



BANK OF FINLAND

Monthly Bulletin

Recent central bank policy
measures

Public finance

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

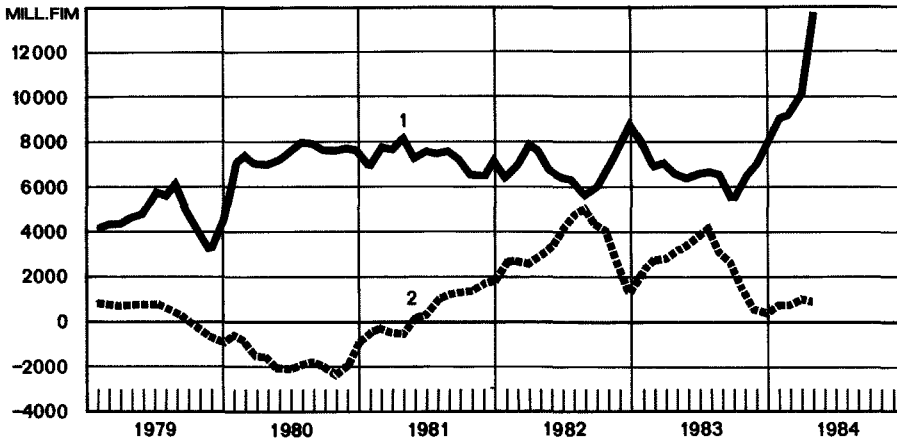
SITRA's capital

Finland's balance of payments
January—March 1984

JUNE—JULY 1984

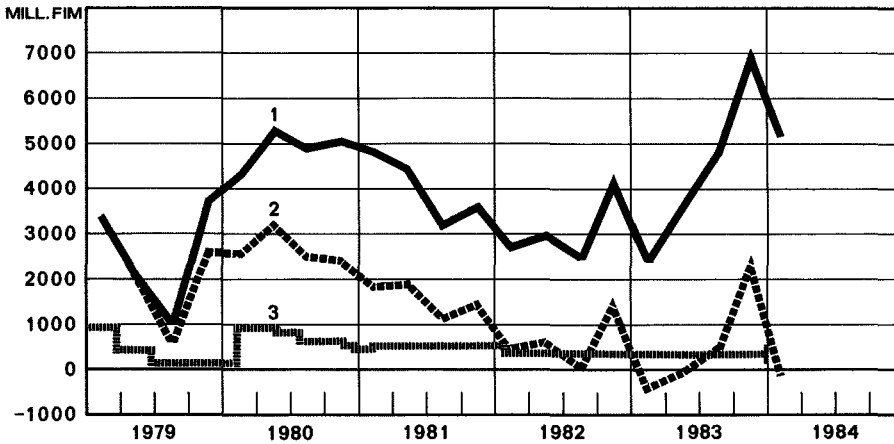
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BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1979 - 84



- 1. Gold and convertible currencies
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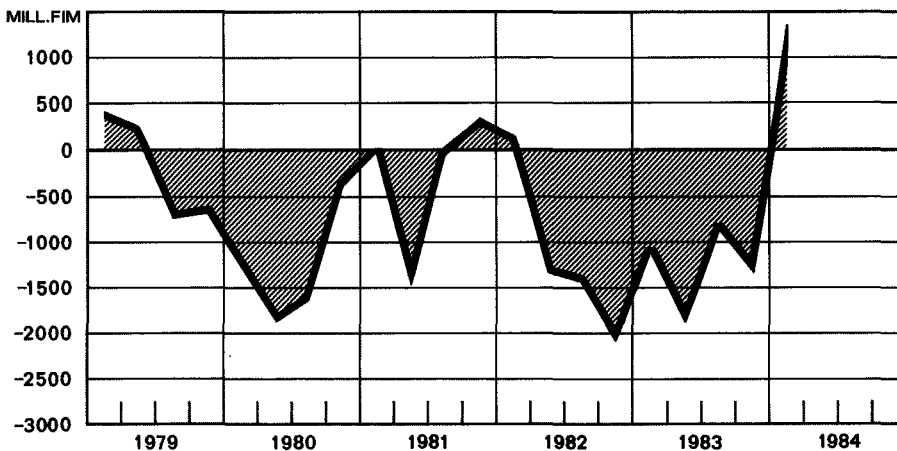
COMMERCIAL BANKS' CENTRAL BANK POSITION, 1979 - 84



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

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1979 - 84



Seasonally adjusted quarterly figures

RECENT CENTRAL BANK POLICY MEASURES

by Sixten Korkman, Dr. Pol.Sc.
and Pertti Tornberg, M.Sc. (Econ.)

