



# BANK OF FINLAND

*Monthly Bulletin*

**Economic situation**

**Inflation in Finland**

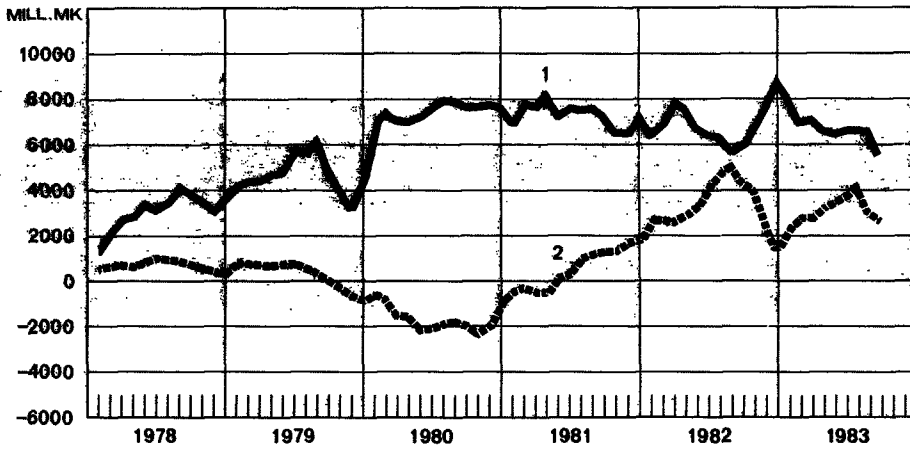
Changes in bilateral payments agreements

Proposal for the revision of § 2 of the  
Currency Act

**NOVEMBER 1983**

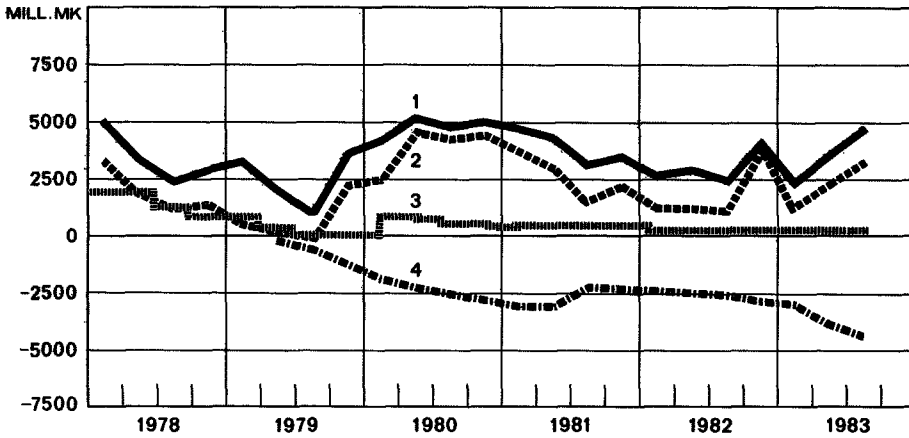
**Vol. 57 No. 11**

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



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

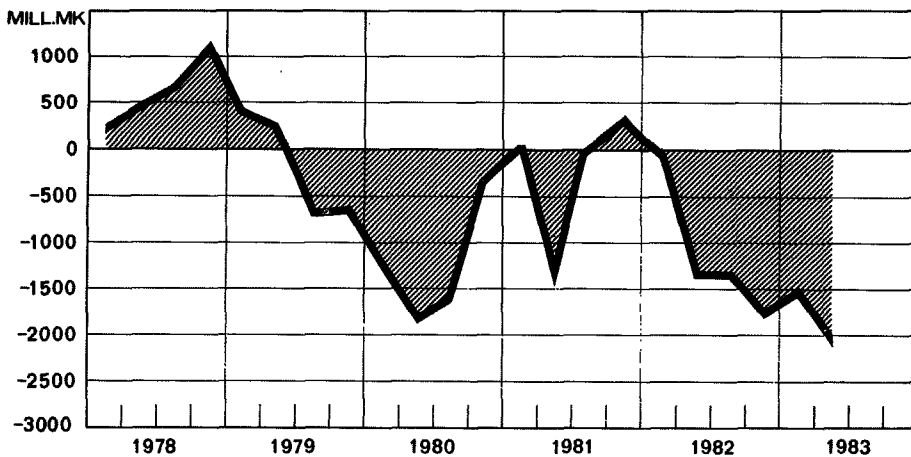
**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1978 - 83**



- 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

# ECONOMIC SITUATION

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After nearly two years of recession, the Finnish economy experienced a modest recovery last year. In contrast to the normal cyclical pattern, this took place before a turnaround in exports. The revival in activity was largely attributable to the expansive economic policy stance pursued since 1981, with both fiscal and monetary policy measures providing a boost to domestic demand. The growth of output accelerated to 2 ½ per cent last year and in the first half this year GDP grew at about the same rate. Employment developments have also been reasonably favourable. However, the generally brisker pace of domestic activity in relation to the international environment has exerted upward pressures on inflation and has led to some deterioration in the current account in convertible currencies.

The volume of Finnish exports to western countries has picked up slightly during the current year, although export performance has been very uneven sectorwise. The main contribution to growth has so far come from a vigorous expansion in the volume of exports of basic metal products, while exports of forest industry products have also increased to some extent. The growth of exports to western markets is forecast to accelerate in the second half of this year. By contrast, exports to CMEA countries, which were still buoyant in the early months of the year, are expected to fall off towards the end of the year as deliveries to the Soviet Union are cut back to reduce the large bilateral balance which has accumulated in Finland's favour. In all, exports of goods and services are expected to advance by some 3 per cent on average this year.

Investment activity continued to expand at a moderate pace in the first half of this year.

Volume outlays in the service sectors have increased relatively strongly following the abolition of the special investment tax on non-essential construction projects.<sup>1</sup> Industrial investment has reacted rather mildly to the recession in demand, having remained at virtually the same level for the past two years. Housing investment has constituted an expansive element since last year, a reflection of the ready availability of finance and the fairly favourable growth of household income. Although the effects of temporary policy measures are now weakening, total fixed investment for the year as a whole is forecast to accelerate slightly as a result of improved corporate profitability and firms' somewhat more optimistic expectations concerning demand. But since investment did not fall off during the last recession, the release of pent-up investment demand should not prove as strong as usual in the coming upturn.

The normal short-term contractive effects of devaluation have not, at least as yet, been reflected in consumption. On the contrary, the two-month price freeze imposed after the devaluation led to a vigorous expansion in private consumption late last year. Furthermore, anticipation of the sales tax increase effective June 1st 1983 boosted the demand for durable goods in the first half of the current year, with consumer spending rising by some 3.5 per cent on the corresponding period of 1982. The growth of consumption demand is forecast to slow down towards the end of this year, but for the year as a whole consumer spending is expected to exceed its 1982 level by about two per cent.

<sup>1</sup> This was removed in August 1981, with the exception of the Greater Helsinki area where the tax was maintained until February 1982.

The modest growth of total output, which got under way towards the end of 1982, has been sustained in the current year. Total output in the first half of this year was about 3 per cent higher than in the same period last year. Industrial production picked up in the second quarter, mainly because of an acceleration in the growth of the forest industry. However, the cutback in orders for bilateral exports is now being felt in certain industries and consequently the growth of industrial production is likely to decelerate towards the end of the year.

The recovery in output has been reflected in an improvement in employment. The unemployment rate has, nevertheless, remained unchanged at around 6 per cent mainly because the rise in the demand for labour has been broadly matched by an increase in the labour supply.

Despite the disparities between cyclical developments in Finland and the western markets, there has been only a minor deterioration in the trade account, since the unfavourable developments in trade volumes have been largely offset by an improvement in the terms of trade. The widening of the current account deficit to about 2 per cent of GDP has largely reflected the limited growth of earnings from services and increased interest payments abroad.

The pursuit of expansive fiscal policies has led to increased deficits in state budgets. Although the level of central government debt is fairly low by international standards, the net borrowing requirement has been running at about 2

per cent of GDP for several years, increasing this year to nearly 3 per cent. Hence, the Government aims to reduce the budget deficit during the economic upturn expected next year so as to preserve adequate room for manoeuvre in fiscal policy in the future.

Following the inflationary impact of last year's devaluation on the economy, the rate of inflation has stayed high at a time when international inflation has been declining. Nominal earnings are estimated to rise by 10.5 per cent in the current year, while the consumer price index will increase on average by about 8.5 per cent. Although the increase in wages has been faster than in the main competitor countries, it has so far been offset by Finland's higher productivity growth. Inflation pressures are weakening somewhat with the deceleration in the rise of foreign trade prices. Even so, there remains a risk that nominal earnings will continue to increase rapidly, thereby sustaining a wage-price spiral. The main target of economic policy is to bring down the rate of inflation.

The modest recovery in Finland's western export markets is expected to continue in the near term. Owing to the cyclically quite sensitive structure of Finnish exports, export deliveries to these markets are likely to pick up fairly vigorously. The contribution of total exports to GDP growth is, however, expected to be relatively modest because of the slow-down in exports to the Soviet Union. The growth of total output is forecast to continue next year at an annual rate of 3—4 per cent.

October 21, 1983

	1982		1983			
	Oct. 29	Dec. 31	Oct. 7	Oct. 14	Oct. 21	Oct. 31
<b>Assets</b>						
Gold and foreign exchange receivables	11 258	10 552	8 461	8 214	8 321	8 211
Gold	1 382	1 382	1 383	1 383	1 383	1 383
Special drawing rights	569	609	526	527	527	529
IMF reserve tranche	397	453	463	464	464	465
Foreign bonds	709	765	268	227	226	302
Convertible currencies	4 068	5 813	3 265	3 422	3 742	3 984
Tied currencies	4 133	1 530	2 556	2 191	1 979	1 548
Other foreign receivables	1 615	3 963	3 968	3 972	3 969	3 973
Mark subscription to Finland's IMF quota	1 615	1 843	1 854	1 854	1 854	1 854
Term receivables	—	2 120	2 114	2 118	2 115	2 119
Receivables from financial institutions	5 906	5 409	9 138	10 137	9 277	8 744
Banks' cheque accounts	330	169	437	516	438	298
Call money market advances	3 867	3 126	6 283	7 277	6 416	5 876
Till-money credits	739	889	897	829	886	1 032
Bonds	917	1 179	1 467	1 466	1 484	1 484
Other financial institution receivables	53	46	54	49	53	54
Receivables from the public sector	986	1 040	1 879	1 847	1 810	1 839
Government promissory notes	—	—	720	720	720	720
Bonds	424	435	463	427	390	419
Total coinage	551	559	685	688	691	696
Other public sector receivables	11	46	11	12	9	4
Receivables from corporations	5 117	4 990	4 957	5 031	5 109	5 094
Financing of exports	1 915	1 788	1 702	1 771	1 821	1 821
Financing of domestic deliveries	2 500	2 514	2 695	2 701	2 729	2 714
Bonds	166	163	133	133	133	133
Other corporate receivables	536	525	427	426	426	426
Other assets	97	99	104	103	104	105
<b>Total</b>	<b>24 979</b>	<b>26 053</b>	<b>28 507</b>	<b>29 304</b>	<b>28 590</b>	<b>27 966</b>
<b>Liabilities</b>						
Foreign exchange liabilities	31	22	53	72	74	73
Convertible accounts	26	17	40	59	59	71
Tied accounts	5	5	13	13	15	2
Other foreign liabilities	6 042	5 410	4 674	4 693	4 678	4 699
IMF mark accounts	1 726	1 927	1 854	1 854	1 854	1 854
Allocations of special drawing rights	726	833	853	855	855	856
Term liabilities	3 590	2 650	1 967	1 984	1 969	1 989
Notes and coins in circulation	5 670	6 062	6 195	6 192	6 141	6 159
Notes	5 199	5 572	5 668	5 665	5 614	5 631
Coins	471	490	527	527	527	528
Deposit certificates in circulation	2 000	1 700	1 700	3 000	3 000	950
Claims of financial institutions	3 325	4 791	7 173	6 591	5 955	7 318
Banks' cheque accounts	2	6	0	0	0	0
Call money market deposits	39	1 470	2 125	1 527	934	2 226
Cash reserve deposits	3 105	3 132	4 994	4 994	4 970	5 015
Capital import deposits	160	177	28	28	28	28
Other financial institution claims	19	6	26	42	23	49
Claims of the public sector	112	50	0	0	1	0
Cheque accounts	0	1	0	0	1	0
Counter-cyclical reserves	64	—	—	—	—	—
Capital import deposits	48	49	—	—	—	—
Claims of corporations	1 679	1 687	1 958	1 944	1 941	1 941
Deposits for investment and ship purchase	1 469	1 416	1 432	1 419	1 417	1 416
Capital import deposits	201	265	513	512	511	512
Other corporate claims	9	6	13	13	13	13
Other liabilities	18	23	20	16	16	16
Equalization accounts	1 762	1 609	1 989	2 046	2 029	2 045
Capital accounts	4 340	4 699	4 745	4 750	4 755	4 765
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	—	—	—	—	—	—
Net earnings	308	667	380	385	390	400
<b>Total</b>	<b>24 979</b>	<b>26 053</b>	<b>28 507</b>	<b>29 304</b>	<b>28 590</b>	<b>27 966</b>

