6 189	-306	-936	
Total	9 004	-11 049	-2 045	6 708	-10 257	-3 549	-353	-1 504	
Tied currencies	1 526	-215	1 311	3 379	-210	3 169	+450	+1 858	
Grand total		10 530	-11 264	-734	10 087	-10 467	-380	+97	+354

End of year or month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Till-money credits <sup>1</sup>	Cheque account receivables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receivables (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities net	Net receivables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980	643	480	3 674	290	3 317	-421	1 611	3 063	642	2 421	4 954
1981	768	495	1 796	1 080	2 492	-406	-107	3 865	749	3 116	5 595
1982	889	163	3 126	1 470	3 132	-1 042	618	4 302	999	3 303	6 062
1982											
April	720	305	2 069	1 600	2 644	-640	-510	3 955	752	3 203	5 383
May	849	511	1 888	1 420	2 707	-661	-218	4 058	684	3 374	5 534
June	863	429	2 006	1 640	2 732	-705	-369	4 118	929	3 189	5 752
July	743	290	1 223	1 042	2 777	-724	-839	4 084	1 136	2 948	5 706
Aug.	830	435	929	1 260	2 783	-631	-1 218	4 117	983	3 134	5 557
Sept.	833	351	2 409	290	3 095	-704	912	4 156	982	3 174	5 616
Oct.	739	328	3 867	39	3 105	-791	2 581	4 415	977	3 438	5 670
Nov.	857	311	3 902	—	3 128	-833	2 775	4 404	973	3 431	5 663
Dec.	889	163	3 126	1 470	3 132	-1 042	618	4 302	999	3 303	6 062
1983											
Jan.	899	347	708	1 308	3 254	-1 176	-1 432	4 331	994	3 337	5 711
Feb.	913	198	1 151	1 140	3 294	-1 193	-979	4 360	871	3 489	5 803
March	802	262	2 106	710	3 727	-1 233	-34	4 418	1 135	3 283	5 966
April	801	355	2 510	740	4 128	-1 221	19	4 474	1 108	3 366	5 984
May	953	356	2 919	1 071	4 772	-1 068	-547	4 452	1 086	3 366	6 042

<sup>1</sup> Previously included in Other liabilities, net (column 6).



# MONETARY POLICY INDICATORS

Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks mill. mk	Cash reserve deposits of the commercial banks mill. mk	Bank of Finland placements in the call money market, mill. mk	Base rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks <sup>1</sup> %
	1	2	3	4	5	6	7	8	9	10
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	9.84
1982	3 166	1 985	417	2 777	2 426	1 571	8.81	11.64	11.99	9.33

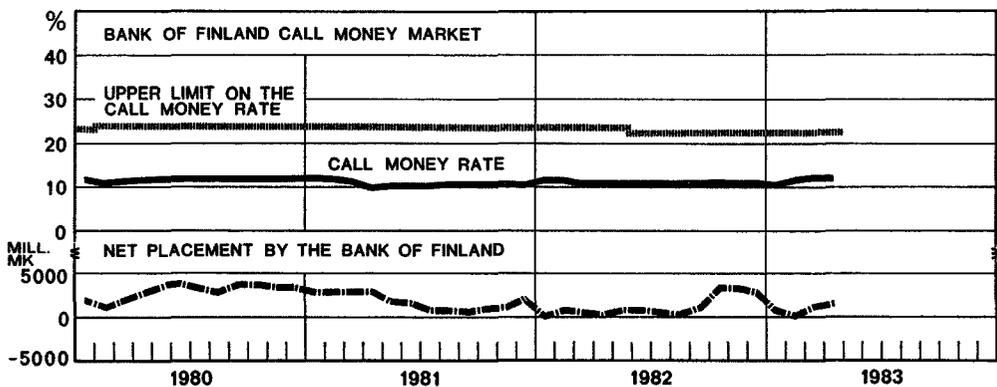
## 1982

April	3 049	1 062	400	2 637	2 299	664	9.25	11.50	11.51	9.78
May	2 908	1 429	400	2 645	2 313	1 034	9.25	11.50	11.64	9.77
June	3 090	1 528	400	2 706	2 356	1 134	8.50	11.50	11.42	9.06
July	2 686	1 213	400	2 731	2 386	814	8.50	11.50	11.09	9.04
Aug.	2 312	1 010	400	2 771	2 418	611	8.50	11.50	10.63	8.99
Sept.	2 703	1 597	400	2 794	2 439	1 198	8.50	11.45	11.25	8.97
Oct.	4 412	4 148	400	3 091	2 699	3 750	8.50	11.70	13.08	8.97
Nov.	4 247 <sup>f</sup>	4 088	400	3 100	2 714	3 690	8.50	11.50	13.24	8.95
Dec.	4 242	3 765	400	3 119	2 723	3 367	8.50	11.50	13.30	8.95

## 1983

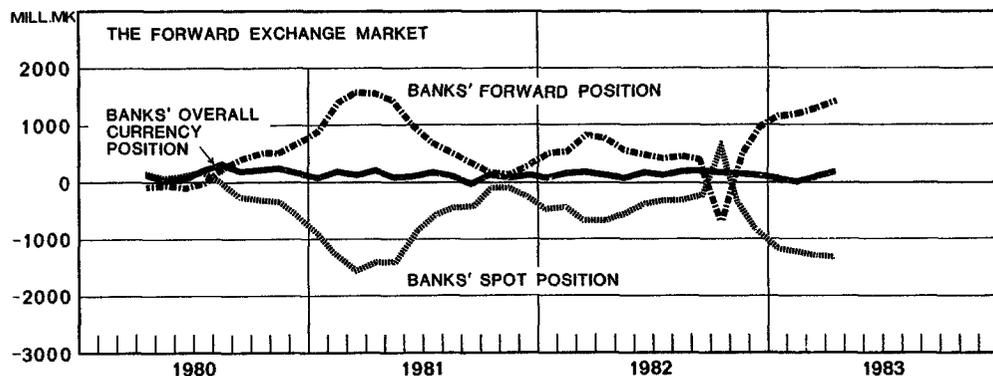
Jan.	2 963	1 410	400	3 135	2 751	1 011	8.50	11.00	12.10	8.99
Feb.	1 853	870	400	3 240	2 853	475	8.50	12.00	11.73	8.97
March	2 718	1 807	400	3 308	2 888	1 408	8.50	13.00	13.62	8.95
April	3 256	2 065	400	3 753	3 279	1 666	8.50	13.00	13.71	8.97
May	4 000	2 668	400	4 149	3 643	2 271	8.50	15.00	..	..

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



# FORWARD EXCHANGE MARKETS IN FINLAND

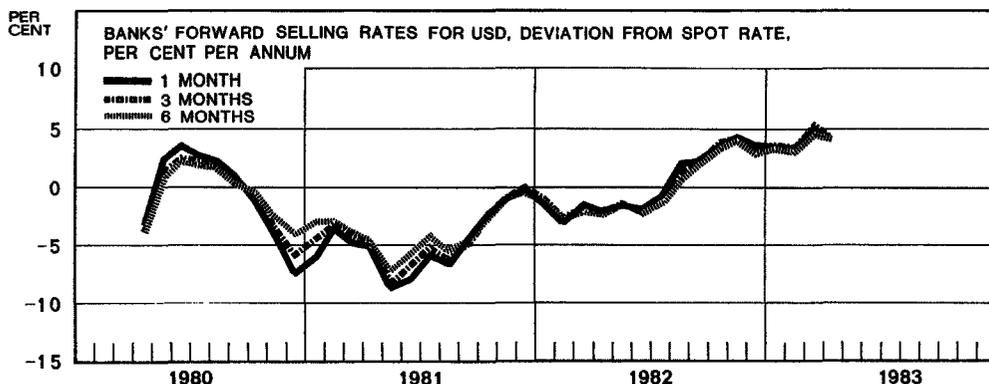
Period	Banks' Forward Positions in mill. mk with						Banks' Forward Selling Rates for USD		
	Domestic Firms			Foreign Banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1981	5 183.0	1 619.8	3 563.2	-581.0	-2 346.3	583.5	-4.4	-4.1	-3.6
1982	11 128.0	2 116.7	9 011.4	-865.1	-6 827.2	1 104.0	3.9	3.8	3.4
1981									
Dec.	5 183.0	1 619.8	3 563.2	-581.0	-2 346.3	583.5	0.1	0.3	-0.1
1982									
Jan.	4 984.2	1 581.2	3 402.9	-666.0	-2 242.9	607.4	-1.3	-0.7	-1.0
Feb.	5 054.0	1 666.4	3 387.6	-660.0	-2 081.1	666.8	-2.6	-2.3	-2.4
March	5 596.8	1 693.5	3 903.3	-522.1	-2 262.1	1 292.4	-1.3	-1.5	-1.7
April	5 936.4	1 596.8	4 339.6	-671.8	-2 879.4	666.5	-1.9	-1.9	-2.0
May	6 035.1	1 950.0	4 085.1	-486.4	-2 953.6	559.9	-1.3	-1.1	-1.1
June	5 942.0	1 703.4	4 238.6	-704.5	-2 797.7	637.3	-1.7	-1.7	-1.6
July	5 781.5	1 653.2	4 128.3	-871.0	-3 004.6	322.1	-0.6	-0.9	-1.3
Aug.	7 045.1	1 679.3	5 365.8	-854.4	-4 114.5	309.8	2.4	1.8	1.0
Sept.	6 618.6	2 282.4	4 336.1	-711.3	-3 947.8	-306.9	2.6	2.6	2.3
Oct.	6 898.2	2 557.1	4 341.1	-805.2	-3 937.2	-395.9	4.0	4.1	4.0
Nov.	8 921.5	2 199.9	6 721.6	-692.8	-5 027.6	917.4	4.7	4.6	4.5
Dec.	11 128.0	2 116.7	9 011.4	-865.1	-6 827.2	1 104.0	3.9	3.8	3.4
1983									
Jan.	11 271.6	2 189.0	9 082.6	-753.6	-6 643.2	1 515.5	3.8	3.9	3.7
Feb.	10 436.2	2 144.9	8 291.4	-960.0	-6 006.7	1 199.1	3.7	3.8	3.4
March	10 551.4	2 048.9	8 502.5	-721.5	-5 915.7	1 761.6	5.4	5.4	5.0
April	10 059.3	1 961.8	8 097.5	-735.3	-5 591.5	1 568.0	4.3	4.4	4.3



# FOREIGN EXCHANGE RATES

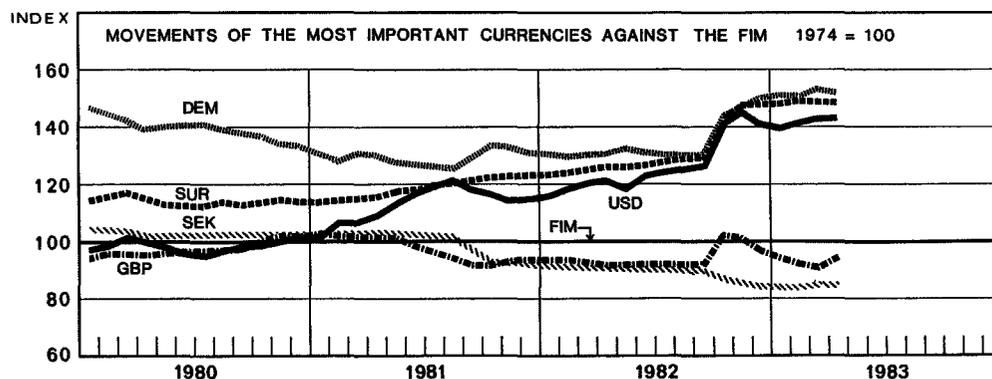
Average selling rates for foreign exchange, mk

Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC	BEL
	1	2	3	4	5	6	7	8	9	10	11
1978	4.117	3.617	7.917		91.43	78.93	75.06	205.53	190.77	13.152	12.959
1979	3.896	3.330	8.275		91.12	77.22	74.38	212.75	194.43	13.338	12.979
1980	3.730	3.194	8.691	7.689	88.43	75.81	66.53	205.58	188.02	12.818	12.635
1981	4.315	3.602	8.731	6.976	85.74	75.54	60.96	191.31	173.43	11.688	11.095
1982	4.820	3.913	8.423	6.854	77.03	74.84	57.93	198.76	180.66	10.584	9.859
<b>1982</b>											
March	4.574	3.751	8.275	6.751	78.51	76.01	57.01	192.48	174.93	10.334	9.346
April	4.613	3.772	8.179	6.675	78.12	75.94	56.66	192.74	173.74	10.214	9.228
May	4.512	3.664	8.180	6.767	78.12	75.72	57.60	195.56	176.05	10.361	9.477
June	4.678	3.681	8.237	6.669	77.88	75.76	56.23	193.17	174.76	10.164	9.271
July	4.735	3.729	8.224	6.624	77.56	74.65	55.57	192.36	174.14	10.086	9.376
Aug.	4.757	3.824	8.225	6.618	77.60	71.36	55.20	192.25	174.70	10.050	9.507
Sept.	4.806	3.897	8.247	6.595	77.34	69.80	54.73	192.36	175.57	9.993	9.602
Oct.	5.358	4.362	9.104	7.223	75.18	74.80	60.21	212.11	194.50	10.952	10.472
Nov.	5.534	4.519	9.045	7.371	73.82	76.51	61.85	216.80	198.78	11.168	10.823
Dec.	5.353	4.331	8.673	7.390	72.92	76.25	62.86	221.55	200.75	11.297	10.980
<b>1983</b>											
Jan.	5.317	4.332	8.397	7.417	72.78	75.57	63.27	222.95	202.42	11.370	10.869
Feb.	5.389	4.395	8.270	7.391	72.62	75.88	62.91	222.26	201.55	11.314	10.898
March	5.429	4.433	8.112	7.362	72.75	75.80	63.08	225.76	202.86	11.475	10.886
April	5.436	4.417	8.389	7.061	72.74	76.28	62.87	223.29	198.24	11.212	11.103
May	5.445	4.433	8.579	6.985	72.74	76.65	61.92	220.91	196.45	11.070	11.041



## Average selling rates for foreign exchange, mk

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 ÖS ATS	Lisbon 100 Esc PTE	Reykjavik 100 lkr ISK	Madrid 100 Ptas ESP	Tokyo 100 Y JPY	Moscow 1 Cl Rbl SUR	1 special drawing right SDR	Currency index 1974 = 100
12	13	14	15	16	17	18	19	20	21	22
231.83	91.77	0.489	28.45	9.55	1.57	5.42	1.983	6.037	5.136 33	117.2
234.36	91.88	0.473	29.19	8.13	1.14	5.84	1.797	5.941	5.016 78	117.3
222.87	88.65	0.440	28.90	7.60	0.81	5.25	1.662	5.741	4.842 55	113.6
220.34	79.92	0.385	27.17	7.17	60.35	4.72	1.967	5.986	5.071 40	113.1
237.79	73.65	0.358	28.31	6.13	40.79	4.41	1.943	6.624	5.305 63	115.9
242.70	74.70	0.355	27.43	6.53	45.94	4.40	1.904	6.307	5.129 23	113.1
235.81	74.09	0.351	27.45	6.42	44.99	4.37	1.896	6.378	5.138 80	113.1
231.86	75.17	0.353	27.79	6.44	42.99	4.39	1.910	6.353	5.107 78	113.1
225.93	71.66	0.347	27.44	6.07	42.20	4.31	1.870	6.397	5.147 87	113.1
226.29	69.30	0.344	27.36	5.66	40.60	4.26	1.862	6.458	5.159 48	113.1
226.15	68.97	0.344	27.38	5.59	36.89	4.26	1.844	6.498	5.160 27	113.1
225.33	68.26	0.343	27.40	5.53	33.51	4.27	1.834	6.522	5.179 44	113.1
247.28	75.17	0.374	30.21	6.02	35.48	4.67	1.983	7.219	5.724 37	122.8
252.26	76.87	0.378	30.92	6.07	34.70	4.67	2.096	7.434	5.896 66	125.1
261.40	78.33	0.385	31.52	5.90	32.80	4.27	2.217	7.446	5.847 79	125.0
270.53	78.77	0.389	31.79	5.79	29.19	4.21	2.289	7.450	5.837 67	125.0
267.72	78.50	0.387	31.66	5.90	28.34	4.17	2.287	7.506	5.865 42	125.1
263.75	77.75	0.383	32.13	5.82	26.65	4.09	2.287	7.498	5.884 14	125.2
264.97	74.60	0.376	31.78	5.59	25.76	4.02	2.294	7.489	5.876 33	125.2
264.63	73.58	0.373	31.41	5.56	24.71	3.97	2.321	7.496	5.885 11	125.2



# DEPOSITS BY THE PUBLIC

Mill. mk

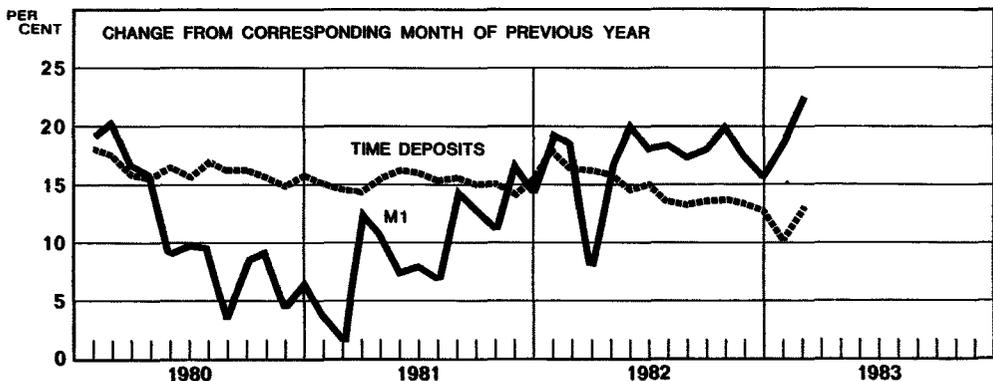
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	10
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	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
1981	5 791	2 879	2 952	11 622	26 094	22 937	18 598	7 448	75 077	86 699
1982*	7 155	3 874	3 049	14 078	29 260	25 833	21 040	8 665	84 798	98 876

## 1982\*

Jan.	5 103	2 641	3 734	11 478	26 143	24 721	18 870	7 651	77 385	88 863
Feb.	4 614	2 544	3 527	10 685	26 472	23 673	19 275	7 779	77 199	87 884
March	5 156	2 617	3 443	11 216	26 601	23 537	19 176	7 604	76 918	88 134
April	5 098	2 768	4 023	11 889	27 175	23 891	19 511	7 678	78 255	90 144
May	5 528	2 933	3 593	12 054	27 129	24 095	19 700	7 961	78 885	90 939
June	5 992	3 208	3 786	12 986	27 406	24 403	19 858	8 057	79 724	92 710
July	5 573	3 252	3 668	12 493	27 395	24 709	20 058	8 096	80 258	92 751
Aug.	5 999	3 460	3 682	13 141	27 329	24 895	20 213	8 324	80 761	93 902
Sept.	6 439	3 525	3 480	13 444	27 382	24 950	20 270	8 280	80 882	94 326
Oct.	6 093	3 654	3 807	13 554	27 894	25 102	20 437	8 304	81 737	95 291
Nov.	6 742	3 599	3 325	13 666	27 782	25 111	20 417	8 390	81 700	95 366
Dec.	7 155	3 874	3 049	14 078	29 260	25 833	21 040	8 665	84 798	98 876

## 1983\*

Jan.	7 118	3 749	3 919	14 786	29 243	26 185	21 402	8 707	85 537	100 323
Feb.	6 394	3 700	3 914	14 008	29 953	26 624	21 920	8 781	87 278	101 286



# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

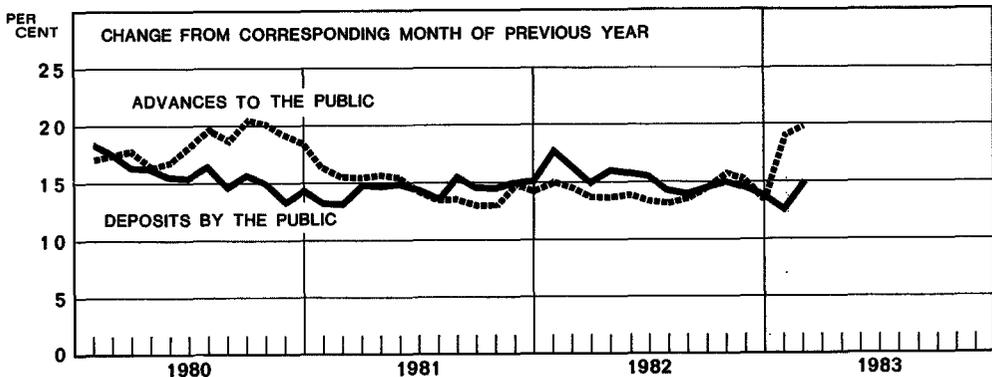
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> +Quasi-Money
	1	2	3	4	5	6	7		8	9
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
1981	40 462	22 009	20 059	11 135	80 817	2 877	9 971	93 665	17 186	94 577
1982*	48 282	25 682	23 601	12 683	93 011	3 467	13 770	110 248	19 917	107 549

1982\*

Jan.	40 501	22 278	20 279	11 064	81 630	3 140	9 352	94 122	17 114	95 468
Feb.	40 908	22 451	20 436	10 966	82 174	3 483	9 104	94 761	16 205	95 993
March	41 214	22 698	20 636	10 761	82 807	3 762	8 740	95 309	16 353	95 919
April	41 818	22 974	20 916	10 835	83 816	3 821	8 906	96 543	17 340	98 004
May	42 625	23 297	21 293	10 905	85 079	3 851	9 190	98 120	17 615	98 886
June	42 925	23 586	21 628	11 125	86 150	3 548	9 566	99 264	18 664	100 998
July	43 078	23 861	21 935	11 290	86 835	3 763	9 566	100 164	18 339	101 351
Aug.	43 314	24 250	22 260	11 514	88 026	3 682	9 630	101 338	18 652	102 090
Sept.	44 472	24 674	22 611	11 887	89 645	3 881	10 118	103 644	18 958	102 482
Oct.	46 174	25 069	22 964	12 295	91 156	3 813	11 533	106 502	19 091	103 523
Nov.	47 033	25 408	23 252	12 485	92 269	3 927	11 982	108 178	18 982	103 579
Dec.	48 282	25 682	23 601	12 683	93 011	3 467	13 770	110 248	19 917	107 549

1983\*

Jan.	49 470	25 964	23 797	13 038	93 890	4 250	14 129	112 269	20 333	108 488
Feb.	50 391	26 216	23 998	13 093	94 894	4 495	14 309	113 698	19 861	109 709



## STATE FINANCES

Mill. mk

Revenue	Jan.-Dec.		Expenditure	Jan.-Dec.	
	1981	1982		1981	1982
Income and wealth tax (net)	15 604	16 738	Wages, salaries, pensions etc.	9 167	10 565
Gross receipts	41 500	43 806	Repair and maintenance	1 167	1 272
Refunds & local authorities	-25 896	-27 068	Other consumption expenditure	5 270	6 326
Other taxes on income and wealth	380	422	<b>Total consumption expenditure</b>	<b>15 604</b>	<b>18 163</b>
Employers' child allowance payments	58	1	State aid to local authorities	11 709	13 601
Sales tax	14 421	15 877	State aid to industries	838	9 787
Customs duties and import charges and levies	1 411	1 621	of which: agric. price subsidies	3 620	4 140
Excise duties	10 448	12 202	Child allowances	1 673	1 816
Excise duty on alcoholic bevs.	3 170	3 610	Share in national pensions and sickness insurance schemes	552	848
Excise duty on tobacco	1 312	1 577	Other transfer expenditure	7 151	9 392 <sup>1</sup>
Excise duty on liquid fuel	3 192	3 657	<b>Total transfer expenditure</b>	<b>29 483</b>	<b>35 444</b>
Other excise duties	2 774	3 358	Machinery and equipment	1 669	1 695
Tax on autom. and motor-cycles	1 659	2 010	Construction of buildings	808	958
Stamp duties	1 208	1 435	Land and waterway construction	2 075	2 311
Special diesel etc. vehicles tax	273	293	<b>Total real investment</b>	<b>4 552</b>	<b>4 964</b>
Other taxes and similar revenue	1 389	1 585	Interest on State debt	1 580	2 199
<b>Total taxes</b>	<b>46 851</b>	<b>52 184</b>	Net deficit of State enterprises	-99	-
Miscellaneous revenue	3 542	4 026	Other expenditure	7	21
Interest, dividends etc.	1 304	1 741	<b>Total other expenditure</b>	<b>1 488</b>	<b>2 220</b>
Surplus of state enterprises	-	1 231	Increase in inventories	271	258
Redemptions of loans granted	971	1 168	Lending	3 256	3 772
<b>Total revenue</b>	<b>52 668</b>	<b>60 350</b>	Other financial investment	544	685
Foreign borrowing	2 706	3 672	<b>Total expenditure</b>	<b>55 198</b>	<b>65 506</b>
Domestic borrowing	2 523	4 493	Redemption of foreign loans	389	899
<b>Total borrowing</b>	<b>5 229</b>	<b>8 165</b>	Redemption of domestic loans	1 359	1 852
<b>Deficit (+) or surplus (-)</b>	<b>-951</b>	<b>-258</b>	<b>Total redemptions</b>	<b>1 748</b>	<b>2 751</b>
<b>Total</b>	<b>56 946</b>	<b>68 257</b>	<b>Total</b>	<b>56 946</b>	<b>68 257</b>

<sup>1</sup> Incl. deficit of state enterprises.