Bank of Finland

During the past few months, the Bank of Finland has actively pursued a policy of monetary restriction. The reasons for the policy adopted are two-fold: First, the cyclical upswing in OECD markets is boosting exports with attendant risks of inflationary impulses. Second, the rate of credit expansion has been rather high in relation to the aim of achieving a sustained moderation of inflation.

The stance of monetary policy has been reflected mainly in the Bank of Finland call money rate and the cash reserve requirement. In addition, the Bank of Finland has made interventions in the forward exchange market, and the external value of the markka has been allowed to strengthen somewhat.

In the autumn, the call money rate was temporarily raised to 18 per cent to contain speculative capital outflows. Towards the end of the year, the pressures on the markka abated, and since then the call money rate has remained high for domestic reasons and in spite of the improved confidence in the markka. High interest rates on unregulated short-term funds are thus related to rapid credit expansion and the relatively low level of administered interest rates on deposits and bank loans.

The call money rate was unchanged at 17.5 per cent in January—March and was gradually lowered during April to 16.5 per cent. Unregulated interest rates on other short-term funds, by contrast, rose somewhat in the same period. The gradual reduction and even elimination of any interest rate differential as between call money and other short-term funds reflects an improved integration of various segments of the money market. This process was sup-

ported by the decision of the Bank of Finland to abolish, as of April 1, the earlier ceilings on call money placements by banks. At present, changes in the call money rate rapidly lead to corresponding changes in other domestic short-term interest rates as well as in the forward premium on foreign exchange. In consequence, the call money rate affects not only profitability and the banks' marginal cost of funds but also the financial behaviour of other economic units and the capital flows of the corporate sector, in particular.

The main role of the cash reserve system is to enhance the efficacy of the call money rate as a regulator of bank liquidity. During January—April, the cash reserve requirement was increased stepwise from 4.7 to 5.6 per cent, or by approximately FIM 1 billion in terms of additional cash reserve deposits.

The banks' net position in the call money market strengthened substantially during the spring in spite of the additional cash reserve deposits made at the Bank of Finland. The main reasons for this development have been favourable export developments and large inflows of short- and long-term capital, which have been only partly offset by central bank intervention in the forward market. The financial operations of the government have also contributed to the increase in liquidity. The high domestic interest rates have induced the non-bank sector to strengthen its liquidity position and to reduce its net debt in domestic currency by means of capital imports as well as by postponing real investment. High interest rates on short-term funds have also reduced banks' willingness to expand their lending to the public. As a consequence of the changes in liquidity positions, the banks were excep-

tionally net suppliers of funds to the call money market in early May.

Long-term net borrowing abroad increased by about FIM 2.4 billion during the first four months of the year. Of this amount, about FIM 1.5 billion has taken place on the private sector's account. Short-term capital inflows have materialized through two channels: First, as firms' liquidity has tightened they have been increasingly willing to import short-term financial capital. Second, with the rise in forward exchange rates as a result of the high domestic short-term interest rates, exporters' willingness to enter into forward exchange contracts has increased, while that of importers has decreased. This has caused a marked increase in the banks' forward exchange and liquidity positions.

The Bank of Finland has intervened in the forward exchange market as a buyer since late January. Initially, the forward operations were intended to smoothen the effects on the official reserves resulting from the repayment of the Bank's drawings of standby credits with foreign commercial banks. But their main aim

has been to neutralize the liquidity effects of the short-term capital inflows.

In response to the situation in the exchange market the external value of the markka, as expressed in terms of the Bank of Finland's currency index, gradually allowed to appreciate in January and February by about half a per cent. In connection with monetary policy measures implemented at the end of March, the markka was allowed to further strengthen by about one per cent.

