



# BANK OF FINLAND

*Monthly Bulletin*

Securities market

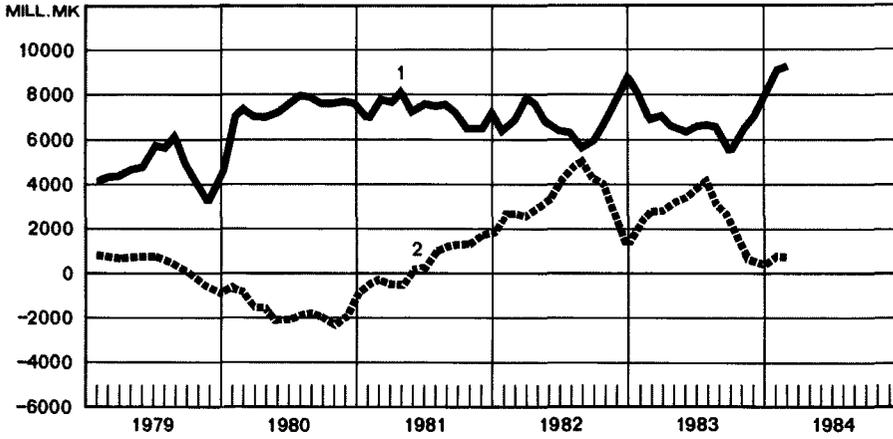
Tangible versus intangible  
investments in industry

Monetary and foreign exchange policy  
measures from February 1983  
to February 1984

APRIL 1984

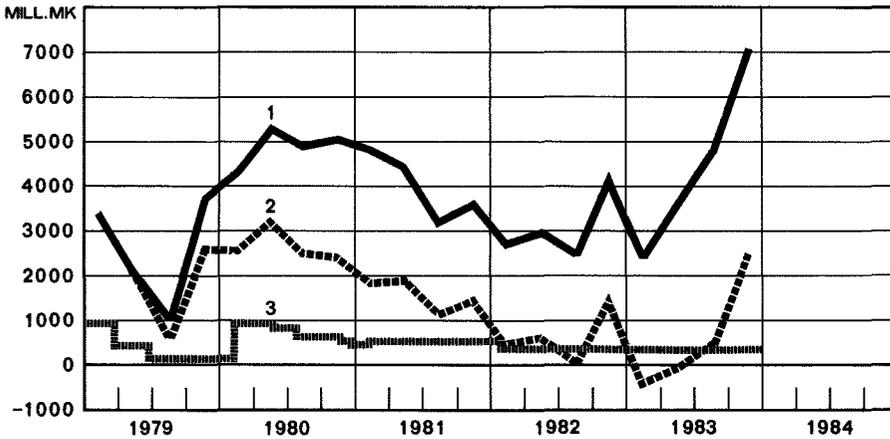
Vol. 58 No. 4

**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1979 - 84**



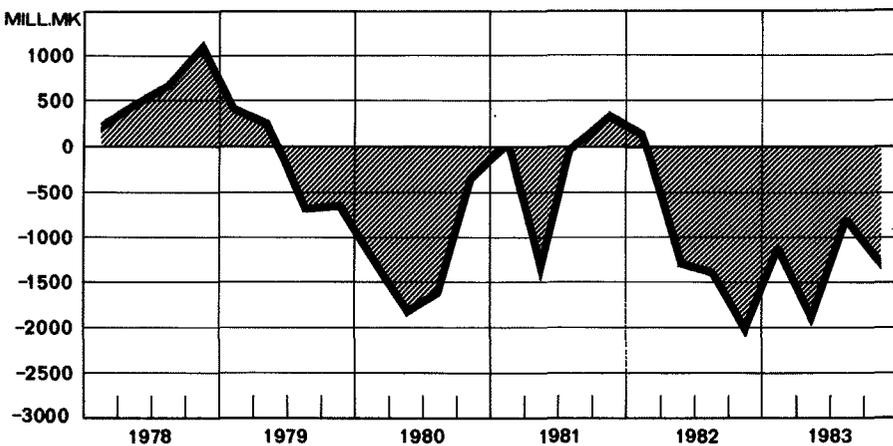
- 1. Gold and convertible currencies
- 2. Tied currencies

**COMMERCIAL BANKS' CENTRAL BANK POSITION, 1979 - 84**



- 1. Gross central bank debt
  - 2. Net central bank debt
  - 3. Quotas
- Quarterly average of daily amounts (1 and 2)

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1978 - 83**



Seasonally adjusted quarterly figures

# SECURITIES MARKET

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The securities market has grown significantly in Finland over the past two years. This expansion has involved shares as well as bonds and debentures. The share market has been characterized by rapidly rising share prices, increased issues and the internationalization of investment in equity. The large issues of bonds and debentures are partly explained by transactions between financial institutions but the public has also shown increased interest in these assets.

Despite the expansion, this kind of financing is still of rather limited importance in the financial markets as a whole. Only a small part of the financial deficit of the corporate sector — which is normally relatively large by international standards — is covered by security issues. From the point of view of companies, especially shares but to a large extent also bonds and debentures are an expensive form of financing. Thus long-term finance is a fairly minor item in company balance sheets. The recent expansion of the bond and debenture market has not essentially eased the situation since the securities sold have had fairly short maturities, typically about 5 years for debentures and slightly more for bonds. The expansion has, in fact, been partly associated with the simultaneous growth of the short-term money market.

Household ownership of securities has increased slightly but still only some 12 per cent of households own shares of companies quoted on the stock exchange. With the reduced importance of saving for, inter alia, home ownership, some shift towards increased investment in securities can be expected. In general, however, taxable securities (shares,

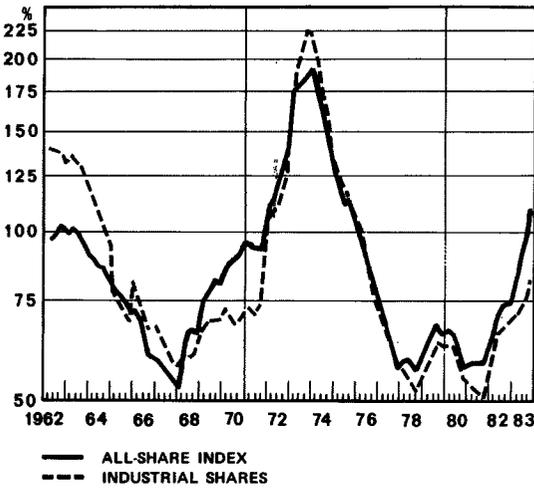
debentures and "other debt instruments") are not so competitive as tax-free bank deposits and bonds; they are nevertheless attractive to small investors because of certain tax concessions. Despite increased household participation in these markets, demand stems largely from institutional investors, both domestic and, to an increasing extent, foreign.

Apart from structural elements, the recovery of the past few years largely reflects cyclical factors. In particular, the revival in the shares market is based on greater liquidity in the financial markets and on the expansionary economic policies carried out in 1981–1982 with the aim of stimulating the private sector. Among other things, these policies entailed devaluation of the markka in October 1982 and tax concessions for the corporate sector.

## INCREASING INTERNATIONALIZATION OF EQUITY FINANCE

Rapidly rising stock market prices were an international phenomenon last year, and particular optimism was shown by both domestic and foreign investors in corporate growth in the Nordic countries. On the Helsinki Stock Exchange, prices increased by as much as 66 per cent over the previous year. The extent of the increase is largely explained by the low level of the early 1980s. The Finnish shares market has, in fact, been characterized by long recessionary periods followed by sharp recoveries, sometimes lasting several years, which on occasion have led to overheating. In real terms, the level of prices attained last year was still clearly below the peak of 1973 (Chart 1).

**CHART 1. REAL SHARE PRICES. UNITAS SHARE INDEX DEFLATED BY CONSUMER PRICES (1971-80=100)**



Although prices rose rapidly, the strength of the increase was by no means uniform. For example, quotations for forest products companies rose less than average despite the fact that there was a marked recovery in forest products exports. In contrast, the shares of metal and engineering companies more than doubled in price. A particularly sharp increase was recorded for insurance companies, but the share of this branch on the stock exchange is rather small.

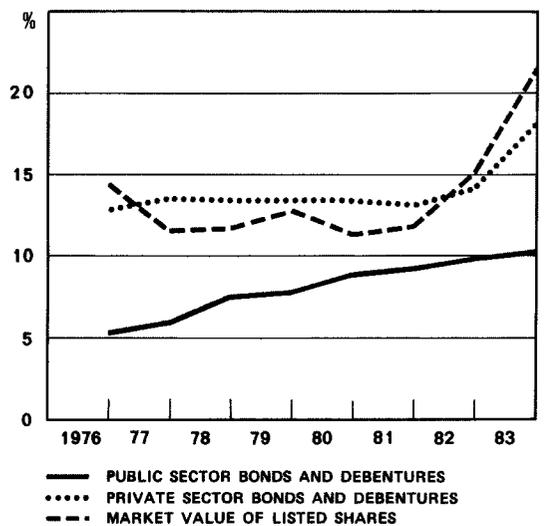
The higher prices for insurance company shares were undoubtedly largely due to brisk demand from abroad, which has been one of the most noteworthy features of recent developments in the Finnish stock market. Foreign purchases contributed importantly to the stock market revival, accounting for some 15 per cent of the total turnover of FIM 1.2 billion.

Insurance company shares are the only ones that can be bought by foreigners without restriction. In other companies (except those specifically exempted by the government), there is a legal limit of 20 per cent on the number of shares that can be sold to foreigners. Furthermore, a special licence is required for sales of bank shares abroad. The scarcity

of unrestricted shares is probably the main reason why their prices have, in some cases, risen to more than a quarter above those of restricted shares. The Finnish authorities have adopted a positive stand towards foreign investment and there are plans to raise the limit on foreign ownership to 40 per cent. Voting power would, however, still be limited to 20 per cent. Moreover, limitations on foreign ownership of insurance company shares are under consideration.

Finnish firms have also taken advantage of the interest of foreign investors by launching issues abroad. Last year, FIM 0.4 billion was raised through foreign issues by Finnish companies. Three issues were floated in Sweden, one in the United States and there was an international issue in Finland. Even though the foreign capital so raised is of only minor importance as regards financing the current account or corporate sector deficits, it was nevertheless significant in relation to domestic share issues. In fact, only FIM 0.8 billion was raised through new issues on the Helsinki Stock Exchange last year. This figure is slightly less than in 1982, but still quite high by historical standards.