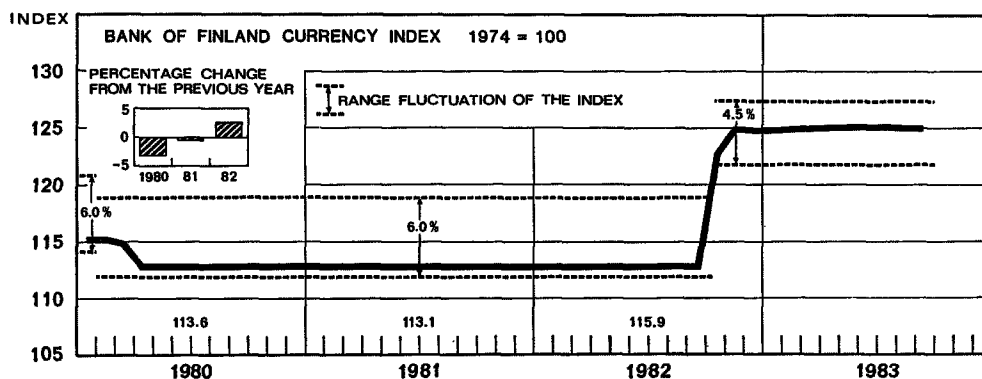
End of year or month	Foreign sector							Public sector			
	Gold SDRs, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	Deposit certificates 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>											
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
Aug.	2 376	232	4 090	6 698	3 193	-722	9 169	1 697	1	-1 696	800
Sept.	2 374	268	3 000	5 642	2 762	-701	7 703	1 905	1	-1 904	800
Oct.	2 377	302	3 913	6 592	1 546	-726	7 412	1 839	0	-1 839	950

## FOREIGN EXCHANGE POSITION

Mill. mk

	Net holdings, Dec. 31, 1982			Net holdings Sept. 30, 1983			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Sept.	Jan.-Sept.
Gold	1 382	—	1 382	1 383	—	1 383	—	+1
Special drawing rights	609	—	609	527	—	527	-1	-82
IMF reserve tranche	453	—	453	464	—	464	-1	+11
Foreign bonds	764	—	764	268	—	268	+36	-496
Convertible currencies	5 796	-11 049	-5 253	2 999	-10 976	-7 977	-222	-2 724
<b>Total</b>	9 004	-11 049	-2 045	5 641	-10 976	-5 335	-188	-3 290
Tied currencies	1 526	-215	1 311	2 762	-204	2 558	-444	+1 247
<b>Grand total</b>	10 530	-11 264	-734	8 403	-11 180	-2 777	-632	-2 043

End of year or month	Domestic financial sector							Corporate sector			Notes and coins in circulation
	Till-money credits	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	4 376
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	5 695
1982	889	163	3 126	1 470	3 132	-1 042	618	4 302	999	3 303	6 062
<b>1982</b>											
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
<b>1983</b>											
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
Aug.	956	297	3 227	1 205	4 948	-1 427	-246	4 314	1 383	2 931	6 085
Sept.	852	274	5 812	2 294	4 994	-1 482	1 132	4 334	1 389	2 945	6 209
Oct.	1 032	298	5 876	2 226	5 015	-1 461	1 426	4 535	1 382	3 153	6 159



# 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

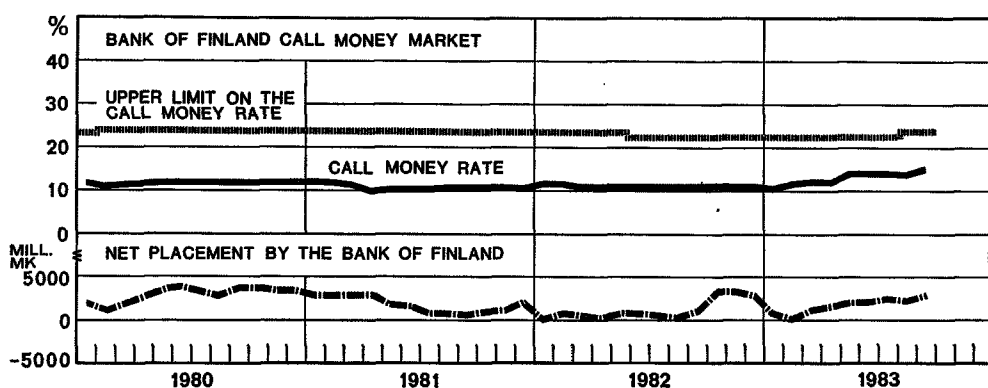
## 1982

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	14.68	10.09
Aug.	4 571	2 939	400	4 920	4 299	2 541	9.50	15.00	14.69	10.10
Sept.	5 484	4 026	400	4 945	4 305	3 627	9.50	16.67	16.14	10.16
Oct.	6 831	5 048	400	4 984	4 345	4 651	9.50	16.95	16.75	..

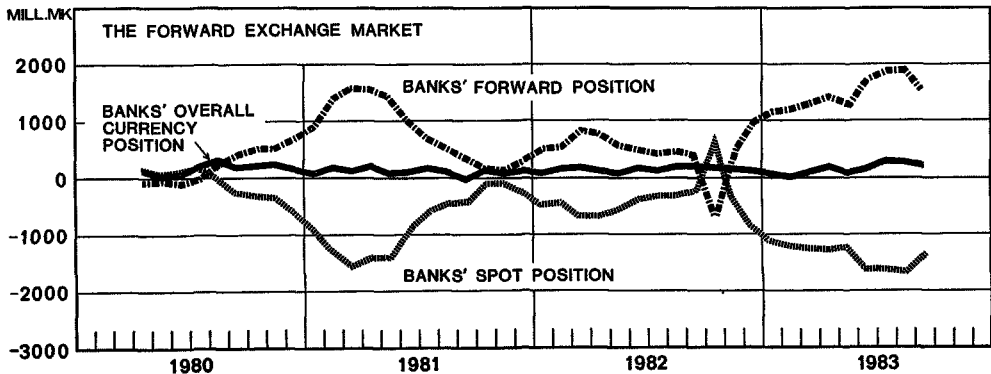
<sup>1</sup> End of period.





# FORWARD EXCHANGE MARKETS IN FINLAND

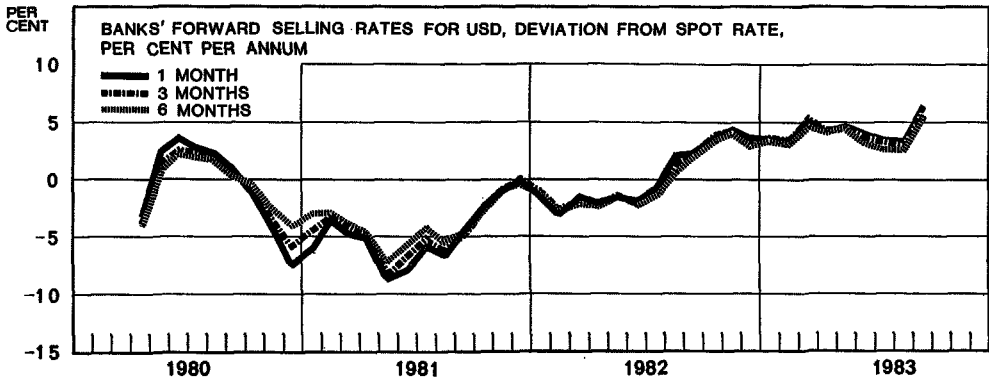
Period	Banks' Forward Positions in mill. mk with						Banks' Forward Selling Rates for USD		
	Domestic Firms			Foreign Banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1981	5 183.0	1 619.8	3 563.2	-581.0	-2 346.3	583.5	-4.4	-4.1	-3.6
1982	11 128.0	2 116.7	9 011.4	-865.1	-6 827.2	1 104.0	3.9	3.8	3.4
<b>1982</b>									
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
<b>1983*</b>									
Jan.	11 278.4	2 201.3	9 077.1	-732.6	-6 643.3	1 544.4	3.8	3.9	3.7
Feb.	10 442.1	2 156.4	8 285.8	-947.4	-6 006.7	1 232.6	3.7	3.8	3.4
March	10 556.9	2 088.0	8 468.9	-713.5	-5 915.7	1 761.7	5.4	5.4	5.0
April	10 064.2	2 007.9	8 056.3	-718.9	-5 591.5	1 573.1	4.3	4.4	4.3
May	9 943.9	1 993.5	7 950.4	-677.3	-5 378.1	1 782.3	4.9	4.8	4.7
June	9 466.8	1 811.0	7 655.8	-1 048.1	-4 590.2	1 744.6	4.3	4.1	3.5
July	9 149.7	1 808.8	7 341.0	-1 156.7	-3 938.6	1 813.6	3.7	3.6	2.9
Aug.	8 487.6	1 913.7	6 573.9	-996.4	-3 511.9	1 500.6	3.6	3.3	2.8
Sept.	7 697.4	2 072.6	5 624.8	-1 231.8	-3 084.1	941.0	6.5	6.1	5.7