State debt	1981	1982	1983		
	Dec.	Dec.	Jan.	Feb.	March
<b>Foreign debt</b>	<b>13 331</b>	<b>18 807</b>	<b>19 455</b>	<b>19 747</b>	<b>20 100</b>
Long-term debt	8 762	11 378	11 978	12 006	12 501
Short-term credit	9	63	84	98	107
<b>Domestic debt</b>	<b>8 771</b>	<b>11 441</b>	<b>12 062</b>	<b>12 104</b>	<b>12 608</b>
<b>Total State debt</b>	<b>22 102</b>	<b>30 248</b>	<b>31 517</b>	<b>31 851</b>	<b>32 708</b>
<b>Total debt mill. \$</b>	<b>5 052</b>	<b>5 651</b>	<b>5 928</b>	<b>5 910</b>	<b>6 025</b>

# FOREIGN TRADE

Mill. mk

Period	Value, mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1978	35 206	32 338	+2 868
1979	43 430	44 222	-792
1980	52 795	58 250	-5 455
1981	60 308	61 269	-961
1982	63 026	64 751	-1 725

Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1982			
March	5 294	4 982	+312
April	5 079	5 379	-300
May	5 118	4 918	+200
June	5 416	4 985	+431
July	4 284	4 849	-565
Aug.	4 260	5 461	-1 201
Sept.	4 785	5 004	-219
Oct.	5 625	5 858	-233
Nov.	6 338	6 174	+164
Dec.	6 025	7 351	-1 326

Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1983*			
Jan.	5 025	5 555	-530
Feb.	5 611	5 072	+539
March	6 271	5 754	+517

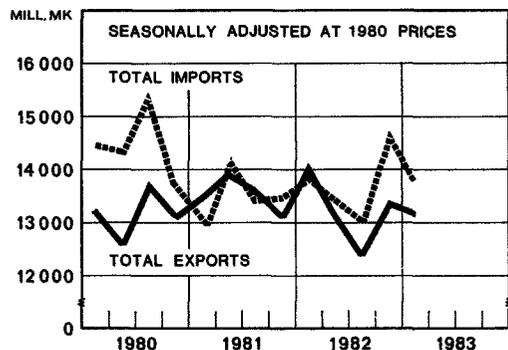
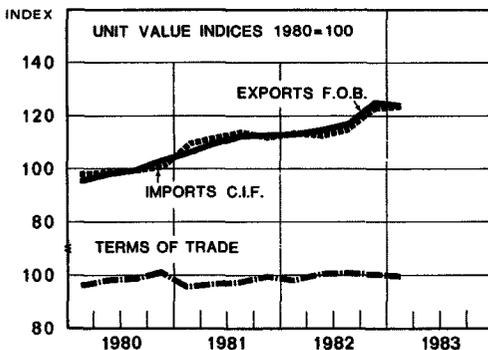
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.-March			
1982	16 096	14 772	+1 324
1983*	16 907	16 381	+526

Period	Indices of exports and imports 1980 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1978	84	75	80	74	108
1979	92	89	90	86	105
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	101	95	118	117	101

Period	Exports	Imports	Exports	Imports	Terms of trade
1981					
Jan.-March	102	84	107	110	97
Apr.-June	106	95	110	113	98
July-Sept.	95	94	113	115	99
Oct.-Dec.	108	100	114	113	100

Period	Exports	Imports	Exports	Imports	Terms of trade
1982					
Jan.-March	107	88	114	115	99
Apr.-June	102	92	116	114	101
July-Sept.	86	90	118	116	101
Oct.-Dec.	108	107	126	125	101

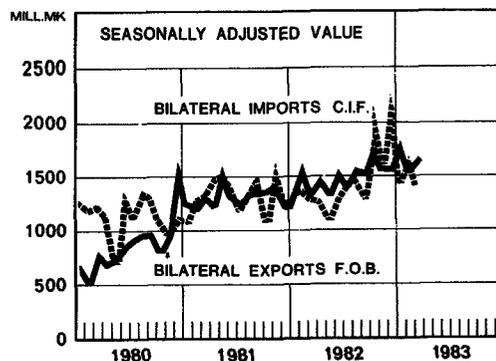
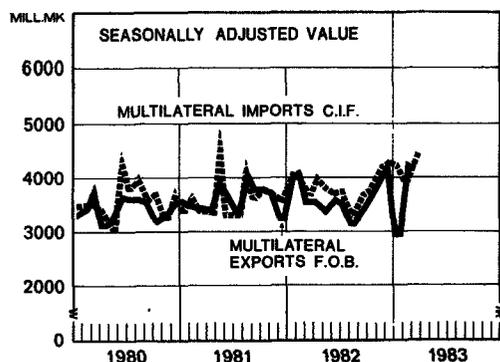
Period	Exports	Imports	Exports	Imports	Terms of trade
1983*					
Jan.-March	102	90	125	125	100



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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
1981	2 036	6 852	17 127	14 858	19 435	39 156	5 115	8 877	8 015	106
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1982										
March	356	461	1 622	1 240	1 615	3 189	231	736	823	3
April	57	569	1 453	1 266	1 734	3 492	265	777	843	2
May	220	536	1 469	1 280	1 613	3 249	267	701	682	19
June	80	583	1 445	1 789	1 519	3 231	470	639	639	6
July	45	421	1 293	1 570	955	3 047	449	713	613	27
Aug	58	481	1 398	1 029	1 294	3 583	499	626	728	25
Sept.	64	517	1 375	1 346	1 483	3 158	391	640	771	44
Oct.	62	566	1 586	1 724	1 687	3 607	559	764	845	83
Nov.	56	596	1 355	2 674	1 657	3 602	657	975	895	45
Dec.	266	631	1 522	2 165	1 441	4 744	590	984	882	151
1983*										
Jan.	60	466	1 312	1 720	1 467	3 415	348	825	921	46
Feb.	336	563	1 422	1 541	1 749	3 215	248	665	901	43
March	317	579	1 671	1 938	1 766	3 550	227	1 016	947	14
Jan.-March										
1982	768	1 378	4 606	4 065	5 279	9 431	722	2 376	2 232	11
1983*	713	1 608	4 405	5 199	4 982	10 180	823	2 506	2 769	103



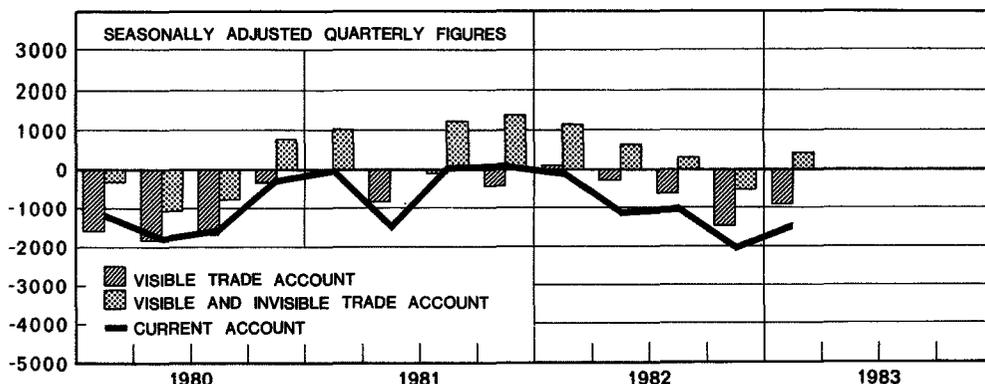
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—March				January—March			
	1982*		1983*		1982*		1983*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	57.7	9 261	53.8	9 089	55.7	8 235	54.9	8 994
Austria	0.7	109	0.6	105	1.3	191	1.3	216
Belgium and Luxembourg	1.5	247	1.7	295	1.8	265	2.0	324
Denmark	4.6	742	3.3	550	2.3	338	2.6	431
France	5.1	824	4.8	804	3.4	500	3.6	592
Federal Republic of Germany	10.2	1 627	10.6	1 799	13.1	1 942	14.4	2 359
Italy	2.3	367	2.1	354	2.6	388	3.3	534
Netherlands	2.9	471	3.2	547	2.6	383	2.8	459
Norway	3.7	600	3.4	571	2.4	358	2.7	449
Portugal	0.2	34	0.2	35	0.6	94	0.7	114
Spain	0.8	121	0.7	115	0.8	116	0.8	135
Sweden	11.8	1 898	11.1	1 874	15.0	2 208	11.7	1 913
Switzerland	1.6	248	1.5	244	1.8	271	1.8	289
United Kingdom	10.2	1 641	9.4	1 594	7.4	1 096	6.6	1 088
Other	2.1	332	1.2	202	0.6	85	0.6	91
<b>OECD countries outside Europe</b>	6.2	996	6.4	1 089	12.8	1 883	13.5	2 205
Canada	0.9	142	0.8	142	1.1	166	0.7	109
Japan	1.6	263	1.2	202	4.6	677	5.3	862
United States	2.7	432	3.6	613	6.9	1 012	7.1	1 157
Other	1.0	159	0.8	132	0.2	28	0.4	77
<b>CMEA countries</b>	26.6	4 326	29.9	5 052	23.4	3 458	23.7	3 877
Czechoslovakia	0.2	33	0.5	87	0.6	95	0.5	76
German Democratic Republic	0.5	74	0.3	59	0.6	88	0.6	103
Poland	0.1	17	0.2	28	1.1	165	1.1	178
Soviet Union	25.0	4 066	28.4	4 802	19.8	2 923	21.1	3 450
Other	0.8	136	0.5	76	1.3	187	0.4	70
<b>Latin America</b>	1.1	170	1.1	193	2.2	319	2.4	393
Argentina	0.1	19	0.2	27	0.1	10	0.1	19
Brazil	0.3	45	0.3	54	0.7	105	0.8	140
Colombia	0.1	13	0.1	25	0.6	89	0.5	77
Other	0.6	93	0.5	87	0.8	115	1.0	157
<b>Other</b>	8.4	1 343	8.8	1 484	5.9	877	5.5	912
<b>GRAND TOTAL</b>	100.0	16 096	100.0	16 907	100.0	14 772	100.0	16 381
of which								
<b>EFTA countries</b>	18.2	2 909	16.8	2 846	21.3	3 150	18.3	2 999
<b>EEC countries</b>	38.6	6 190	36.2	6 112	33.6	4 962	35.8	5 865
<b>OECD countries</b>	63.9	10 257	60.2	10 178	68.5	10 118	68.4	11 199

# BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Invest- ment income net	Un- requited transfers net	Other, net	Current account
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	+3 064	+320	+587	-1 484	-3 308	-454	+91	-5 155
1981	60 260	61 697	-1 437	+3 261	+405	+1 286	+3 515	-4 359	-499	+132	-1 211
1982*	62 943	65 273	-2 330	+3 178	-286	+683	+1 245	-5 358	-726	+141	-4 698
<b>1980</b>											
Jan.-March	12 788	13 608	-820	+878	-103	+338	+293	-787	-169	-5	-668
Apr.-June	12 470	14 029	-1 559	+567	+80	+83	-829	-723	-100	+55	-1 597
July-Sept.	12 864	15 643	-2 779	+855	+298	+100	-1 526	-765	-102	+34	-2 359
Oct.-Dec.	14 738	15 035	-297	+764	+45	+66	+578	-1 033	-83	+7	-531
<b>1981*</b>											
Jan.-March	14 469	13 623	+846	+857	-87	+150	+1 766	-984	-130	+9	+661
Apr.-June	15 489	15 810	-321	+801	+78	-100	+458	-1 252	-127	+48	-873
July-Sept.	14 100	15 737	-1 637	+856	+443	+466	+128	-1 023	-109	+53	-951
Oct.-Dec.	16 202	16 527	-325	+747	-29	+770	+1 163	-1 100	-133	+22	-48
<b>1982*</b>											
Jan.-March	16 082	14 896	+1 186	+785	-156	+318	+2 133	-1 073	-210	-11	+839
Apr.-June	15 586	15 425	+161	+788	-85	+145	+1 009	-1 646	-184	+45	-776
July-Sept.	13 311	15 445	-2 134	+811	+149	+294	-880	-1 299	-160	+62	-2 277
Oct.-Dec.	17 964	19 507	-1 543	+794	-194	-74	-1 017	-1 340	-172	+45	-2 484
<b>1983*</b>											
Jan.-March	16 881	16 513	+368	+782	-291	+763	+1 622	-1 729	-245	-25	-377



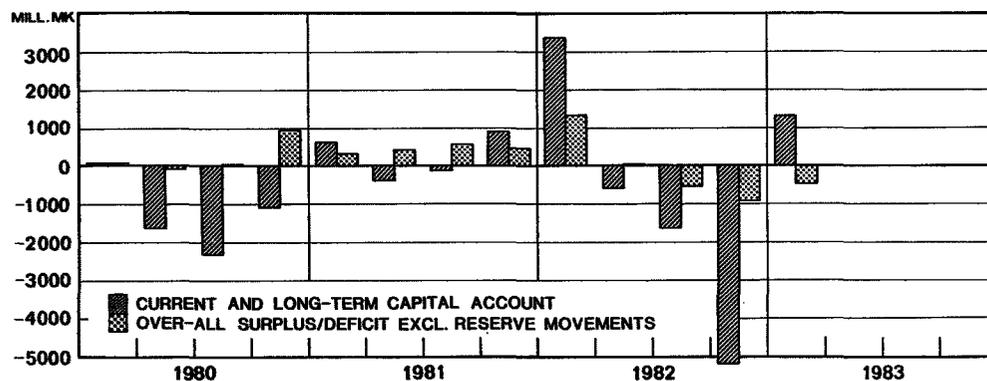
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net <sup>2</sup>	Miscellaneous, short-term capital terms, incl. errors and omissions <sup>2</sup>	Over-all surplus deficit excl. reserve movements <sup>2</sup>	Bank of Finland foreign exchange reserves
+6 230	-4 843	-541	-337	+509	-252	+831	-834	+1 211	-834 <sup>3</sup>	+122	-122
+5 183	-4 140	-433	-428	+182	-4 973	+3 255	-967	+3 930	-250 <sup>3</sup>	+995	-995
+8 312	-4 643	-518	-826	+2 325	+1 114	-1 067	+437	-406	+1 725 <sup>3</sup>	+1 803	-1 803
+10 213	-4 721	-1 239	-3 634	+619	-4 079	-2 003	+1 235	+1 798	+2 923	-126	+126
+2 108	-1 113	-171	-65	+759	+91	+302	-31	+518	-797 <sup>3</sup>	+83	-83
+1 076	-997	-39	-86	-46	-1 643	+1 498	-32	+1 666	-1 584	-95	+95
+1 126	-913	-36	-146	+31	-2 328	+711	-452	+1 189	+934	+54	-54
+873	-1 117	-187	-131	-562	-1 093	+744	-452	+557	+1 197	+953	-953
+1 404	-955	-227	-235	-13	+648	-473	+789	-163	-492 <sup>3</sup>	+309	-309
+1 948	-1 213	+11	-233	+513	-360	+867	+790	-21	-846	+430	-430
+1 932	-797	-91	-200	+844	-107	+95	-571	-822	+1 993	+588	-588
+3 028	-1 678	-211	-158	+981	+933	-1 556	-571	+600	+1 070	+476	-476
+3 637	-806	-114	-165	+2 552	+3 391	-898	+569	-1 509	-241	+1 312	-1 312
+2 332	-1 555	-328	-298	+151	-625	+134	+571	+108	-143	+45	-45
+1 859	-883	-127	-247	+602	-1 675	-586	+48	-516	+2 185	-544	+544
+2 385	-1 477	-670	-2 924	-2 686	-5 170	-653	+47	+3 715	+1 122	-939	+939
+2 985	-1 271	+100	-115	+1 699	+1 322	-728	+1 037	-390	-1 723	-482	+482

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

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

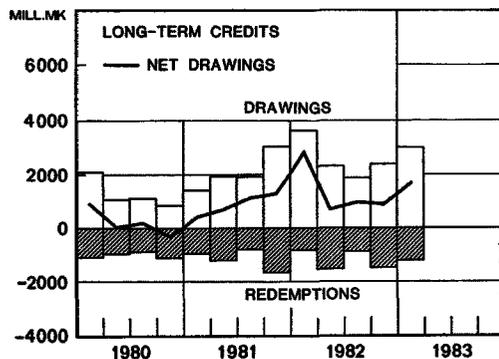
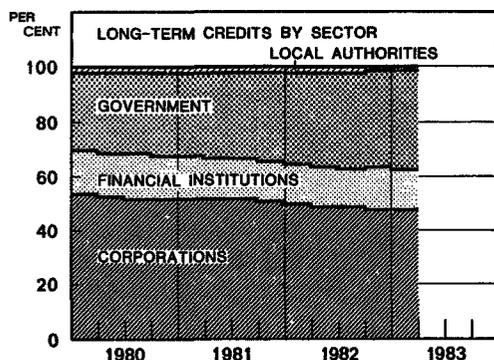
<sup>2</sup> Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

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

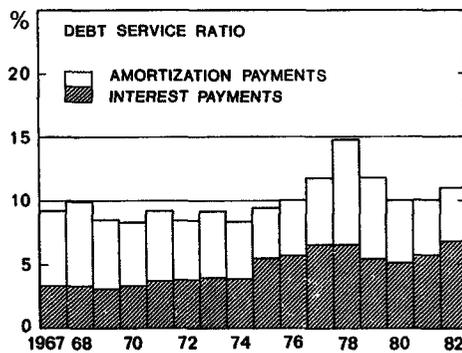
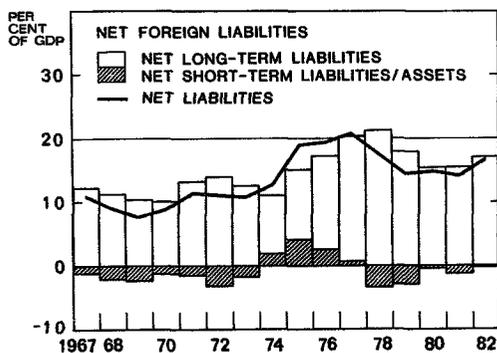


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
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
1981	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138
1982*	6 628	4 626	3 796	15 050	47 547	4 608	2 223	752	55 130	40 080
1980										
Sept.	3 594	2 649	972	7 215	29 251	4 482	2 029	278	36 040	28 826
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
Dec.	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138
1982*										
March	4 960	3 616	1 415	9 991	38 669	4 623	2 263	709	46 264	36 273
June	5 361	3 741	1 471	10 573	39 847	4 456	2 313	696	47 312	36 739
Sept.	5 556	4 084	1 466	11 106	41 198	4 515	2 345	687	48 745	37 639
Dec.	6 628	4 626	3 796	15 050	47 547	4 608	2 223	752	55 130	40 080
1983*										
March	6 672	5 003	3 892	15 567	49 897	4 759	2 288	846	57 790	42 223



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
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
11 362	13 749	14 176	39 287	2 427	20 218	13 538	36 183	-3 104	30 034	7 930	3 494
12 737	22 539	13 498	48 774	5 348	31 331	11 593	48 272	-502	39 578	8 979	3 464
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	10 149	12 357	32 207	2 680	16 543	12 409	31 632	-575	28 555	1 735	732
10 125	11 464	12 299	33 888	2 437	18 080	14 102	34 619	731	31 686	2 170	897
10 817	12 627	13 152	36 596	2 403	18 487	14 690	35 580	-1 016	31 165	1 638	595
11 362	13 749	14 176	39 287	2 427	20 218	13 538	36 183	-3 104	30 034	2 387	1 270
12 795	13 614	13 582	39 991	3 074	18 592	12 390	34 056	-5 934	30 339	1 751	600
12 846	14 322	13 118	40 286	3 077	19 349	12 767	35 193	-5 093	31 646	2 694	1 017
12 456	17 151	13 142	42 749	4 097	21 737	12 490	38 324	-4 425	33 214	1 980	662
12 737	22 539	13 498	48 774	5 348	31 331	11 593	48 272	-502	39 578	2 554	1 185
12 365	21 969	12 660	46 994	4 637	30 434	10 865	45 936	-1 058	41 165	2 685	942



# PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1980	919	160.7	156.6	175.0	160.1	167.7	155.9	100.0	100.0	100.0
1981	1 044	182.4	178.6	196.0	185.3	185.3	173.3	110.1	109.6	110.0
1982	1 122	196.2	194.0	203.6	197.9	202.7	186.6	117.7	116.8	117.8
1982										
Sept.	1 124	196.4	194.9	201.6	196.5	205.6	188.6	118.6	116.1	119.2
Oct.	1 150	200.9	196.4	216.8	202.6	208.5	190.4	120.7	120.4	120.7
Nov.	1 157	202.2	197.2	219.9	203.8	209.2	192.5	121.2	120.4	121.6
Dec.	1 163	203.3	199.3	217.4	205.2	209.6	193.4	121.5	120.4	122.0
1983										
Jan.	1 169	204.4	200.9	216.7	205.9	211.9	194.3	123.3	118.9	123.9
Feb.	1 170	204.4	201.9	213.4	204.8	213.2	196.1	123.8	118.9	124.6
March	1 166	203.8	201.7	211.2	203.2	214.5	196.4	124.5	118.9	125.6
April	1 169	204.3	202.4	211.3	202.9	216.3	197.6	125.9	122.0	126.5

Period	Consumer prices 1977 = 100										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1980	129.3	122.8	140.9	131.9	122.4	141.1	127.4	137.6	136.4	123.4	132.6
1981	144.8	138.9	157.4	146.6	140.4	168.1	138.0	150.1	148.9	136.3	150.8
1982	158.3	155.7	177.7	156.0	155.1	181.0	146.7	164.7	158.8	146.2	165.3
1982											
Sept.	160.1	158.0	176.6	159.4	158.3	179.4	148.8	166.3	158.8	149.0	167.9
Oct.	160.7	158.8	176.6	160.4	158.3	182.8	149.3	165.1	159.9	148.9	168.7
Nov.	161.3	159.6	176.6	161.8	158.3	181.6	149.6	166.4	160.4	150.3	169.5
Dec.	163.4	157.7	190.2	161.4	158.4	188.9	149.7	166.4	166.5	150.6	171.6
1983											
Jan.	164.8	158.7	190.3	157.6	158.4	190.1	152.4	176.5	170.4	152.6	174.1
Feb.	165.7	160.3	190.3	160.9	158.4	190.3	153.2	176.6	171.1	152.8	175.2
March	166.6	163.2	191.2	163.4	159.7	187.8	154.0	176.6	169.5	153.0	176.1
April	168.7	166.7	191.3	166.9	159.7	186.4	156.6	176.6	171.5	158.3	177.2