**CHART 2. SECURITIES IN CIRCULATION, AS A PERCENTAGE OF BANK DEPOSITS**



(continued on page 35)

	1983		1984			
	Mar. 31	Dec. 31	Mar. 8	Mar. 15	Mar. 23	Mar. 30
<b>Assets</b>						
Gold and foreign currency claims	10 201	8 779	11 294	11 477	11 826	11 486
Gold	1 382	1 383	1 383	1 383	1 383	1 383
Special drawing rights	570	226	215	215	218	214
IMF reserve tranche	456	751	729	731	740	726
Foreign bonds	278	685	1 140	1 185	1 093	1 095
Convertible currencies	4 586	5 184	6 727	7 075	7 424	6 914
Tied currencies	2 929	550	1 100	888	968	1 154
Other foreign claims	3 984	4 876	4 824	4 827	4 841	4 475
Mark subscription to Finland's IMF quota	1 843	2 762	2 762	2 762	2 762	2 762
Term credits	2 141	2 114	2 062	2 065	2 079	1 713
Claims on financial institutions	4 484	8 788	6 108	6 746	5 766	5 606
Banks' cheque accounts	262	445	81	24	28	30
Call money market advances	2 106	5 785	3 265	4 008	3 083	2 916
Till-money credits	802	942	1 071	1 013	931	924
Bonds	1 282	1 546	1 656	1 656	1 680	1 680
Other claims on financial institutions	32	70	35	45	44	56
Claims on the public sector	1 555	2 178	2 161	2 270	2 298	2 273
Government promissory notes	210	1 000	1 000	1 000	1 000	1 000
Bonds	707	449	403	510	536	525
Total coinage	592	710	721	724	726	729
Other claims on the public sector	46	19	37	36	36	19
Claims on corporations	5 001	5 079	4 855	4 839	4 873	4 847
Financing of exports	1 762	1 867	1 871	1 838	1 870	1 842
Financing of domestic deliveries	2 656	2 662	2 733	2 754	2 756	2 754
Bonds	157	134	124	120	120	124
Other claims on corporations	426	416	127	127	127	127
Other assets	100	105	108	107	107	106
<b>Total</b>	<b>25 325</b>	<b>29 805</b>	<b>29 350</b>	<b>30 266</b>	<b>29 711</b>	<b>28 793</b>
<b>Liabilities</b>						
Foreign currency liabilities	36	34	67	60	59	52
Convertible accounts	26	34	66	59	58	51
Tied accounts	10	0	1	1	1	1
Other foreign liabilities	4 648	5 670	4 723	4 731	3 621	3 605
IMF mark accounts	1 890	2 762	2 762	2 762	2 762	2 762
Allocations of special drawing rights	840	872	846	849	859	843
Term liabilities	1 918	2 036	1 115	1 120	-	-
Notes and coin in circulation	5 966	6 574	6 272	6 272	6 248	6 308
Notes	5 480	6 029	5 731	5 732	5 708	5 768
Coin	486	545	541	540	540	540
Certificates of deposit in circulation	1 800	-	-	-	-	-
Liabilities to financial institutions	4 518	5 712	7 789	7 858	8 116	8 955
Banks' cheque accounts	0	2	19	54	51	16
Call money market deposits	710	610	2 324	2 361	2 601	3 105
Cash reservé deposits	3 727	5 039	5 327	5 326	5 326	5 710
Capital import deposits	56	35	95	95	97	95
Other liabilities to financial institutions	25	26	24	22	41	29
Liabilities to the public sector	1	3 000	1 812	2 712	3 013	1 313
Cheque accounts	1	0	0	0	0	0
Government deposit account	-	3 000	1 800	2 700	3 000	1 300
Capital import deposits	-	-	-	-	-	-
Other liabilities to the public sector	0	0	12	12	13	13
Liabilities to corporations	1 718	1 832	2 042	1 987	1 997	2 014
Deposits for investment and ship purchase	1 300	1 290	1 256	1 238	1 237	1 266
Capital import deposits	413	531	733	735	743	732
Other liabilities to corporations	5	11	53	14	17	16
Other liabilities	15	15	19	15	14	15
Equalization accounts	1 819	2 057	1 694	1 699	1 711	1 599
Capital accounts	4 804	4 911	4 932	4 932	4 932	4 932
Primary capital	3 000	3 000	3 000	3 000	3 000	3 000
Reserve fund	1 365	1 365	1 638	1 638	1 638	1 638
Undisposed profits	334	-	273	273	273	273
Net earnings	105	546	21	21	21	21
<b>Total</b>	<b>25 325</b>	<b>29 805</b>	<b>29 350</b>	<b>30 266</b>	<b>29 711</b>	<b>28 793</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 claims	Net claims (4+5+6)	Claims	Certificates of deposit and deposit account	Other liabilities	Net liabilities (9-8+10)
	1	2	3	4	5	6	7	8	9	10	11
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	1 900	591	1 266
1981	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	1 600	578	942
1982	2 444	765	5 796	9 005	1 525	-1 447	9 083	1 040	1 700	50	710
1983	2 360	685	5 150	8 195	550	-794	7 951	2 178	3 000	0	822
1983											
March	2 408	278	4 560	7 246	2 919	-664	9 501	1 555	1 800	1	246
April	2 407	232	4 068	6 707	3 380	-654	9 433	1 477	1 650	1	174
May	2 368	379	3 842	6 589	3 575	-618	9 546	1 401	950	1	-450
June	2 362	181	4 166	6 709	3 927	-636	10 000	1 663	750	1	-912
July	2 368	214	4 206	6 788	4 330	-668	10 450	1 662	1 400	1	-261
Aug.	2 376	232	4 090	6 698	3 193	-722	9 169	1 697	800	1	-896
Sept.	2 374	268	3 000	5 642	2 762	-701	7 703	1 905	800	1	-1 104
Oct.	2 377	302	3 913	6 592	1 546	-726	7 412	1 839	950	0	-889
Nov.	2 393	425	4 341	7 159	681	-772	7 068	1 880	2 500	1	621
Dec.	2 360	685	5 150	8 195	550	-794	7 951	2 178	3 000	0	822
1984											
Jan.	2 366	924	5 931	9 221	926	-846	9 301	2 136	500	12	-1 624
Feb.	2 333	1 143	5 923	9 399	841	88	10 328	2 094	800	12	-1 282
March	2 323	1 095	6 863	10 281	1 153	870	12 304	2 273	1 300	13	-960

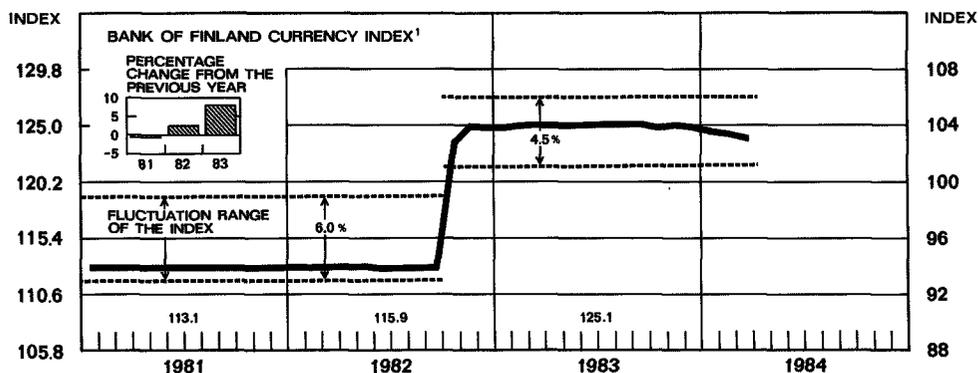
## FOREIGN EXCHANGE POSITION

Mill. mk

	Net holdings, Dec. 31, 1983			Net holdings Feb. 29, 1984			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Feb.	Jan.-Feb
Gold	1 383		1 383	1 383	-	1 383	-	-
Special drawing rights	226		226	216	-	216	-11	-10
IMF reserve tranche	751		751	734	-	734	-22	-17
Foreign bonds	685		685	1 143	-	1 143	+219	+458
Convertible currencies	5 150	-13 558	-8 408	5 923	-14 730	-8 807	-15	-399
Total	8 195	-13 558	-5 363	9 399	-14 730	-5 331	+171	+32
Tied currencies	550	-250	300	841	-304	537	-152	+237
Grand total	8 745	-13 808	-5 063	10 240	-15 034	-4 794	+19	+269

End of year or month	Domestic financial sector							Corporate sector			Notes and coin in circulation
	Till-money credits	Claims on cheque accounts, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net claims (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net claims (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1980	643	480	3 674	290	3 317	-421	1 611	3 063	642	2 421	4 954
1981	768	495	1 796	1 080	2 492	-406	-107	3 865	749	3 116	5 595
1982	889	163	3 126	1 470	3 132	-1 042	618	4 302	999	3 303	6 062
1983	942	443	5 785	610	5 039	-1 555	3 076	4 529	1 282	3 247	6 574
1983											
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
Nov.	953	322	6 565	997	5 053	-1 507	3 297	4 610	1 361	3 249	6 179
Dec.	942	443	5 785	610	5 039	-1 555	3 076	4 529	1 282	3 247	6 574
1984											
Jan.	1 038	62	4 087	2 907	5 250	-1 619	-1 351	4 572	1 106	3 466	6 195
Feb.	1 024	58	3 659	2 607	5 327	-1 605	-1 588	4 592	1 746	2 846	6 232
Mach	924	14	2 916	3 105	5 710	-1 612	-3 349	4 596	1 763	2 833	6 308

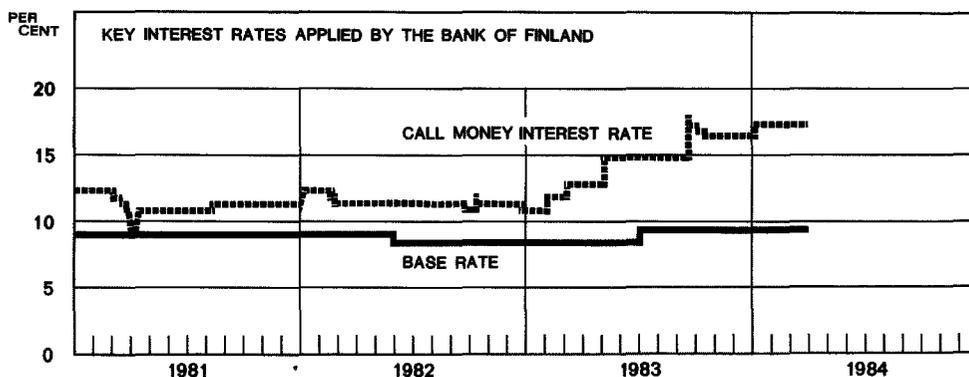
<sup>1</sup> The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



# MONETARY POLICY INDICATORS

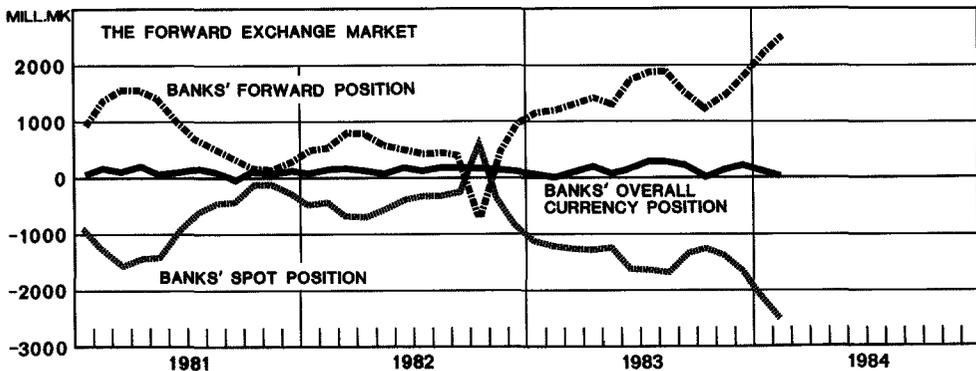
Average for period	Gross central bank debt of the deposit banks mill. mk	Net central bank debt of the deposit banks mill. mk	Cash reserve deposits of the deposit banks mill. mk	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks <sup>1</sup> %
	1	2	3	4	5	6	7	8	9
1979	2 769	372	447	1.0	321	9.74	9.11	7.46	8.03
1980	4 971	1 560	2 542	3.8	3 313	12.38	12.37	9.20	9.77
1981	4 095	-33	2 795	3.5	2 161	11.48	11.61	9.25	9.84
1982	3 201	-783	2 777	3.1	1 571	11.64	11.98	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	15.13	9.00	9.56
1983									
Jan.	2 996	-1 716	3 135	3.3	1 011	11.00	12.09	8.50	8.99
Feb.	1 879	-2 360	3 240	3.3	475	12.00	11.71	8.50	8.97
March	2 741	-1 492	3 308	3.7	1 408	13.00	13.60	8.50	8.95
April	3 271	-1 678	3 753	4.1	1 666	13.00	13.69	8.50	8.97
May	4 019	-1 473	4 149	4.7	2 271	15.00	14.54	8.50	9.00
June	3 873	-2 053	4 770	4.7	2 308	15.00	14.32	8.50	9.07
July	4 477	-1 856	4 889	4.7	2 627	15.00	14.67	9.50	10.09
Aug.	4 634	-1 972	4 920	4.7	2 541	15.00	14.68	9.50	10.10
Sept.	5 523	- 912	4 945	4.7	3 627	16.67	16.13	9.50	10.16
Oct.	6 972	74	4 984	4.7	4 651	16.95	16.74	9.50	10.14
Nov.	7 075	238	5 008	4.7	4 837	16.70	16.27	9.50	10.15
Dec.	7 007	646	5 039	4.7	5 269	16.70	16.49	9.50	10.18
1984									
Jan.	6 794	-458	5 045	4.7	4 588	17.50	17.50	9.50	10.30
Feb.	5 327	-2 921	5 242	4.7	2 323	17.50	17.50	9.50	..
March	3 460	-4 482	5 351	5.0	869	17.50	17.50	9.50	..