# FOREIGN EXCHANGE RATES

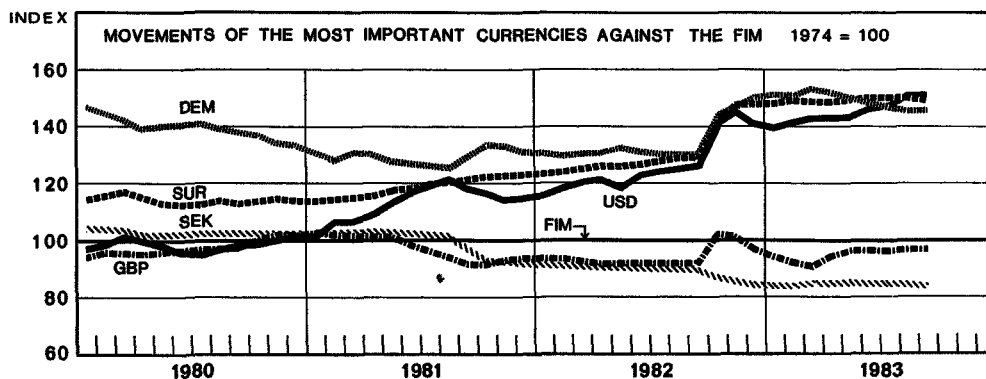
Average selling rates for foreign exchange, mk

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>											
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
Aug.	5.714	4.637	8.590	6.753	72.82	76.70	59.45	213.97	191.29	10.678	10.631
Sept.	5.713	4.642	8.575	6.727	72.65	77.04	59.64	214.38	191.70	10.632	10.513
Oct.	5.646	4.589	8.465	6.742	72.68	77.24	60.06	217.30	193.69	10.670	10.509



Average selling rates for foreign exchange, mk

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 OS ATS	Lisbon 100 Esc PTE	Reykjavik 100 Ikr ISK	Madrid 100 Ptas ESP	Tokyo 100 Y JPY	Moscow 1 Cl Rbl SUR	1 special drawing right SDR	Currency index 1974 = 100
12	13	14	15	16	17	18	19	20	21	22
231.83	91.77	0.489	28.45	9.55	1.57	5.42	1.983	6.037	5.136 33	117.2
234.36	91.88	0.473	29.19	8.13	1.14	5.84	1.797	5.941	5.016 78	117.3
222.87	88.65	0.440	28.90	7.60	0.81	5.25	1.662	5.741	4.842 55	113.6
220.34	79.92	0.385	27.17	7.17	60.35	4.72	1.967	5.986	5.071 40	113.1
237.79	73.65	0.358	28.31	6.13	40.79	4.41	1.943	6.624	5.305 63	115.9
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	5.839 47 <sup>x</sup>	125.0
267.72	78.50	0.387	31.66	5.90	28.34	4.17	2.287	7.506	5.865 51 <sup>x</sup>	125.1
263.75	77.75	0.383	32.13	5.82	26.65	4.09	2.287	7.498	5.884 85 <sup>x</sup>	125.2
264.97	74.60	0.376	31.78	5.59	25.76	4.02	2.294	7.489	5.876 34 <sup>x</sup>	125.2
264.63	73.58	0.373	31.41	5.56	24.71	3.97	2.321	7.496	5.885 82 <sup>x</sup>	125.2
262.74	72.53	0.368	30.93	5.29	20.55	3.89	2.313	7.529	5.915 65 <sup>x</sup>	125.2
264.53	72.13	0.367	30.80	4.76	20.49	3.80	2.331	7.550	5.934 78 <sup>x</sup>	125.3
264.52	71.24	0.361	30.47	4.69	20.67	3.79	2.342	7.559	5.991 35 <sup>x</sup>	125.2
264.40	71.10	0.358	30.53	4.64	20.63	3.77	2.359	7.507	5.995 33 <sup>x</sup>	125.2
267.91	71.25	0.359	30.93	4.59	20.49	3.75	2.430	7.439	5.989 58	125.0



DEPOSITS BY THE PUBLIC

Mill. mk

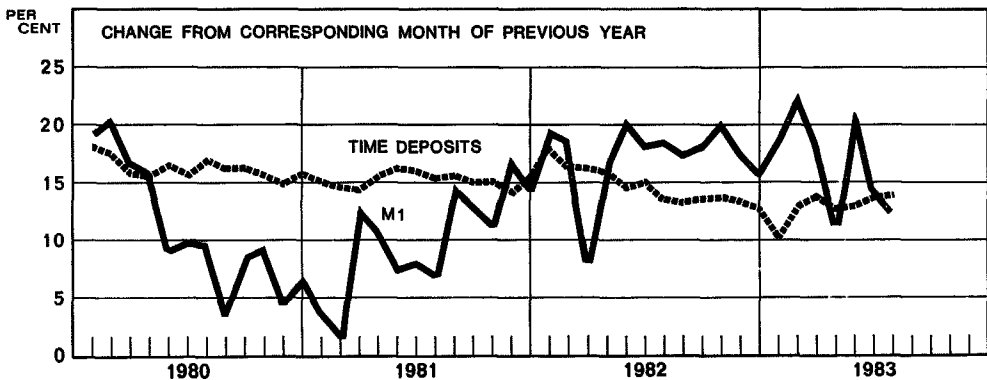
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	10
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180
1981	5 791	2 879	2 952	11 622	26 094	22 937	18 598	7 448	75 077	86 699
1982*	7 155	3 874	3 049	14 078	29 260	25 833	21 040	8 665	84 798	98 876

1982\*

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
May	7 315	4 088	4 037	15 440	30 895	27 180	22 264	8 985	89 324	104 764
June	7 126	3 998	4 150	15 274	31 388	27 685	22 650	9 071	90 794	106 068
July	6 194	4 084	4 346	14 624	31 400	27 999	22 899	9 304	91 602	106 226
Aug.	6 974	4 128	4 331	15 433	31 181	28 135	23 013	9 293	91 622	107 055



# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

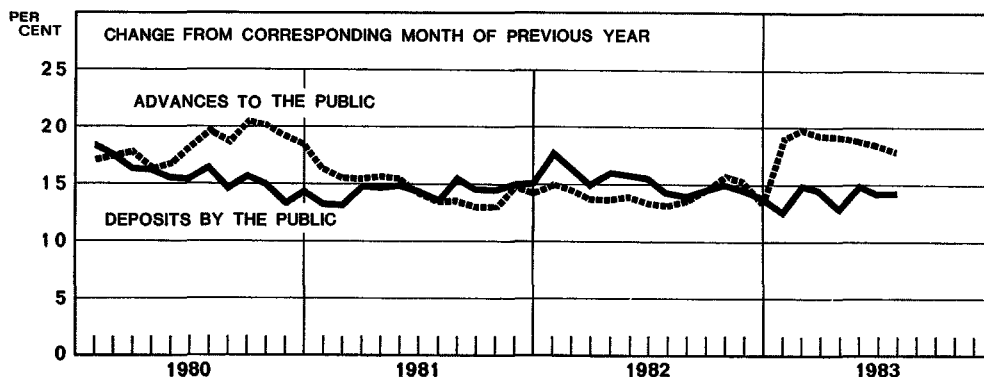
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> +Quasi-Money
	1	2	3	4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

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
May	52 093	27 075	24 733	12 959	97 976	4 451	14 433	116 860	21 325	113 729
June	52 244	27 460	25 095	13 072	98 918	4 699	14 254	117 871	21 362	115 242
July	52 034	27 711	25 371	13 193	99 492	4 666	14 151	118 309	20 634	115 283
Aug.	52 299	28 101	25 787	13 348	100 310	4 761	14 464	119 535	21 011	115 625



## STATE FINANCES

Mill. mk

Revenue	Jan.-August		Expenditure	Jan.-August	
	1982	1983		1982	1983
Income and wealth tax (net)	10 074	12 182	Wages, salaries, pensions etc.	6 955	7 933
Gross receipts	28 042	32 903	Repair and maintenance	853	1 003
Refunds & local authorities	-17 968	-20 721	Other consumption expenditure	4 184	4 875
Other taxes on income and wealth	217	272	Total consumption expenditure	11 992	13 811
Employers' child allowance payments	1	1	State aid to local authorities	8 722	10 107
Sales tax	9 954	11 463	State aid to industries	6 250	5 435
Customs duties and import charges and levies	1 095	1 069	of which: agric. price subsidies	2 766	2 700
Excise duties	7 313	6 466	Child allowances	1 311	1 649
Excise duty on alcoholic bevs.	2 153	2 388	Share in national pensions and sickness insurance schemes	558	1 655
Excise duty on tobacco	886	954	Deficit of State enterprises	836	909
Excise duty on liquid fuel	2 257	2 198	Other transfer expenditure	5 354	6 248
Other excise duties	2 017	926	Total transfer expenditure	23 031	26 003
Tax on autom. and motor-cycles	1 291	1 734	Machinery and equipment	1 087	1 140
Stamp duties	899	1 103	Construction of buildings	524	672
Special diesel etc. vehicles tax	146	182	Land and waterway construction	1 389	1 473
Other taxes and similar revenue	886	1 082	Total real investment	3 000	3 285
Total taxes	31 876	35 554	Interest on State debt	1 516	2 289
Miscellaneous revenue	2 507	3 032	Other expenditure	15	8
Interest, dividends etc.	1 106	1 332	Total other expenditure	1 531	2 297
Surplus of state enterprises	732	930	Increase in inventories	-357	297
Redemptions of loans granted	636	1 100	Lending	2 466	2 775
<b>Total revenue</b>	<b>36 857</b>	<b>41 948</b>	Other financial investment	384	495
Foreign borrowing	2 833	2 819	<b>Total expenditure</b>	<b>42 047</b>	<b>48 963</b>
Domestic borrowing	2 740	4 748	Redemption of foreign loans	521	1 569
<b>Total borrowing</b>	<b>5 573</b>	<b>7 567</b>	Redemption of domestic loans	1 555	1 245
<b>Deficit (+) or surplus (-)</b>	<b>1 693</b>	<b>2 262</b>	<b>Total redemptions</b>	<b>2 076</b>	<b>2 814</b>
<b>Total</b>	<b>44 123</b>	<b>51 777</b>	<b>Total</b>	<b>44 123</b>	<b>51 777</b>

State debt	1981	1982	1983			
	Dec.	Dec.	June	July	Aug.	Sept.
<b>Foreign debt</b>	13 331	18 807	20 187	20 232	20 553	21 024
Long-term debt	8 762	11 378	13 928	14 406	14 774	15 202
Short-term credit	9	63	128	135	153	155
<b>Domestic debt</b>	8 771	11 441	14 056	14 541	14 927	15 357
<b>Total State debt</b>	<b>22 102</b>	<b>30 248</b>	<b>34 243</b>	<b>34 773</b>	<b>35 480</b>	<b>36 381</b>
<b>Total debt mill. \$</b>	<b>5 052</b>	<b>5 651</b>	<b>6 174</b>	<b>6 218</b>	<b>6 209</b>	<b>6 368</b>

# 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

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	5 555	-530
Feb.	5 604	5 071	+533
March	6 257	5 728	+529
April	5 736	5 704	+32
May	6 166	6 245	-79
June	5 293	5 336	-43
July	5 687	5 795	-108
Aug.	5 145	5 505	-360

