



# BANK OF FINLAND

*Monthly Bulletin*

**Finance companies**

**Monetary policy**

**Supplementary budget**

**The Bank of Finland's investment inquiry  
of June 1983**

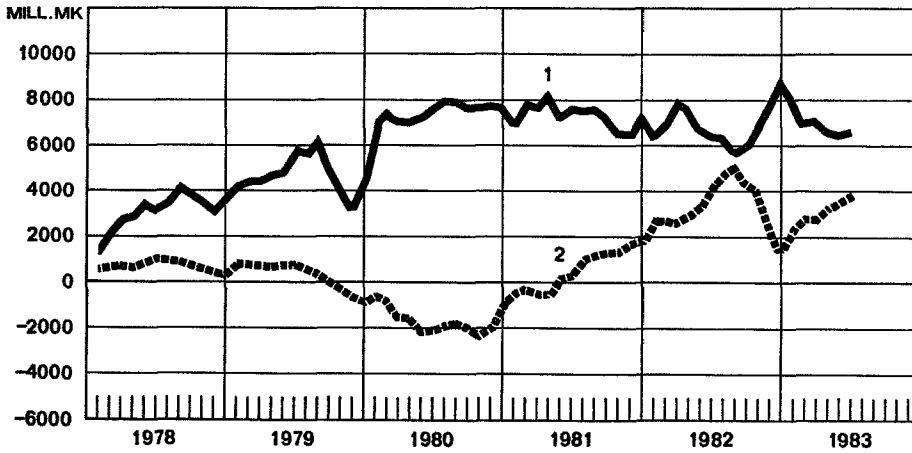
**Revision of the data collection method  
for the labour force survey**

**Publications of the Bank of Finland**

**AUGUST 1983**

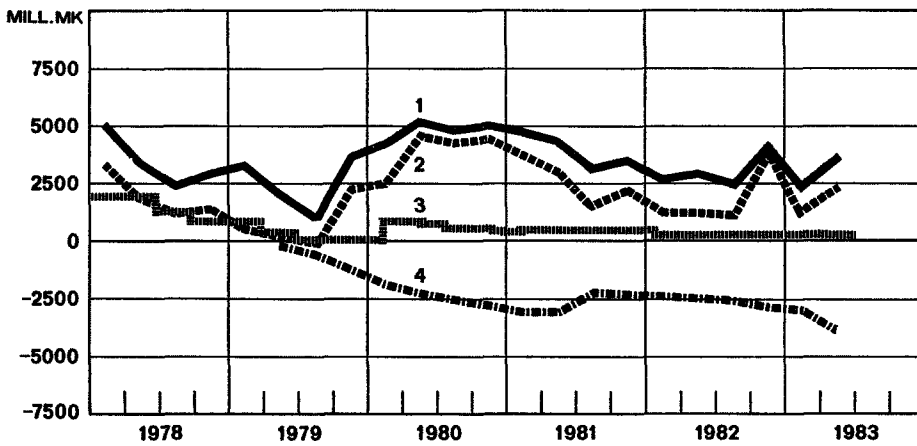
**Vol. 57 No. 8**

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



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

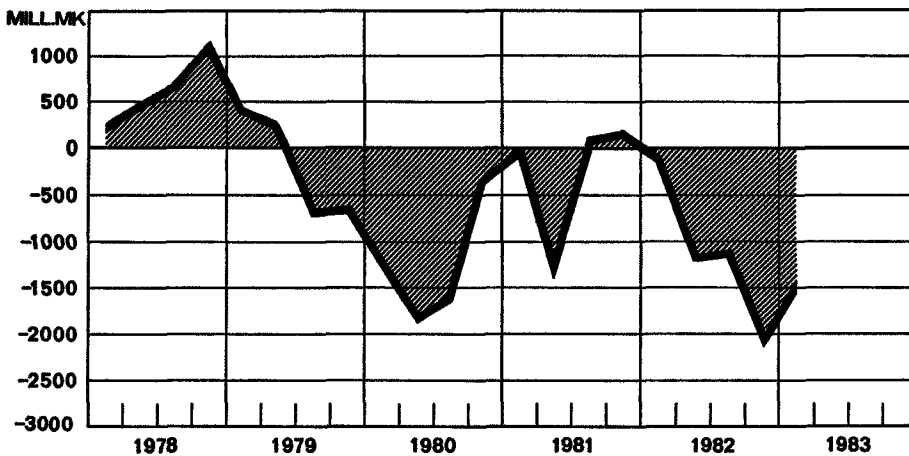
**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1978 - 83**



- 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

# FINANCE COMPANIES

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and T. R. G. Bingham, D.Phil. (Oxon.)

Monetary Policy Department  
Bank of Finland

In Finland about a dozen finance companies provide leasing, factoring and hire purchase financial services. The bulk of the companies are owned by the deposit banks and there is no major bank or group of banks that does not have a stake in a finance company. The first finance companies were established in the late 1950s to provide the hire purchase finance that previously had been furnished by the banks. Leasing was started in the middle of the 1960's, i.e. a few years after this form of financial intermediation had started to spread in Europe. In the subsequent ten years business grew, the growth rates being comfortable but by no means spectacular. Growth accelerated sharply at the end of the 1970's and exceeded 100 per cent for three years. A deceleration in growth is now occurring. Leasing, which has become the most important activity of the finance companies, now accounts for half of finance companies' credit outstanding and 6 per cent of corporate investment in plant and equipment, which is the same order of magnitude as in many other industrial countries.

A pattern of rather moderate growth in the initial phase, vigorous expansion later on and evening out of growth as market saturation occurs is typical of a new industry. In Finland the initial phase was rather long but once growth gained momentum the expansion of business was very strong even by international standards.

The fairly prolonged stage of moderate growth may be a consequence of some characteristics of Finland's financial market. The market has traditionally been one where the scope for funding operations outside the banking sector

is limited. Finnish banks are »universal» and provide a wide range of different types of credit and financial services.

The take-off coincided with growing pressure on the regulated rate segments of the financial market (see back article). The finance companies, unlike banks and most other financial institutions, were not subject to administrative interest rate regulations. In the middle of the 1970's severe imbalances in the economy required an unusually strong monetary squeeze. When the marginal cost of central bank credit is high and credit rationing is extensive, the shadow cost of credit rises and there is a strong impetus for the emergence and growth of new markets.

By developing the finance companies that already existed, the banks provided an important outlet for the pent up pressure. The banks were able to keep the expansion of the unregulated rate market under their control and obtained a channel for intermediating finance that was not directly subject to close regulation by the central bank.

Since the late 1970's demand for the types of credit provided by the finance companies has been strong because of the rapid spread of office automatization and acquisition of micro-processor-controlled equipment and other machinery where obsolescence is rapid and leasing customary.

In recent years slow economic growth coupled with substantial shifts in sectoral financial surpluses and deficits have led to changes in liquidity management strategies. In some cases

financial assets have become an attractive alternative to investment in plant and equipment.

The borderline between the regulated and the unregulated segments of the financial market is to a certain degree arbitrary and depends upon definitions used. For the purposes at hand the unregulated rate segment can be taken to be the one in which interest payments on funding instruments are subject to normal income tax and lending rates are not regulated. The bulk of the unregulated rate transactions have maturities of less than one year and take place in what can be termed the money market. Normal trade credits, which analytically are somewhat different, are excluded from this concept. It is not likely that the volume of the domestic unregulated rate market defined in this way is much more than 10 per cent of the administered rate bank market. Close to one half of the unregulated rate transactions are channelled through the finance companies.

On average, well over half of the operations of the finance companies are funded in the money market, frequently in close collaboration with the parent banks. The parent banks also provide the bulk of the long-term funds in the form of private placements and bank loans. Only a fairly small proportion of long-term debt has so far been sold to the general public, but there are signs that the importance of this source of finance will increase.

At present there is no specific legislation governing the finance companies, which operate under the general laws applying to limited liability companies. However, a proposal for a finance company law is currently being prepared. The law will regularize established practices. No significant changes in the types of activities or principles of operations of the finance companies are envisaged.