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



# FORWARD EXCHANGE MARKETS IN FINLAND

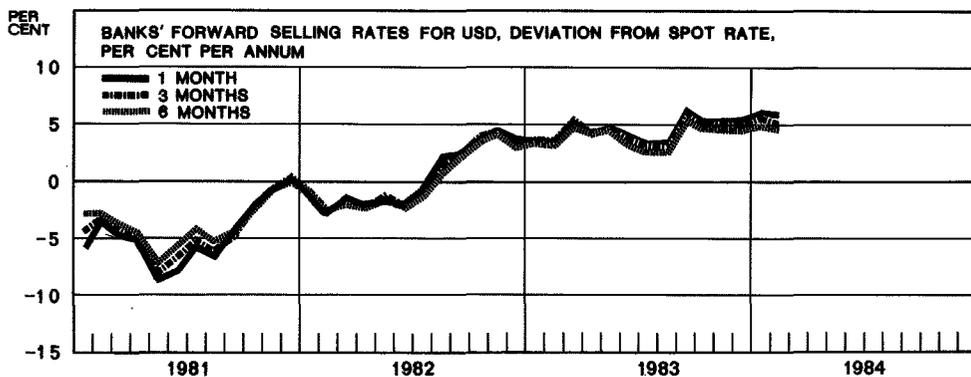
Period	Banks' forward positions in mill. mk with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1982	11 128.0	2 116.7	9 011.4	-865.1	-6 827.2	1 104.0	3.9	3.8	3.4
1983	7 434.6	1 333.4	6 101.2	-1 483.0	-2 063.1	2 390.5	5.6	5.3	4.8
1982									
Dec.	11 128.0	2 116.7	9 011.4	-865.1	-6 827.2	1 104.0	3.9	3.8	3.4
1983 <sup>r</sup>									
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
Oct.	7 964.3	2 064.2	5 900.1	-1 291.5	-2 540.6	1 715.5	5.5	5.2	4.8
Nov.	7 398.6	2 001.9	5 396.6	-1 201.3	-2 186.5	1 670.0	5.4	5.3	4.8
Dec.	7 434.6	1 333.4	6 101.2	-1 483.0	-2 063.1	2 390.5	5.6	5.3	4.8
1984									
Jan.	7 144.5	1 808.4	5 336.1	-1 794.1	-1 008.4	2 275.1	6.3	5.3	5.1
Feb.	8 105.5	1 865.6	6 239.9	-1 850.6	-1 437.7	2 635.0	6.1	5.3	4.8



# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

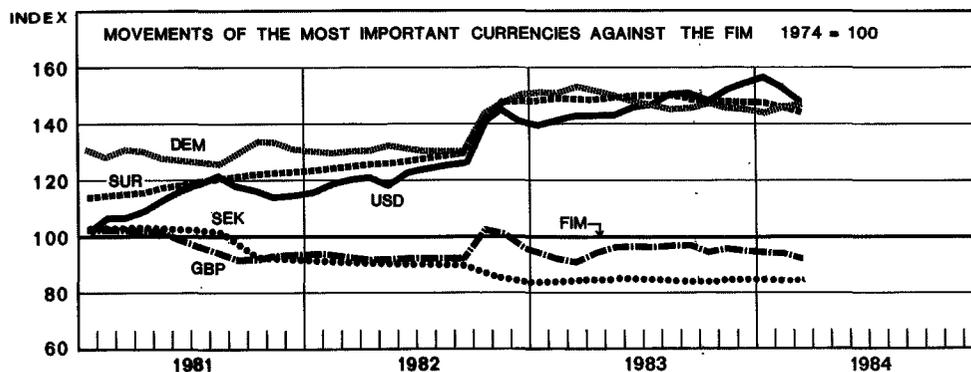
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC BEL	
	1	2	3	4	5	6	7	8	9	10	11
1979	3.896	3.330	8.275		91.12	77.22	74.38	212.75	194.43	13.338	12.979
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
1983	5.570	4.524	8.456	6.957	72.75	76.44	61.07	218.61	195.66	10.934	10.742
1983											
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
Nov.	5.754	4.661	8.511	6.686	72.83	77.19	59.56	214.73	191.61	10.574	10.474
Dec.	5.860	4.706	8.414	6.639	72.84	76.01	58.99	213.55	190.33	10.500	10.357
1984											
Jan.	5.940	4.764	8.389	6.579	72.85	75.65	58.56	211.96	188.64	10.395	10.225
Feb.	5.803	4.655	8.355	6.626	72.56	75.47	58.89	214.81	190.35	10.495	10.182
March	5.618	4.432	8.201	6.645	72.79	75.04	59.16	216.76	192.02	10.596	10.260



## 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 lkr ISK	Madrid 100 Ptas ESP	Tokyo 100 Y JPY	Moscow 1 Cl Rbl SUR	1 special drawing right SDR	Currency index <sup>1</sup>
12	13	14	15	16	17	18	19	20	21	22
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
265.70	73.53	0.369	31.11	5.14	23.25	3.91	2.351	7.491	5.943 25	125.1
267.72	78.50	0.387	31.66	5.90	28.34	4.17	2.287	7.506	5.865 51 <sup>r</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>r</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>r</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>r</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>r</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>r</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>r</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>r</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
265.52	70.72	0.355	30.53	4.55	20.72	3.74	2.452	7.438	6.043 58	125.1
267.20	70.15	0.353	30.33	4.49	20.76	3.73	2.506	7.439	6.101 77	125.0
266.26	69.47	0.350	30.10	4.41	20.58	3.74	2.547	7.425	6.145 38	103.8
263.17	69.92	0.349	30.48	4.35	20.05	3.78	2.488	7.343	6.065 12	103.6
262.10	70.46	0.350	30.80	4.32	19.63	3.77	2.498	7.252	5.969 10	103.3

<sup>1</sup> Until December 31, 1983 the base year was 1974 = 100.  
Since January 1, 1984 the base year has been 1982 = 100.



# DEPOSITS BY THE PUBLIC

Mill. mk

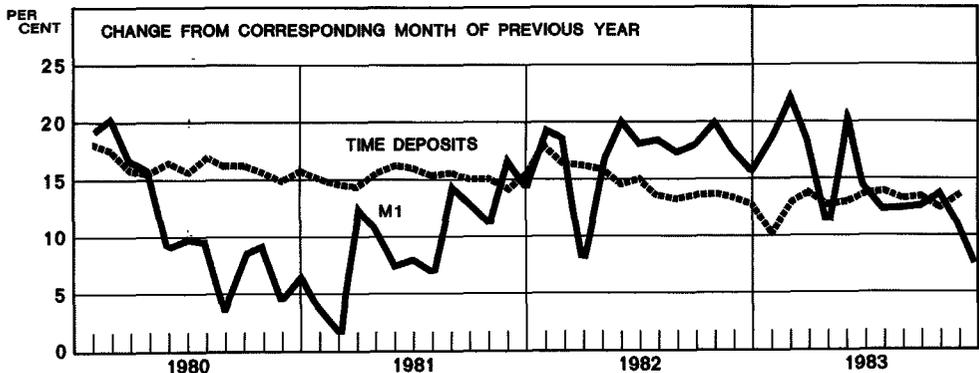
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	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
1983*	7 054	4 567	3 676	15 297	34 012	29 273	24 175	9 938	97 398	112 695

## 1982\*

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
Sept.	6 959	4 185	4 324	15 468	31 167	28 230	23 194	9 387	91 978	107 446
Oct.	7 264	4 270	4 529	16 063	31 288	28 298	23 285	9 365	92 236	108 299
Nov.	7 514	4 182	3 625	15 321	31 668	28 447	23 424	9 492	93 031	108 352
Dec.	7 054	4 567	3 676	15 297	34 012	29 273	24 175	9 938	97 398	112 695



# ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. mk

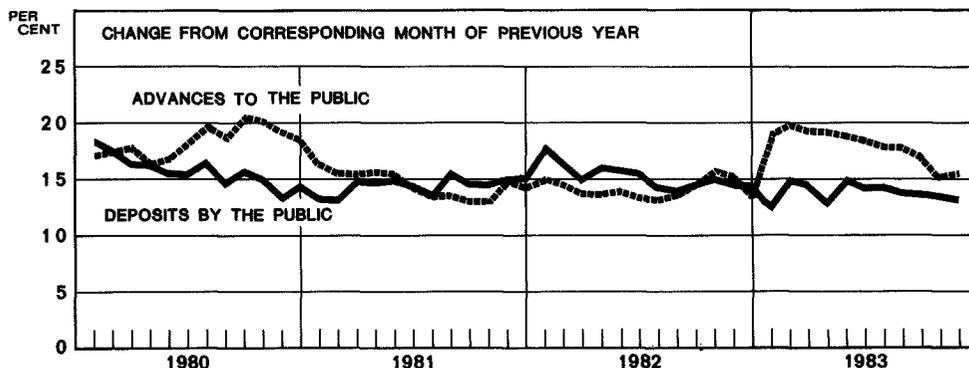
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi-Money
	1	2	3	4	5	6	7		8	9
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
1983*	55 534	29 276	27 322	13 570	104 581	4 346	16 775	125 702	21 427	121 905

1982\*

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	12 909	97 926	4 451	14 433	116 810	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
Sept.	53 190	28 594	26 228	13 456	102 157	4 898	14 413	121 468	21 403	116 469
Oct.	54 005	28 821	26 529	13 543	103 055	4 793	15 050	122 898	21 772	116 992
Nov.	55 597	29 040	26 946	13 665	103 989	4 847	16 412	125 248	21 105	117 008
Dec.	55 534	29 276	27 322	13 570	104 581	4 346	16 775	125 702	21 427	121 905



## STATE FINANCES

Mill. mk

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1982	1983		1982	1983
Income and wealth tax (net)	16 307	19 127	Wages, salaries, pensions etc.	9 654	10 935
Gross receipts	39 051	45 237	Repair and maintenance	1 162	1 383
Refunds & local authorities	-22 744	-26 110	Other consumption expenditure	5 741	6 646
Other taxes on income and wealth	379	439	Total consumption expenditure	16 557	18 964
Employers' child allowance payments	1	1	State aid to local authorities	12 240	14 126
Sales tax	14 017	15 861	State aid to industries	8 738	7 350
Customs duties and import charges and levies	1 483	1 419	of which: agric. price subsidies	3 694	3 601
Excise duties	10 414	9 404	Child allowances	1 611	2 228
Excise duty on alcoholic bevs.	3 078	3 420	Share in national pensions and sickness insurance schemes	769	2 272
Excise duty on tobacco	1 297	1 437	Deficit of State enterprises	1 070	1 155
Excise duty on liquid fuel	3 117	3 300	Other transfer expenditure	7 667	8 771
Other excise duties	2 922	1 247	Total transfer expenditure	32 095	35 902
Tax on autom. and motor-cycles	1 732	2 054	Machinery and equipment	1 536	1 556
Stamp duties	1 261	1 546	Construction of buildings	789	1 014
Special diesel etc. vehicles tax	199	240	Land and waterway construction	2 042	2 196
Other taxes and similar revenue	1 330	1 607	Total real investment	4 367	4 766
Total taxes	47 123	51 698	Interest on State debt	2 047	2 931
Miscellaneous revenue	3 456	4 151	Other expenditure	25	10
Interest, dividends etc.	1 439	1 669	Total other expenditure	2 072	2 941
Surplus of state enterprises	1 191	1 641	Increase in inventories	-105	828
Redemptions of loans granted	932	1 561	Lending	3 541	3 997
<b>Total revenue</b>	54 141	60 720	Other financial investment	530	596
Foreign borrowing	3 304	4 073	<b>Total expenditure</b>	59 057	67 994
Domestic borrowing	4 186	5 630	Redemption of foreign loans	900	2 166
<b>Total borrowing</b>	7 490	9 703	Redemption of domestic loans	1 846	1 552
<b>Deficit (+) or surplus (-)</b>	172	1 289	<b>Total redemptions</b>	2 746	3 718
Total	61 803	71 712	Total	61 803	71 712

State debt	1981	1982	1983			
	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.
<b>Foreign debt</b>	13 331	18 807	21 024	21 515	21 626	21 723 <sup>1</sup>
Long-term debt	8 762	11 378	15 202	15 467	15 744	16 383
Short-term credit	9	63	155	167	81	18
<b>Domestic debt</b>	8 771	11 441	15 357	15 634	15 825	16 401
<b>Total State debt</b>	22 102	30 248	36 381	37 149	37 451	38 124
Total debt mill. \$	5 052	5 651	6 368	6 580	6 509	6 506

<sup>1</sup> Includes only long-term debt.