## Jan.-Aug.

1982	40 253	40 364	-111
1983*	44 913	44 939	-26

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

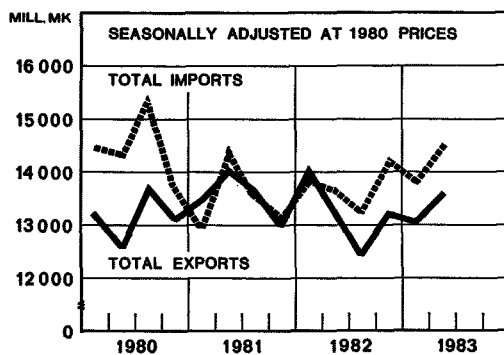
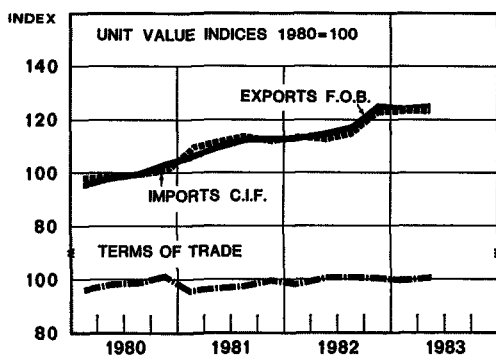
Apr.-June	106	95	110	113	98
July-Sept.	95	94	113	115	99
Oct.-Dec.	108	100	114	113	100

## 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\*

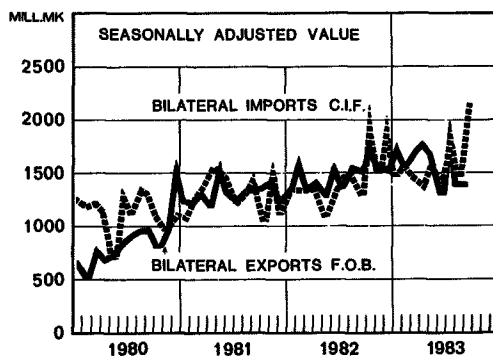
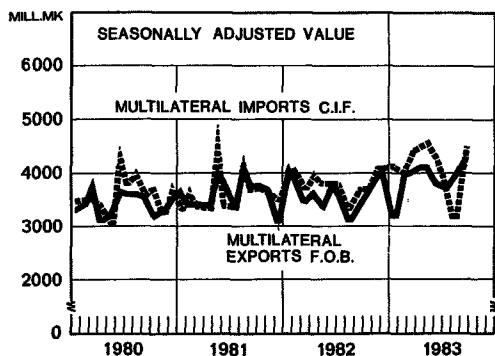
Jan.-March	102	90	125	125	100
Apr.-June	104	96	126	124	101



# 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 intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1980	1 403	7 742	15 751	11 546	16 353	38 622	4 088	7 989	7 440	111
1981	2 036	6 852	17 127	14 858	19 435	39 156	5 115	8 877	8 015	106
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1982										
Aug.	58	481	1 398	1 029	1 294	3 583	499	626	728	25
Sept.	64	517	1 375	1 346	1 483	3 158	391	640	771	44
Oct.	62	566	1 586	1 724	1 687	3 607	559	764	845	83
Nov.	56	596	1 355	2 674	1 657	3 602	657	975	895	45
Dec.	266	631	1 522	2 165	1 441	4 744	590	984	882	151
1983*										
Jan.	59	466	1 313	1 719	1 468	3 415	348	825	921	46
Feb.	337	563	1 421	1 535	1 748	3 214	248	665	901	43
March	317	579	1 668	1 927	1 766	3 524	227	1 016	947	14
April	78	595	1 547	1 546	1 970	3 369	270	1 009	1 046	10
May	258	654	1 473	1 953	1 828	3 979	323	973	959	11
June	68	577	1 495	1 605	1 548	3 271	440	844	728	53
July	68	561	1 572	1 832	1 654	3 454	561	1 021	703	56
Aug.	58	492	1 686	1 123	1 786	3 507	440	682	833	43
Jan.-Aug										
1982	1 228	3 968	11 664	10 999	12 394	26 033	2 672	5 832	5 737	90
1983*	1 243	4 487	12 175	13 240	13 768	27 733	2 857	7 035	7 038	276





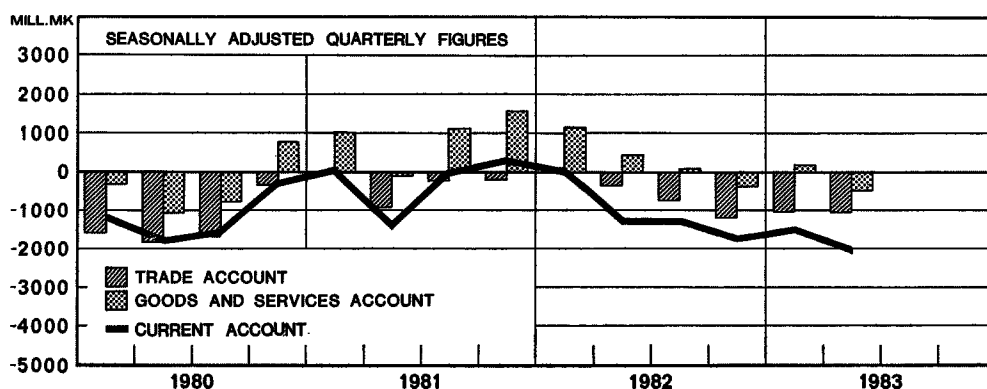
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—August				January—August			
	1982*		1983*		1982*		1983*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	55.6	22 388	54.4	24 431	53.2	21 468	53.3	23 935
Austria	0.7	269	0.7	316	1.3	531	1.2	557
Belgium and Luxembourg	1.4	570	1.6	739	1.8	711	1.9	853
Denmark	4.0	1 621	3.5	1 551	2.3	939	2.6	1 152
France	4.2	1 682	4.2	1 898	3.4	1 359	3.5	1 569
Federal Republic of Germany	9.5	3 843	9.9	4 426	13.4	5 412	13.9	6 259
Italy	2.0	793	1.9	858	2.7	1 110	3.3	1 487
Netherlands	3.1	1 246	4.1	1 844	2.7	1 072	2.7	1 224
Norway	4.1	1 646	3.3	1 484	2.1	853	2.4	1 091
Portugal	0.2	93	0.2	108	0.6	255	0.7	313
Spain	0.8	321	0.7	329	0.7	268	0.8	340
Sweden	12.0	4 825	11.4	5 138	12.5	5 053	11.1	4 990
Switzerland	1.4	553	1.4	609	1.7	693	1.7	767
United Kingdom	10.5	4 220	10.2	4 567	7.4	2 980	6.8	3 033
Other	1.7	706	1.3	564	0.6	232	0.7	300
<b>OECD countries outside Europe</b>	5.8	2 336	6.3	2 829	11.8	4 743	12.6	5 673
Canada	0.8	331	0.6	276	0.9	347	0.6	269
Japan	1.2	485	1.2	521	4.1	1 651	5.6	2 516
United States	2.8	1 109	3.6	1 637	6.5	2 618	5.9	2 664
Other	1.0	411	0.9	395	0.3	127	0.5	224
<b>CMEA countries</b>	28.7	11 562	29.4	13 197	26.4	10 654	26.9	12 065
Czechoslovakia	0.4	154	0.4	184	0.6	236	0.5	214
German Democratic Republic	0.5	214	0.5	214	0.6	256	0.6	280
Poland	0.1	56	0.2	70	1.5	617	1.2	550
Soviet Union	26.4	10 637	27.9	12 512	22.7	9 157	24.0	10 763
Other	1.3	501	0.4	217	1.0	388	0.6	258
<b>Latin America</b>	1.2	459	1.6	701	2.4	984	2.6	1 179
Argentina	0.2	60	0.1	48	0.2	69	0.2	70
Brazil	0.3	122	0.3	137	0.8	320	0.7	315
Colombia	0.1	49	0.2	68	0.5	222	0.5	219
Other	0.6	228	1.0	448	0.9	373	1.2	575
<b>Other</b>	8.7	3 508	8.3	3 755	6.2	2 515	4.6	2 087
<b>GRAND TOTAL</b>	100.0	40 253	100.0	44 913	100.0	40 364	100.0	44 939
of which								
<b>EFTA countries</b>	18.5	7 447	17.2	7 708	18.4	7 443	17.3	7 753
<b>EEC countries</b>	36.1	14 520	36.4	16 331	34.1	13 768	35.3	15 869
<b>OECD countries</b>	61.4	24 724	60.7	27 260	64.9	26 211	65.9	29 608

# BALANCE OF PAYMENTS

Period	Exports f.o.b.	Imports c.i.f.	Trade account	Transport, net	Travel, net	Other services, net	Goods and services account	Invest- ment income net	Un- requited transfers net	Other, net	Current account
1979	43 302	44 430	-1 128	+3 010	+157	+359	+2 398	-2 840	-430	+111	-761
1980	52 860	58 315	-5 455	+3 064	+320	+587	-1 484	-3 308	-454	+91	-5 155
1981	60 260	61 697	-1 437	+3 261	+405	+1 286	+3 515	-4 359	-499	+132	-1 211
1982*	62 943	65 168	-2 225	+2 934	-286	+811	+1 234	-5 446	-626	+140	-4 698
<b>1980</b>											
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	14 858	+1 224	+703	-156	+350	+2 121	-1 083	-182	-11	+845
Apr.-June	15 587	15 390	+197	+719	-85	+181	+1 012	-1 688	-163	+44	-795
July-Sept.	13 311	15 420	-2 109	+773	+149	+327	-860	-1 357	-135	+61	-2 291
Oct.-Dec.	17 963	19 500	-1 537	+739	-194	-47	-1 039	-1 318	-146	+46	-2 457
<b>1983*</b>											
Jan.-March	16 877	16 461	+416	+706	-289	+639	+1 472	-1 510	-218	-25	-281
Apr.-June	17 164	17 508	-344	+718	-243	+125	+256	-1 507	-133	+21	-1 363



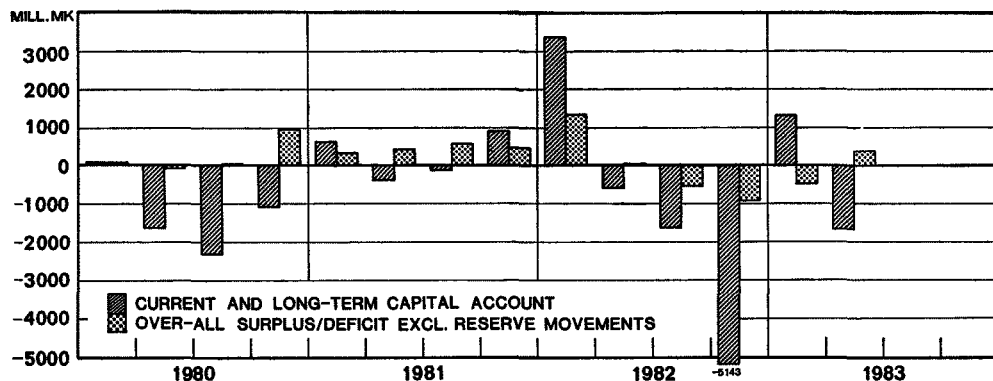
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net <sup>2</sup>	Miscellaneous, short-term capital terms, incl. errors and omissions <sup>2</sup>	Over-all surplus deficit excl. reserve movements <sup>2</sup>	Bank of Finland foreign exchange reserves
+6 230	-4 843	-541	-337	+509	-252	+831	-834	+1 211	-834 <sup>3</sup>	+122	-122
+5 183	-4 140	-433	-428	+182	-4 973	+3 255	-967	+3 930	-250 <sup>3</sup>	+995	-995
+8 312	-4 643	-518	-826	+2 325	+1 114	-1 067	+437	-406	+1 725 <sup>3</sup>	+1 803	-1 803
+10 213	-4 721	-1 239	-3 634	+619	-4 079	-2 003	+1 235	+1 798	+2 923	-126	+126
+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	+3 397	-898	+569	-1 509	-247	+1 312	-1 312
+2 332	-1 555	-328	-298	+151	-644	+134	+571	+108	-124	+45	-45
+1 859	-883	-127	-247	+602	-1 689	-586	+48	-516	+2 199	-544	+544
+2 385	-1 477	-670	-2 924	-2 686	-5 143	-653	+47	+3 715	+1 095	-939	+939
+2 985	-1 271	+100	-144	+1 670	+1 389	-741	+374	-1 423	-81	-482	+482
+2 435	-2 895	+360	-190	-290	-1 653	+1 653	+370	+1 054	-1 027	+397	-397