July 29, 1983

## BANK OF FINLAND

Mill. mk

	1982		1983			
	July 30	Dec. 31	June 30	July 15	July 22	July 29
<b>Assets</b>						
Gold and foreign exchange receivables	11 423	10 552	10 701	10 885	11 187	11 203
Gold	1 382	1 382	1 383	1 383	1 383	1 383
Special drawing rights	507	609	521	523	522	524
IMF reserve tranche	397	453	458	460	459	461
Foreign bonds	899	765	181	192	219	214
Convertible currencies	3 317	5 813	4 199	4 188	4 348	4 253
Tied currencies	4 921	1 530	3 959	4 139	4 256	4 368
Other foreign receivables	1 615	3 963	4 004	4 009	4 004	4 012
Mark subscription to Finland's IMF quota	1 615	1 843	1 854	1 854	1 854	1 854
Term receivables	—	2 120	2 150	2 155	2 150	2 158
Receivables from financial institutions	3 122	5 409	5 659	7 524	6 656	5 585
Banks' cheque accounts	291	169	469	435	367	320
Call money market advances	1 223	3 126	2 853	4 914	3 990	2 984
Till-money credits	743	889	998	845	903	879
Bonds	838	1 179	1 301	1 308	1 353	1 358
Other financial institution receivables	27	46	38	22	43	44
Receivables from the public sector	987	1 040	1 663	1 652	1 658	1 662
Government promissory notes	—	—	440	440	440	440
Bonds	436	435	556	547	555	558
Total coinage	538	559	659	661	661	661
Other public sector receivables	13	46	8	4	2	3
Receivables from corporations	4 785	4 990	4 938	4 961	4 968	4 933
Financing of exports	1 681	1 788	1 730	1 732	1 733	1 692
Financing of domestic deliveries	2 403	2 514	2 644	2 663	2 669	2 677
Bonds	174	163	141	141	141	140
Other corporate receivables	527	525	423	425	425	424
Other assets	95	99	102	101	102	102
<b>Total</b>	<b>22 027</b>	<b>26 053</b>	<b>27 067</b>	<b>29 132</b>	<b>28 575</b>	<b>27 497</b>
<b>Liabilities</b>						
Foreign exchange liabilities	49	22	65	81	82	85
Convertible accounts	37	17	33	46	47	47
Tied accounts	12	5	32	35	35	38
Other foreign liabilities	3 198	5 410	4 640	4 665	4 657	4 680
IMF mark accounts	1 762	1 927	1 854	1 854	1 854	1 854
Allocations of special drawing rights	726	833	844	847	846	849
Term liabilities	710	2 650	1 942	1 964	1 957	1 977
Notes and coins in circulation	5 706	6 062	6 353	6 337	6 316	6 301
Notes	5 235	5 572	5 834	5 814	5 791	5 775
Coins	471	490	519	523	525	526
Deposit certificates in circulation	2 000	1 700	750	2 950	3 350	1 400
Claims of financial institutions	3 961	4 791	6 525	6 606	5 671	6 454
Banks' cheque accounts	1	6	18	7	0	3
Call money market deposits	1 042	1 470	1 432	1 563	687	1 383
Cash reserve deposits	2 777	3 132	4 889	4 876	4 876	4 948
Capital import deposits	122	177	134	134	60	60
Other financial institution claims	19	6	52	26	48	60
Claims of the public sector	163	50	1	0	0	1
Cheque accounts	0	1	1	0	0	1
Counter-cyclical reserves	64	—	—	—	—	—
Capital import deposits	99	49	—	—	—	—
Other public sector claims	0	0	0	0	0	0
Claims of corporations	1 837	1 687	1 813	1 858	1 855	1 901
Deposits for investment and ship purchase	1 490	1 416	1 393	1 425	1 421	1 428
Capital import deposits	337	265	414	427	428	467
Other corporate claims	10	6	6	6	6	6
Other liabilities	16	23	16	19	19	19
Equalization accounts	808	1 609	1 970	1 995	1 990	2 006
Capital accounts	4 289	4 699	4 934	4 621	4 635	4 650
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	—	—	334	—	—	—
Net earnings	257	667	235	256	270	285
<b>Total</b>	<b>22 027</b>	<b>26 053</b>	<b>27 067</b>	<b>29 132</b>	<b>28 575</b>	<b>27 497</b>

## BANK OF FINLAND

Mill. mk

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>											
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
June	2 362	181	4 166	6 709	3 927	-636	10 000	1 663	1	-1 662	750
July	2 368	214	4 206	6 788	4 330	-668	10 450	1 662	1	-1 661	1 400

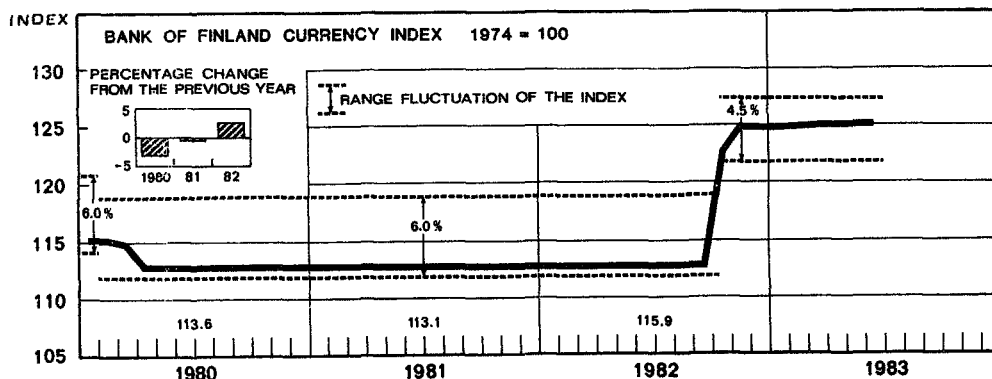
## FOREIGN EXCHANGE POSITION

Mill. mk

	Net holdings, Dec. 31, 1982			Net holdings June 30, 1983			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	June	Jan.-June
Gold	1 382	—	1 382	1 383	—	1 383	—	+1
Special drawing rights	609	—	609	521	—	521	-7	-88
IMF reserve tranche	453	—	453	458	—	458	+1	+5
Foreign bonds	764	—	764	181	—	181	-198	-583
Convertible currencies	5 796	-11 049	-5 253	4 165	-11 377	-7 212	-13	-1 959
Total	9 004	-11 049	-2 045	6 708	-11 377	-4 669	-217	-2 624
Tied currencies	1 526	-215	1 311	3 928	-222	3 706	+382	+2 395
Grand total	10 530	-11 264	-734	10 636	-11 599	-963	+165	-229

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											
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
June	998	451	2 853	1 432	4 889	-1 153	-866	4 374	1 249	3 125	6 353
July	879	317	2 984	1 383	4 948	-1 282	-869	4 369	1 337	3 032	6 301

<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

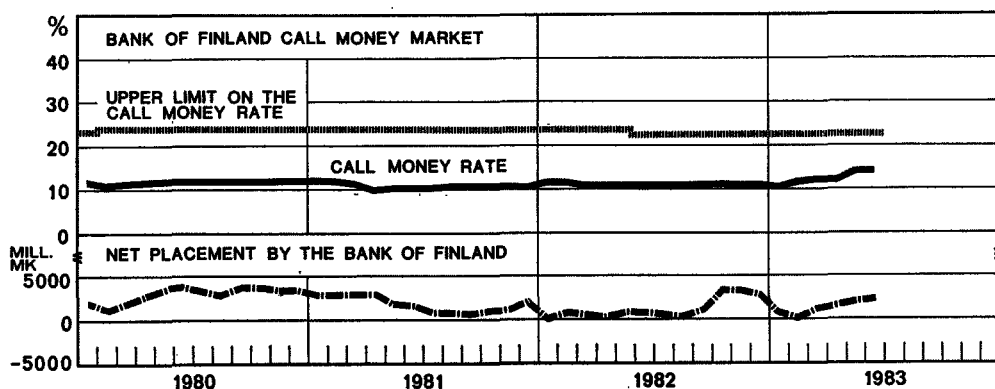
## 1982

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	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	14.55	9.00
June	3 858	2 708	400	4 770	4 169	2 308	8.50	15.00	14.33	9.07
July	4 438	3 024	400	4 889	4 277	2 627	9.50	15.00	..	..

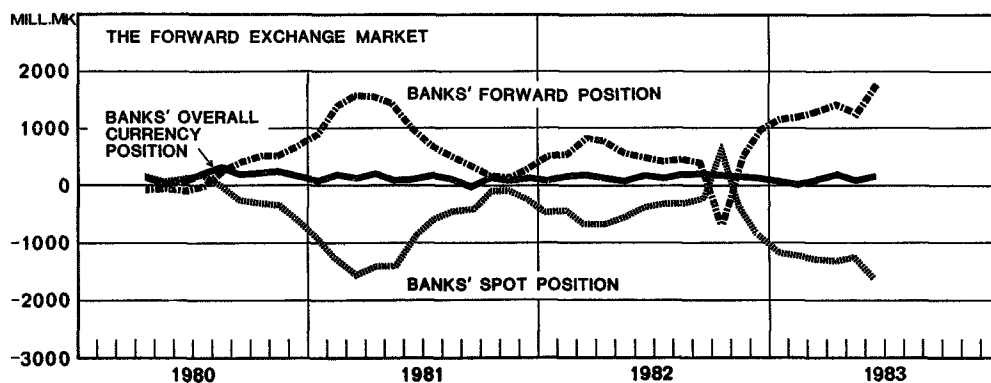
<sup>1</sup> End of period.





# FORWARD EXCHANGE MARKETS IN FINLAND

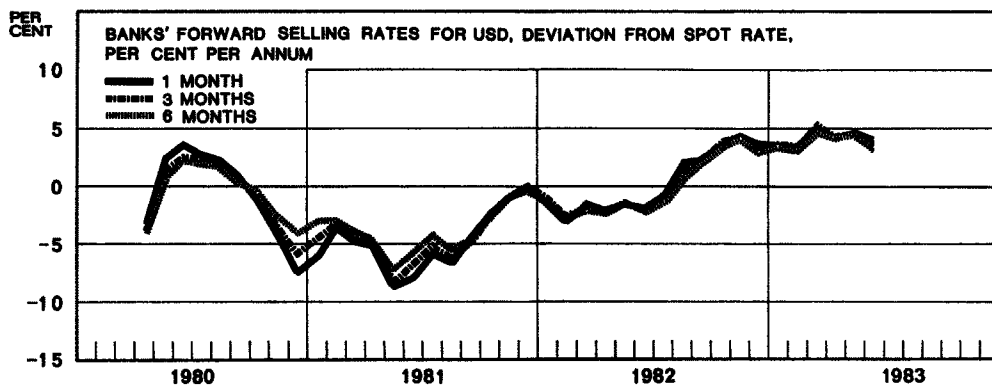
Period	Banks' Forward Positions in mill. mk with						Banks' Forward Selling Rates for USD		
	Domestic Firms			Foreign Banks Net	Bank of Finland Net	Overall Net	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net				1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1981	5 183.0	1 619.8	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
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
May	9 941.4	1 932.5	8 008.9	-735.1	-5 378.1	1 755.0	4.9	4.8	4.7
June	9 464.3	1 749.7	7 714.6	-1 118.2	-4 590.2	1 745.1	4.3	4.1	3.5