## WAGES

### Index of wage and salary earnings 1975 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1980	179.3	170.4	146.3	166.0	161.9	156.8	169.8	166.3	167.5	166.8
1981	201.3	192.5	165.6	186.1	182.2	174.8	191.9	187.4	188.8	188.1
1982*	219.8	213.2	181.6	206.9	201.2	194.8	211.9	207.6	208.4	208.0
1981										
July-Sept.	201.0	193.7	166.9	187.7	183.5	175.7	193.8	189.2	190.4	189.8
Oct.-Dec.	210.9	198.9	173.6	192.3	187.0	179.3	199.0	193.8	195.2	194.5
1982*										
Jan.-March	215.1	206.6	176.7	197.3	192.5	185.0	204.1	198.6	200.9	199.7
Apr.-June	223.1	214.1	179.0	206.8	200.7	195.0	212.2	207.4	208.8	208.1
July-Sept.	226.3	210.7	181.4	207.2	201.0	194.8	211.7	207.8	207.7	207.8
Oct.-Dec.	233.6	221.4	189.4	216.4	210.8	204.4	220.0	216.5	216.5	216.5

## PRODUCTION

### Volume indices of production 1975 = 100

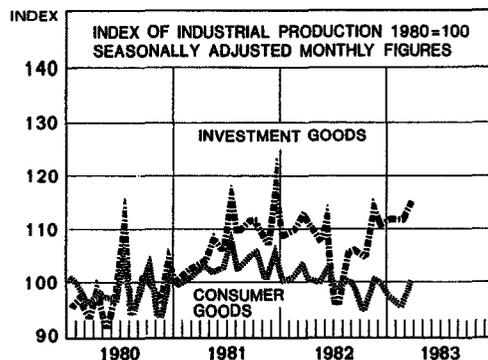
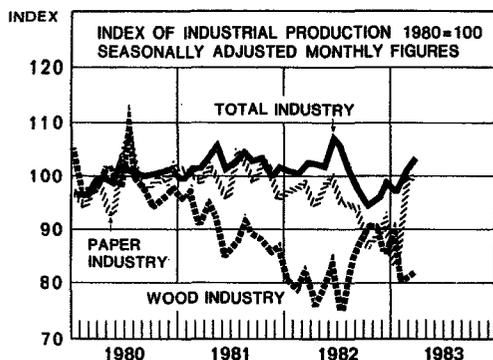
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1980										
Oct.-Dec.	126	136	84	168	121	92	131	114	127	120
1981*										
Jan.-March	114	129	73	143	79	89	111	95	129	116
Apr.-June	118	132	90	155	76	93	119	107	129	121
July-Sept.	116	119	160	80	100	91	124	108	130	117
Oct.-Dec.	128	141	80	149	122	96	134	116	132	124
1982*										
Jan.-March	114	130	70	135	71	88	113	96	134	119
Apr.-June	119	132	80	138	76	92	122	108	134	125
July-Sept.	118	116	193	66	103	93	122	110	136	121
Oct.-Dec.	131	136	89	158	129	97	135	126	138	128

# PRODUCTION

Index of industrial production 1980 = 100<sup>1</sup>

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	
1981	102.7	109.5	103.9	101.0	105.2	90.7	101.3	104.1	100.1	106.9	103.0
1982*	101.2	109.3	100.8	99.9	103.8	83.8	95.5	97.6	97.8	107.6	101.3
1982*											
Feb.	97.6	109.7	97.8	95.3	86.1	75.7	94.8	93.1	82.2	108.3	101.3
March	111.6	122.1	112.9	109.0	104.8	98.1	105.5	111.9	100.3	119.9	103.1
April	100.0	111.5	101.9	97.0	96.4	86.0	84.6	106.0	93.3	110.6	102.9
May	105.4	118.8	104.5	103.4	102.2	96.3	97.9	108.3	99.9	118.3	102.2
June	105.5	125.0	100.0	104.6	104.5	91.6	87.6	93.6	101.1	118.1	108.1
July	69.2	45.5	64.1	75.9	92.9	33.1	96.2	62.6	61.5	46.9	106.4
Aug.	103.0	100.8	101.1	104.3	103.6	81.2	103.4	101.7	106.7	101.1	101.3
Sept.	106.3	116.3	106.4	104.4	109.3	101.5	96.5	101.2	122.1	115.3	97.7
Oct.	104.2	113.0	105.7	101.8	120.6	98.1	94.0	99.1	113.2	111.0	95.2
Nov.	108.6	126.0	110.2	104.7	124.7	97.7	94.8	100.8	106.8	120.9	96.3
Dec.	101.6	113.3	102.6	99.0	107.9	75.9	89.0	95.2	102.8	112.2	99.7
1983*											
Jan.	99.7	110.7	98.2	98.4	91.0	82.6	87.3	90.5	102.6	110.2	97.9
Feb.	96.8	111.1	92.8	96.0	83.2	76.9	96.0	88.1	87.6	108.4	101.4
March	110.8	124.2	109.0	109.1	109.0	96.5	106.4	115.0	103.2	120.1	103.6

<sup>1</sup> New series calculated by the Central Statistical Office.



# 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
1979	3 593	2 223	2 134	139	6.1	44 020 <sup>r</sup>	117	135
1980	3 606	2 315	2 203	112	4.8	47 840 <sup>r</sup>	119	141
1981	3 629	2 369	2 244	125	5.3	44 360 <sup>r</sup>	125	141
1982*	3 659	2 430	2 280	150	6.2	41 435	130	144
1982*								
Feb.	3 649	2 378	2 219	159	6.9	4 260	107	126
March	3 654	2 335	2 175	160	6.9	5 781	120	148
April	3 656	2 363	2 201	162	6.8	5 243	125	142
May	3 655	2 406	2 276	130	5.4	3 564	125	142
June	3 659	2 574	2 436	138	5.4	2 582	131	144
July	3 659	2 586	2 441	145	5.6	1 167	136	123
Aug.	3 659	2 512	2 368	144	5.8	1 383	130	145
Sept.	3 663	2 436	2 295	141	5.8	2 401	130	156
Oct.	3 667	2 399	2 255	144	6.0	3 164	140	160
Nov.	3 667	2 401	2 255	146	6.1	4 165	137	160
Dec.	3 669	2 388	2 231	157	6.6	4 793	173	171
1983*								
Jan.	..	..	..	..	..	3 728	113	118
Feb.	..	..	..	..	..	4 545	112	128

## 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											
1980	50.53	20.71	5.49	17.69	3.55	42.11	18.04	4.82	13.94	3.26	49.57
1981	44.92	18.76	5.78	14.65	2.75	41.08	17.20	4.39	14.35	3.01	47.14
1982*	51.83	19.23	6.71	18.93	3.46	41.80	17.32	5.72	13.61	2.64	50.48
1981											
July-Sept.	10.77	4.64	1.16	3.37	0.72	9.50	3.69	1.40	2.93	0.82	53.71
Oct.-Dec.	9.95	3.20	0.89	4.23	0.92	14.89	5.78	1.83	5.72	0.87	47.14
1982*											
Jan.-March	8.53	3.16	1.27	3.01	0.69	6.80	3.11	0.59	2.45	0.27	46.13
Apr.-June	18.46	7.66	3.09	5.78	0.74	8.45	3.71	0.60	2.91	0.74	50.72
July-Sept.	12.35	4.41	1.35	4.53	1.03	8.33	3.41	1.44	2.11	0.84	56.60
Oct.-Dec.	10.63	3.29	0.88	4.75	0.93	15.37	5.83	2.62	5.33	0.69	50.48

# 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 — 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. The annual figure of the Average lending rate is an unweighted average of the weighted average monthly rates.

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 1.3 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.

## FORWARD EXCHANGE MARKETS IN FINLAND

Page 7. The figures for columns 1—6 are calculated by the Bank of Finland on the basis of monthly reports from the banks on their outstanding forward exchange positions at the end of each month. The figures for columns 7—9 are based on monthly averages of daily representative quotations, as reported by the banks to the Bank of Finland.

The banks' foreign currency positions shown in the chart at the bottom of page 7 are monthly averages of daily spot and forward positions vis-à-vis the Finnish mark as reported by the commercial banks to the Bank of Finland. The spot position includes all foreign currency-denominated assets and liabilities of the banks, excluding their outstanding forward contracts.

## FOREIGN EXCHANGE RATES

Pages 8—9 *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. The chart at the bottom of page 8 shows the banks' forward selling rates for the US dollar as deviations from the spot rate.

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

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

Page 10. *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 11. *Advances to the public*. The central government and the financial institutions are not included in the public. Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

*Money Supply M<sub>1</sub>* = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). *Quasi-Money* = Time deposits held by the public (incl. Time deposits at the Bank of Finland)

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

## STATE FINANCES

Page 12. Official figures computed by the Economics 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.

## FOREIGN TRADE

Pages 13—15. Figures supplied by the Board of Customs *Indices* (p. 13): 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. 15): from January 1980 imports by countries of origin exports by countries of consignment.

## BALANCE OF PAYMENTS

Pages 16—17. 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 18—19. 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 payment 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 20. All indices calculated by the Central Statistical Office.

## WAGES — PRODUCTION

Pages 21—22. Figures supplied by the Central Statistical Office. Page 22. *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.

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

Page 23. *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 1 155 to 1 809 Finland formed a part of the kingdom of Sweden. Connected from 1 809 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. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

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 1983 is as follows: Social Democratic Party of Finland 57, National Coalition Party 44, Centre Party 38, Democratic League of the People of Finland 27, Finnish Rural Party 17, Swedish People's Party 11, Christian League of Finland 3, The Greens 2 and Finnish People's Constitutional Party 1.

## 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, IDB 1977 and AfDB 1982.

## LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1980) 2.5 mill. ha (8.2%) are cultivated and 19.7 mill. ha (64.5%) 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 (1980): 4.8 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1980): In South Finland 46.8, in East and Central Finland 14.0, in North Finland 4.1 and in the whole country an average of 15.7 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1980): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital, 483 036 inhabitants, Tampere (Tammerfors) 166 228, Turku (Åbo) 163 680.

EMPLOYMENT (1981): Agriculture and forestry 11%, industry and construction 35%, commerce 14%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 26%.

LANGUAGE (1980): Finnish speaking 93.5%, Swedish speaking 6.3%, others 0.2%.

EDUCATION (1981): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1 640) and 14 colleges of university standard.

CHANGE OF POPULATION (1980): births 13.2‰, deaths 9.3‰, change + 2.8‰, net immigration — 0.3‰. Deaths in France 10.1‰ and Great Britain 11.8‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1981), in million marks: Gross domestic product at factor cost by industrial origin: agriculture 6 758 (4%) forestry and fishing 9 590 (5%), manufacturing 60 991 (33%), construction 13 447 (7%), trade, restaurants and hotels 21 508 (11%), transport and communication 15 358 (8%), banking and insurance 7 816 (4%), ownership of dwellings 13 066 (7%) other services 40 280 (21%), total 188 814. Index of real domestic product 121 (1975 = 100).

FOREST RESOURCES (1980). The growing stock comprised of 1 631 million m<sup>3</sup> (solid volume with bark) of which 44% was pine and 38% spruce the remaining 18% being broad-leaved trees chiefly birch. Of the growing stock 690 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 65 million m<sup>3</sup> and the total drain calculated on the basis of roundwood consumption was 59 million m<sup>3</sup>.

AGRICULTURE (1981). Cultivated land 2.4 million hectares. Number of holdings 218 904 of which 151 956 are of more than 5 ha. Measure of self-sufficiency in bread cereals (1982) 56%.

INDUSTRY (1981). Gross value of industrial production 193 314 mill. marks. Number of workers 419 443, salaried employees 144 692, motive power 8.0 mill. kW. Index of industrial production 132 for 1981 (1975 = 100).

STATE RAILWAYS (Dec. 31, 1982): Length 6 071 km

MERCHANT FLEET (March 31, 1983): Passenger vessels 154 (257 088 gross reg. tons), tankers 44 (1 082 517 gross reg. tons), dry cargo vessels 187 (842 460 gross reg. tons), other vessels 100 (15 474 gross reg. tons), total 485 (2 197 539 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1982): Passenger cars 1 352 055 lorries and vans 161 680, buses 9 066, others 9 896, total 1 532 697

FINNISH AIRLINES (May 1, 1983): Finnair has in use 1 DC-8, 8 DC-9-10, 6 DC-9-41, 12 DC-9-51, 3 DC-10-30, 3 DC 9 Super 82 and 2 Fokker F-27. Company has scheduled traffic outside of Finland to 38 airports and to 21 domestic airports.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish marka). 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 24.5, Skr 16.1, £ 13.1, DM 13.3, \$ 8.8, other currencies 24.2. The permissible range of fluctuation is about 2.25 per cent of either side of the arithmetic mean. The fluctuation limits are 127.5 and 121.9.