As a consequence of the capital inflows, the convertible foreign exchange reserves of the Bank of Finland have increased: in early May the foreign exchanges reserves amounted to FIM 14.8 billion as against only FIM 7.9 billion at the end of last November. The capital inflows have not, however, undermined the viability of tight monetary conditions. Nevertheless, the swing in foreign exchange flows illustrates the difficulties of maintaining a level of short-term interest rates markedly different from those prevailing in other countries.

May 23, 1984

	1983		1984			
	May 31	Dec. 31	May 8	May 15	May 23	May 31
Assets						
Gold and foreign currency claims	10 228	8 779	14 829	14 531	15 977	15 266
Gold	1 383	1 383	1 383	1 383	1 383	1 383
Special drawing rights	528	226	703	700	786	786
IMF reserve tranche	457	751	743	748	743	743
Foreign bonds	379	685	2 043	2 616	2 695	2 658
Convertible currencies	3 881	5 184	9 211	8 359	9 029	8 622
Tied currencies	3 600	550	746	725	1 341	1 074
Other foreign claims	3 998	4 876	4 488	4 486	4 138	4 139
Mark subscription to Finland's IMF quota	1 854	2 762	2 762	2 762	2 762	2 762
Term credits	2 144	2 114	1 726	1 724	1 376	1 377
Claims on financial institutions	5 556	8 788	4 875	4 833	4 376	4 595
Banks' cheque accounts	357	445	51	133	7	57
Call money market advances	2 919	5 785	1 548	1 464	1 126	1 244
Till-money credits	953	942	1 123	1 088	1 097	1 119
Bonds	1 298	1 546	2 082	2 082	2 082	2 094
Other claims on financial institutions	29	70	71	66	64	81
Claims on the public sector	1 401	2 178	2 173	2 160	2 179	2 137
Government promissory notes	210	1 000	1 000	1 000	1 000	1 000
Bonds	534	449	412	398	417	373
Total coinage	643	710	739	741	745	748
Other claims on the public sector	14	19	22	21	17	16
Claims on corporations	5 024	5 079	4 838	4 853	4 853	4 851
Financing of exports	1 764	1 867	1 779	1 806	1 814	1 822
Financing of domestic deliveries	2 688	2 662	2 778	2 767	2 758	2 750
Bonds	149	134	156	155	155	154
Other claims on corporations	423	416	125	125	126	125
Other assets	103	105	111	111	109	109
Total	26 310	29 805	31 314	30 974	31 632	31 097
Liabilities						
Foreign currency liabilities	64	34	45	62	59	67
Convertible accounts	39	34	45	62	59	67
Tied accounts	25	0	0	0	0	0
Other foreign liabilities	4 616	5 670	3 624	3 630	3 624	3 624
IMF mark accounts	1 854	2 762	2 762	2 762	2 762	2 762
Allocations of special drawing rights	842	872	862	868	862	862
Term liabilities	1 920	2 036	-	-	-	-
Notes and coin in circulation	6 042	6 574	6 435	6 474	6 479	6 647
Notes	5 531	6 029	5 869	5 902	5 902	6 073
Coin	511	545	566	572	577	574
Certificates of deposit in circulation	950	-	-	-	-	-
Liabilities to financial institutions	6 103	5 712	10 885	9 585	10 031	10 693
Banks' cheque accounts	1	2	25	0	68	193
Call money market deposits	1 071	610	4 537	3 257	3 624	3 892
Cash reserve deposits	4 772	5 039	6 142	6 140	6 137	6 432
Capital import deposits	186	35	99	122	111	99
Other liabilities to financial institutions	73	26	82	66	91	77
Liabilities to the public sector	1	3 000	1 218	2 219	2 520	822
Cheque accounts	1	0	0	0	1	0
Government deposit account	-	3 000	1 200	2 200	2 500	800
Export deposits	-	-	6	7	7	10
Other liabilities to the public sector	0	0	12	12	12	12
Liabilities to corporations	1 658	1 832	2 174	2 167	2 154	2 421
Deposits for investment and ship purchase	1 242	1 290	1 292	1 294	1 286	1 329
Capital import deposits	410	531	874	870	866	1 089
Other liabilities to corporations	6	11	8	3	2	3
Other liabilities	16	15	19	15	14	15
Equalization accounts	1 976	2 057	1 582	1 490	1 419	1 476
Sitra's capital ¹⁾)			400	400	400	400
Capital accounts	4 884	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	185	546	21	21	21	21
Total	26 310	29 805	31 314	30 974	31 632	31 097

¹⁾ See item in this issue.