# FOREIGN TRADE

Mill. mk

Period	Value, mill. mk		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
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
1983*	69 692	71 528	-1 836

1983\*

Jan.	5 025	5 551	-526
Feb.	5 573	5 073	+500
March	6 214	5 731	+483
April	5 735	5 706	+29
May	6 154	6 245	-91
June	5 291	5 341	-50
July	5 654	5 801	-147
Aug.	5 127	5 513	-386
Sept.	5 478	6 536	-1 058
Oct.	6 095	6 569	-474
Nov.	6 512	6 378	+134
Dec.	6 834	7 084	-250

1984\*

Jan.	6 692	5 609	+1 083
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Period	Indices of exports and imports 1980 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1979	92	89	90	86	105
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	100	95	119	117	102
1983*	104	98	127	125	101

1981

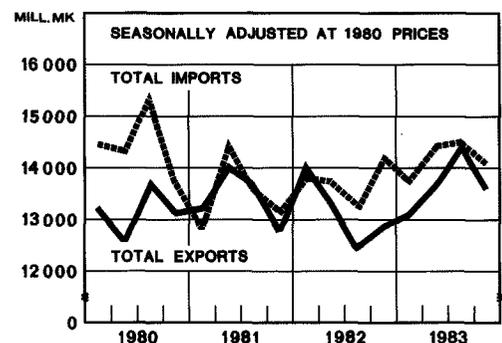
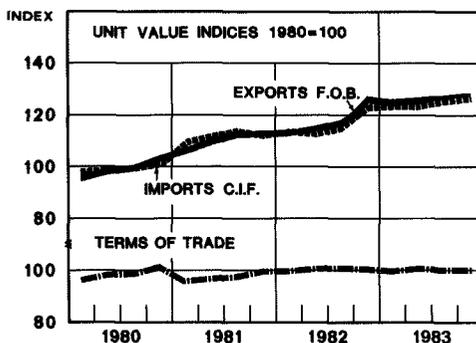
Oct.-Dec.	108	100	114	113	100
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1982

Jan.-March	106	88	115	115	100
Apr.-June	102	92	116	114	102
July-Sept.	85	90	118	116	102
Oct.-Dec.	107	107	127	125	102

1983\*

Jan.-March	102	90	126	125	101
Apr.-June	103	95	126	124	102
July-Sept.	97	97	127	126	101
Oct.-Dec.	115	108	128	127	101



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

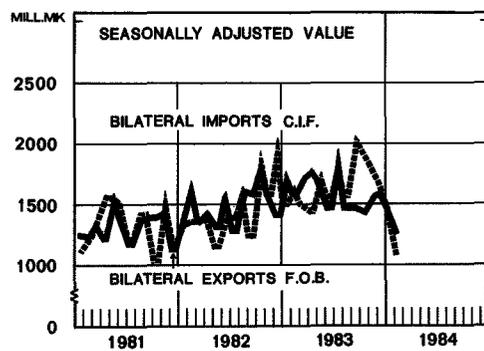
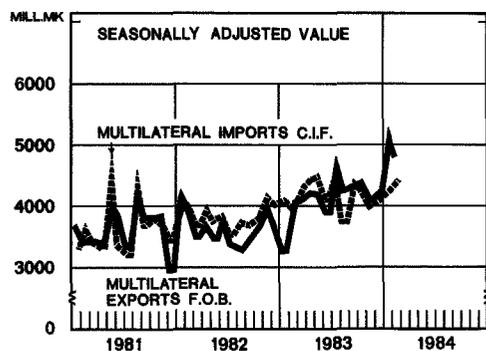
Period	Exports, f.o.b					Imports, c.i.f				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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
1983*	1 723	6 944	19 327	20 211	21 487	44 757	5 006	10 860	10 572	333

## 1983\*

Jan.	59	466	1 313	1 719	1 468	3 411	348	825	921	46
Feb.	337	563	1 421	1 504	1 748	3 216	248	665	901	43
March	317	578	1 668	1 885	1 766	3 527	227	1 016	947	14
April	78	595	1 547	1 546	1 969	3 370	270	1 010	1 046	10
May	258	655	1 469	1 942	1 830	3 976	323	976	959	11
June	67	575	1 493	1 608	1 548	3 277	440	842	729	53
July	68	562	1 571	1 826	1 627	3 459	561	1 022	703	56
Aug.	58	492	1 668	1 123	1 786	3 512	440	685	833	43
Sept.	41	534	1 746	1 499	1 658	4 125	702	850	849	10
Oct.	124	623	1 765	1 574	2 009	4 257	578	818	892	24
Nov.	78	643	1 851	2 054	1 886	4 122	435	935	869	17
Dec.	238	658	1 815	1 931	2 192	4 505	434	1 216	923	6

## 1984\*

Jan.	223	502	1 625	2 395	1 947	3 160	407	1 108	869	65
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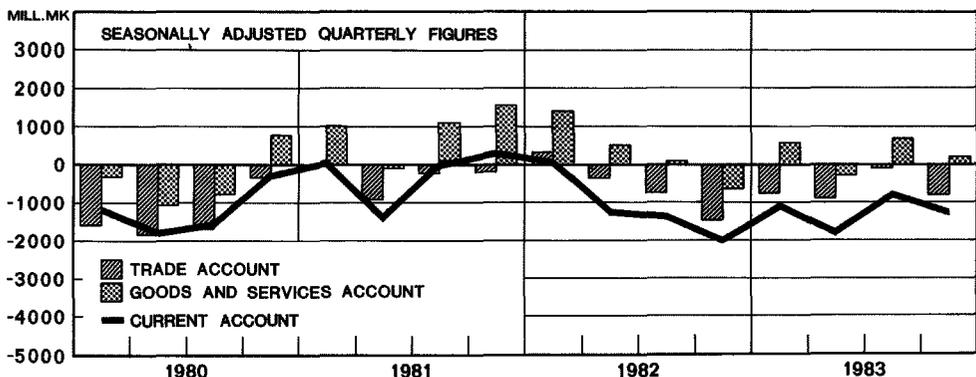
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1983*		1984*		1983*		1984*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	51.4	2 583	52.9	3 541	51.6	2 865	58.5	3 281
Austria	0.7	33	0.6	44	1.3	71	1.1	62
Belgium and Luxembourg	1.6	81	1.2	83	1.9	108	1.8	104
Denmark	2.6	132	4.4	293	2.4	132	2.3	131
France	3.9	198	3.3	218	3.5	194	3.5	194
Federal Republic of Germany	10.5	526	10.4	694	13.9	770	14.4	810
Italy	1.8	92	1.9	126	3.5	193	3.7	207
Netherlands	3.0	152	2.8	190	2.9	161	2.6	148
Norway	3.4	170	2.9	192	2.1	116	2.6	144
Portugal	0.2	10	0.1	8	0.5	30	0.7	39
Spain	0.6	32	0.5	31	0.9	48	0.9	51
Sweden	11.7	588	13.0	870	10.3	570	16.1	903
Switzerland	1.2	58	1.2	79	1.7	96	1.7	94
United Kingdom	9.1	455	9.6	641	6.2	347	6.4	357
Other	1.1	56	1.0	72	0.5	29	0.7	37
<b>OECD countries outside Europe</b>	5.3	266	17.1	1 144	13.5	752	13.4	753
Canada	0.4	20	0.5	35	0.6	35	0.7	41
Japan	0.7	36	1.2	78	6.0	332	5.8	328
United States	3.0	152	14.5	970	6.8	378	5.4	304
Other	1.2	58	0.9	61	0.1	7	1.5	80
<b>CMEA countries</b>	34.5	1 735	21.4	1 433	23.3	1 292	21.9	1 229
Czechoslovakia	1.0	52	0.5	32	0.6	31	0.5	31
German Democratic Republic	0.4	18	0.4	30	0.7	41	0.6	33
Poland	0.2	9	0.4	27	0.9	49	1.0	56
Soviet Union	32.7	1 643	19.5	1 302	20.6	1 144	19.1	1 070
Other	0.2	13	0.6	42	0.5	27	0.7	39
<b>Latin America</b>	1.6	78	0.6	40	2.2	119	2.4	136
Argentina	0.3	14	0.0	1	0.0	2	0.0	2
Brazil	0.3	13	0.0	1	0.4	20	0.7	40
Colombia	0.3	13	0.2	10	0.7	37	0.8	47
Other	0.7	38	0.4	28	1.1	60	0.9	47
<b>Other</b>	7.2	363	8.0	534	9.4	523	3.8	210
<b>GRAND TOTAL</b>	100.0	5 025	100.0	6 692	100.0	5 551	100.0	5 609
of which								
<b>EFTA countries</b>	17.2	863	17.9	1 198	16.0	887	22.4	1 257
<b>EEC countries</b>	33.5	1 685	34.4	2 304	34.7	1 927	35.1	1 969
<b>OECD countries</b>	56.7	2 849	70.0	4 685	65.1	3 617	71.9	4 034

# 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
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
1983*	69 650	72 100	-2 450	+3 200	-750	+1 000	+1 000	-5 800	-700	+200	-5 300
1981*											
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
1982*											
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
1983*											
Jan.-March	16 860	16 463	+397	+768	-290	+649	+1 524	-1 553	-217	-26	-272
Apr.-June	17 158	17 535	-377	+808	-227	+76	+280	-1 482	-148	+19	-1 331
July-Sept.	16 273	17 929	-1 656	+853	+41	+328	-434	-1 438	-112	+27	-1 957
Oct.-Dec.	19 359	20 173	-814	+771	-274	-53	-370	-1 327	-223	+180	-1 740