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

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

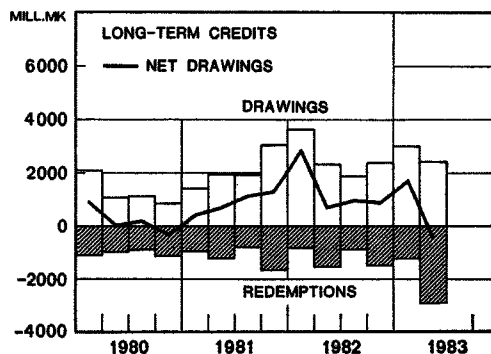
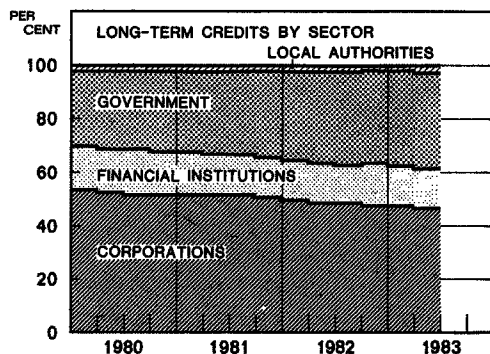
<sup>2</sup> Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

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

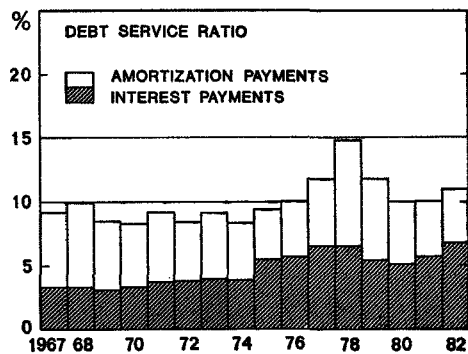
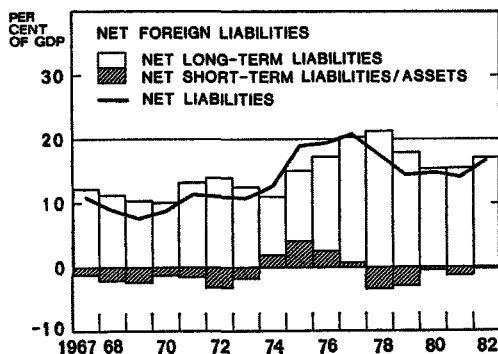


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
<b>1979</b>	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675
<b>1980</b>	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793
<b>1981</b>	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138
<b>1982*</b>	6 628	4 626	3 796	15 050	47 547	4 608	2 223	752	55 130	40 080
<b>1980</b>										
<b>Dec.</b>	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793
<b>1981</b>										
<b>March</b>	4 254	2 945	1 229	8 428	30 523	4 455	2 138	442	37 558	29 130
<b>June</b>	4 473	3 161	1 278	8 912	32 814	4 467	2 180	406	39 867	30 955
<b>Sept.</b>	4 559	3 329	1 282	9 170	34 414	4 377	2 168	392	41 351	32 181
<b>Dec.</b>	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138
<b>1982*</b>										
<b>March</b>	4 960	3 616	1 415	9 991	38 669	4 623	2 263	709	46 264	36 273
<b>June</b>	5 361	3 741	1 471	10 573	39 847	4 456	2 313	696	47 312	36 739
<b>Sept.</b>	5 556	4 084	1 466	11 106	41 198	4 515	2 345	687	48 745	37 639
<b>Dec.</b>	6 628	4 626	3 796	15 050	47 547	4 608	2 223	752	55 130	40 080
<b>1983*</b>										
<b>March</b>	6 672	5 003	3 892	15 567	49 897	4 759	2 288	846	57 790	42 223
<b>June</b>	6 458	4 998	3 956	15 412	49 921	4 462	2 306	812	57 501	42 089



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	22 562	13 498	48 797	5 348	31 331	11 593	48 272	-525	39 555	9 068	3 464
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	13 581	39 990	3 074	18 592	12 390	34 056	-5 934	30 339	1 761	600
12 846	14 322	13 118	40 286	3 077	19 349	12 767	35 193	-5 093	31 646	2 736	1 017
12 456	17 151	13 142	42 749	4 097	21 737	12 490	38 324	-4 425	33 214	2 038	662
12 737	22 562	13 498	48 797	5 348	31 331	11 593	48 272	-525	39 555	2 533	1 185
12 365	22 032	13 470	47 867	4 637	29 530	11 050	45 217	-2 650	39 573	2 491	942
12 905	22 462	12 909	48 276	4 705	31 010	12 703	48 418	142	42 231	3 782	2 243



# 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
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
July	1 193	127.7	128.8	124.1	125.6	130.7	129.7	130.1	125.8	130.7
Aug.	1 195	128.2	129.2	125.2	126.2	130.8	130.5	130.7	125.8	131.3
Sept.	1 204	129.1	130.1	126.1	127.5	131.3	130.7	131.2	125.8	132.0

<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
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
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
July	173.7	169.7	198.3	166.2	168.3	187.2	161.1	199.3	176.0	163.9	182.4
Aug.	174.0	169.0	198.3	168.1	168.3	187.3	162.3	199.4	176.2	165.8	183.2
Sept.	175.1	169.4	198.4	171.1	169.0	191.0	162.6	199.4	177.9	167.0	183.6

# 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*	225.7	213.5	181.8	206.8	201.3	194.9	212.2	207.6	208.9	208.2
1982*										
Apr.-June	223.1	214.1	179.0	206.9	200.6	195.0	212.0	207.1	208.9	207.9
July-Sept.	226.3	211.6	181.4	207.0	200.9	194.8	211.9	207.8	208.1	207.9
Oct.-Dec.	234.9	221.7	189.9	216.2	211.3	204.9	220.7	216.8	217.4	217.1
1983*										
Jan.-March	235.8	224.3	193.7	217.5	214.3	205.8	223.0	219.0	219.6	219.3
Apr.-June	246.2	234.9	200.7	228.0	221.9	214.9	233.9	229.1	229.9	229.5

# PRODUCTION

## Volume indices of production 1975 = 100

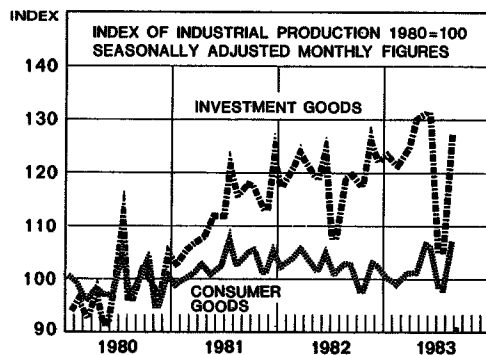
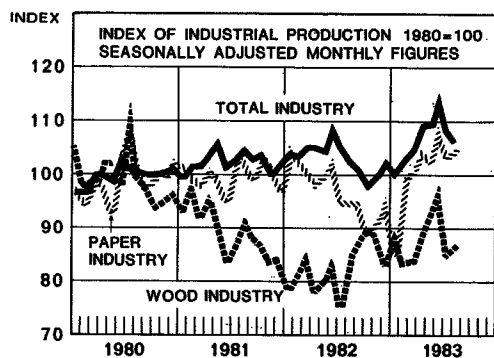
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1981										
Apr.-June	118	131	90	155	76	94	119	107	129	121
July-Sept.	116	119	160	80	100	92	125	108	130	117
Oct.-Dec.	129	143	80	149	121	97	135	116	132	124
1982										
Jan.-March	115	133	70	134	72	89	113	96	133	120
Apr.-June	121	136	82	135	80	94	122	109	133	125
July-Sept.	120	121	197	64	106	95	123	111	135	121
Oct.-Dec.	133	144	91	154	135	100	136	127	137	129
1983*										
Jan.-March	118	132	83	141	81	86	115	100	138	123
Apr.-June	125	143	89	126	85	94	124	113	138	129

# 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	102.6	114.1	103.4	100.1	104.0	89.6	100.8	103.0	101.2	106.9	102.9
1982*	103.7	121.0	103.4	100.6	106.4	83.5	96.1	98.1	108.4	114.0	103.8
<b>1982*</b>											
July	67.4	50.3	65.0	71.7	95.2	32.9	96.7	63.1	67.9	49.5	105.4
Aug.	104.5	111.8	103.8	103.5	106.2	80.8	104.0	102.4	118.4	107.2	102.9
Sept.	109.7	129.0	109.3	106.3	112.1	101.1	97.0	101.8	135.5	122.1	101.4
Osct.	107.3	125.2	108.5	103.5	123.6	97.6	94.6	99.6	125.5	117.5	98.9
Nov.	112.1	139.5	112.9	106.6	127.8	97.3	95.3	101.3	118.5	128.1	100.2
Dec.	104.7	125.8	104.9	100.8	110.6	75.6	89.5	95.8	114.0	118.9	103.2
<b>1983*</b>											
Jan.	103.6	124.6	101.6	100.7	94.0	82.4	87.8	91.0	114.0	118.0	101.0
Feb.	99.5	121.0	95.7	97.4	85.9	76.6	96.5	88.8	97.3	113.4	103.3
March	113.6	135.0	111.1	110.9	107.2	96.1	107.5	115.7	114.6	125.8	105.0
April	106.1	132.9	101.4	103.6	100.5	96.0	93.8	107.2	103.9	122.7	109.6
May	116.3	144.6	112.7	113.0	112.7	115.0	103.3	102.2	119.3	134.1	109.8
June	112.0	145.2	103.2	110.2	104.6	107.1	98.9	105.7	121.9	129.5	115.3
July	67.5	49.3	63.6	72.6	90.6	35.1	106.3	66.9	67.0	51.2	108.8
Aug.	111.1	119.0	107.3	111.5	113.4	86.5	115.4	113.2	122.5	113.9	106.6

\* 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 1980 = 100 <sup>2</sup>	Wholesale volume index 1980 = 100 <sup>2</sup>
1982*	3 658	2 530	2 380	150	5.9	41 435	106	109
1982*								
May	3 656	2 505	2 375	130	5.2	3 564	103	107
June	3 658	2 674	2 537	136	5.1	2 582	108	108
July	3 660	2 690	2 548	142	5.3	1 167	111	92
Aug.	3 662	2 619	2 475	143	5.5	1 383	106	107
Sept.	3 664	2 542	2 401	141	5.6	2 401	106	119
Oct.	3 663	2 517	2 365	152	6.0	3 164	114	120
Nov.	3 664	2 482	2 343	139	5.6	4 165	110	120
Dec.	3 663	2 492	2 345	147	5.9	4 793	136	127
1983*								
Jan.	3 670	2 469	2 289	180	7.3	3 728	93	89
Feb.	3 672	2 479	2 314	165	6.7	4 545	92	96
March	3 674	2 497	2 333	164	6.6	5 963	106	116
April	3 677	2 482	2 315	167	6.8	5 227	102	112
May	3 676	2 528	2 383	145	5.7	3 067	123	135
June	3 678	2 715	2 549	166	6.1	2 089	100	95
July	3 682	2 730	2 577	153	5.6	1 084	104	85
Aug.	3 682	2 555	2 426	128	5.0	1 303	..	..