# FOREIGN EXCHANGE RATES

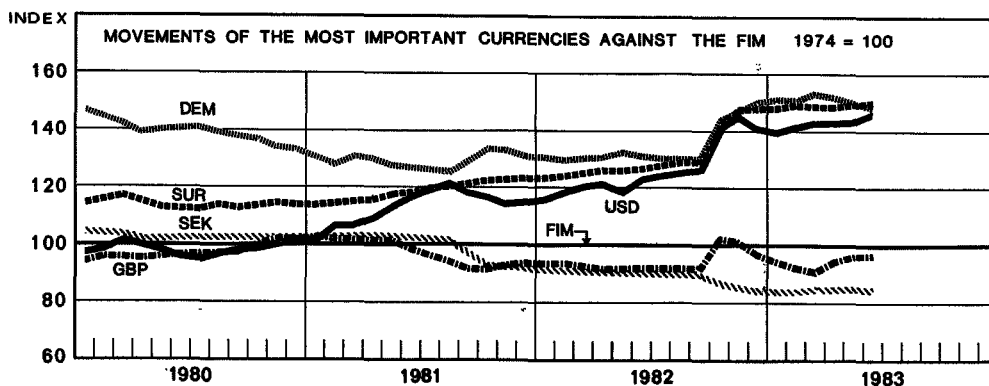
Average selling rates for foreign exchange, mk

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>											
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
June	5.546	4.503	8.608	6.878	72.72	76.46	60.84	217.76	194.30	10.902	10.866
July	5.592	4.544	8.558	6.840	72.80	76.47	60.25	216.44	193.48	10.816	10.762



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 rbl SUR	I 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
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
262.74	72.53	0.368	30.93	5.29	20.55	3.89	2.313	7.529	5.915 46	125.2
264.53	72.13	0.367	30.80	4.76	20.49	3.80	2.331	7.550	5.933 72	125.3



# DEPOSITS BY THE PUBLIC

Mill. mk

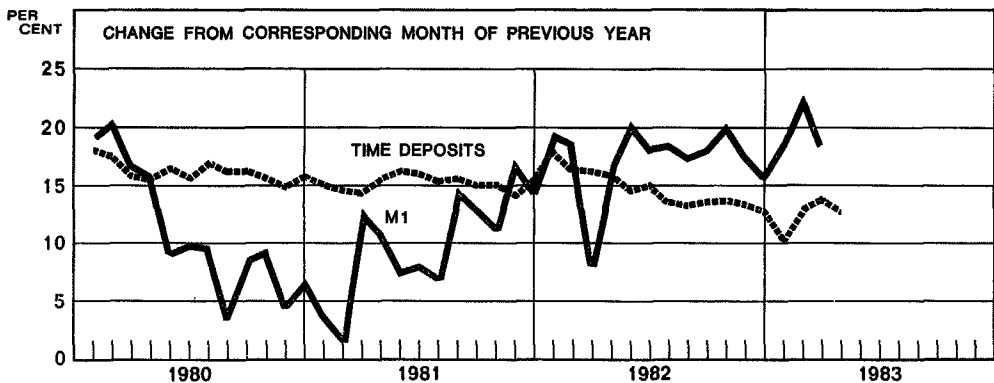
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	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\*

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
March	6 333	3 696	3 384	13 413	30 144	26 684	22 029	8 865	87 722	101 135
April	5 918	3 788	3 917	13 623	30 469	26 945	22 163	8 840	88 417	102 040



# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

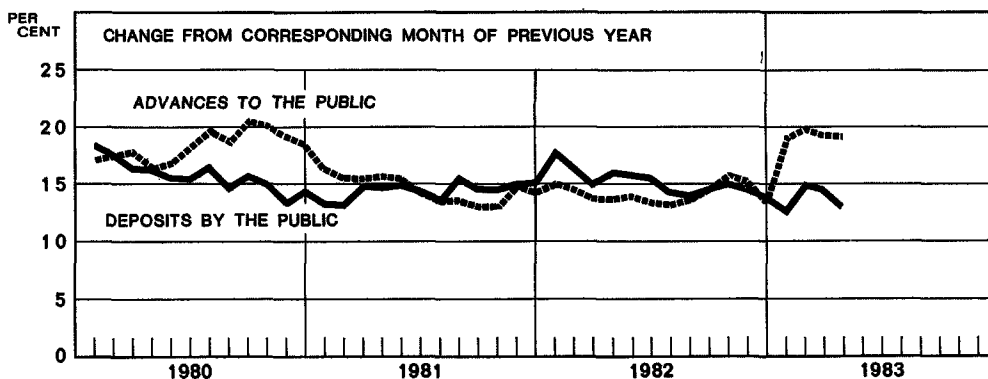
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> +Quasi-Money
	1	2	3	4	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\*

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
March	50 364	26 474	24 262	12 766	95 658	4 569	13 639	113 866	19 401	110 101
April	51 368	26 685	24 415	12 842	96 653	4 744	13 913	115 310	19 374	110 890



## STATE FINANCES

Mill. mk

Revenue	Jan.-April		Expenditure	Jan.-April	
	1982	1983		1982	1983
Income and wealth tax (net)	4 461	5 233	Wages, salaries, pensions etc.	3 206	3 635
Gross receipts	14 064	15 461	Repair and maintenance	342	379
Refunds & local authorities	-9 603	-10 228	Other consumption expenditure	2 240	2 573
Other taxes on income and wealth	140	175	Total consumption expenditure	5 788	6 587
Employers' child allowance payments	1	1	State aid to local authorities	4 093	4 853
Sales tax	4 530	5 184	State aid to industries	3 274	2 936
Customs duties and import charges and levies	572	480	of which: agric. price subsidies	1 675	1 543
Excise duties	3 297	2 712	Child allowances	440	500
Excise duty on alcoholic bev.	964	1 016	Share in national pensions and sickness insurance schemes	259	831
Excise duty on tobacco	417	374	Deficit of State enterprises	414	493
Excise duty on liquid fuel	971	820	Other transfer expenditure	2 801	3 291
Other excise duties	945	502	Total transfer expenditure	11 281	12 904
Tax on autom. and motor-cycles	611	869	Machinery and equipment	528	570
Stamp duties	431	520	Construction of buildings	236	281
Special diesel etc. vehicles tax	77	87	Land and waterway construction	646	659
Other taxes and similar revenue	367	452	Total real investment	1 410	1 510
Total taxes	14 487	15 713	Interest on State debt	801	1 303
Miscellaneous revenue	1 418	1 606	Other expenditure	3	2
Interest, dividends etc.	347	342	Total other expenditure	804	1 305
Surplus of state enterprises	538	712	Increase in inventories	-210	78
Redemptions of loans granted	157	154	Lending	1 093	1 172
<b>Total revenue</b>	16 947	18 527	Other financial investment	128	199
Foreign borrowing	2 155	1 629	<b>Total expenditure</b>	20 294	23 755
Domestic borrowing	1 212	2 186	Redemption of foreign loans	322	267
<b>Total borrowing</b>	3 367	3 815	Redemption of domestic loans	1 002	733
<b>Deficit (+) or surplus (-)</b>	1 304	2 413	<b>Total redemptions</b>	1 324	1 000
Total	21 618	24 755	Total	21 618	24 755

1 Incl. deficit of state enterprises.

State debt	1981	1982	1983			
	Dec.	Dec.	Feb.	March	April	May
<b>Foreign debt</b>	13 331	18 807	19 747	20 100	20 392	20 145
Long-term debt	8 762	11 378	12 006	12 501	12 726	13 336
Short-term credit	9	63	98	107	75	77
<b>Domestic debt</b>	8 771	11 441	12 104	12 608	12 801	13 413
<b>Total State debt</b>	22 102	30 248	31 851	32 708	33 193	33 558
Total debt mill. \$	5 052	5 651	5 910	6 025	6 106	6 163

# FOREIGN TRADE

Mill. mk

Value, 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

1982

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

1983\*

Jan.	5 025	5 554	-529
Feb.	5 610	5 071	+539
March	6 268	5 728	+540
April	5 738	5 706	+32
May	6 167	6 220	-53

Jan.-May

1982	26 292	25 069	+1 223
1983*	28 808	28 279	+529

Indices of exports and imports  
1980 = 100

Period	Indices of exports and imports 1980 = 100				Terms of trade
	Volume		Unit value		
	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

1981

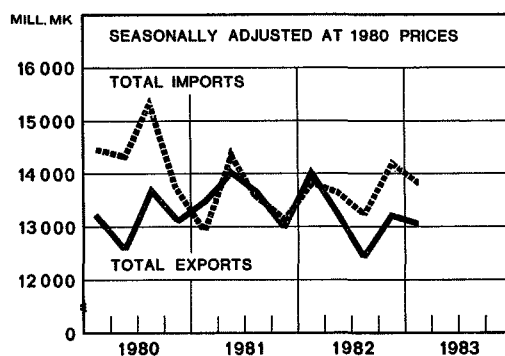
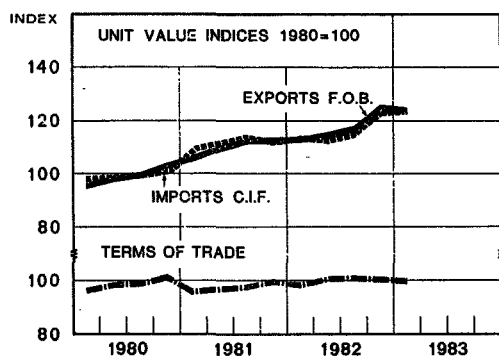
Jan.-March	102	84	107	110	97
Apr.-June	106	95	110	113	98
July-Sept.	95	94	113	115	99
Oct.-Dec.	108	100	114	113	100