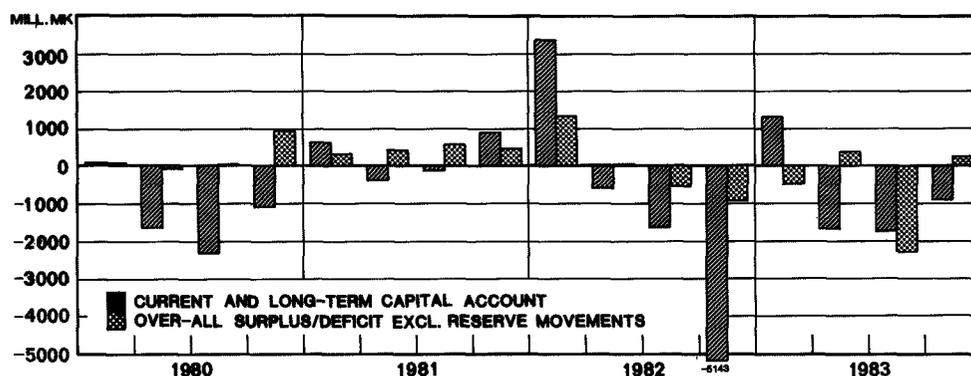
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	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
+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
+10 112	-7 273	+450	-989	+2 300	-3 000	+2 300	-1 900	+1 000	-562	-2 162	+2 162
+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	-182	+1 632	+1 360	-535	-188	-1 214	+95	-482	+482
+2 435	-2 895	+273	-200	-387	-1 718	+815	-188	+699	+789	+397	-397
+1 479	-1 269	+142	-138	+214	-1 743	+725	-851	-593	+149	-2 313	+2 313
+3 213	-1 838	-65	-469	+841	-899	+1 295	-673	+2 108	-1 595	+236	-236

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

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

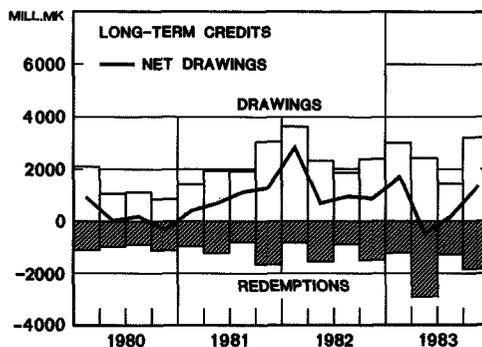
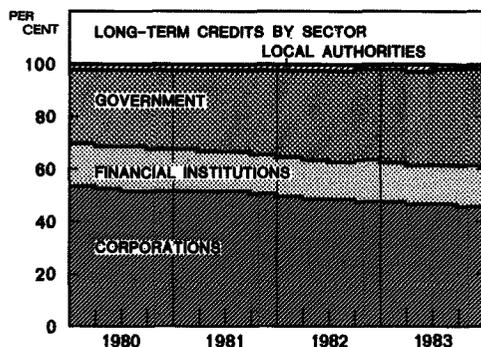
<sup>2</sup> Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

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

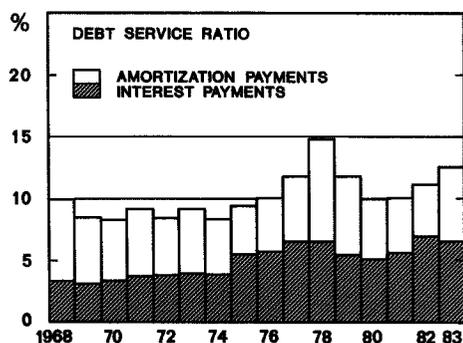
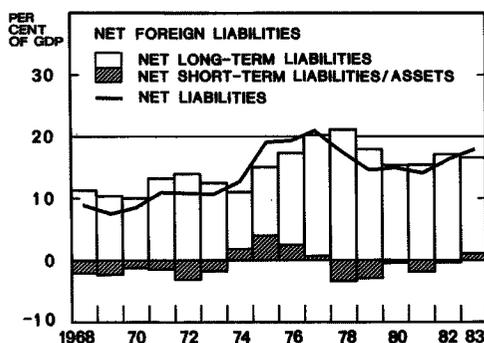


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
1980	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793
1981	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138
1982*	6 628	4 626	3 796	15 050	47 547	4 608	2 223	752	55 130	40 080
1983*	6 612	6 166	3 932	16 710	53 118	4 472	2 317	763	60 670	43 960
1981										
June	4 473	3 161	1 278	8 912	32 814	4 467	2 180	406	39 867	30 955
Sept.	4 559	3 329	1 282	9 170	34 414	4 377	2 168	392	41 351	32 181
Dec.	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138
1982*										
March	4 960	3 616	1 415	9 991	38 669	4 623	2 263	709	46 264	36 273
June	5 361	3 741	1 471	10 573	39 847	4 456	2 313	696	47 312	36 739
Sept.	5 556	4 084	1 466	11 106	41 198	4 515	2 345	687	48 745	37 639
Dec.	6 628	4 626	3 796	15 050	47 547	4 608	2 223	752	55 130	40 080
1983*										
March	6 672	5 003	3 892	15 567	49 897	4 759	2 288	846	57 790	42 223
June	6 458	4 998	3 956	15 412	49 921	4 462	2 306	812	57 501	42 089
Sept.	6 411	5 392	3 935	15 738	50 705	4 566	2 303	798	58 372	42 634
Dec.	6 612	6 166	3 932	16 710	53 118	4 472	2 317	763	60 670	43 960



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
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
11 842	28 950	15 883	56 675	5 705	38 700	15 310	59 715	3 040	47 000	11 572	5 621
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	22 166	14 247	48 778	4 637	29 530	11 687	45 854	-2 924	39 299	2 531	942
12 905	23 008	14 570	50 483	4 705	31 137	12 872	48 714	-1 769	40 320	3 778	2 243
10 556	23 605	15 759	49 920	4 737	31 289	13 726	49 752	-168	42 466	2 517	1 049
11 842	28 950	15 883	56 675	5 705	38 700	15 310	59 715	3 040	47 000	2 746	1 387



# 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			
1982	1 122	120.8	122.1	116.7	120.8	122.4	119.0	117.7	116.8	117.8
1983	1 189	127.6	128.8	124.2	125.9	130.8	128.5	128.7	124.4	129.3
1983										
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
Oct.	1 210	129.7	130.8	126.3	127.8	133.0	131.2	132.6	128.8	132.8
Nov.	1 215	130.2	131.3	127.0	128.2	133.3	132.0	132.8	128.8	133.0
Dec.	1 219	130.6	131.7	127.3	128.6	133.7	132.6	133.0	128.8	133.1
1984										
Jan.	1 228	131.6	132.5	128.7	129.6	134.7	133.0	133.5	129.6	133.5
Feb.	1 231	131.8	133.0	128.1	129.5	135.2	133.7	133.6	129.6	133.6

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

Period	Consumer prices 1981 = 100 <sup>1</sup>									
	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
1982	109.6	112.3	112.9	105.3	111.7	105.9	110.2	106.8	106.0	109.6
1983	118.7	120.0	125.1	112.8	118.4	114.3	126.6	117.4	116.9	120.7
1983										
July	120.0	121.5	126.1	111.8	120.4	115.3	132.3	118.1	118.3	121.4
Aug.	120.1	120.7	126.1	112.9	120.4	116.0	132.4	118.2	119.9	121.8
Sept.	121.0	121.4	126.2	115.2	120.8	116.8	132.4	119.6	120.9	122.4
Oct.	121.3	122.1	126.2	116.8	120.6	117.3	135.2	119.3	121.1	123.1
Nov.	122.4	123.1	132.1	117.4	120.6	118.0	136.3	119.3	122.1	125.4
Dec.	122.3	121.5	132.1	117.5	120.8	118.4	136.3	120.3	122.3	125.6
1984										
Jan.	123.3	122.6	132.1	113.2	121.1	119.2	139.4	123.1	123.8	128.1
Feb.	123.8	123.6	132.1	115.0	121.1	120.9	139.4	123.4	124.0	128.3

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

## 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							
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	207.3	201.1	195.7	212.0	207.4	208.9	208.1
1983*	246.1	234.5	201.5	229.4	222.3	216.1	233.3	229.1	229.5	229.3
1982										
Oct.-Dec.	234.9	221.7	189.9	216.9	211.1	206.0	220.4	216.6	217.5	217.0
1983*										
Jan.-March	240.2	224.3	194.0	218.2	214.1	206.9	222.9	219.0	219.7	219.4
Apr.-June	247.1	236.7	201.0	229.0	222.3	215.2	233.9	229.0	230.2	229.6
July-Sept.	243.3	234.8	202.8	230.2	222.5	217.0	234.3	229.9	230.4	230.1
Oct.-Dec.	253.7	242.0	208.3	240.2	230.5	225.5	242.1	238.3	237.8	238.1

## PRODUCTION

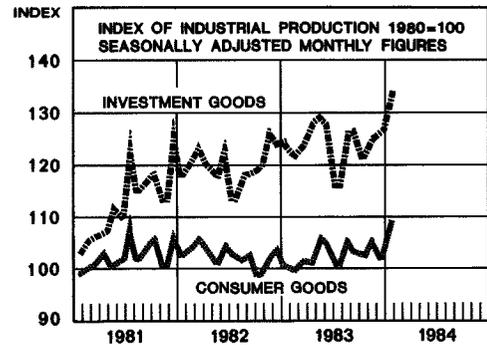
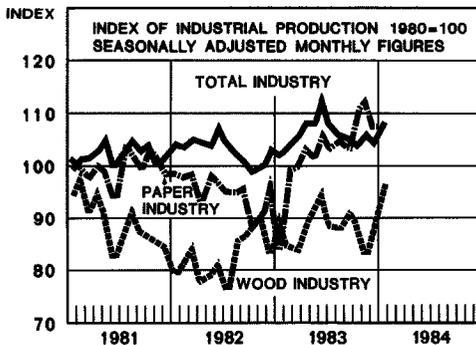
Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1981										
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	119	131	83	141	81	86	115	100	138	123
Apr.-June	125	143	89	126	87	94	124	114	138	129
July-Sept.	125	126	233	57	111	94	127	111	140	125

# PRODUCTION

Index of industrial production 1980 = 100

Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
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
1983*	106.8	125.3	103.3	105.1	106.4	88.9	103.9	103.5	112.2	117.3	106.8
1983*											
Jan.	103.5	124.6	101.7	100.7	94.5	82.4	87.8	90.8	114.0	117.9	102.7
Feb.	99.5	121.0	95.7	97.4	85.9	76.6	96.5	88.8	97.3	113.4	104.4
March	113.6	135.0	111.1	110.9	107.2	96.1	107.5	115.7	114.6	125.8	106.0
April	106.1	132.9	101.4	103.6	100.5	96.0	93.8	107.2	103.9	122.7	108.9
May	116.3	144.6	112.7	113.0	112.7	115.0	103.3	102.2	119.3	134.1	108.9
June	112.0	145.2	103.2	110.2	104.6	107.1	98.9	105.7	121.9	129.5	113.8
July	67.5	49.3	63.6	72.6	90.6	35.1	106.3	66.9	67.0	51.2	108.2
Aug.	111.3	118.8	108.0	111.5	113.2	86.5	115.4	113.4	122.5	113.9	106.4
Sept.	114.3	138.3	109.8	112.2	111.1	107.3	104.7	112.6	140.9	129.4	105.9
Oct.	112.8	126.0	111.3	111.2	125.2	100.1	115.9	114.3	130.0	119.3	104.8
Nov.	118.5	139.2	117.8	115.1	127.5	89.1	117.4	118.9	112.4	130.3	106.7
Dec.	106.6	128.9	103.7	104.0	103.4	77.6	98.7	105.6	102.0	120.2	105.2
1984*											
Jan.	113.1	133.0	109.6	111.1	100.7	91.7	111.3	109.8	98.3	124.2	108.6



## LABOUR – TIMBER FELLINGS – INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1980 = 100	Wholesale volume index 1980 = 100
1982*	3 659	2 526	2 377	149	5.9	41 435	106	109
1983*	3 681	2 546	2 390	156	6.1	39 519	106	110
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	105	113
Sept.	3 682	2 540	2 397	143	5.6	2 153	107	119
Oct.	3 687	2 520	2 369	151	6.0	2 860	106	116
Nov.	3 695	2 507	2 355	152	6.1	3 391	106	117
Dec.	3 695	2 526	2 369	157	6.2	4 109	132	125
1984*								
Jan.	3 699	2 510	2 339	171	6.8	3 577	..	..