<sup>1</sup> Revised figures, see item in August number.

<sup>2</sup> New series calculated by the Central Statistical Office.

## 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											
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	7.52	3.45	0.66	2.70	0.30	44.41
Apr.-June	19.17	7.96	3.15	6.05	0.78	10.09	4.44	0.85	3.29	0.80	51.52
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	9.77	4.14	1.27	3.20	0.72	9.87	3.88	1.08	3.66	0.66	45.37
Apr.-June	17.86	7.57	3.01	4.89	0.95	8.70	3.61	0.75	2.92	0.81	53.37

# 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*  $M_1$  = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).  
Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

## STATE FINANCES

Page 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.

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 reserve 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. 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 338 000 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 (1979). The total land area was distributed among different classes of owners approximately as follows: private 58.7%, State 31.4%, joint stock companies etc. 7.4%, municipalities and parishes 2.5%.

## 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 (1982). in million marks: Gross domestic product at factor cost by industrial origin: agriculture 8 993 (4%) forestry and fishing 9 729 (5%), manufacturing 64 416 (31%), construction 15 271 (7%), trade, restaurants and hotels 24 017 (11%), transport and communication 17 052 (8%), banking and insurance 8 633 (4%), ownership of dwellings 15 009 (7%) other services 47 323 (23%), total 210 443. Index of real domestic product 124 (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 (Sept. 30, 1983): Passenger vessels 156 (260 477 gross reg. tons), tankers 49 (1 346 591 gross reg. tons), dry cargo vessels 180 (850 223 gross reg. tons), other vessels 100 (13 951 gross reg. tons), total 485 (2 471 242 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 24.6 Skr 15.9, £ 13.1, DM 13.3, \$ 8.8, other currencies 24.3. 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, Postipankki 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 7% and 12%. Other credit institutions: time deposits 5 ½%; 6 month deposits 6 ½%; 12 month deposits 8%; 24 month deposits 9 ½% and sight deposits 2 ½%. The highest lending rate 14%.

# INFLATION IN FINLAND

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## INTRODUCTION

High inflation and strong cyclical variations have been prominent features of Finland's economic development in the post-war period. Although over the longer term real GDP growth in Finland has only marginally exceeded the average for industrial countries, the rate of inflation has consistently tended to be somewhat higher.

Along with faster inflation has gone greater variability in the price level. Because of the heavy concentration of raw materials in Finland's foreign trade and periodic devaluations of the markka, strong inflationary impulses have on occasion been emitted via foreign trade prices. This, together with sharp fluctuations in export volumes, has been reflected in business income as well as in wage and other income claims. Furthermore, certain institutional aspects of the economy have contributed to the transmission of inflationary pressures. Income agreements have often been centralized, covering all wage and salary earners and even other forms of income. This has resulted in comparatively uniform income developments, frequently following those in the most profitable sector and thus creating inflationary pressures elsewhere in the economy.

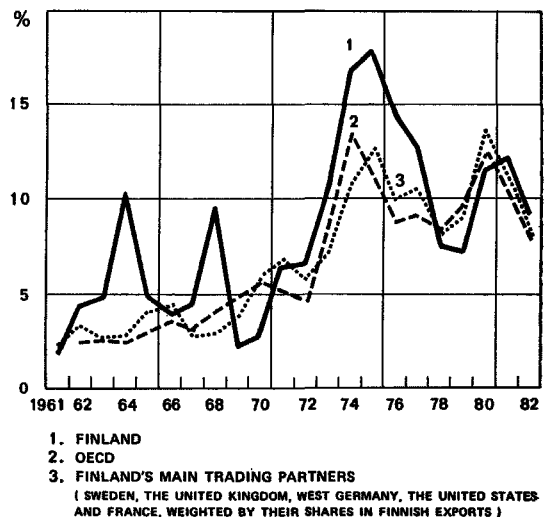
This article first describes the main features and course of inflation in Finland during the past two decades. It then goes on to consider different explanations for the causes of inflation.

## THE COURSE OF INFLATION IN 1960—1982

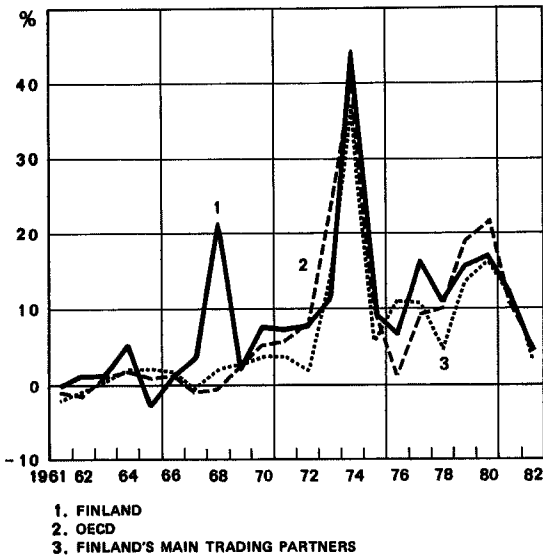
### LONG-TERM TRENDS

During the post-war period, Finland's rate of inflation has been higher and its variation greater than in industrial countries in general. In 1961—82, consumer prices rose at an average annual rate of 8.3 per cent in Finland, as against 6.7 per cent for the total OECD area and 6.8 per cent for Finland's main trading partners. Only in 1969—70 and 1978—80 was Finland's inflation rate lower than in the OECD area as a whole. In both periods, inflation in Finland was restrained by successful stabilization policies (Chart 1).

**CHART 1. ANNUAL PERCENTAGE CHANGE IN CONSUMER PRICES, 1961—82**



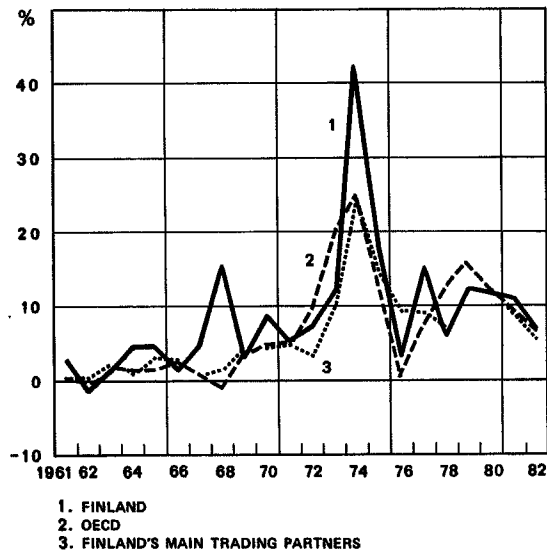
**CHART 2. ANNUAL PERCENTAGE CHANGE IN IMPORT UNIT VALUES, 1961—82**



land's gross domestic product — at present about one-third of GDP — is higher than the OECD average, the importance of external inflationary pressures has been considerably higher in Finland than in the OECD countries as a whole (Charts 2—3).

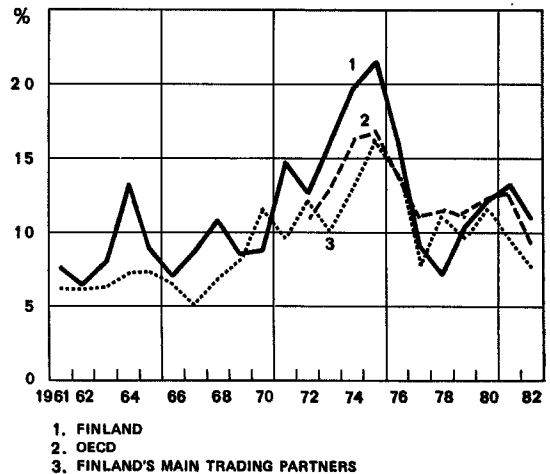
Earnings in the open sector in Finland grew at an average annual rate of 11.5 per cent in 1961—82, while the corresponding figure for Finland's main trading partners was 9.3 per cent. The level of earnings in the open sector rose slightly more than in other branches on average. The comparatively uniform developments in the level of earnings, in spite of differences in the growth of productivity, would seem to support the view that the wage structure is fairly rigid over the long run (Chart 4).

**CHART 3. ANNUAL PERCENTAGE CHANGE IN EXPORT UNIT VALUES, 1961—82**



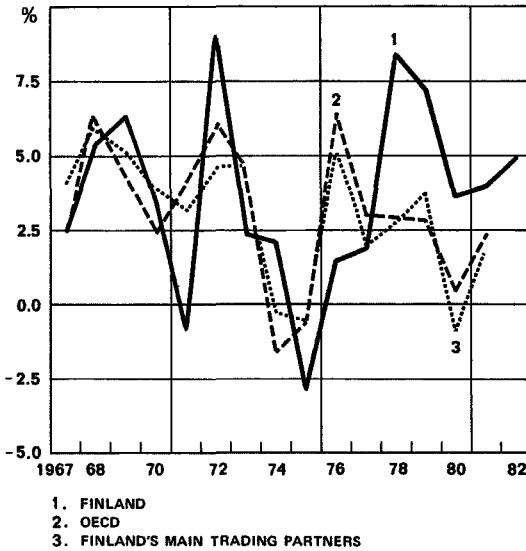
The average annual growth of labour productivity (value added per head of employment) in Finnish industry was 3.7 per cent in 1967—82 as against 3.1 per cent for the total OECD area. Since 1977 the growth of productivity in Finland has been clearly faster than in the total OECD area or in Finland's trade partner countries. Faster productivity growth has absorbed a considerable part of the higher cost pressures (Chart 5).