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

1983\*

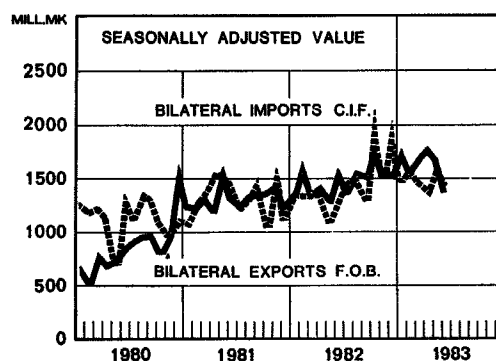
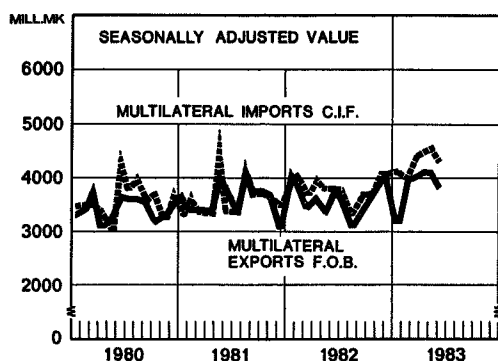
Jan.-March	102	90	125	125	100
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# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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
<b>1982</b>										
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
<b>1983*</b>										
Jan.	60	466	1 312	1 720	1 467	3 413	349	825	921	46
Feb.	336	563	1 422	1 541	1 748	3 213	248	666	901	43
March	317	580	1 668	1 938	1 765	3 523	227	1 016	948	14
April	78	595	1 547	1 548	1 970	3 374	269	1 008	1 045	10
May	258	655	1 473	1 952	1 829	3 951	325	974	959	11
<b>Jan.-May</b>										
1982	1 045	2 483	7 528	6 611	8 625	16 172	1 254	3 854	3 757	32
1983*	1 049	2 859	7 422	8 699	8 779	17 474	1 418	4 489	4 774	124





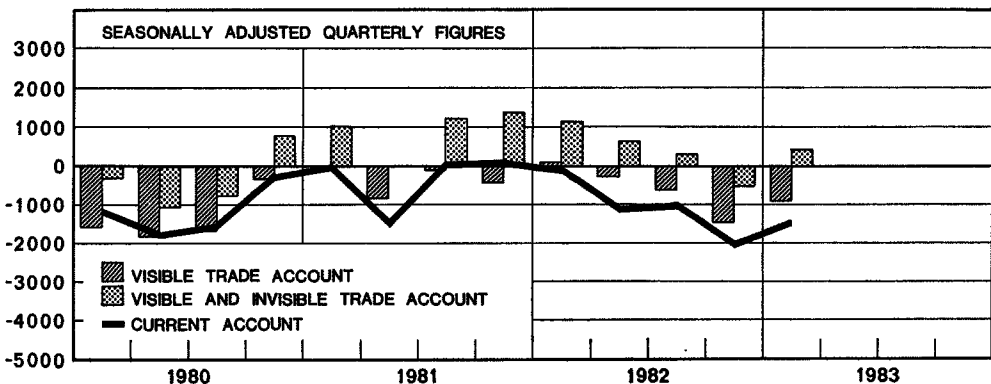
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—May				January—May			
	1982*		1983*		1982*		1983*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	57.4	15 061	54.3	15 638	55.9	13 997	54.8	15 495
Austria	0.7	178	0.7	193	1.4	337	1.3	374
Belgium and Luxembourg	1.5	383	1.7	477	1.8	460	2.0	558
Denmark	4.5	1 172	3.4	965	2.3	588	2.7	758
France	4.7	1 241	4.6	1 330	3.5	880	3.6	1 027
Federal Republic of Germany	10.1	2 634	10.3	2 982	13.8	3 447	14.5	4 110
Italy	2.2	570	2.0	572	2.7	673	3.3	924
Netherlands	3.1	811	3.9	1 122	2.7	679	2.8	787
Norway	3.6	936	3.2	926	2.3	569	2.6	729
Portugal	0.2	55	0.2	65	0.6	151	0.7	198
Spain	0.8	208	0.7	204	0.7	172	0.8	216
Sweden	12.3	3 240	11.4	3 275	14.2	3 554	11.4	3 228
Switzerland	1.5	408	1.4	399	1.8	449	1.8	507
United Kingdom	10.4	2 736	9.6	2 769	7.5	1 887	6.8	1 931
Other	1.8	489	1.2	359	0.6	151	0.5	148
<b>OECD countries outside Europe</b>	5.9	1 541	6.4	1 840	11.8	2 958	13.2	3 740
Canada	1.0	252	0.7	213	1.0	248	0.6	178
Japan	1.2	320	1.2	329	4.4	1 094	5.6	1 570
United States	2.7	718	3.7	1 073	6.2	1 568	6.6	1 873
Other	1.0	251	0.8	225	0.2	48	0.4	119
<b>CMEA countries</b>	27.4	7 244	29.9	8 617	23.5	5 899	24.0	6 780
Czechoslovakia	0.3	67	0.4	124	0.6	157	0.5	132
German Democratic Republic	0.5	135	0.4	122	0.6	156	0.6	183
Poland	0.1	30	0.2	43	1.3	324	1.1	312
Soviet Union	25.5	6 756	28.4	8 187	19.9	4 993	21.3	6 017
Other	1.0	256	0.5	141	1.1	269	0.5	136
<b>Latin America</b>	1.0	275	1.2	352	2.8	717	2.6	734
Argentina	0.1	41	0.1	38	0.2	55	0.1	39
Brazil	0.3	71	0.3	83	1.0	256	0.8	217
Colombia	0.1	26	0.1	41	0.5	125	0.6	157
Other	0.5	137	0.7	190	1.1	281	1.1	321
<b>Other</b>	8.3	2 171	8.2	2 361	6.0	1 498	5.4	1 530
<b>GRAND TOTAL</b>	100.0	26 292	100.0	28 808	100.0	25 069	100.0	28 279
of which								
<b>EFTA countries</b>	18.5	4 859	17.0	4 889	20.4	5 109	17.9	5 061
<b>EEC countries</b>	37.9	9 950	36.5	10 506	34.7	8 705	36.1	10 218
<b>OECD countries</b>	63.3	16 602	60.7	17 479	67.7	16 955	68.0	19 235

# BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income net	Unrequited transfers net	Other, net	Current account
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



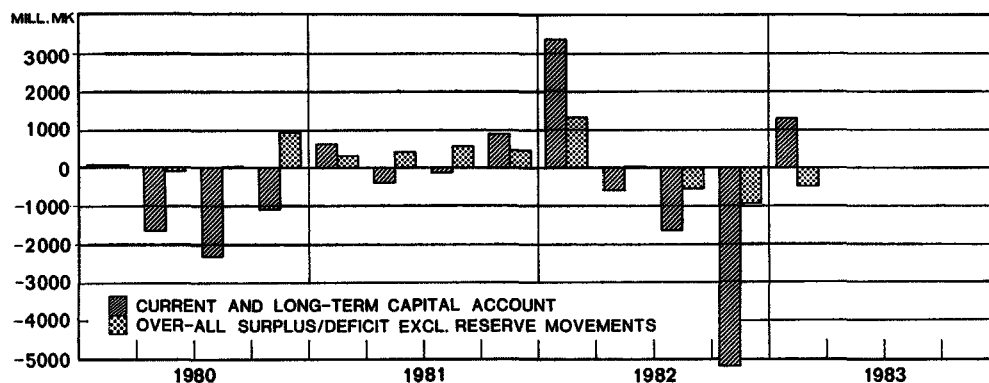
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net <sup>2</sup>	Miscellaneous, short-term capital 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.