## 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											
1982*	51.83	19.23	6.71	18.93	3.46	41.80	17.32	5.72	13.61	2.64	50.48
1983*	51.39	19.50	6.42	18.24	3.57	45.78	17.92	5.75	15.57	3.47	52.62
1982*											
July-Sept.	12.80	4.59	1.38	4.73	1.03	9.58	3.93	1.69	2.49	0.87	56.52
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	18.94	7.91	3.12	5.35	0.99	10.31	4.17	0.82	3.62	0.95	53.37
July-Sept.	14.14	4.20	1.07	6.86	0.90	10.96	3.89	1.84	3.58	0.93	57.94
Oct.-Dec.	8.32	3.20	0.94	2.71	0.96	14.29	5.74	1.94	4.71	0.96	52.62

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

Page 4. *Public sector*: Claims = Government promissory notes + Bonds + Total coinage + Other claims on the public sector. Other liabilities = Cheque accounts + Counter cyclical reserves + Counter-cyclical deposits + Capital import deposits + Other liabilities to the public sector. Certificates of deposit are interest bearing, freely transferable term liabilities of the Bank of Finland sold to the government. Their maturities range from one week to one year. As from November 1, 1983, certificates of deposit were replaced by the government deposit account.

Page 5. *Domestic financial sector*: Other liabilities, net = Capital import deposits + Other liabilities to financial institutions - Bonds - Other claims on financial institutions.

*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 liabilities to corporations - Bonds - Other claims on corporations.

## 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 the end of the month lending rates weighted by credit outstanding. The annual figure for the average lending rate is an unweighted average of the weighted average monthly rates.

Gross central bank debt of the deposit banks = The commercial banks' and Postipankki's cheque account overdrafts + Call money credit. Prior to January 1984 the average monthly amount of cheque account overdrafts at base rate was restricted by the quota granted to each bank. The banks could obtain central bank credit in excess of the quota by borrowing on the Bank of Finland's call money market. As from January 1984, the quotas were abolished and the only source of central bank debt is now the call money market. There is no longer any absolute ceiling on call money credit. However, banks' borrowing is monitored and a bank whose borrowing exceeds a certain limit comes under the special surveillance of the central bank. The interest charged on call money credit, the call money rate, is adjusted by the central bank in line with monetary policy objectives at the time.

Net central bank debt of the deposit banks = Gross central bank debt of the deposit banks - The commercial banks' and Postipankki's deposits on the call money market - All deposit banks' cash reserve deposits at the Bank of Finland.

Cash reserve deposits of the deposit banks equal the total amount of cash reserve deposits at the Bank of Finland made by the deposit banks under the Cash Reserve Agreement of March 8, 1983. The deposit banks consist of the commercial banks, co-operative banks, savings banks and Postipankki.

The cash reserve requirement is set each month by the Bank of Finland as the percentage of each bank's stock of deposits which must be deposited at the central bank. Deposits are to be made one month after the close of the month to which the coefficient applies.

Call money credit extended by the Bank of Finland = Demand for call money by the deposit banks - Supply of call money by the deposit banks.

Average cost of gross central bank debt = Costs of borrowing paid to the Bank of Finland by the deposit banks, as a percentage of their gross central bank debt, per annum.

## FORWARD EXCHANGE MARKETS IN FINLAND

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

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

## FOREIGN EXCHANGE RATES

Pages 8-9. *Exchange rates* are annual and monthly averages of the Bank of Finland's daily quotations. *Currency index* is annual and monthly average of daily index numbers. The chart at the bottom of page 8 shows the banks' forward selling rates for the US dollar as deviations from the spot rate.

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

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

Page 10. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public. From 1974 deposits include domestic deposits denominated in foreign currency.

Page 11. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

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

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

## STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations.

## FOREIGN TRADE

Pages 13-15. Figures supplied by the Board of Customs. *Indices* (p. 13): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries*: (p. 15): from January 1980 imports by countries of origin exports by countries of consignment.

## BALANCE OF PAYMENTS

Pages 16-17. Figures are calculated by the Bank of Finland. In the current account, the figures for trade- and goods and services account 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 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. 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 (1981): 4.8 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1981): In South Finland 47.0, in East and Central Finland 14.1, in North Finland 4.1 and in the whole country an average of 15.8 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1981): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital, 483 051 inhabitants, Tampere (Tammerfors) 167 028, Turku (Åbo) 163 526.

EMPLOYMENT (1982): Agriculture and forestry 13%, industry and construction 34%, commerce 14%, transport and communication 7%, financing, insurance, real estate and business services 6%, community and personal services 26%.

LANGUAGE (1981): Finnish speaking 93.5%, Swedish speaking 6.3%, others 0.2%.

EDUCATION (1982): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1981): births 13.2‰, deaths 9.2‰, change + 5.2‰, net immigration + 1.2‰. Deaths in France 10.3‰ 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 (1981). The growing stock comprised of 1 638 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 674 million m<sup>3</sup> was up to the standard required for logs, 52% of these being pine. The annual growth was 66 million m<sup>3</sup> and the total drain calculated on the basis of roundwood consumption was 56 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 (1982). Gross value of industrial production 203 910 mill. marks number of workers 405 013, salaried employees 144 435, motive power 8.3 mill. kW. Index of industrial production 103.7 for 1982 (1980 = 100).

STATE RAILWAYS (Dec. 31, 1983): Length 6 069 km.

MERCHANT FLEET (Dec. 31, 1983): Passenger vessels 157 (252 102 gross reg. tons), tankers 47 (1 257 860 gross reg. tons), dry cargo vessels 180 (835 836 gross reg. tons), other vessels 100 (13 951 gross reg. tons), total 484 (2 359 749 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 as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 20.0, DEM 18.9, GBP 14.7, USD 10.4, other currencies 36.0. The permissible range of fluctuation is about 2.25 per cent on either side of the theoretical arithmetic mean. The fluctuation limits are 106.0 and 101.3.

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Managements 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 ¼%. The highest lending rate 14%.

# TANGIBLE VERSUS INTANGIBLE INVESTMENTS IN INDUSTRY

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## SOME GENERAL ASPECTS OF INDUSTRIAL DEVELOPMENT

The volume of industrial output in Finland grew on average by 5.7 per cent in 1961–1980. Thus, industrial growth has been appreciably faster than the average for the OECD countries, and has also exceeded the growth rate of total output. Finnish industry's contribution to GDP has increased until recent years and industrial employment has grown. In most other Western industrial countries, industry's share of GDP has declined and industrial employment has even fallen in absolute terms. In fact, industrialization and the diversification of the industrial base have proceeded at a fairly rapid rate in Finland and the structure of industry now corresponds to the average for the OECD countries. At present, the position of industry in the Finnish economy is broadly the same as in other market economies with a similar income level and in OECD countries on average. In 1980, total industry accounted for about 33 per cent of Finland's GDP and for 27 per cent of employment.

As is well known, the development of the Finnish economy and of Finnish industry is highly dependent on foreign trade and therefore on developments in international demand. Exports of goods and services make up about one-quarter of Finland's aggregate demand. Industry's share of merchandise exports, which account for about 80 per cent of total export earnings, has been more than 95 per cent.

About half of manufacturing output is exported. During the last twenty years, Finnish

industry has lost market shares in Western markets, which absorb some two-thirds of total Finnish exports. This has been largely attributable to the fact that a relatively large proportion of merchandise exports has gone to those Western countries experiencing slower than average growth and that Finnish merchandise exports have been dominated by products the demand for which has increased more slowly than the average.

Finland's trade with the centrally planned economies, mainly the Soviet Union, has expanded very vigorously in recent years. In addition to the rise in energy prices, a factor contributing crucially to this development has been an increase in joint studies and other co-operation exploring the possibilities for expanding trade between the two countries. Finland's trade with the developing countries constitutes less than 10 per cent of the country's total merchandise exports, and is thus still rather insignificant as compared with the corresponding trade of other Western industrial countries.

The free trade agreements and conventions on reductions in customs duties, as a result of which the Finnish economy has become increasingly open to international competition, have been primarily aimed at deepening and widening the international division of labour. One consequence of this is that Finland's industrial structure has come to resemble more closely the structure of industry in Western countries in general. However, a special feature of Finnish industry in comparison to other industrialized Western countries continues to be the large contribution of the forest indus-

**TABLE. INDUSTRY BY SECTORS**

	Percentage breakdown of value added		
	1960	1970	1980
Mining and quarrying	2.2	2.9	1.5
Manufacturing	88.0	88.8	89.5
Food, beverages and tobacco	12.4	11.9	10.4
Textiles, clothing and footwear	10.8	8.7	7.2
Forest products	28.4	28.7	28.8
Chemicals	6.9	9.4	10.4
Metal products, machinery and equipment	24.9	25.8	28.3
Building materials	4.6	4.3	4.4
Electricity, gas and water supply	9.8	8.3	9.0
Total industry	100.0	100.0	100.0

tries. During the last twenty years, the forest industries have maintained an almost unchanged share in the total output of Finnish industry. By contrast, the chemical industry and the metal and engineering industries have increased their shares, whereas the consumer goods industries, the food, beverages and tobacco industries, and the textile, clothing and footwear industries have suffered losses in their shares (Table).

**TANGIBLE INVESTMENTS**

The fairly vigorous growth of industrial output in Finland and the diversification of the industrial base have required fairly brisk investment activity. Over the past two decades, the net capital stock of industry has increased about 2½ times and the capital stock per job has almost doubled. As, moreover, the basic industries have played an important role in the development of Finnish industry, the investment ratio in Finnish industry, i.e. the ratio of gross investment to value added, was very high until the mid-1970s (Chart).

International comparisons suggest, however, that the fall in the investment ratio in Finnish industry in the second half of the 1970s was partly attributable to structural change which had already begun in the industrialized market economies of Europe some 10 to 15 years earlier. In Finland, too, this development has entailed the transition from increasingly capital-intensive basic industries to more highly processed products.

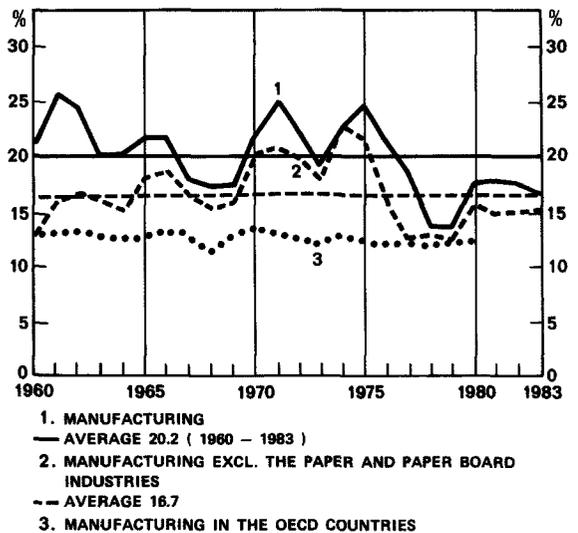
From 1960 to 1973, or up to the first oil crisis,

the volume of Finnish manufacturing output grew fairly rapidly at an average rate of 7.2 per cent per annum. Since 1973, however, manufacturing output has expanded at less than half this rate on average. Because of slow growth, uncertainty about international economic developments as well as structural change in investment, the investment ratio in manufacturing fell during the latter half of the 1970s and the early 1980s to a clearly lower level than previously, as can be seen from Chart. Nevertheless, the investment ratio in Finnish manufacturing continues to be notably higher than the average for the OECD countries.

The overall prerequisites for economic growth seem to have permanently weakened in Western industrial countries. Shifts are occurring in the structure of international demand and the international division of labour is constantly undergoing change, with important consequences for production in the industrialized countries. The structure of production will have to adjust accordingly.