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	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											
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
April	2 819	1 920	9 041	13 780	1 027	858	15 665	2 175	600	17	-1 558
May	2 912	2 658	8 555	14 125	1 074	515	15 714	2 137	800	22	-1 315

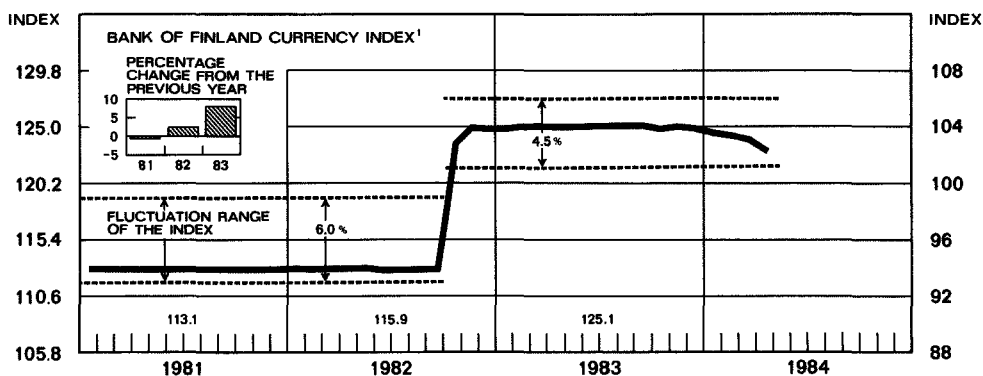
FOREIGN EXCHANGE POSITION

Mill. FIM

	Net holdings, Dec. 31, 1983			Net holdings April, 30 1984			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	April	Jan.-April
Gold	1 383		1 383	1 383		1 383	-	-
Special drawing rights		226	226	695		695	+481	+469
IMF reserve tranche		751	751	741		741	+14	-10
Foreign bonds		685	685	1 920		1 920	+825	+1 235
Convertible currencies	5 150	-13 558	-8 408	9 041	-18 444	-9 403	-530	-995
Total	8 195	-13 558	-5 363	13 780	-18 444	-4 664	+790	+699
Tied currencies		550	300	1 027	-340	687	-154	+387
Grand total	8 745	-13 808	-5 063	14 807	-18 784	-3 977	+636	+1 086

End of year or month	Domestic financial sector							Corporate sector			
	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)	Notes and coin in circulation
	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											
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
March	924	14	2 916	3 105	5 710	-1 612	-3 349	4 596	1 763	2 833	6 308
April	1 123	191	1 573	4 836	6 142	-1 605	-6 486	4 600	2 220	2 380	6 602
May	1 119	-136	1 244	3 892	6 432	-1 999	-6 098	4 572	2 142	2 430	6 647

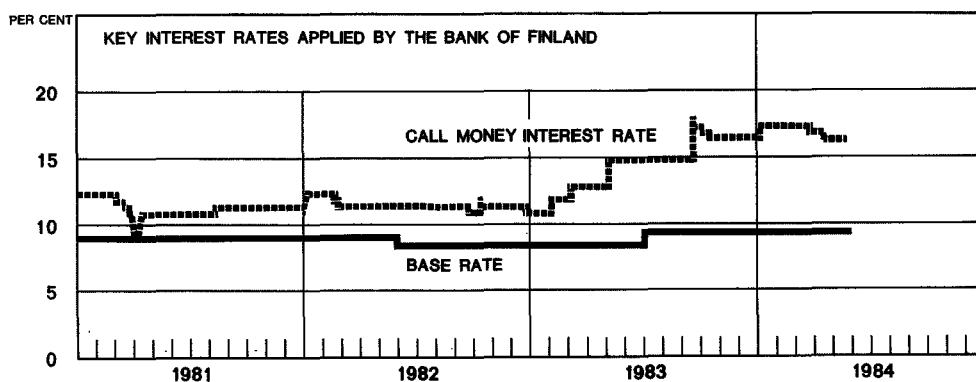
¹ The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