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, 1982). There are two big and five small commercial banks with in all 900 offices, 272 savings banks, 371 co-operative banks, five mortgage banks, Posti-pankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-four private insurance companies also grant credits.

RATES OF INTEREST (May 1, 1983). The base rate applied by the Bank of Finland on credit extended to the banks in the context of the quota facility is 8 ½%. The range of rates for other credits granted by the Bank of Finland is between 6% and 11%. Other credit institutions: time deposits 4 ¼%; 6 month deposits 5 ½%; 12 month deposits 7%; 24 month deposits 8 ¼% and sight deposits 1 ¼%. The highest lending rate 13%.

# PUBLIC FINANCE

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The fast growth of output which Finland experienced in 1978—1980 was partly attributable to the pursuit of economic policies aimed specifically at improving the operating conditions of the corporate sector. In the process, however, general government finances weakened, the central government borrowing requirement actually increasing throughout the period of growth. Nevertheless, a temporary weakening in the financial position of the social security funds was rectified before a new downturn got under way. Moreover, the financial balance of the local government sector was virtually unaffected by the expansionary policies. In 1981, the authorities succeeded in reducing the deficit in central government finances to some degree, despite the onset of recession. But with the continued sluggishness of activity in 1982, it proved necessary to modify the targets for restoring balance to central government finances.

## CENTRAL GOVERNMENT FINANCE

Fiscal policy in 1982 was designed to have a stimulatory impact on economic activity. At the same time, however, efforts were made to limit the growth of central government expenditure by including certain savings measures in the budget. Nevertheless, it was decided that important projects already in progress in, for example, the field of social security would be continued.

It was estimated that the changes in taxation and public charges provided for in the budget would reduce state revenue by 0.6 billion marks on a cash basis. Personal income and wealth tax scales were adjusted by 12 per cent to compensate for inflation. It was calculated

that this measure would prevent a tightening of taxation in real terms. On the other hand, tax revenue increased because certain social security benefits were made subject to taxation. The continuation of the sales tax concessions on industrial investment reduced sales tax revenue by 0.6 billion marks, whereas tax and price increases for tobacco products, alcoholic beverages and fuels yielded additional revenue. Some other tax rates were also amended, but the effects were minimal. In all, rises in taxes and charges levied by the central government were estimated to have raised the consumer price index by 2.2 per cent, which was more than corresponding increases in the preceding few years.

Budgeted expenditure (including redemptions) amounted to 64.9 billion marks and the projected deficit, that is, the amount to be financed by new loans, to 6.7 billion marks. Thus, the financing requirement was appreciably higher in 1982 than in the previous year.

As before, one of the prime objectives of the budget was to bolster employment. To this end, efforts were made to enhance the real competitiveness of industry, in part by setting aside extra appropriations. In the sphere of social reforms, the first priority was given to child day-care, national health work and other social services. In keeping with the adopted policy stance, the emphasis in combatting unemployment was placed on selective measures designed to increase employment among young people, in particular.

The growth of output in the course of 1982 proved weaker than forecast and a large proportion of the supplementary budgets approved in 1982 consisted of expansionary measures.

Together, the supplementary budgets gave rise to additional expenditure amounting to 4.2 billion marks, of which 1.8 billion marks was financed by increased borrowing. Budgeted expenditure in the supplementary budgets was equivalent to 6.5 per cent of planned outlays in the actual budget. Examined over the past 30 years, the relative share of supplementary budgets was at its lowest, 5.4 per cent, in 1967 and highest, 27.8 per cent, in 1975.

There was a distinct slowdown in the growth of state revenue as compared with the previous year. This slowdown was partly attributable to the prolongation of the recession, but also to technical changes concerning the timing of certain tax receipts. State revenue, excluding borrowing, grew by 12.5 per cent in 1982, and totalled 60.4 billion marks. The increase in the yield from direct taxes was limited to just over 7 per cent, since the adjustment for inflation was slightly greater than the rise in average earnings and withholding tax rates were temporarily lowered. The latter did not, however, have any impact on the final assessment of taxes. Sales tax revenue rose by 10 per cent, somewhat less than the increase in the value of domestic demand, for example. The standard rate of sales tax and sales tax concessions for industrial investment in machinery and equipment were kept unchanged. The yield from excise duties grew by 17 per cent, notably more than the average increase in revenue. Miscellaneous revenue, interest earnings and redemptions of state loans went up by more than 20 per cent.

In contrast to developments on the receipts side, central government cash expenditure grew more than in the previous year. Expenditure, excluding redemptions, increased by 16.6 per cent in value and by 6.6 per cent at constant prices. Redemptions of debt grew markedly and contributed one percentage point to the rise in total expenditure.

Central government consumption expenditure increased by 6 per cent at constant prices. Of this growth, 1.5 percentage points was attrib-

**TABLE 1. STATE CASH REVENUE AND EXPENDITURE**

Revenue	1981	1982
	mill. mk	
Income and wealth taxes	15 984	17 160
Sales tax	14 421	15 877
Customs duties and import charges	785	956
Excise duties	10 448	12 202
Other taxes and similar revenue	5 213	5 989
Other revenue <sup>1</sup>	5 825	6 997
Redemptions of loans	971	1 168
	<hr/>	
Total revenue	53 647	60 350
Borrowing	5 229	8 165
	<hr/>	
Total	58 876	68 515
<b>Expenditure</b>		
Consumption expenditure	15 604	18 163
Transfers <sup>2</sup>	30 363	35 444
Gross fixed capital formation	4 552	4 964
Interest on state debt	1 580	2 199
Other expenditure <sup>3</sup>	278	279
Lending	3 256	3 772
Other financial investment	544	685
	<hr/>	
Total expenditure	56 177	65 506
Redemptions	1 748	2 751
Deficit (—), surplus (+)	+ 951	+ 258
	<hr/>	
Total	58 876	68 515

<sup>1</sup> Includes surplus of state-controlled enterprises.

<sup>2</sup> Includes deficit of state-controlled enterprises.

<sup>3</sup> Change in stocks and miscellaneous expenditure.

utable to a rise in expenditure on equipment for the Finnish Defence Force; in the previous year, this item had declined. The number of central government employees decreased slightly in 1982, but owing to structural changes in the workforce the wage and salary bill rose notably. Expenditure on repairs and maintenance fell in real terms, partly because of favourable weather conditions.

Current transfers also grew by 6 per cent in volume. Nowadays current transfers account for more than half of total state expenditure. A considerable proportion of transfers comprises local government grants intended, in particular, for covering the costs of providing health care and teaching services. Transfers to local authorities grew, in real terms, by 6 per cent, which was somewhat more than the real growth of local government consumption expenditure. State subsidies rose by 5 per cent in real terms. Contributing to this comparatively

large increase were payments to farmers in compensation for the exceptionally large crop losses suffered in the previous year.

Central government grants to households also increased appreciably in real terms. This was despite the fact that the largest single item, child allowances, rose by less than consumer prices, partly because of a slight decline in the number of beneficiaries. A particularly large proportion of the increase in transfers to households was due to state contributions to self-employed persons' pensions, the improvement of front-veteran pension benefits and an increase in unemployment payments. In addition, study grants and housing allowances grew in real terms. The central government's share of national sickness insurance expenditure rose substantially owing to adjustments in the rates of payment for daily and maternity allowances. Also included under the transfers item are the deficits of state-controlled enterprises; the deficit of the State Railways increased as a result of the recession.

Central government fixed investment was virtually unchanged on the previous year, in real terms, although there was some growth in construction. The reason for the sluggishness in investment activity is that investment requirements have declined to some extent in recent years. At the same time, the emphasis in combatting unemployment has shifted from investment to special unemployment measures, such as employment grants and retraining schemes for the unemployed.

The central government's financial investments constitute an important economic policy tool in Finland. Nearly two-thirds of the loans granted by the state are housing loans. After several years of decline, housing loans increased, in real terms, by about 6 per cent in 1982.

Debt servicing payments rose not only because of an increase in central government debt but also because of higher interest rates and shorter loan periods. Interest payments on state debt grew, in mark terms, by almost 40 per cent and redemptions by more than 50 per cent.

Over the past few decades, there has been a shift in the distribution of state expenditure by economic category. The share of transfers in state expenditure has grown continuously, whereas that of investment (fixed capital formation and financial investment) has fallen correspondingly. As compared with the early 1970s, the order of magnitude of the change is 6 to 7 percentage points, while, in relation to the early 1960s, it is about 10 percentage points. This considerable increase in transfers has also meant that the net tax ratio has risen markedly less than the gross tax ratio.

Examined by purpose, the change in the structure of state expenditure over the past 10 years has not been so marked. The share of general expenditure has grown to some extent, and expenditure benefitting households — either in the form of direct transfer or services — has risen more rapidly than expenditure

**TABLE 2. REAL CHANGES IN STATE EXPENDITURE BY PURPOSE, PER CENT**

	1982 share %	1976	1977	1978	1979	1980	1981	1982
General <sup>1</sup>	14.0	-3.9	3.3	5.9	5.5	8.2	-0.9	6.3
Benefitting the household sector <sup>2</sup>	43.7	6.1	6.1	3.8	2.0	-0.4	2.2	6.7
Benefitting the corporate sector <sup>3</sup>	30.4	-3.6	-7.4	-4.9	12.9	-2.4	-0.2	4.3
Other <sup>4</sup>	11.9	-1.3	5.0	19.7	16.5	6.5	4.1	21.3
Total	100.0	0.4	0.9	2.5	7.1	0.9	1.2	7.7

<sup>1</sup> General administration and external affairs, public order safety, and defence.

<sup>2</sup> Education, health, social security and welfare, and housing and community amenities.

<sup>3</sup> Agriculture and forestry, transport and communication, industry, and manpower.

<sup>4</sup> Debt servicing and pensions.

on average. By contrast, outlays designed to promote industrial activities have fallen in relative terms. The share of other expenditure, chiefly debt servicing, has dropped in recent years, but is forecast to expand substantially in the near term.

As a result of the distinctly expansionary stance of fiscal policy, central government finances deteriorated noticeably in 1982. The net financing requirement doubled in size to 5.2 billion marks, but in relation to total output was still somewhat smaller than in 1979, also a year in which a strongly expansionary policy had been pursued. Redemptions of state debt grew by 1 billion marks and the gross financing requirement rose to 7.9 billion marks.

The central government's gross drawings of long-term loans totalled 8.2 billion marks, of which 4.5 billion marks was raised in Finland and 3.7 billion marks abroad. Borrowing exceeded the financing requirement, giving a cash surplus of 0.3 billion marks. Cash reserves increased by about one billion marks in 1982. The major part of this sum was placed on the account of the State Treasury Office with Postipankki. In terms of cash reserves, the financial position of the central government improved a little last year. It should be noted, however, that payments totalling almost 0.8 billion marks — mainly in the form of transferred appropriations — were carried over to the current year. At the end of 1982, appropriations falling into this category amounted to 7 billion marks and cash reserves to 3.5 billion marks.

## LOCAL GOVERNMENT FINANCE

Despite the deceleration in economic growth, the financial position of the local government sector had been satisfactory at the end of 1981. Local tax revenue had — partly because of timing factors — increased very rapidly and the growth of local government expenditure exceeded the targets set. However, the debt of local authorities also grew substantially.

Local government receipts grew more slowly in 1982. The prolongation of the recession slowed the growth of taxable income and since changes in the timing of tax revenue had raised the tax yield by 21 per cent in 1981 local government tax revenue increased by only 9.5 per cent in 1982. On the other hand, the tax reform concerning social security benefits and the doubling of street maintenance charges as from the beginning of the year, boosted tax revenue to some extent. Central government grants, which account for more than two-thirds of the disposable income of local authorities, and local government factor incomes grew faster than in the previous year. All in all, the disposable income of the local government sector increased by 12 per cent in 1982.

The emphasis in local government expenditure was on social and health care services as well as recreational and cultural activities. The slowest growth occurred in education, a reflection of the decline in the numbers of children of school age. Local government expenditure grew less rapidly than in the previous year, or by about 4.6 per cent in real terms. Preliminary figures suggest that local government investment remained at approximately the level of 1981.