By projecting international trends in these structural changes, the Industrial Advisory Board<sup>1</sup> came to the conclusion that as regards

**CHART. INVESTMENT RATIO (GROSS INVESTMENT AS A PERCENTAGE OF VALUE ADDED)**



<sup>1</sup> The Industrial Advisory Board acts as an advisory organ for the Ministry of Trade and Industry.

investment in physical capital — tangible investments — the investment ratio in Finnish manufacturing would average between 16 and 18 per cent in the 1980s. In addition to the investments needed to replace existing productive capacity, this also includes investments required to expand the capital stock in line with the projected growth of demand. Because of the continuing capital-intensive structure of Finnish industry, the investment ratio in manufacturing seems likely to remain well above the average for the OECD countries in the 1980s.

In 1981, the value of Finnish manufacturing investment amounted to FIM 10 billion. If manufacturing output were to grow on average by 4 per cent per annum in the 1980s, manufacturing investment would amount to about FIM 14 billion in 1990, at 1981 prices. However, regardless of how high the growth rate of industrial production proves to be, the maintenance of a sufficient level of investment in physical capital has been set as one of the objectives of Finnish industrial policy, because this will enable the application of new techniques in production and ensure that the modernization of productive capacity proceeds at an adequate pace.

## INTANGIBLE INVESTMENTS

In Finland, as in other industrial countries, the development, mastery and control of new technology are becoming factors of vital importance for international competitiveness and social progress. In fact, irrespective of the pressures for structural change stemming from shifts in the international division of labour, a period of radical technological change can be considered to have already commenced. Firms are paying increasing attention to the technology factor when assessing their operational and strategic options. The central government, too, will, to an increasing extent, have to assess the implications of new technology when formulating its industrial and economic policies. The projected deceleration in economic growth in the 1980s only serves to

underline the importance of the technology factor, not least because of its manifold effects on employment and education.

In recent years, the potential benefits and drawbacks of the development and introduction of new technologies have been examined in various committees, commissions and working groups. Participating in this work have been representatives of universities, research institutions, labour market and industrial organizations, and government bodies. Although it has been possible to examine the issues from a number of different angles, the discussions have been dominated by the view that in the future the comparative advantages of Finnish industry will continue to be founded on a productive system utilizing new, high-level technologies, a high standard of education and increasingly intensive and diversified interaction at the international level. Attempts should be made to reinforce these comparative advantages by, in particular, increasing and improving R & D work, business management and occupational skills, and marketing.

The major part of the expenditure on developing factors enhancing real competitiveness can be likened to acquisition costs on fixed assets, and hence is in the nature of long-term investment. Recently, it has become the practice to refer to these outlays as intangible investments, because they are designed to increase intellectual capital.

## EXPENDITURE ON RESEARCH AND DEVELOPMENT

In a number of large industrial countries which have developed earlier than Finland, R & D expenditure accounts at present for 2–2½ per cent of GDP. In certain countries, the high share of such expenditure is attributable to very extensive defence-related research.

In 1981, almost FIM 2.5 billion was spent on R & D in Finland, which represented 1.2 per cent of GDP. Of this expenditure, almost 90 per cent consisted of wage and other

operating expenses and the remainder acquisition costs of machinery, equipment and buildings. In 1971, R & D expenditure accounted for 0.9 per cent of GDP.

The corporate sector accounted for 57 per cent of the economy's total expenditure on R & D in 1981. About 90 per cent of the corporate sector's expenditure on R & D took place in industry. However, the level of the research input in Finnish industry is notably lower than that in most other Western industrial countries. In 1981, R & D expenditure represented only 2.0 per cent of total industry's value added in Finland, whereas the corresponding share in most Western industrial countries was 1½–2 times higher. As in other industrial countries, the R & D input is higher than average in the expanding sectors of the metal and engineering industries and the chemical industries and lower than average in those sectors of the consumer goods industries and other industries growing more slowly than average.

Indicative of the importance attached to R & D today is the fact that Finland has set the target of raising investment in R & D to more than 2 per cent of GDP during the 1980s. Meeting this objective requires that R & D expenditure increase on average by about 10 per cent per annum in both the corporate and public sectors. In terms of 1981 prices and costs, industry's R & D expenditure would amount to more than FIM 3 billion in 1990. On the assumption of annual average growth of 3–5 per cent in the volume of industrial output, which at the moment can be regarded as fairly realistic, R & D expenditure would account for 3½–4½ per cent of value added in total industry in 1990. The research intensity of Finnish industry would then be at the level prevailing in most other industrial countries in the early 1980s.

#### REQUIREMENTS FOR EDUCATION AND VOCATIONAL TRAINING

Even by international standards, the Finnish

educational system is highly developed and the level of education of citizens is high. Rapid technological progress and automation, and the development of industry's productive base and production methods is continually setting new demands and tasks for the entire educational system. One of the main duties of education is to ensure that the size of educated labour force is adequate and that structurally it corresponds as closely as possible to expected changes in manpower requirements.

The rapid changes in the occupational structure and tasks caused by the development of automation and information techniques are areas currently receiving attention in the development of the educational system. As regards education in comprehensive schools, upper secondary schools and intermediate vocational schools, special attention will be paid to developing and modernizing teacher training, teaching materials and teaching equipment.

Obviously, a public educational system can never be so flexible as to satisfy the needs of practical working life. Thus the employment of young people often requires additional training at the corporate level. Studies on industry indicate that expenditure by industry on personnel training totalled about FIM 550 million in 1979, accounting for 1.1 per cent of value added in total industry. In 1974, the corresponding share was 0.9 per cent.

In practice, firms are largely responsible for the provision of complementary vocational education and on-the-job training and of the bulk of further and auxiliary training and retraining. Since, moreover, the importance of education is constantly growing because of the introduction of new technology, it can be estimated that industry's own input in personnel training will rise to about 1½–2 per cent of value added during the 1980s. The development of education in industry will play a particularly important role in the fields of electronics, communication, data processing, production

control and automation, in which technology is developing very rapidly.

## MARKETING INVESTMENTS

When examining investments in marketing as intangible investments, the problem is how to determine which expenditure items are in the nature of investment. As the distinction between investment and other activities in marketing is very vague, no official statistical data on Finnish investments in marketing are so far available.

Nevertheless, utilizing studies made in other countries and data compiled on Finnish industry from various sources, it can be estimated that expenditure on investment in marketing accounts for approximately 2–3 per cent of value added in Finnish manufacturing, or the same order of magnitude as R & D expenditure. However, in recent years Finnish industry has started to intensify its international co-operation and to diversify its other operations related to international trade in addition to its traditional merchandise exports. As a result, the need for and importance of marketing investments are increasing substantially. It seems very likely that in the late 1980s industry's marketing expenditure will amount to 4–5 per cent of value added, that is approximately the same proportion as R & D expenditure.

## GROWING SHARE OF INTANGIBLE INVESTMENTS

It is, of course, possible to set quantitative targets for the expenditure on investments in R & D, education and marketing. However, the main purpose of setting quantitative targets is not that they should be fulfilled as such, but rather that they should serve to emphasise the importance of the issues involved and to indicate the direction in which to aim. Here it is essential that industry understands the significance of intangible investments as widely as possible and takes steps to increase them in the appropriate manner. With

these reservations in mind, the share of intangible investments in manufacturing value added in Finland during the 1980s could develop as shown in the following table. The volume of industrial output is assumed to grow on average by 3–5 per cent per annum.

	Investment as a percentage of value added	
	In the early 1980s	In the late 1980s
Tangible investments	18–19	16–18
Intangible investments	5–6	9–11.5
R & D	2	3.5–4.5
marketing	2–3	4–5
education	more than 1	1.5–2
Total	23–25	25–29.5

	Percentage breakdown of total investment	
	In the early 1980s	In the late 1980s
Tangible investments	75–77	62–65
Intangible investments	23–25	35–38
Total	100	100

Source: Report of the Industrial Advisory Board on investment and financing.

The table also includes an estimate of the share of tangible investments in value added. It can be seen that the combined share of total tangible and long-term intangible investments in industrial value added is at present about one-quarter. The respective share in the late 1980s is estimated to be slightly higher. However, the relative shares of tangible and intangible investments change appreciably. The relative importance of tangible investments declines somewhat, and the Finnish investment ratio approaches the international level. By contrast, the ratio of intangible investments to value added almost doubles in ten years. Here, too, Finland approaches the international average, although still lagging behind the most advanced industrial countries.

## REQUIREMENTS SET FOR THE FINANCIAL SYSTEM

The risks involved in intangible investments are often very great and the return on the capital tied up in them may not arise for several years. From the firm's point of view, the riskiness of

R & D projects is often much greater than, for example, the risks attaching to tangible investments when expanding operations previously. Measures improving the profitability and financial structure of firms will be necessary if risky intangible investments are to be increased.

In recent years, growing attention has been paid in the government's economic and industrial policies to the importance of fostering

intangible investments. Given the growing share of intangible investments in total investment, it is therefore both sensible and natural that there should be a shift in emphasis in the government's investment incentives towards supporting intangible investments. Work on developing the financial system in Finland has, in fact, been going on for several years and in certain key areas development is currently under way.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM FEBRUARY, 1983 TO FEBRUARY, 1984

**1983**

## **February**

*Call money market.* The Bank of Finland lowers the commercial banks' call money tranche at call rate from a total of 1 600 million marks to 800 million marks on February 1. In addition, the 4 per cent supplementary charge is lowered to 2 per cent.

As from the same date, the Bank of Finland raises the call money rate from 11.0 to 12.0 per cent.

*Cash reserve requirement.* At the end of February, the Bank of Finland raises the reserve requirement from 3.3 to 3.7 per cent.

## **March**

*Call money market.* The Bank of Finland raises the call money rate from 12.0 to 13.0 per cent on March 1.

*Cash reserve requirement.* At the end of March, the Bank of Finland raises the reserve requirement from 3.7 to 4.1 per cent.

## **April**

*Financing of saw mill investment.* On April 6, the Bank of Finland decides that it will not, for the time being, participate in the financing of saw mill investment by granting domestic suppliers' credits for this purpose, nor grant permits for raising loans abroad for the financing of such investment.

*Cash reserve requirement.* At the end of April, the Bank of Finland raises the reserve requirement from 4.1 to 4.7 per cent.

## **May**

*Regulation of average lending rates.* As from May 1, the banks are permitted by the Bank of Finland to pass on in their lending rates part of the cost of their borrowing on the unregulated money market. The proportion to be passed on is a maximum of 40 per cent of interest expenses on specified funding at rates above the 1984 ceiling on the average lending rate.

In the same context, the maximum lending rate is raised from 12.5 to 13.0 per cent and the recommendations on lending rate differentiation are cancelled.

*Call money market.* On May 1, the Bank of Finland abolishes the system of supplementary charges on call money overdrafts and raises the call money rate from 13 to 15 per cent.

*Arrangement for financing domestic suppliers' credits.* On May 11, the Bank of Finland lowers its share of domestic suppliers' credits from 50 to 40 per cent.

*Forward exchange market.* On May 27, the Bank of Finland ceases quoting forward rates for roubles and participating in forward deals conducted in roubles.

## **July**

*Interest rate policy.* On July 1, the Bank of Finland raises the base rate from 8.5 to 9.5 per

cent, whereby the banks' lending and deposit rates also rise by an average of one percentage point. In addition, the upper limit on lending rates is raised from 13 to 14 per cent.

*Financial futures agreements.* As from July 1, the Finnish banks are permitted by the Bank of Finland to participate in financial futures markets either on their own or their customers' behalf.

## September

*Credits for the financing of imports.* As from September 1, the Bank of Finland extends the maximum period of import credits granted by the authorized banks from 3 to 6 months on certain conditions.

*Changes in the payments agreement between Finland and the German Democratic Republic.* An agreement between the two countries, involving a changeover to the use of Finnish marks as the clearing currency instead of US dollars, enters into force on September 1. On the same date, the credit limit on the clearing account is raised to 70 million marks.

*Call money market.* The Bank of Finland raises the call money rate from 15.0 to 18.0 per cent on September 15 and lowers it to 17.5 per cent on September 23.