MONETARY POLICY INDICATORS

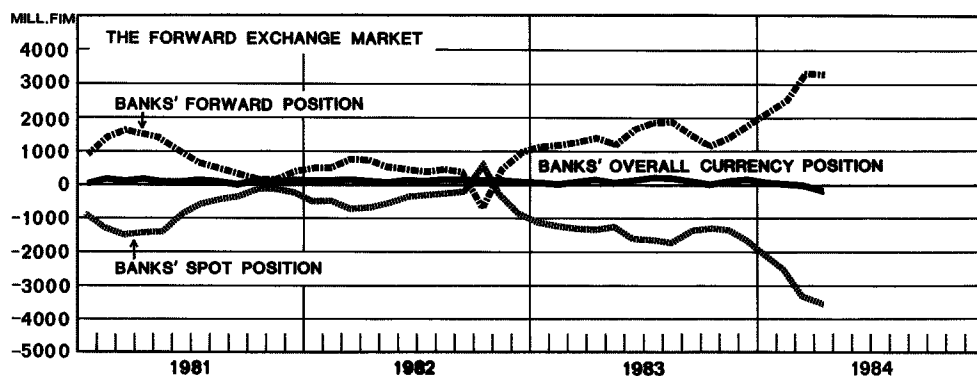
Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks %
	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									
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	10.36
March	3 460	-4 482	5 351	5.0	869	17.50	17.50	9.50	10.38
April	2 051	-7 207	5 721	5.4	-1 487	16.77	16.82	9.50	10.42
May	1 471	-8 557	6 149	5.6	-2 407	16.53	16.52	9.50	..

¹ End of period.



FORWARD EXCHANGE MARKETS IN FINLAND

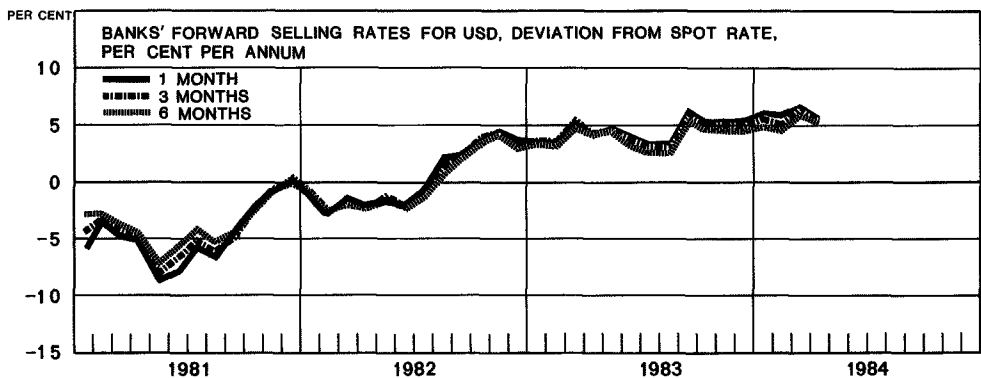
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1982	11 128.0	2 116.7	9 011.4	-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
1983									
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
March	9 855.8	1 807.0	8 048.8	-2 078.3	-1 725.6	3 453.0	6.7	6.6	6.2
April	10 994.6	1 580.3	9 414.3	-1 831.0	-2 661.4	3 708.7	5.8	5.7	5.5



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

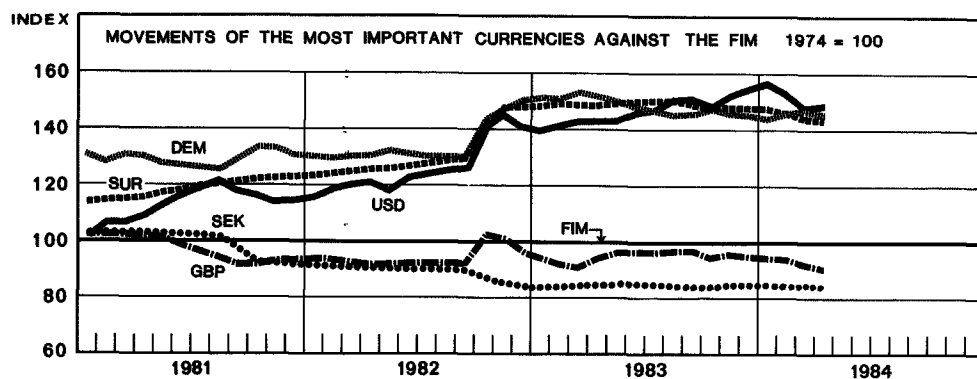
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC	BEL
	1	2	3	4	5	6	7	8	9	10	11
1979	3.896	3.330	8.275		91.12	77.22	74.38	212.75	194.43	13.338	12.979
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											
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
April	5.650	4.422	8.054	6.569	72.27	74.54	58.32	214.29	189.99	10.491	10.209
May	5.821	4.502	8.100	6.518	72.15	74.64	57.91	211.99	188.39	10.422	10.267