**CHART 4. ANNUAL PERCENTAGE CHANGE IN THE LEVEL OF EARNINGS IN MANUFACTURING, 1961—82**



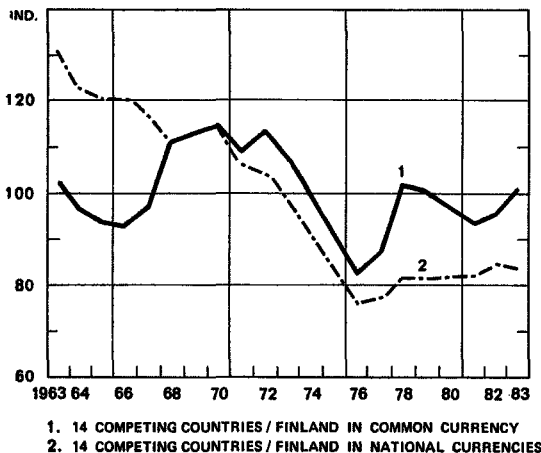
The average annual rate of increase in import prices in Finland was 9.3 per cent in 1961—82, which exceeded the OECD average by 1.4 percentage points a year. Over the same period, Finnish export prices rose at an average annual rate of 9.0 per cent, 2.1 percentage points a year more than in the OECD area. Since, moreover, the share of foreign trade in Fin-

**CHART 5. ANNUAL PERCENTAGE CHANGE IN LABOUR PRODUCTIVITY IN INDUSTRY, 1967—82**



From the first half of the 1960s to the mid-1970s, manufacturing unit labour costs in Finland increased at a clearly faster rate than in competitor countries weighted by market shares. In 1977—82, however, the average annual growth of unit labour costs in Finland was about one percentage point a year less than in these countries, thanks to successful economic policies aimed at restraining the increase in labour costs and to Finland's faster productivity growth. In terms of common currency, Finland's international price com-

**CHART 6. RELATIVE UNIT LABOUR COSTS, 1963—82 = 100**



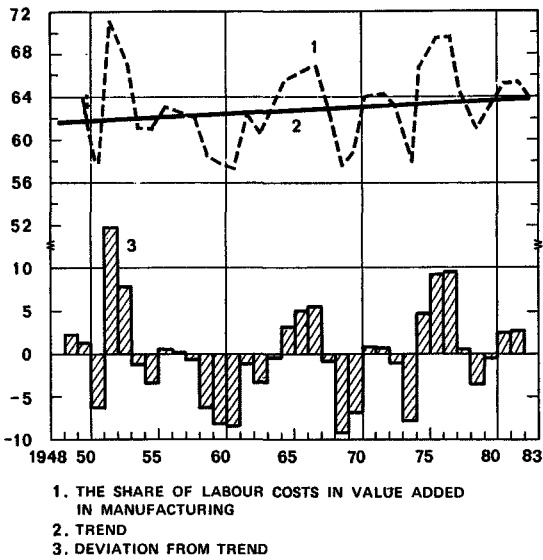
petitiveness is, at present, at about its long-term average level (Chart 6).

The relative contributions of different factors to the inflationary process have varied from period to period. Thus, in the 1960s domestic factors were the dominant forces supporting inflation. On the other hand, in the 1970s international inflation and foreign trade prices assumed a more prominent role in the domestic inflationary process. An important factor, both in the 1960s and 1970s, has been the struggle for income shares: devaluations of the markka, on one hand, and compensatory pressures for restoring factor shares, on the other, have tended to sustain the inflationary process.

#### THE 1960s

For the most part, the 1960s was a period of internally generated inflation. Foreign trade prices rose slowly, but inflation in Finland clearly exceeded the international average. Wage increases were boosted by pressures to restore the share of labour in national income, which, since the devaluation of 1957, had fallen to well below its trend (Chart 7). Economic activity and employment were supported by fairly expansive fiscal and monetary policies, which added to demand pressure in the sheltered sector of the economy. Inflation accelerated and international price competitiveness weakened. The problems became increasingly acute, eventually culminating in the devaluation of the Finnish markka by 24 per cent in October 1967.

By contrast, the period following the 1967 devaluation represents one of successful stabilization after a strong external shock. It was obvious that the indexation of incomes and prices in different sectors would set in motion an inflationary spiral that would quickly erode the benefits gained from devaluation. Consequently, a stabilization agreement was concluded in the spring of 1968 and this marked the beginning of a period of incomes policy in Finland. By the same agreement, the

**CHART 7. INCOME DISTRIBUTION**

Government was given authority to dismantle the general system of indexation.

Thanks to the stabilization agreement and price control, it was possible to curb the rise in prices and in 1969—70 inflation in Finland decelerated to well below the international average. In many other respects, too, economic performance at the end of the 1960s was favourable.

#### THE 1970s AND EARLY 1980s

The period of more stable development proved, however, to be short-lived. Pressures for the redistribution of income shares, which had been pent up during the stabilization period, started to be released as the period came to an end. There was a strong export-led upturn in 1972—73 and capacity utilization in the economy rose to a fairly high level in 1973—74. As a result of rising world market prices for crude oil and other raw materials, both export and import prices increased considerably and the terms of trade improved. The emergence of fairly strong demand pressure in the main sectors of the economy was supported by expansive economic policies aimed at alleviating the effects of a sharp decline in exports, particularly in the capital-intensive forest

industries, following the oil shock. Because of excess demand, the rise in wages and salaries accelerated and wage drift was substantial, even in 1975 when the world recession was already exercising a clear dampening impact on the economy. The annual rise in consumer prices was at its highest, about 17—18 per cent, in 1974—75.

Overheating of the economy led to serious imbalances: international competitiveness weakened by some 25 per cent in two years, the external balance faltered, and foreign indebtedness increased rapidly.

Redressing the imbalances required the pursuit of restrictive economic policies in 1976—77. The easing of inflation was fairly slow to take place. In 1977—80 the rise in the level of earnings was brought down to well below the average for the OECD countries, while the rise in consumer prices decelerated to below the OECD average in 1978—80. Several factors contributed to the slowdown of inflation: In accordance with the new medium-term recovery programme launched in mid-1977, the Government introduced several packages of measures designed to stabilize cost and price developments. As part of the policy to improve external competitiveness, the markka was depreciated by altogether 16 per cent in three steps in 1977—78. Negotiated wage increases were postponed in 1978 on account of the weakened profitability of the corporate sector and a sharp rise in unemployment. Later, in 1979—80, the markka was appreciated by some 5 per cent in all to check mounting external cost pressures.

Following the second oil shock, inflation in Finland stayed well in line with international inflation. The main sectors of the economy adjusted more uniformly to the inevitable real income loss than was the case in the aftermath of the first oil shock and allowance was made in income agreements for the weakening in the terms of trade.

Due to Finland's brisker pace of activity, the rate of consumer price inflation slightly ex-

ceeded the OECD average in 1981—1982. As a result of the 10 per cent devaluation of the markka in October 1982, which was largely a response to a substantial devaluation of the Swedish krona, and a 2-percentage point increase in sales tax in June 1983, the difference between the two inflation rates has widened somewhat in the course of this year.

## CAUSES AND EXPLANATIONS OF INFLATION

Explanations for the causes of Finland's higher-than-average inflation and wider variability in price movements may be summarized under three headings: the role of external factors in determining domestic inflation, growth-oriented economic policies and structural aspects of the Finnish economy.

### STRUCTURE OF FOREIGN TRADE

A large proportion of the commodities entering Finland's foreign trade comprises raw materials and intermediate products, the demand for and prices of which are prone to sharp fluctuations in world markets. At present, crude oil and other raw materials account for more than 60 per cent of Finnish imports, while products whose price behaviour is similar, such as pulp and paper, make up about 60 per cent of exports.

A rise in export prices usually induces a rapid increase in profits, which, in turn, leads to a strong investment boom, higher stumpage prices and growing wage demands in the export sector. When, as may happen during a recession, world market prices fall, domestic costs do not ease to the same extent and as productivity weakens this creates further inflationary pressures.

### ECONOMIC POLICY

The prime objectives of economic policy in Finland in the post-war period have been to promote economic growth and structural

change and to maintain full employment. The chief weapons used in seeking to achieve these goals have been expansive fiscal and monetary policies and borrowing abroad.

Weakened international price competitiveness has typically been corrected by devaluation, usually accompanied by a stabilization agreement. At the same time, however, the functional distribution of income, which has tended to be stable in the long-run, has been disrupted. Pressures for restoring factor shares have led to compensatory wage claims, resulting in an acceleration of the wage-price spiral and a renewed weakening in price competitiveness.

### THE STRUGGLE FOR INCOME SHARES

Finland has a powerful trade union movement and, in general, the struggle for factor shares is intense, with the farmers and forest owners also participating as prominent interest groups. The labour market is centralized and characterized by a fairly high degree of unionization and a rather rigid wage structure between different groups of employees.

Disturbances emanating from fluctuations in world-market prices and export demand enter the economy relatively unimpeded, disrupting the accepted wage structure and setting in motion a chain of compensatory wage claims. Marked shifts in the wage structure and high wage drift occurred in 1972—74, and led to the inclusion, on the demand of employees in the sheltered sector, of an «earnings guarantee» in incomes agreements in 1977. The guarantee is designed to smooth out intersectoral differences in wage drift.

Socio-political factors may also have exercised some influence on inflation. The heavy reliance on incomes policies and the pursuit of social consensus by the labour market partners, farmers and the authorities has occasionally led to passivity in the use of fiscal and monetary policy instruments. Incomes policy has succeeded in bringing inflation down to tolerable levels in recession periods, but has been



unable to prevent inflation from accelerating in economic upswings.

#### INDEXATION AND SIMILAR LINKAGES

At present, formal indexation in economic contracts is prohibited by law in Finland. However, there is a fairly wide-ranging network of both formal and actual price and income linkages aimed at guarding the incomes of different groups against price increases and additional gains by other groups after the commencement of contractual agreements. For example, pensions and some other transfer-type incomes are directly linked either to consumer prices or wage and salary indices. Similarly, rises in costs automatically lead to compensatory price increases in some sectors of the economy, such as agriculture and the food industry. Different groups of employees have become reluctant to conclude agreements which do not contain an earnings guarantee and some kind of index stipulation.

Indexation diminishes considerably the flexibility of the economy and its ability to adjust to change by preventing differences in productivity and supply/demand imbalances in the labour market from being reflected in wage developments.

Price controls have been applied quite extensively in Finland for most of the period since 1968. Being based on the full-cost principle, they have not, however, curbed price rises induced by cost pressures. From time to time, efforts have been made to reduce inflationary expectations by intensifying price surveillance through the imposition of temporary price freezes. Experience has nevertheless shown that these measures have succeeded only in postponing price increases.

#### ROLE OF INTERNAL AND EXTERNAL FACTORS

The importance of each of the factors described above is difficult to assess quantitatively, but

the results of empirical studies give some indication as to the roles of internal and external factors in determining inflation in Finland.

Because of the relatively minor importance attached to external factors in the 1960s, research work in Finland, as in most other countries, concentrated on examining the stability of the inverse relation between the rate of inflation and the rate of unemployment known as the Phillips curve. Some studies contended that the rate of unemployment was of some significance in explaining changes in wages, but other studies did not support this hypothesis.

Studies since the 1970s have emphasized the role of external inflation in determining domestic price developments. The theoretical basis for this approach has been provided by the theory of the small open economy, which assumes that prices in the open sector are fully determined by world market prices and exchange rates. Interpreted as a long-term relation, econometric evidence also tends to support this hypothesis.

Results of quantitative studies naturally differ somewhat from each other, but many of them would seem to support the hypothesis that Finland's export prices are largely determined by world market prices in the long run. In the short run, domestic cost factors and demand conditions also influence price developments. As regards the determination of total domestic inflation, most quantitative analyses indicate that in the long run the major part of external inflation is transmitted to domestic inflation through the price-wage spiral.

Given the greater role of external factors in determining domestic inflation, there are growing doubts as to the appropriateness of devaluation as a means of maintaining external competitiveness. Instead, greater emphasis needs to be paid in the formulation of economic policy to promoting structural change and flexibility in the economy with a view to enhancing real competitiveness.

## ITEMS

**Changes in bilateral payments agreements.** On September 1, 1983, an amendment to the bilateral payments agreement between Finland and the German Democratic Republic, involving a changeover to the use of Finnish marks as the clearing currency instead of US dollars, entered into force. The technical details concerning the accounting procedures and exchange rates to be applied in the payments agreement were laid down in a banking agreement made between the Bank of Finland and the Deutsche Aussenhandelsbank. In conjunction with the amendment, the credit limit on the clearing account was raised from 10 million dollars to 70 million marks.