According to preliminary figures, the local government financial balance swung from a surplus of 0.6 billion marks in 1981 to a deficit of 0.3 billion marks in 1982. Indeed, local government borrowing grew at a fast rate. At the end of the year, the outstanding debt of local authorities and municipal federations was estimated to be 8.5 billion marks, 15 per cent more than one year earlier. The debt increased more rapidly in the non-urban municipalities.

In June 1982, the central organizations of municipalities and the central government concluded an agreement on growth targets for local government finances in 1982—1985. The agreement stipulates that local tax rates should be kept at approximately prevailing levels and that the objectives of anti-inflationary policy

should be taken into consideration when raising local government charges. Furthermore, local authorities were advised to restrict the volume growth of their consumption expenditure to 2.5 per cent per year on average, while investment volumes were to be retained at the 1982 level. Targets for tax rates have been met with a fair degree of success in recent years, but spending has tended to grow faster than planned.

## SOCIAL SECURITY FUNDS<sup>1</sup>

At the end of 1981, the financial position of the social security funds had been adequate, even if the sector's financial surplus had fallen slightly. In part, this decline was due to the fact that, except for the lowering of unemployment insurance contributions, social security contribution rates were kept broadly unchanged in 1981, even though payments in the form of benefits increased as a result of the implementation of stage I b of the national pensions reform in July.

Under the tax reform concerning social security benefits which came into force at the beginning of 1982, sickness insurance and maternity allowances as well as benefits paid under accident and traffic insurance became taxable. In addition, social security benefits went up and employers' sickness insurance contributions were raised from 1.75 to 2.35 per cent of the wage and salary bill. The reform provided for a 100 per cent rise in daily and maternity allowances, which also had the effect of encouraging their further use.

As part of the overall expansionary policy, social security contributions were, however, lowered from the beginning of May, and the financial surplus of the social security sector moved into deficit.

According to preliminary figures, the social security funds had a financial deficit of 0.6

<sup>1</sup> These include the Social Insurance Institution, unemployment funds, the Central Unemployment Fund, the Support Fund for Unemployment Funds and the Redundancy Payments Fund. Contrary to many other countries, the employment pensions scheme is included in the private sector.

billion marks in 1982, which represented a weakening of 1.3 billion marks on the previous year.

In October 1982, a further package of expansionary measures was announced. Among other things, it provided for a reduction in employers' sickness insurance contributions to 1.35 per cent of wages as from the beginning of 1983. The central government will compensate the Social Insurance Institution for the revenue shortfall arising from this measure. Since national pensions were raised under stage II A of the national pensions scheme as from the beginning of the year, the social security sector is expected to remain in deficit and its funds to diminish further.

## PUBLIC FINANCE AND MACROECONOMIC DEVELOPMENT

### ECONOMIC POLICY AND PUBLIC FINANCE IN 1982

Despite the onset of recession, the general government financial surplus grew slightly in 1981 as a result of the determined efforts to reduce what had become a structural imbalance in the central government finances. This caused some tightening in the overall fiscal policy impact as compared with the previous year, but the lagged effects of earlier expansionary action helped to sustain demand. The tightening was also of short duration, because when it became clear that the recession was going to persist economic policy once again assumed an expansionary stance.

The satisfactory external balance provided the authorities with some scope for reorientating policy towards the stimulation of demand. With the slowdown in output growth, unemployment started to edge up again. At the same time, the rate of inflation remained quite high compared with competitor countries. A key policy objective was to curb price rises so as to restore price competitiveness and safeguard employment. In addition, efforts were made to secure real competitiveness.

Monetary policy was eased in the spring of 1981, thereby improving the scope for bank lending. The collection of special deposits from firms was discontinued in the spring, and it was decided to start releasing them in the autumn. The temporary investment tax on certain construction projects was abolished as from September 1, 1981, except in the Greater Helsinki Area, where it was extended until the end of February 1982. The budget proposal for 1982, which was submitted to Parliament in the previous autumn, represented a distinct shift in the fiscal policy stance: whereas fiscal policy was estimated to have had a mildly restrictive impact on total output in 1981, general government operations (including the impact of local government and the social security funds) was calculated to boost total output by 0.9 percentage point in 1982.<sup>2</sup>

The budget proposal was based on an economic forecast made in 1981. According to the forecast, economic activity was likely to remain sluggish, in particular, because of the international recession and a simultaneous deterioration in price competitiveness, which together had already caused a contraction in exports to western markets. In 1982, exports to the Socialist countries also declined somewhat, and although western exports were thought at the time to be recovering the growth of total export volumes was forecast to fall off sharply. Private domestic demand was forecast to remain virtually flat in 1982, owing to a drop in fixed investment. After the previous upswing, the external balance had remained quite good, despite the fact that growth in Finland had been appreciably stronger than in competitor countries.

Economic prospects deteriorated in the course of 1982. In February, the new Government announced an expansionary economic policy programme, which official econometric estimates suggested would boost output by about 0.5 percentage point in 1982. The measures, which centred on reductions in social security

contributions and withholding tax rates, were also expected to alleviate cost pressures, creating an estimated 10 000—15 000 new jobs and reducing inflation by some 0.5 percentage point. It is calculated that these policy measures weakened general government finances by about one billion marks in 1982. Furthermore, the Bank of Finland lowered domestic interest rates by 0.75 percentage point from the beginning of June.

With the international recession proving to be deeper than anticipated, the economic situation had deteriorated still further by the autumn of 1982. On October 6, the currency index was adjusted by 4 per cent and immediately after the subsequent devaluation of the Swedish krona the mark was devalued by another 6 per cent. In the same context, a number of other measures were announced as a result of which the stimulative impact of fiscal policy was further increased. The sickness insurance and employment pension contributions of private sector employers were lowered so as to reduce labour costs and partly offset the inflationary effects of the devaluations. In addition, the sales tax concession on investment in machinery and equipment was raised from two-thirds to 80 per cent and extended indefinitely. To finance these measures, it was decided to raise the sales tax rate — though

**TABLE 3. THE EXPANSIONARY IMPACT OF FISCAL POLICY IN 1982**

	Forecast			Outturn (preliminary)
	Sep-tember 1981	Feb-ruary 1982	Sep-tember 1982	
	per cent			
Impact of fiscal policy on GDP (model estimate)	0.9	1.4	1.6	2.0
Financial surplus of general government/GDP	½	½	—½	—0.3
Volume growth of GDP	2	1 ½	1	1.3
Change in consumer prices	9 ½	9 ½	9 ¼	9.3
Volume growth of exports	4	2	½	—3.7
Current account surplus/GDP	½	½	¼	—1.9
Unemployment rate	5.7	6.7	6.5	6.2

<sup>2</sup> Calculations are based on the model of fiscal policy impact developed by the Ministry of Finance.

not until June 1, 1983 — as well as the rate of interest paid by firms on their borrowing from employment pension funds. In the autumn, the Government also approved a special supplementary budget containing direct measures for improving employment in the following winter.

The full impact of the policy measures implemented in the autumn of 1982 on general government finances and the rest of the economy will be felt during the course of the current year, and in so doing will ensure that economic policy continues to bolster domestic demand.

#### GENERAL GOVERNMENT REVENUE, EXPENDITURE AND FINANCIAL BALANCE

In 1981, general government revenue had grown more rapidly than GDP and the gross tax ratio had risen by 1.6 percentage points. The rise in the gross tax ratio came to a halt in 1982, although, for instance, the commencement of the taxation of certain social benefits was calculated to have added 0.5 percentage point to the tax ratio. On the other hand, the reduction in the withholding rates for social security contributions and income tax had the effect of lowering the tax ratio. Owing to the fast growth of social security benefits and other current transfers to the private sector, the net tax ratio fell by one percentage point.

General government final demand continued to rise at a rapid rate in 1982. Public consumption grew by 5 per cent in real terms, as against 3.5 per cent in 1981, while public investment increased by one per cent. The fast growth of consumption expenditure was to a large extent attributable to the timing of certain central government acquisitions, but public consumption benefitting households directly was also important, increasing by 4.5 per cent in real terms. Public consumption of the latter type is equivalent to about one fifth of private consumption.

The fall in the net tax ratio and the growth of public final demand were reflected in a weak-

ening in the general government financial balance in 1982. There has been a downward trend in the general government financial surplus since 1977, when a deliberate policy of stimulating demand and promoting the expansion of the corporate sector was embarked upon. The basic principle underlying this strategy has been to enhance the operating conditions of the corporate sector and secure adequate price competitiveness. This has been achieved by such means as moderate tax policies and active public sector participation in incomes and price negotiations, whereby taxes and current transfers to households have become an essential part of incomes and price settlements. The counterpart of the decline in the general government financial surplus has been the trend-wise fall in the financial deficit of the private sector.

**TABLE 4. TAX RATIO AND GENERAL GOVERNMENT EXPENDITURE IN 1977—1982**

	1977	1978	1979	1980	1981*	1982*
Gross tax ratio	38.5	36.2	34.7	34.7	36.3	36.3
Net tax ratio	25.0	22.7	21.4	22.0	23.4	22.5
General government consumption						
— central government	4.1	3.8	3.7	4.4	3.5	5.0
— local government	0.9	4.1	3.0	4.8	1.1	5.8
General government investment						
— central government	0.6	0.7	1.5	9.1	0.4	1.0
— local government	—7.7	7.2	2.4	0.7	—1.0	1.7
— local government	7.2	—3.3	1.2	14.4	1.1	0.8

**TABLE 5. FINANCIAL SURPLUSES OF GENERAL GOVERNMENT IN 1977—1982**

	Central government	Local government	Social security funds	Overall surplus, per cent of GDP
	mill. mk			
1977	2 698	1 042	298	3.2
1978	1 411	836	—253	1.4
1979	—470	967	291	0.5
1980	— 72	83	888	0.5
1981*	1 954	571	677	1.5
1982*	267	—340	—638	—0.3

Since 1977, economic growth in Finland has been notably more rapid than in the OECD countries on average, which, in part, can be ascribed to economic policy. However, the general government financial deficit will widen further in 1983. To restore balance to public finances and prevent the growth of indebtedness it will probably be necessary to tighten fiscal policy during the forthcoming cyclical upswing.

#### PUBLIC DEBT

In relative terms, the public debt in Finland is fairly small by international standards. At the end of 1982, combined central and local government debt in relation to gross domestic product amounted to only 16.5 per cent, whereas the corresponding ratio in the industrial countries was three times as high, on average, and even higher in the developing countries. However, caution is needed in making international comparisons of public sector debt positions because of definitional and institutional differences between countries.

In Finland, the central government accounts for the major part of public debt and, in fact, the rapid growth of the debt ratio since the mid-1970s is entirely attributable to the debt incurred by the central government. Viewed over the past 30 years, the state debt was at its highest point, 14 per cent of GDP, in 1967—1968, and its lowest point, 3 per cent of GDP, in 1974, since when it has grown to reach 12.9 per cent at the end of 1982. By contrast, local government debt in relation to

GDP has fallen somewhat since the mid-1970s. In the past few years, the central government has raised only about half of its new loans in Finland. Exchange-rate changes have increased the outstanding value of the foreign debt in terms of marks and at the end of 1982 it accounted for as much as 62 per cent of the total debt. Of the central government's domestic borrowing, the bulk is raised by domestic bond sales to the public, which in recent years have had maturities of either 5 or 10 years. At the end of 1982, public bonds accounted for 67 per cent of the long-term domestic debt. In general, the remainder of the state debt has been raised mainly in the form of bonds of the private placement type, purchased for the most part by insurance institutions and employment pension funds. In 1982, the deposit banks also granted direct loans totalling 1.2 billion marks to the state for periods varying from 1 ½ to 2 years.

A special feature of the state's domestic borrowing has been the practice of determining in advance the amount of capital to be raised in the coming year through negotiations and agreements with the banks. Since 1978, the banks have annually agreed with the central government upon the amount and terms of new public bond issues, the banks undertaking to take up any bonds not purchased by the non-bank public before some prescribed date. The central government raises funds abroad to cover that proportion of its borrowing requirement which cannot be met domestically at reasonable terms.