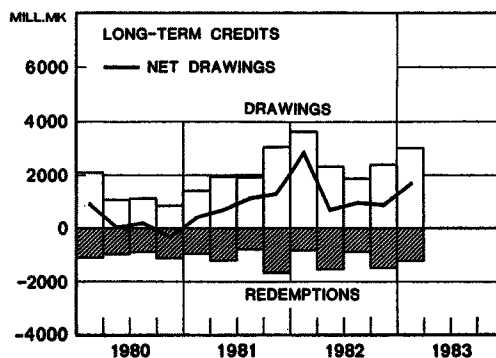
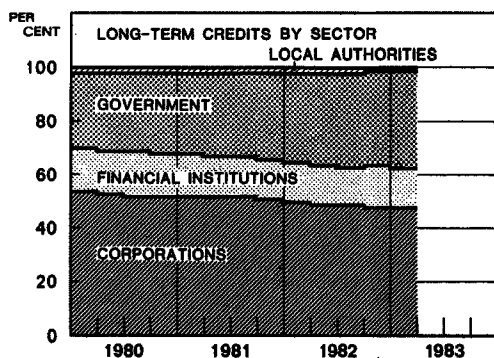
<sup>2</sup> Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

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

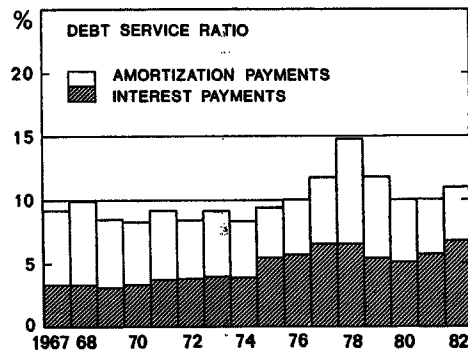
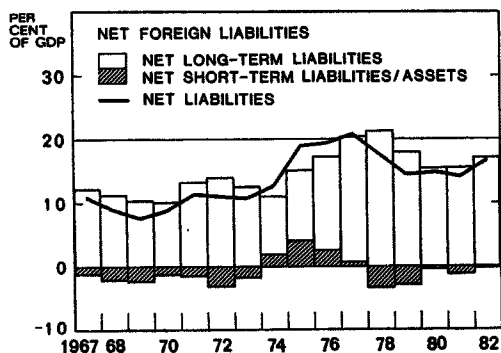


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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	28 825
Dec.	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793
1981										
March	4 254	2 945	1 229	8 428	30 523	4 455	2 138	442	37 558	29 130
June	4 473	3 161	1 278	8 912	32 814	4 467	2 180	406	39 867	30 955
Sept.	4 559	3 329	1 282	9 170	34 414	4 377	2 168	392	41 351	32 181
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 1980 = 100 <sup>1</sup>						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1981	1 044	112.8	112.9	112.5	114.0	112.0	110.6	110.1	109.6	110.0
1982	1 122	120.9	122.1	116.7	120.8	122.4	119.0	117.7	116.8	117.8
1982										
Oct.	1 150	123.5	123.1	124.6	123.5	124.9	121.7	120.7	120.4	120.7
Nov.	1 157	124.5	123.8	126.2	124.6	125.1	123.0	121.2	120.4	121.6
Dec.	1 163	125.1	125.1	124.9	125.5	125.3	123.5	121.5	120.4	122.0
1983										
Jan.	1 169	125.8	126.1	124.3	125.3	128.1	124.0	123.3	118.9	123.9
Feb.	1 170	125.5	126.5	122.2	124.4	128.8	124.3	123.8	118.9	124.6
March	1 166	125.4	126.8	121.2	123.7	129.3	125.4	124.5	118.9	125.6
April	1 169	126.1	127.6	121.2	124.0	130.4	126.1	125.9	122.0	126.5
May	1 172	126.7	128.2	122.2	125.0	130.4	127.1	127.1	125.1	127.0
June	1 185	126.9	128.3	122.7	125.1	130.0	128.2	129.7	125.8	130.4

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

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											
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
May	170.9	167.4	191.4	167.4	168.3	186.4	157.4	181.5	172.6	159.9	178.6
June	172.9	169.7	198.3	168.4	168.3	187.1	159.1	184.8	175.0	161.7	181.0

# WAGES

## Index of wage and salary earnings 1975 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
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	213.5	181.8	206.9	201.5	194.9	212.0	207.4	208.8	208.1
<b>1982*</b>										
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	206.9	200.7	195.0	211.8	206.9	208.8	207.8
July-Sept.	226.3	211.6	181.4	207.0	201.0	194.8	211.8	207.6	208.1	207.8
Oct.-Dec.	234.9	221.7	189.9	216.3	211.7	204.9	220.5	216.6	217.4	217.0
<b>1983*</b>										
Jan.-March	235.7	223.1	190.7	217.2	215.2	205.5	222.1	218.7	218.7	218.7

# PRODUCTION

## Volume indices of production 1975 = 100

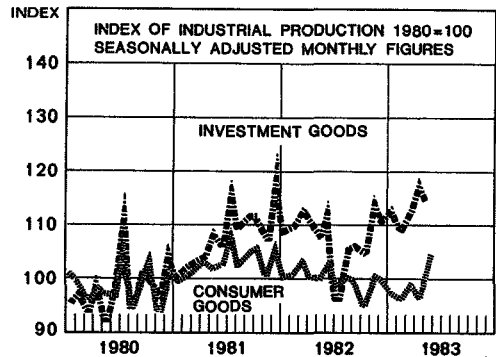
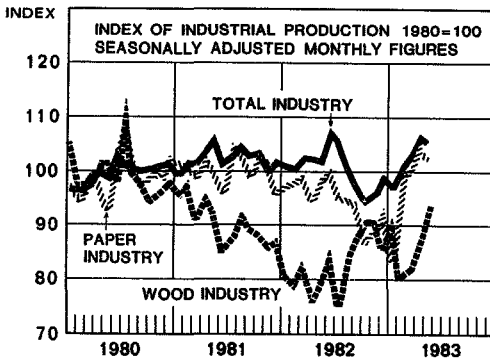
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
<b>1980</b>										
Oct.-Dec.	126	136	84	168	121	92	131	114	127	120
<b>1981*</b>										
Jan.-March	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
<b>1982*</b>										
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*											
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	98.4
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	103.0
April	102.7	119.8	98.5	101.6	96.9	96.4	93.3	106.5	93.6	115.9	107.0
May	111.4	125.7	108.4	110.1	105.9	115.5	102.6	101.8	106.4	123.3	105.7

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





# LABOUR<sup>1</sup>—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
1982*	3 658	2 530	2 380	150	5.9	41 435	130	144
1982*								
Jan.	3 648	2 477	2 302	175	7.1	3 278	108	115
Feb.	3 650	2 379	2 319	160	6.4	4 260	107	126
March	3 652	2 432	2 269	163	6.7	5 781	120	148
April	3 654	2 451	2 286	165	6.7	5 243	125	142
May	3 656	2 505	2 375	130	5.2	3 564	125	142
June	3 658	2 674	2 537	136	5.1	2 582	131	144
July	3 660	2 690	2 548	142	5.3	1 167	136	123
Aug.	3 662	2 619	2 475	143	5.5	1 383	130	145
Sept.	3 664	2 542	2 401	141	5.6	2 401	130	156
Oct.	3 663	2 517	2 365	152	6.0	3 164	140	160
Nov.	3 664	2 482	2 343	139	5.6	4 165	137	160
Dec.	3 663	2 492	2 345	147	5.9	4 793	173	171
1983*								
Jan.	3 670	2 469	2 289	180	7.3	3 728	113	118
Feb.	3 672	2 479	2 314	165	6.7	4 545	112	128
March	3 674	2 497	2 333	164	6.6	5 963	129	152
April	3 677	2 482	2 315	167	6.8	5 227	124	148

<sup>1</sup> Revised figures, see item on page 33.

## 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
1982*											
Jan.-March	9.10	3.36	1.29	3.31	0.71	7.21	3.30	0.61	2.58	0.31	45.91
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
1983*											
Jan.-March	9.35	3.96	1.23	3.01	0.67	8.94	3.50	1.02	3.36	0.62	45.91

# 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 markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 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 (July 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 9 ½%. The range of rates for other credits granted by the Bank of Finland is between 6% and 12%. Other credit institutions: time deposits 5 ¼%; 6 month deposits 6 ¼%; 12 month deposits 8%; 24 month deposits 9 ¼% and sight deposits 2 ¼%. The highest lending rate 14%.

# MONETARY POLICY

by T. R. G. Bingham, D.Phil. (Oxon.)  
and Ralf Pauli, M.Sc. (Econ.)

Monetary Policy Department  
Bank of Finland

In recent years, fairly fundamental changes have been occurring in Finland's financial markets. These changes are altering the avenues of monetary policy transmission, modifying financial behaviour and making the interpretation of events in the financial market more difficult than in the past. In response, changes have been made in the method of implementing monetary policy. Moreover, the monetary policy stance was modified during the last 12 months.

## RECENT MONETARY POLICY

Unlike a number of other countries, Finland adopted an easier monetary policy in the spring of 1981. Growth had decelerated and there was a desire to combat unemployment which, while not high by international standards, was still of concern.

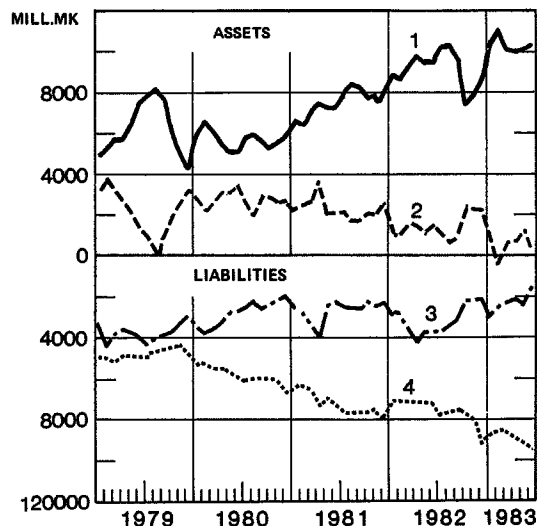
Beginning in the autumn of 1982, monetary policy was gradually made more restrictive. At the beginning of the year, the world economy was still in a cyclical trough and there were few firm signs of a broadly-based recovery, but towards the end of the year and in 1983 demand prospects improved. More important, though, was the growing fear that domestic inflation would start to rise. The Finnmark had been devalued in the autumn partly in reaction to a substantial adjustment in the external value of the Swedish krona. The income agreements concluded last winter did not promote price stability.

For most of the autumn, domestic monetary conditions were strongly influenced by disturbances in the foreign exchange market

(Chart 1). Changes in leads and lags led to a net outflow of short-term capital and placed pressure on domestic liquidity, pressure that did not let up before the end of the year.