Average selling rates for foreign exchange, FIM

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 CI Rbl SUR	1 special drawing right SDR	Currency index ¹
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
264.97	74.60	0.376	31.78	5.59	25.76	4.02	2.294	7.489	5.876 34	125.2
264.63	73.58	0.373	31.41	5.56	24.71	3.97	2.321	7.496	5.885 82	125.2
262.74	72.53	0.368	30.93	5.29	20.55	3.89	2.313	7.529	5.915 65	125.2
264.53	72.13	0.367	30.80	4.76	20.49	3.80	2.331	7.550	5.934 78	125.3
264.52	71.24	0.361	30.47	4.69	20.67	3.79	2.342	7.559	5.991 35	125.2
264.40	71.10	0.358	30.53	4.64	20.63	3.77	2.359	7.507	5.995 33	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
258.71	69.79	0.347	30.48	4.25	19.66	3.78	2.515	7.239	5.965 91	102.5
257.05	69.14	0.345	30.18	4.21	19.94	3.80	2.528	7.252	6.050 38	102.5

¹ 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. FIM

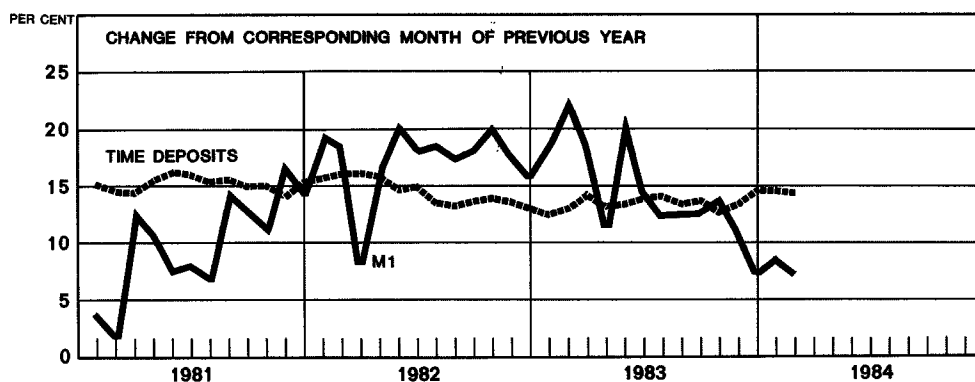
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	10
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	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	29 465	25 883	21 040	8 666	85 054	99 132
1983*	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1983*

Feb.	6 395	3 700	3 914	14 009	30 065	26 624	21 920	8 781	87 390	101 399
March	6 336	3 695	3 384	13 415	30 466	26 684	22 029	8 865	88 044	101 459
April	5 919	3 788	3 916	13 623	30 857	26 944	22 163	8 841	88 805	102 428
May	7 321	4 088	4 037	15 446	31 159	27 181	22 264	8 985	89 589	105 035
June	7 127	3 998	4 150	15 275	31 513	27 685	22 650	9 071	90 919	106 194
July	6 198	4 084	4 346	14 628	31 476	27 999	22 899	9 304	91 678	106 306
Aug.	6 978	4 128	4 331	15 437	31 309	28 135	23 013	9 293	91 750	107 187
Sept.	6 964	4 185	4 324	15 473	31 364	28 230	23 194	9 388	92 176	107 649
Oct.	7 271	4 269	4 529	16 069	31 414	28 298	23 285	9 365	92 362	108 431
Nov.	7 521	4 182	3 625	15 328	31 702	28 447	23 424	9 492	93 065	108 393
Dec.	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1984*