As well as with the German Democratic Republic, Finland also has clearing agreements with Bulgaria, the Soviet Union and Hungary. Hungary's admission to the International Monetary Fund in May 1982 has made it necessary to rescind Finland's bilateral payments agreement with that country. However, the two countries have agreed that the switch to convertible currencies will not take place before the end of 1984.

In accordance with the long-term trade agreement concluded in 1982 between Finland and the People's Republic of China, there was a changeover to the use of convertible currencies between the two countries on January 1, 1983. As from the beginning of 1982, convertible currencies have been used in payments between Finland and Romania. The switch to convertible currencies was due to Romania and the People's Republic of China joining the International Monetary Fund.

The clearing agreements with Poland and Czechoslovakia are still formally in force, but

in practice the experimental arrangement whereby convertible US dollars are used in payments is being continued.

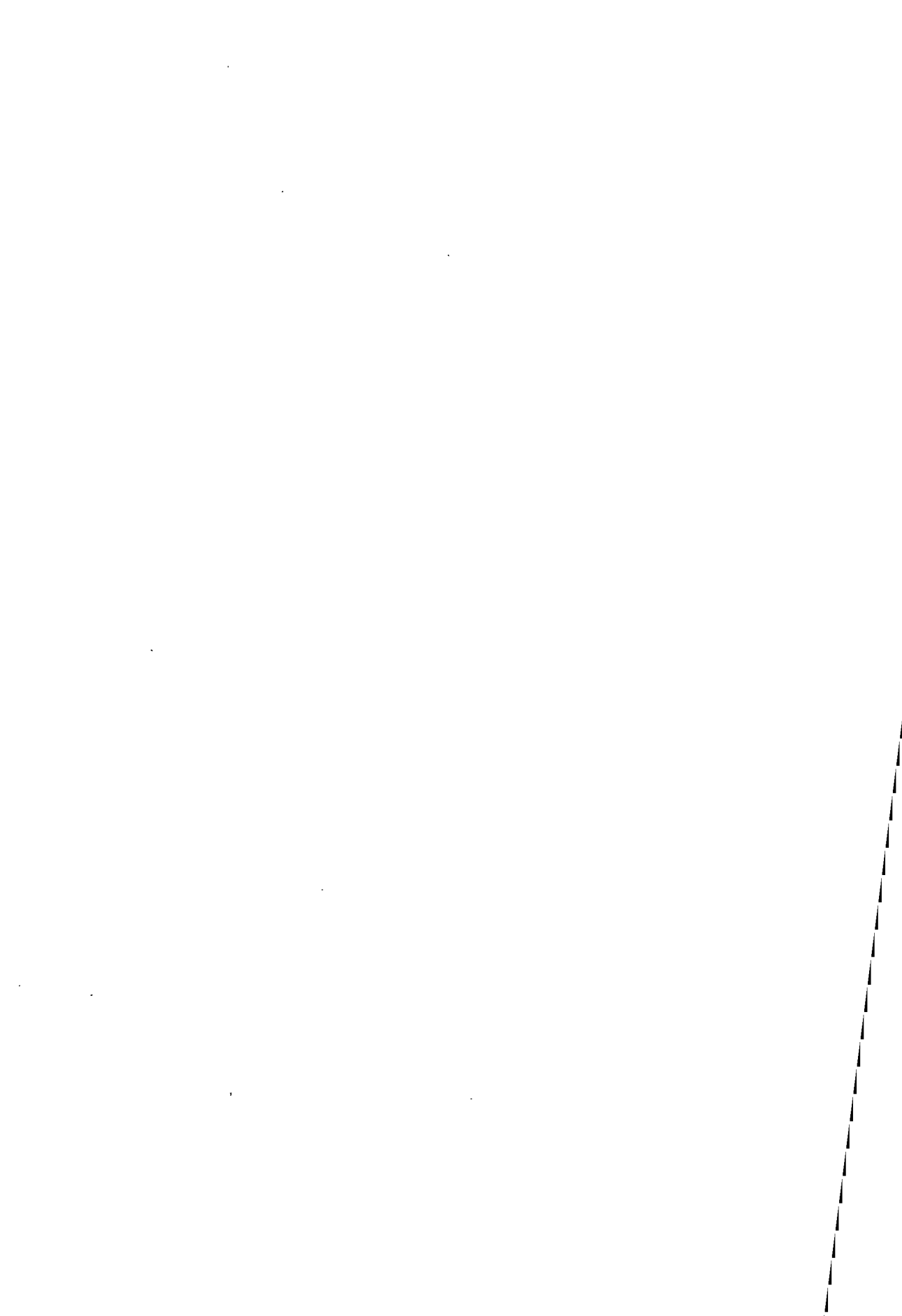
**Proposal for the revision of § 2 of the Currency Act.** On the proposal of the Bank of Finland, the government decided, on October 21, 1983, to submit to Parliament a bill concerning the revision of § 2 of the Currency Act. According to the proposal, only the convertible currencies most important for Finland's foreign trade are to be taken into account when calculating the currency index number expressing the external value of the mark. The Soviet rouble, which is included in the present index, is to be excluded from the calculation of the index. The Bank of Finland is to continue quoting the mark rate for the rouble as at present. The revision is to enter into force as from the beginning of 1984.

In the present calculation of the currency index, the interdependence of the mark rates for the rouble and the convertible currencies has at times amplified exchange rate fluctuations. By means of this revision, the bilateral nature of Finnish-Soviet trade will be taken into account better than at present. At the same time, the measure will also increase the stability of the convertible currency market in Finland.

The mark rates for currencies will not change in connection with the index revision. Nor does the technical revision of the Currency Act affect the determination of the daily mark rates for currencies. Rather, the Bank of Finland will continue to apply the present method of quoting currencies.







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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 <i>Absent as Minister of Trade and Industry</i>
Esko Ollila	Markku Puntila <i>Acting Member of the Board</i>

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## Directors

Markku Puntila	Eino Helenius
Pentti Koivikko	Sirkka Hämäläinen
Matti Vanhala	

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## Senior officials

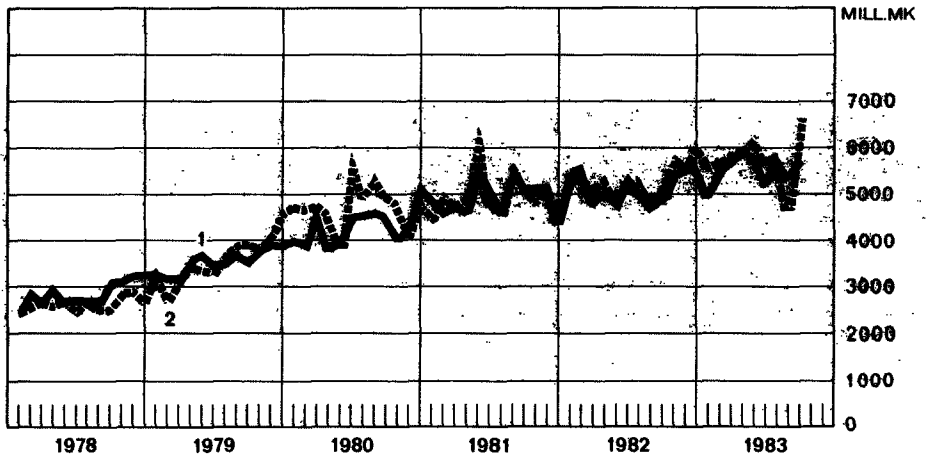
Timo Männistö <i>Internal Audit</i>	Ralf Pauli <i>Monetary Policy</i>
Raimo Hyvärinen <i>Domestic Financing</i>	Stig G Björklund <i>Payments</i>
H. T. Hämäläinen <i>Administration</i>	U. Levo <i>International Legal Affairs</i>
Ossi Leppänen <i>Accounting</i>	Anton Mäkelä <i>Personnel</i>
Reijo Mäkinen <i>Cash</i>	Heikki Koskenkylä <i>Research Dept.</i>
Kari Pekonen <i>Exchange Policy</i>	Kari Holopainen <i>Bilateral Trade</i>
Pekka Tukiainen <i>Foreign Financing</i>	J. Ojala <i>Exchange Control</i>
Seppo Kostiainen <i>Deputy, Economics Dept.</i>	Markku Pietinen <i>Information</i>

Erkki Vehkamäki  
*Data Processing*

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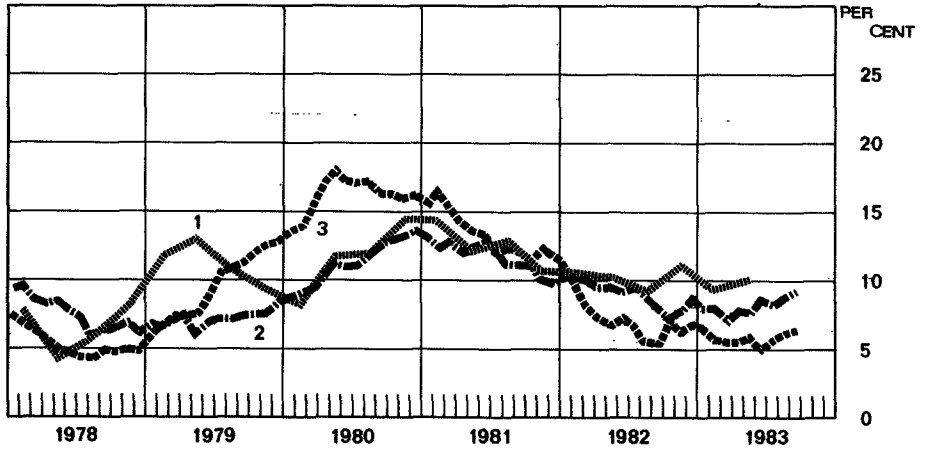
**FOREIGN TRADE, 1978-83**

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



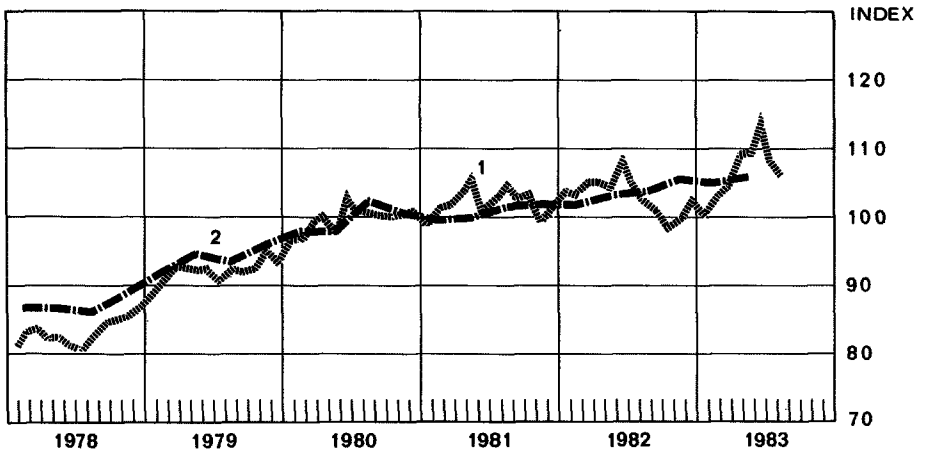
**PRICES AND WAGES, 1978 - 83**

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



**PRODUCTION, 1978 - 83**

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



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