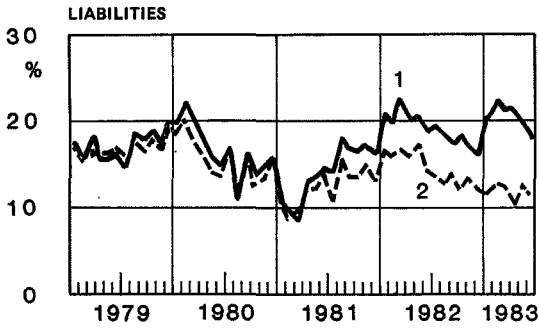
The commercial banks' debt to the central bank almost doubled and the cost of this debt rose still more as the Bank of Finland adjusted some of its policy parameters. At the time the tightening seemed quite substantial in light of the economic situation then prevailing, but it was clear that an effective devaluation of 10 per cent causes inflationary pressures and expectations that require firmness on the part of the monetary authorities. Subsequent improvements in demand prospects provided further grounds for restraint.

**CHART 1. KEY ITEMS IN CENTRAL BANK BALANCE SHEET, MONTHLY AVERAGES**

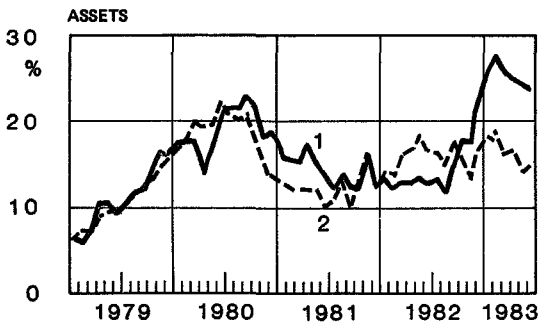


1. FOREIGN EXCHANGE RESERVES
2. NET CLAIMS ON BANKS
3. NET LIABILITIES TO GOVERNMENT AND POSTIPANKKI
4. OTHER, NET

**CHART 2. GROWTH IN BANK LIABILITIES AND ASSETS, PER CENT**



1. TOTAL LIABILITIES  
2. TRADITIONAL DEPOSITS  
TOTAL = TRADITIONAL DEPOSITS PLUS THE BALANCE SHEET ITEM "OTHER LIABILITIES" (PRIMARILY NEW, UNREGULATED RATE DOMESTIC CURRENCY INSTRUMENTS)



1. TOTAL CREDIT (INCLUDING BONDS) TO THE PUBLIC IN DOMESTIC AND FOREIGN CURRENCY  
2. TOTAL CREDIT TO THE PUBLIC IN DOMESTIC CURRENCY

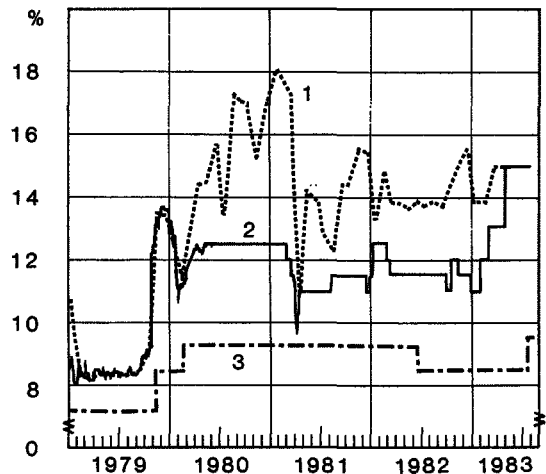
In the first half of 1983 monetary policy was designed to slow down monetary expansion. In the beginning of the year credit extended by the commercial banks grew at a rate that was twice as high as the increase in nominal GNP (Chart 2). Even though the credit growth of the savings and cooperative banks and the bulk of the other credit institutions was lower and even though changes in the financial market and financial behaviour have made the interpretation of the statistics difficult, total credit expansion was high enough to be of concern. Some slowing down has taken place but the rate was still excessive at the beginning of the summer.

Part of the monetary expansion is a reflection of new features in the market. The upsurge in commercial bank lending has been coupled with a strong expansion of liabilities other

than traditional deposits, reflecting changes in financial behaviour and market structures (Chart 2). Firms are increasingly inclined to place funds in the growing money market in which interest rates are not regulated. As it is unclear whether the change in the liquidity preference of firms is permanent or whether their liquid assets will be run down as soon as investment prospects improve, it is difficult to assess just what the rapid growth of the monetary and credit aggregates signifies.

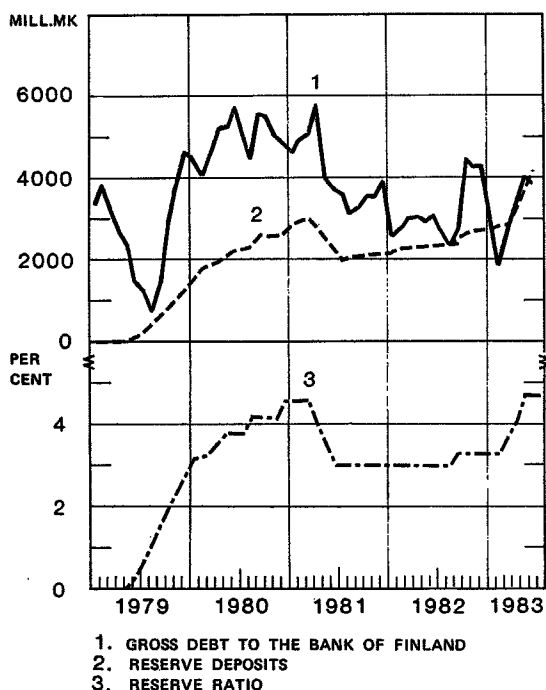
Disturbances in the foreign exchange market and the impact on liquidity of variations in both the Government's cash position and foreign payments as well as the gradual reformulation of the basic policy stance have called for a number of adjustments in the policy parameters in the last 12 months. In the autumn active use was made of the call money rate and the supplementary charge on call money credit to implement policy (Chart 3 and 5). The cash reserve requirement, which had been at a low point of 3 per cent for about one year, was raised in the beginning of the autumn and then in the spring to 4.7 per cent where it has remained since then (Chart 4). The Bank of Finland's share in the domestic suppliers' credit arrangement was cut from 50 per cent

**CHART 3. KEY INTEREST RATES**



1. MARGINAL RATE  
2. CALL RATE  
3. BASE RATE

**CHART 4. CENTRAL BANK FINANCING AND RESERVE DEPOSITS OF THE COMMERCIAL BANKS**



ized so that the banks can now pass on in their controlled interest rates a part of the cost of funds purchased in the increasingly important money market in which interest rates are not subject to administrative control. In addition, the evolution of the financial system had some influence on the decision to change the Bank of Finland's base rate of interest in July.

#### MARGINAL INTEREST RATES

Before the modification of the rules governing access to central bank finance, different banks faced different marginal rates depending on the amount that they borrowed. Each bank was entitled to a certain quota of credit from the Bank of Finland at the base rate. After that, credit was available in the call money »market», an overnight deposit and overdraft facility in the central bank established in 1975 and designed to regularize and improve the modest and somewhat haphazard transactions that previously took place between the banks. However, if call money borrowing exceeded certain limits set in terms of the quotas, penalty charges were levied on top of the call money rate.

to 40 per cent in May when the system of monetary control was modified (see below). The Bank of Finland's base rate was raised by one per cent in July.

#### MONETARY POLICY IN A CHANGING FINANCIAL ENVIRONMENT

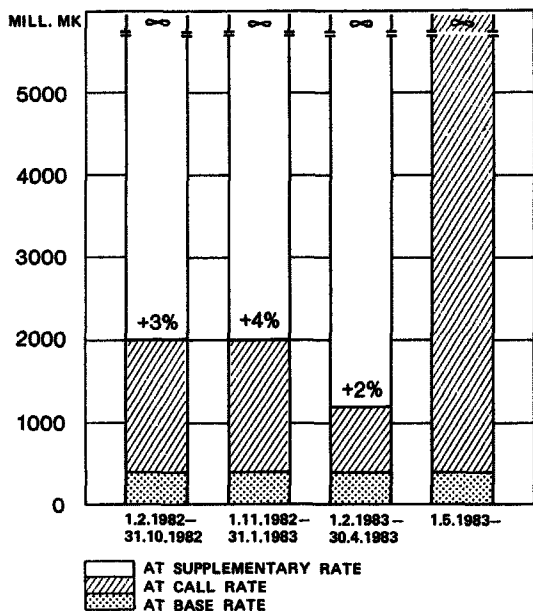
Monetary policy has reacted to changes in the financial environment which have been occurring over the past few years in Finland.<sup>1</sup>

This year two significant modifications were made in the methods of monetary control. The regulations governing the marginal cost of liquidity provided by the Bank of Finland to the banking system were altered so that all banks now confront the same rate of interest at the margin. At the same time the regulations governing the banks lending rates were liberal-

The number of tranches and the severity of the penalty charges were varied in line with monetary policy (Chart 5). The system contained an element of selectivity in that it focussed restrictive measures on just those institutions which were particularly aggressive: it increased the marginal cost of finance without raising excessively average costs to the banking system as a whole. While providing a flexible means of influencing liquidity conditions, this method of implementing policy gradually lost its selective character as the short-term money market expanded. Money was intermediated between the banks in this forum and the relevant cost of liquidity for all banks came to be the interest rate in the inter-bank market. Although the central bank could influence this rate by varying the tranches and penalty charges, the relevant central bank rate was not the call money rate or any one of the penalty rates but rather a notional weighted average.