## October

*Regulation of average lending rates.* On October 1, the Bank of Finland raises the proportion of the cost of borrowing on the unregulated money market which the banks may pass on in their lending rates from 40 to 50 per cent.

*Call money market.* The Bank of Finland lowers the call money rate from 17.5 to 17.1 per cent on October 6, to 17.0 per cent on October 12 and to 16.7 per cent on October 17.

## November

*Government deposit account/certificates of deposit.* On the proposal of the Board of Management, the Bank Supervisors of Parliament decide that the Bank of Finland may pay interest on a deposit account opened by the government up to a rate which is half a percentage point below the base rate. The deposit account replaces the earlier transactions with the government in certificates of deposits, the interest payment permit for which is to terminate at the end of 1983.

## 1984

### January

*Quotas at base rate.* The commercial banks' central bank quotas at base rate are abolished as from January 1.

*Call money market.* Foreign-owned banks are extended the same rights as the domestic banks to participate in the call money market as from January 1. At the same time, an upper limit is imposed on call money deposits of 20 per cent of each bank's balance sheet total.

The Bank of Finland raises the call money rate from 16.7 to 17.5 per cent on January 1.

*Regulation of average lending rates.* On January 1, the Bank of Finland raises the proportion of the banks' funding costs in the unregulated money market which they may pass on in their lending rates from 50 to 60 per cent. In the same context, the 14 per cent upper limit on the banks' lending rates is abolished for credit extended to corporations in the form of cheque account overdrafts and bills.

*Currency index.* As from January 1, only the convertible currencies most important for Finland's foreign trade are taken into account when calculating the currency index number expressing the external value of the markka.

*Revised Nordic agreement on short-term foreign exchange support.* According to the revised swap agreement entering into force on January 1, the central banks of Denmark, Finland, Norway and Sweden are each entitled to receive credit up to a maximum of SDR 150 million. In addition, each bank is required to extend credit up to a maximum of SDR 100 million. In the case of the central bank of Iceland, the right to credit is SDR 30 million and the lending requirement SDR 20 million.

*Liberalization of Foreign Exchange Regulations.* The provision prohibiting the export and import of 500 markka banknotes is cancelled on January 1.

As from the same date, most of the upper limits on the markka amounts specified in the Foreign Exchange Regulations are raised by slightly more than an adjustment for inflation requires. For example, the maximum value of the means of payment that may be freely exported from the country is raised from FIM 5 000 to FIM 10 000 per person per journey.

*Payments arrangements between Finland and Czechoslovakia.* Finland and Czechoslovakia agree that in 1984 and 1985 payments between the two countries can be effected in any convertible currency.

*Export deposits.* On January 17, the Council of State decides to collect export deposits for pine sawnwood as from January 20. The deposits are to be made at the Bank of Finland, and will bear interest at a rate of 8  $\frac{3}{4}$  per cent.

*Investment reserves.* On January 17, the Government decides to raise maximum permissible transfers to investment reserves from 50 per cent to 70 per cent of profits for accounting periods ending in 1984. The Bank of Finland decides to pay interest at a rate of 1  $\frac{1}{2}$  percentage points below the base rate, i.e. 8 per cent, on investment deposits made on the basis of this decision. These decisions enter into force on January 26.

## **February**

*Cash reserve requirement.* At the end of February, the Bank of Finland raises the reserve requirement from 4.7 to 5.0 per cent.

(continued from page 2)

Higher prices together with new issues raised the market value of the equity capital of the roughly 50 listed companies in Finland to FIM 24.0 billion at the end of last year. This represented only a little more than a fifth of the bank deposits of the public (Chart 2).

### DIVERSIFICATION IN BOND AND DEBENTURE ISSUES

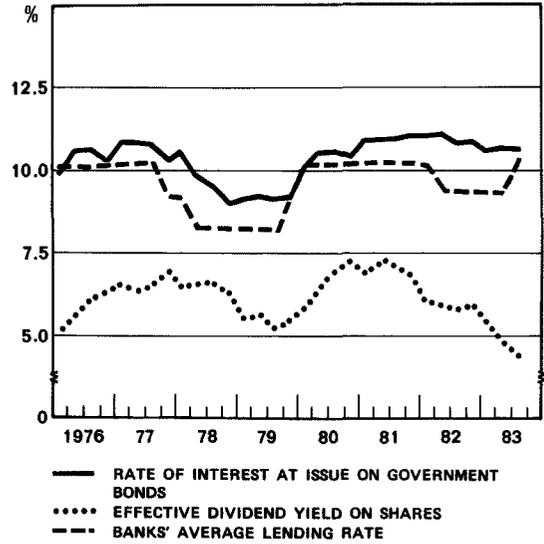
Domestic issues of bonds and debentures and other debt instruments increased to FIM 11.6 billion. Taking into account redemptions, the amount in circulation grew by a quarter and totalled about FIM 29 billion at the end of 1983. The share of government debt was slightly less than FIM 12 billion. The state raised FIM 3.9 billion, of which FIM 3.2 billion came from bonds sold to the public. The turnover of bonds and debentures declined slightly on the Stock Exchange last year, amounting to FIM 2.2 billion.

There have been some innovations in debt instruments in recent years. Besides traditional bonds and debentures, so-called other debt instruments offering freer terms have become more common. The use of these and debentures has increased in banking, for example, partly because this kind of financing is not subject to official regulation of bank lending rates. On the other hand, many local banks have raised funds by issuing debentures to the public. These issues, which last year amounted to some FIM 0.2 billion, have their origins in bank competition in a situation where uniform deposit rates are set in inter-bank agreements.

### VARYING YIELDS ON SECURITIES

There are substantial differences in the nominal yields on financial assets in Finland owing to the segmentation of the markets. With the rise in share prices, the effective dividend yield on shares declined to 4 per cent last year from about 7 per cent three years earlier (Chart 3). The interest rate on taxable, 5-year variable-rate debentures issued to the public has com-

CHART 3. INTEREST RATES



monly been 13.5 per cent of late. Rates on fixed-rate government bonds, which are tax-exempt for households, have been 11.75 per cent for 10-year loans and 10.5 per cent for 5-year loans. As regards bank deposits, 2-year tax-free deposits earn 9.25 per cent. One factor reducing the variation in interest earnings is the deduction (up to FIM 2 900 in 1984) that can be made on taxable capital income.

Because of Finland's relatively high rate of inflation, real yields on even the higher-rate financial assets have only occasionally been positive during the past 15 years. At the moment, however, inflation is running well below the above-mentioned interest rates, and hence bonds and debentures and long-term deposits now earn a clearly positive real rate of interest. This, of course, tends to increase the earnings requirement for shares, and may partly explain the halt in the rise in share prices that has taken place in early 1984.

### CURRENT PROSPECTS

Developments in the Finnish economy have continued to be favourable. In particular, corporate earnings and investment have grown rapidly. This has undoubtedly strengthened the stock market and a number of large share issues — including issues by the two largest

commercial banks — were announced in early 1984. Share issues in the current year should increase considerably from last year's level and the supply is likely to be especially plentiful in the spring. Several large issues abroad have also been announced. Government bond issues to the public are somewhat larger than last year but the bonds issued so far have been quickly bought up. Sales of private bonds and debentures have also remained brisk, since there are still funds in the financial markets seeking new, unregulated channels. However, tighter conditions in the financial markets, the ample supply of securities and the fairly high price level in the stock market should prevent any overheating in the market.

March 21, 1984

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## BANK OF FINLAND

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Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom

*Absent as Minister  
of Trade and Industry*

Esko Ollila

Markku Puntila

*Acting Member of the Board*

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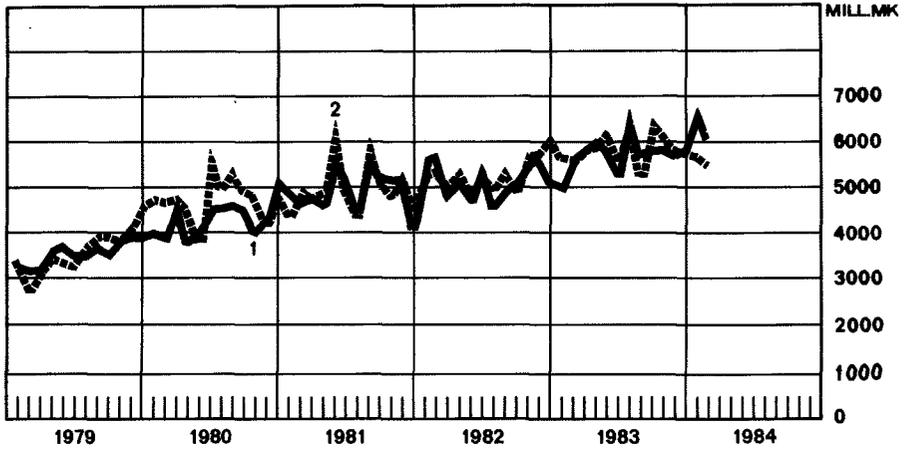
Erkki Vehkamäki

*Data Processing*

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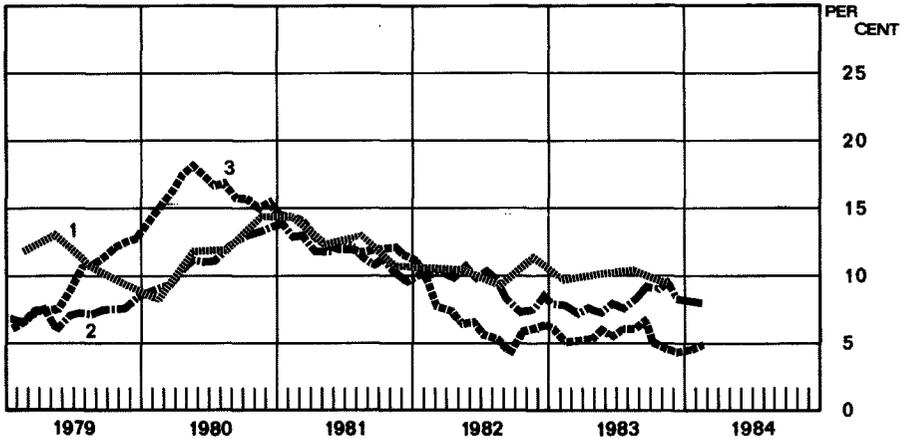
**FOREIGN TRADE, 1979 - 84**

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



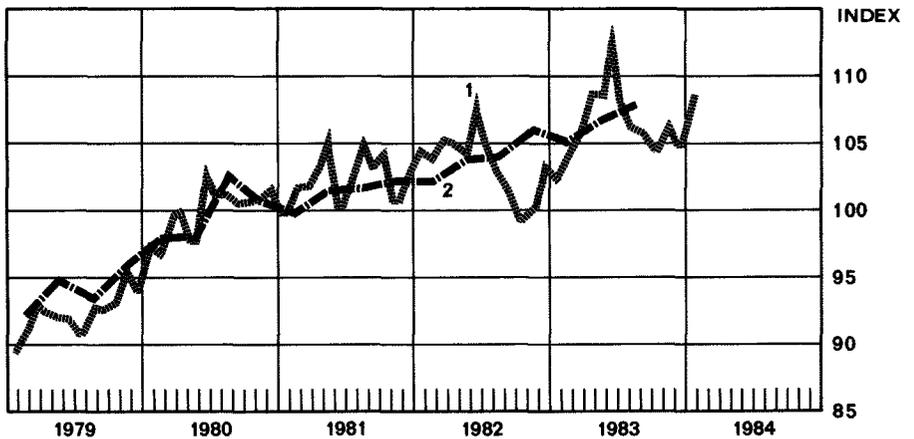
**PRICES AND WAGES, 1979 - 84**

- 1. Index of wage and salary earnings 1975=100, quarterly figures
  - 2. Consumer price index 1981=100, monthly figures
  - 3. Basic price index for domestic supply 1980=100, monthly figures
- Percentage change on previous year



**PRODUCTION, 1979 - 84**

- 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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