In 1982, the central government's net drawings of domestic loans totalled 2.6 billion marks and net drawings of foreign loans 2.8 billion marks. The state's foreign borrowing gave rise to an expansion of the domestic money supply, thus easing the domestic financial market and reinforcing the expansionary stance of economic policy. On the other hand, there was a tendency for the private sector to import only a part of its projected capital imports.

Local government borrowing is confined chiefly to domestic markets, even if the larger cities

**TABLE 6. PUBLIC DEBT IN 1975—1982, END-YEAR FIGURES**

	Central government	Local government	Overall debt, per cent of GDP
	mill	m k	
1975	3 544	4 158	7.6
1976	4 623	4 504	7.9
1977	6 753	5 000	9.2
1978	12 196	5 445	12.6
1979	15 189	5 892	13.0
1980	17 966	6 577	13.1
1981	22 102	7 367	13.9
1982	30 248	8 500	16.5

do raise loans on financial markets abroad. In addition, some financial institutions finance their loans to the local government sector by borrowing abroad. In general, local authorities experienced no difficulties last year in raising the loans they needed. Nevertheless, a tightening in the domestic financial market can also restrain local government expenditure, and this has been used in the past as an economic policy instrument.

The rapid rate of growth of public debt in Finland is likely to limit the scope for the continuation of expansive fiscal policies over the next few years. If economic growth

remains slow over the next few years, a large proportion of the present annual financing requirement will be of a structural kind which will sustain the rapid growth of debt. Should output, however, expand at a fairly vigorous pace, the financing requirement will be smaller than at present and indebtedness will cease to grow. In relation to GDP, the present central government debt is at the same level it was in 1968, and the period of economic growth which started in that year had — although admittedly accompanied by a rise in tax ratio — virtually succeeded in removing the debt by the mid-1970s.

# ITEMS

## **New appointments at the Bank of Finland.**

Mr. Rolf Kullberg has been appointed to succeed Dr. Ahti Karjalainen as Governor. Mr. Kullberg's appointment takes effect from 1st June, 1983.

Mr. Esko Ollila has been appointed as a Member of the Board of Management of the Bank of Finland with effect from 15th June, 1983. Mr. Ollila was formerly a General Manager of a Finnish commercial bank.

According to the Regulations for the Bank of Finland, the chairman (i.e. the Governor) and the members of the Board of Management are appointed by the President of the Republic by letters patent.

**The new government.** After the Parliamentary elections held in March, the President of the Republic invited Mr. Kalevi Sorsa (Soc. Dem.), the former Prime Minister, to form a new government. On May 6 the President appointed a majority government with Mr. Sorsa as Prime Minister. The Social Democratic Party holds eight posts in the new government, the Centre Party five, the Finnish Rural Party two and the Swedish People's Party two. The Deputy Prime Minister, and Minister for Foreign Affairs, is Mr. Paavo Väyrynen (Centre Party), the Minister for Foreign Trade is Mr. Jermu Laine (Sos. Dem.), the Minister of Finance is Mr. Ahti Pekkala (Centre Party) and the Minister of Trade and Industry is Mr. Seppo Lindblom (Soc. Dem.), Member of the Board of Management of the Bank of Finland.

According to the government's programme, the central aim of economic policy is to curb inflation and reduce unemployment. It notes that the Government's policy measures have been an important factor sustaining economic activity over the past two years. The scope for the continued pursuit of expansionary policies in the public sector has, however, been

diminished considerably by the weakening of public finances. The significance of exports to the growth of the economy and in safeguarding employment will increase over the next few years. Consequently, a prime objective of the government's economic strategy is to foster competitive production and support investments in productive activity, thereby also improving the employment situation.

If competitiveness is to be ensured, it is essential that the rise in the price and cost level be substantially reduced. The government aims, in collaboration with labour and other interest organisations, to limit the rise in consumer prices during 1984 to a maximum of six per cent.

The improvement of firms' internal financing and changes in corporate taxation will strengthen the financial structure of enterprises and encourage investments in new sectors and fields open to risk.

To create the prerequisites for expansionary policies during the next recession, it will be necessary to strengthen the financial position of the public sector. With this in mind, State borrowing will be reduced from the 1983 level in 1984 and 1985. This will primarily be achieved through observing stringency in public spending thus allowing taxation and public pricing policy to be used to counter inflation.

In taxation, the aim is to support employment and curb inflation. The increase in the gross tax ratio will be kept as small as possible, rising by a maximum of one percentage point between now and 1986. As part of this policy, income and wealth taxes will be adjusted for inflation and sales tax will be revised.

**Finland's balance of payments January—March 1983.** According to the Bank of Fin-

million marks more than in January—March 1982. The unrequited transfers account registered a deficit of 245 million marks.

Drawings of long-term loans totalled 2 985 million marks, or 652 million marks less than in the same period of last year, with the central government accounting for 1 174 million marks of the drawings. Redemptions of long-term loans amounted to 1 271 million marks, 465 million marks more than one year earlier. Drawings of long-term export credits granted to foreign customers totalled 144 million marks and redemptions of outstanding export credits 244 million marks. Finnish direct investment abroad reached 305 million marks and foreign direct investment in Finland 62 million marks. The net inflow of long-term capital reached 1 699 million marks, which was 853 million marks less than in January—March of last year.

Exports of short-term capital (including errors and omissions in the balance of payments) amounted to 1 804 million marks. Short-term liabilities related to imports declined by 728 million marks, and net prepayments and receivables related to exports by 1 037 million marks. The net short-term debt of the authorized banks fell by 390 million marks.

As a result of the current account deficit and the net capital outflow, the foreign exchange reserves declined by 482 million marks. Because of the deficit in western trade and the net short-term capital outflow the convertible foreign exchange reserves of the Bank of Finland fell by 1 850 million marks. Receivables in tied currencies increased by 1 368 million marks, or approximately the equivalent of the

surplus on the visible trade account. Allowing for the impact of exchange rates, the convertible foreign exchange reserves of the Bank of Finland amounted to 7 246 million marks and the tied foreign exchange reserves to 2 919 million marks at the end of March.

At the end of March, Finland's net foreign debt totalled 41 165 million marks, of which the central government debt accounted for 18 612 million marks. The net long-term debt amounted to 42 223 million marks and net short-term assets to 1 058 million marks.

**Forward quotations for the rouble.** The Bank of Finland has decided to cease quoting forward exchange rates for roubles as from May 27, 1983. Hence, the Bank of Finland no longer participates in forward exchange deals with the other banks in roubles. It is the view of the Bank of Finland that the necessary prerequisites now exist for the authorized banks to quote rouble forward rates independently without it being necessary for the Bank to continue its support of the forward market in roubles.

The covering of commercial exchange rate risks is not normally one of the functions of a central bank. In April 1980, the Bank of Finland terminated its operations in the forward exchange market for dollars and ceased quoting dollar forward rates for the banks. At that time, it was judged that the banks were able to conduct their forward transactions without the support of the central bank. The forward exchange market in Finland has since developed quite briskly.





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# BANK OF FINLAND

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## Board of Management

Rolf Kullberg

*Chairman*

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom

*Absent as Minister  
of Trade and Industry*

Esko Ollila

---

## Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Sirkka Hämäläinen

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## Senior officials

Timo Männistö

*Internal Audit*

Ralf Pauli

*Monetary Policy*

Raimo Hyvärinen

*Domestic Financing*

Stig G Björklund

*Payments*

H. T. Hämäläinen

*Administration*

U. Levo

*International Legal Affairs*

Ossi Leppänen

*Accounting*

Anton Mäkelä

*Personnel*

Reijo Mäkinen

*Cash*

Heikki Koskenkylä

*Research Dept.*

Kari Pekonen

*Exchange Policy*

M. Vanhala

*Foreign Exchange*

Kari Holopainen

*Bilateral Trade*

Pekka Tukiainen

*Foreign Financing*

J. Ojala

*Exchange Control*

Seppo Kostiainen

*Deputy, Economics Dept.*

Markku Pietinen

*Information*

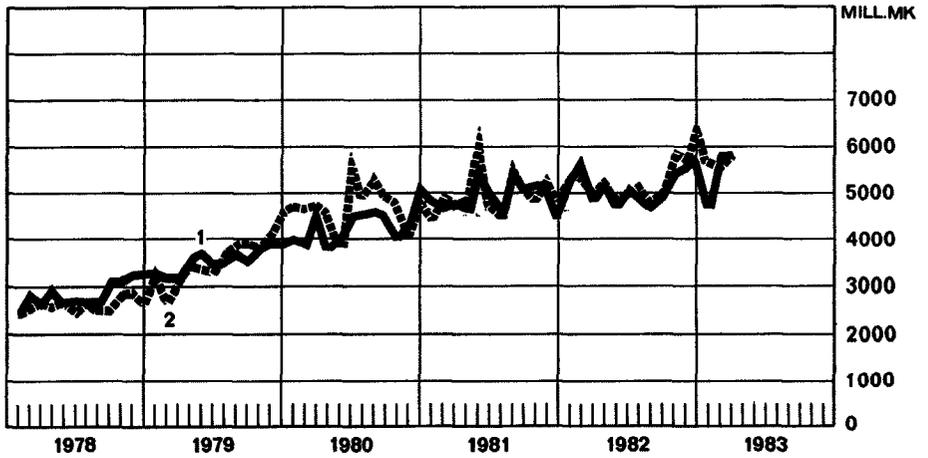
Erkki Vehkamäki

*Data Processing*

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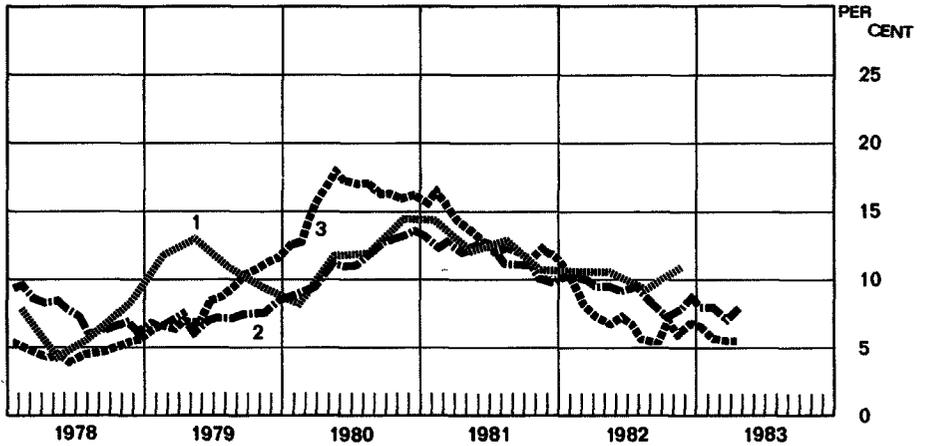
**FOREIGN TRADE, 1978-83**

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



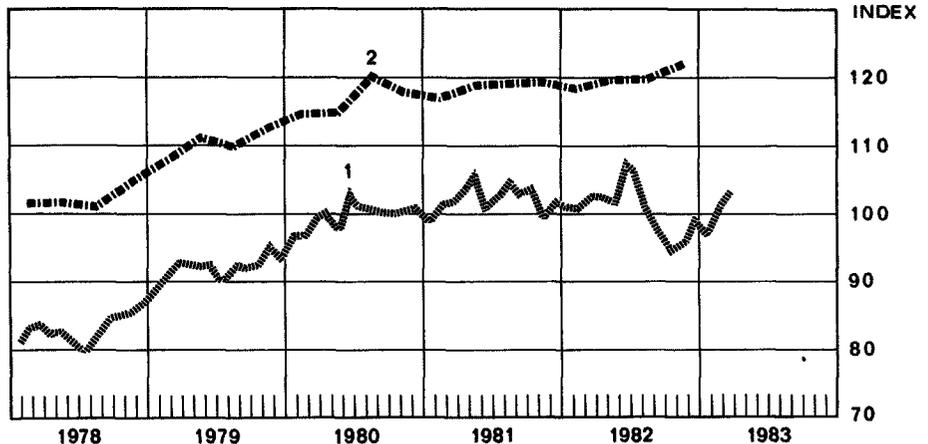
**PRICES AND WAGES, 1978 - 83**

- 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 on previous year



**PRODUCTION, 1978 - 83**

- 1. Total index of industrial production 1980 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1980 = 100, seasonally adjusted quarterly figures



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