<sup>1</sup> The causes and character of financial innovation are described in the August 1982 issue of this Bulletin.

**CHART 5. BANK OF FINLAND CREDIT QUOTAS**



In order to eliminate these needless complexities and to provide greater transparency in the implementation of monetary policy, the system of tranches and penalty charges in the call money market was abolished. At the same time the call money rate was raised to maintain the marginal cost of finance at its previous level. As a result, there is now a closer correspondence between the call money rate upon which the Bank of Finland decides and the short-term market rate.

#### LENDING RATE CONTROLS

The decision to liberalize the restrictions on bank lending rates was also prompted by the financial innovation that has occurred. Prior to the late 1970s there was little financial intermediation outside the regulated rate market. Supervision or regulation of bank lending rates was one of the pillars of the system of monetary control. Because banks were prevented from passing on increases in their funding costs, steps by the central bank to raise the marginal cost of liquidity could be expected to reduce the quantity of credit

extended by the banks. And since there were few alternative sources of credit, this tended to restrain economic activity.

As the unregulated rate market segment grew, the relative importance of different avenues of monetary policy transmission changed. Availability became less important and prices more important. Agents who were unable to obtain credit from banks when restrictive measures were implemented increasingly sought and obtained credit from alternative sources where, to be sure, interest rates were higher. If activity was curbed, it was now in part because the rise in the cost of unregulated credit led borrowers to pause before undertaking their projects and lenders to augment their financial saving.

The restrictions on lending rates also tended to skew competition between banks and other financial institutions not subject to interest regulations. The problem was not so much of a lack of «equitable» competitive conditions since many of the non-bank financial institutions active in the unregulated market segment are owned by the banks.<sup>2</sup> Rather the problem was that the parallel existence of two financial markets, one regulated and the other unregulated, tended to skew the development of different forms of financial intermediation and potentially to bias the financial structure of different borrowers.

Financial transactions were increasingly undertaken to exploit interest rate differentials that existed at least in part because of administrative restrictions. Not only did this make it difficult to assess the meaning of the growth of different monetary and credit aggregates, it also reduced the quality of the financial statistics because a growing part of financial intermediation took place in parts of the financial system where information is less comprehensive and compiled more slowly. While the expansion of this market has been seen to bring the benefits of price allocation, it has

<sup>2</sup> See front article of this issue.

been necessary to develop the methods of monetary control.

In May of this year the regulations regarding bank lending rates were modified.<sup>3</sup> The highest permissible lending rate was raised from 12 ½ to 13 per cent, and the restrictions on the banks' average lending rates were relaxed. Funding in the unregulated market now leads to an automatic increase in the limit on average lending rates. However, the banks must still bear a proportion (60 per cent) of the increased costs. Previously they had to bear the entire cost.

There are two related reasons why the lending regulations were relaxed, not rescinded. First, the availability of bank credit is still thought to play an important role in the transmission of monetary policy. Secondly, the changes in the financial system have been gradual, and gradual adjustment in the methods of monetary policy implementation has been felt to be appropriate. Complete abolition of lending rate controls might have led to excessive reaction and disorderly and potentially destabilizing conditions in financial markets.

There are several features of the new average lending regulations that deserve note. First, although the allowable increase in the average lending rate on the entire stock of credit was only about 0.2 per cent, the impact on rates at the margin was much greater. The banks were asked not to change rates on outstanding credits, which meant that rates on new and renegotiated credits could be increased by several percentage points without exceeding the ceilings on average lending rates. Secondly, the rules governing average lending rates may create pressures which result in a rise in rates in the unregulated segment.

#### BASE RATE

In July of this year the base rate applied by the Bank of Finland was raised from 8 ½ to

9 ½ per cent (Chart 3). Since by convention rates on both existing and new financial contracts (both deposits and loans) in the regulated rate market change whenever the base rate is altered, virtually all interest rates in Finland rose. The main reason for altering interest rates was the desire to achieve price stability and maintain competitiveness in world markets over the long term. The evolution of the financial market had, however, some bearing on it. As the unregulated rate segment grew, there was an increasing temptation for firms or other agents to maximize their low rate borrowing in the regulated rate segment and place any surplus funds in the unregulated market where rates are higher. These actions led to a lengthening of the balance sheets of the agents involved and changed conventional relationships between financial aggregates and real economic activity. Moreover, for the banks such inverse interest rate transformation is unsustainable in the long run.

The general rise in interest rates reduced the tension between the two markets because the call money rate was not altered. Together with the increase in the maximum permitted lending rate in May, this step lifted the highest bank lending rate to 14 per cent, which is roughly the same as the rate currently prevailing in the unregulated rate market. The banks are therefore no longer compelled to engage in inverse interest rate transformation at the margin, though intramarginal customers may be able to exploit the differential between the regulated and unregulated rate segments. A final consequence of interest rate liberalization is to reduce the disintermediation which occurred. There is now less pressure to channel funds to ultimate agents outside of bank balance sheets.

#### CONTINUITY AND REFORM

Although the unregulated rate market has grown vigorously, it is still only a small fraction of the regulated rate segment, and

<sup>3</sup> See Note in the May 1983 issue of this Bulletin.



there are reasons to expect that it will not engulf the latter market. In the first place it is not in the interest of the banks, which are major forces in both markets, to see cheap sources of funding dry up as a result of the growth of the unregulated segment. They can be expected to engage in product differentiation and other measures to prolong the existence of a large regulated rate segment. So far they have been careful to offer maturities and denominations of unregulated rate contracts that do not compete directly with their regulated rate products. Secondly tax treatment constitutes a significant barrier to the widespread extension of the unregulated rate market to the household sector. Households pay no income tax on interest paid on regulated rate deposits and do not even need to declare the existence of funds in regulated rate accounts when filing their wealth tax returns so that rates on unregulated rate instruments have to be substantially above regulated rate deposits to be competitive.

Banks and companies must adapt to changing conditions in the financial market. Assets and liabilities management is acquiring new significance and this may tend to alter the relationships between companies and the banks. Firms are hesitant to keep liquid funds on accounts paying low rates of interest and banks take care not to grant credit at concessionary rates to such an extent that firms are able to engage in extensive interest rate arbitrage. However, given the universal nature of the Finnish banking system, the bank-corporate nexus will no doubt continue to be important, particularly as the regulated segment is expected to remain large. This will prevent the relationships between banks and firms from becoming purely market-determined. In so far as the formulation of monetary policy is concerned, the gradual nature of the process of change in the financial market is welcome. It allows the central bank to gain experience with new ways of implementing monetary policy while the traditional ones still have an impact.

# ITEMS

**Supplementary budget.** The first supplementary budget for 1983 was approved by parliament in June. It consists of outlays of 1.3 billion marks, representing an increase of almost 2 per cent on the ordinary budget.

The largest individual item of additional expenditure is an outlay of 0.3 billion marks resulting from measures, mainly increases in child allowances, designed to mitigate the adverse effects of the devaluation of October 1982 on households. A number of other items of expenditure in the supplementary budget are also due to the devaluation. In addition, further resources have been allocated for the employment programme and for agricultural subsidies. So far, budgeted state expenditure for this year totals 75.5 billion marks, equivalent to some 29 per cent of GDP.

The outlays in the first supplementary budget will be financed mainly by increased borrowing abroad. Budgeted gross borrowing in 1983 now totals 11.4 billion marks and the net borrowing requirement some 8 billion marks, or 3 per cent of GDP.

**The Bank of Finland's investment inquiry of June 1983.** During the recession of recent years, the volume of industrial investment has remained fairly stable. According to the Bank of Finland's investment inquiry, the volume of industrial investment will be approximately unchanged this year and decline in 1984. This suggests that the first signs of an international upswing have not as yet had any effect on companies' investment plans. It should, however, be pointed out that investment plans extending over a time horizon of more than a year tend to clearly underestimate actual investment. By contrast, capacity utilization levels started to rise during the first half of this year.

*Industrial investment in 1982.* According to the investment inquiry, the total volume of industrial<sup>1</sup> investment grew by 4 per cent in 1982, while the value of investment reached 14.3 billion marks. In particular, this growth was due to the continued brisk investment activity of the energy sector. The volume of manufacturing investment remained almost the same as in 1981. Investment in the forest industries declined, whereas investment volumes in the metal industry and in several other sectors of manufacturing increased as compared with the previous year. Building investment and investment in machinery and equipment grew about equally.

*Planned investment for 1983.* Companies' plans suggest that the total volume of industrial investment will decline slightly this year, although almost all sectors of manufacturing other than the forest industries expect their investment activity to pick up in the course of the year. In manufacturing, investment is expected to reach approximately the same level as in 1982. There has been a distinct upward revision in companies' investment plans since the inquiry of last December. Planned outlays on investment have increased most sharply in the metal industry, the wood industry, and the textile, clothing and footwear industries. The investment plans of the electricity, gas and water sector have also been revised upwards.

The investment inquiry suggests that industrial building investment will decline in 1983 although, for example, data on building permits granted suggests that industrial building could increase slightly in the current year. Investment in machinery and equipment is expected to maintain last year's level.

<sup>1</sup> In addition to manufacturing industries, industry includes mining and quarrying, and electricity, gas and water supply.

**TABLE 1. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1982 AND PLANNED CHANGES FOR 1983 AND 1984, BY INDUSTRIAL SECTOR, PER CENT**

	1982	1983	1984
Forest industries	-12	-15	-22
Metal industry	4	4	-9
Other manufacturing	8	8	-17
<i>Total manufacturing</i>	-1	0	-16
Electricity, gas and water	27	-8	-11
<i>Total industry</i>	4	-3	-15

**TABLE 2. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1982 AND PLANNED CHANGES FOR 1983 AND 1984, BY TYPE OF INVESTMENT, PER CENT**

	1982	1983	1984
Building investment	5	-9	-17
Investment in machinery and equipment	3	0	-14

*Planned investment for 1984.* The investment inquiry points to a decline in industrial investment next year. A decline is anticipated in all sectors, but is more marked in the forest industries than in the other major sectors. Previous experience indicates that companies generally underestimate investments planned so far in advance. The inquiry also suggests that industry's confidence in the onset of an upturn is still wavering.

*Capacity utilization.* The fall in capacity utilization which began in 1981 came to a halt at the end of 1982. It is estimated that capacity utilization levels started to rise during the first half of 1983. During the past recession, average capacity utilization remained at a noticeably higher level than in 1976—1978.

The rise in capacity utilization is now expected to be the fastest in the forest industries, where idle capacity was particularly substantial during the latter half of last year. By contrast, the metal industry and other manufacturing industries take a very cautious view in forecasting a rise in their capacity utilization levels.

**Revision of the data collection method for the labour force survey.** The Central Statistical Office of Finland has revised its data

collection method for the labour force survey as from the beginning of 1983. The postal inquiry has been replaced by interviews and the name changed to the labour force study. The primary aim of the revision was to improve the accuracy of results by, among other things, reducing non-response and measurement errors and improving statistical methods. The data included, the presentation of the results as well as the concepts and definitions employed remain unchanged. In regard to its accuracy and methods the revised labour force study corresponds to the labour force surveys in use in several other OECD countries.

Data for the labour force study are collected by interviewing monthly about 12 000 persons. The interviews are conducted mainly (90 per cent) by phone. Each person included in the sample participates in the study five times over a period of 15 months. Monthly variations are still unreliable, but data on quarterly and annual changes are more accurate since some of the persons in the sample are the same. In September—December, supplementary questions are added to the basic section included every month in the questionnaire. The sample size of this annual section is about 9 000 persons.

The revision of the data collection system has increased the accuracy of the results. The change in the results is such that a break occurs in the time series. The decline in the non-response rate from 30 per cent to 4—5 per cent has had the greatest effect on results. In addition, there is notably less incomplete response (non-response to individual questions) than before. A reduction in measurement errors (trained interviewers) has also served to improve the accuracy of the results.

In order to maintain the time series, all major series will be revised in accordance with a parallel phase implemented in the autumn of 1982, when postal inquiries and interviews were carried out concurrently.

The results of the parallel phase show that a labour force study conducted by interviewing

provides a more comprehensive survey of labour input than a postal inquiry. In particular, part-time work and work done by self-employed persons were excluded in the postal inquiries both because of non-response and errors. Now they can be studied appreciably better than before, and this has had the effect on the results of increasing the size of the labour force and the number of employed persons by 4—5 per cent and of raising the labour force participation rate. The increase in the number of self-employed persons is most evident in a rise in agricultural employment. The number of unemployed remains almost unchanged, which implies a slight fall in the unemployment rate for the country as a whole. (The statistical section of this publication includes revised figures for 1982).

**Publications of the Bank of Finland.** The Bank of Finland Year Book for 1982 has been published. The first section reviews the Finnish economy in 1982, and the subsequent three sections examine the Central Bank's monetary and foreign exchange policy, the Bank of Finland's balance sheet and income statement and the bank's relations with international organizations. A summary of new items

relating to monetary and foreign exchange policy measures taken during the year is included. The statements of the bank and various banking transactions during the year under review are included in a statistical appendix. Helsinki 1983, 70 pp. ISSN 0081-9468.

Finnish Bond Issues 1982 has been published in an edition with text and explanatory notes in Finnish, Swedish and English. It gives a detailed description of the 69 loans issued in 1982, including the 11 denominated in foreign currency and floated abroad. In addition the introduction includes statistics on domestic and foreign bonds outstanding at the end of the 1972—1982 period, and on sales of domestic bonds in 1972—1982. Helsinki 1983, 65 pp. ISBN 951-686-081-8, ISSN 0585-9581.

The eleventh publication in the series Studies on Finland's Economic Growth has appeared: Matti Tapani Peltonen, *Liikenne Suomessa 1860—1913* (Transport and Communication in Finland, 1860—1913), in Finnish with a summary and statistical tables in English, 1983, 79 pp. ISBN 951-686-080-X, ISSN 0355-6050.



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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

Markku Puntila

*Acting Member of the Board*

---

## Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Sirkka Hämäläinen

---

## 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

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*Cash*

Heikki Koskenkylä

*Research Dept.*

Kari Pekonen

*Exchange Policy*

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*Foreign Exchange*

Kari Holopainen

*Bilateral Trade*

Pekka Tukiainen

*Foreign Financing*

J. Ojala

*Exchange Contrc*

Seppo Kostiainen

*Deputy, Economics Dept.*

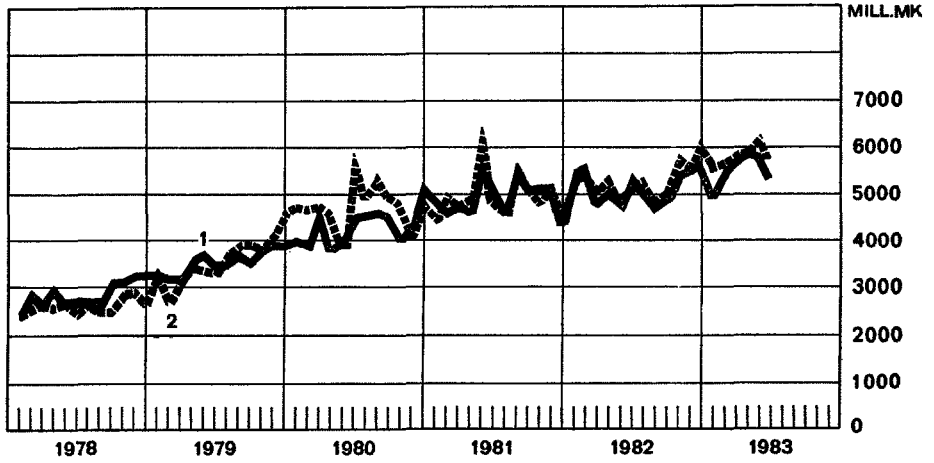
Markku Pietinen

*Information*

Erkki Vehkamäki

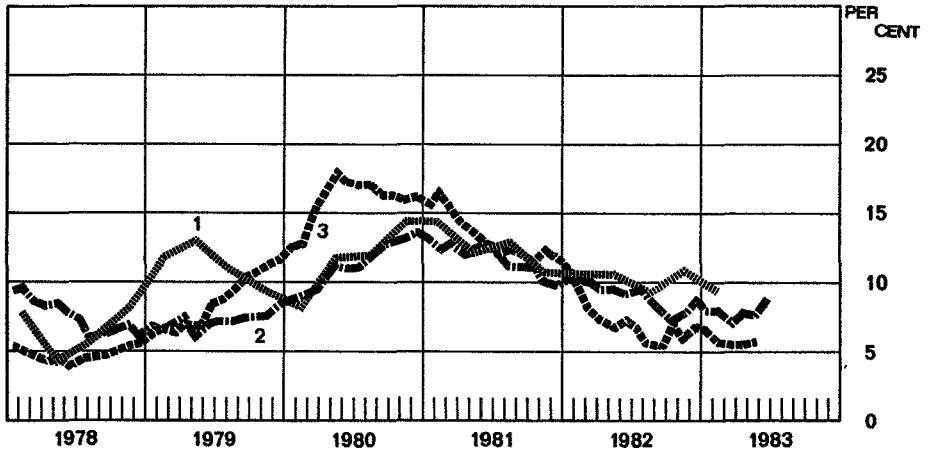
*Data Processing*

**FOREIGN TRADE, 1978-83**



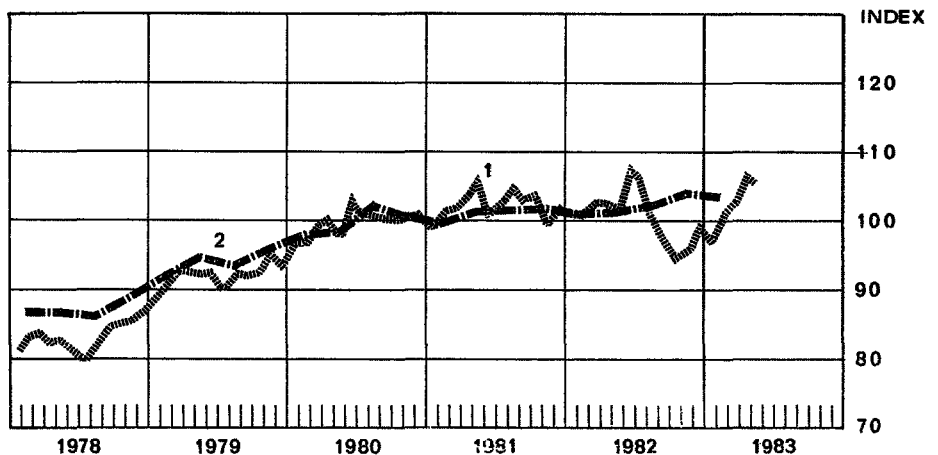
**PRICES AND WAGES, 1978 - 83**

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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