Jan.	7 438	4 163	4 442	16 043	33 658	29 724	24 641	10 241	98 264	114 307
Feb.	7 325	3 975	4 055	15 355	34 365	30 235	25 190	10 333	100 123	115 478



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

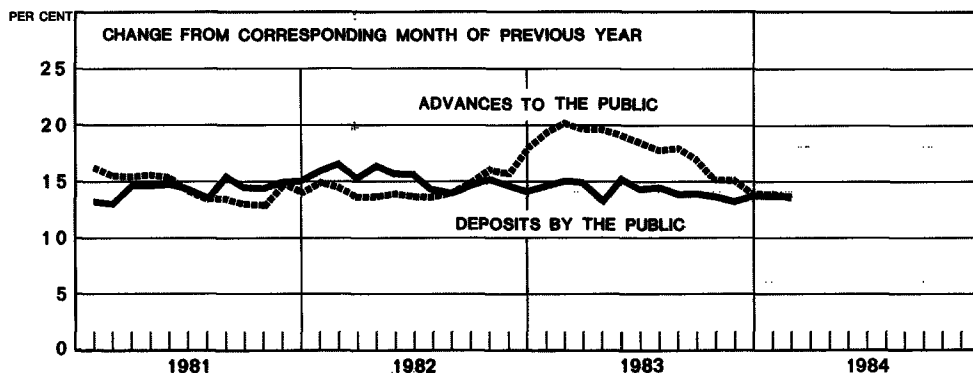
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi-Money
	1	2	3	4	5	6	7		8	9
1980	35 994	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*	48 620	25 682	23 601	12 684	93 014	3 468	14 105	110 587	19 917	107 549
1983*	56 162	29 276	27 322	13 470	104 626	4 350	17 254	126 230	21 427	121 905

1983*

Feb.	50 783	26 216	23 998	13 094	94 898	4 497	14 696	114 091	19 861	109 709
March	50 776	26 473	24 262	12 766	95 662	4 569	14 046	114 277	19 401	110 101
April	51 855	26 685	24 415	12 842	96 664	4 745	14 388	115 797	19 374	110 890
May	52 478	27 075	24 733	12 909	97 942	4 453	14 800	117 195	21 325	113 729
June	52 635	27 460	25 095	13 072	98 935	4 700	14 627	118 262	21 362	115 242
July	52 374	27 711	25 371	13 193	99 508	4 669	14 472	118 649	20 634	115 283
Aug.	53 028	28 101	25 787	13 348	100 638	4 764	14 862	120 264	21 011	115 625
Sept.	53 682	28 594	26 228	13 456	102 188	4 902	14 870	121 960	21 403	116 469
Oct.	54 535	28 821	26 529	13 543	103 090	4 797	15 541	123 428	21 772	116 992
Nov.	56 197	29 040	26 946	13 666	104 024	4 851	16 974	125 849	21 105	117 008
Dec.	56 162	29 276	27 322	13 470	104 626	4 350	17 254	126 230	21 427	121 905

1984*

Jan.	57 343	29 569	27 515	14 193	105 759	5 004	17 857	128 620	22 098	123 176
Feb.	58 398	29 762	27 706	14 017	106 328	4 989	18 566	129 883	21 334	124 666



STATE FINANCES

Mill. FIM

Revenue	Jan.-Dec.		Expenditure	Jan.-Dec.	
	1982	1983		1982	1983
Income and wealth tax (net)	16 738	19 077	Wages, salaries, pensions etc.	10 565	12 018
Gross receipts	43 806	50 506	Repair and maintenance	1 272	1 510
Refunds & local authorities	-27 068	-31 429	Other consumption expenditure	6 326	7 456
Other taxes on income and wealth	422	488	Total consumption expenditure	18 163	20 984
Employers' child allowance payments	1	1	State aid to local authorities	13 601	15 717
Sales tax	15 877	17 800	State aid to industries	9 788	8 237
Customs duties and import charges and levies	1 621	1 715	of which: agric. price subsidies	4 140	4 104
Excise duties	12 202	10 823	Child allowances	1 817	2 235
Excise duty on alcoholic bevs.	3 610	3 998	Share in national pensions and sickness insurance schemes	848	2 480
Excise duty on tobacco	1 577	1 686	Deficit of State enterprises	1 099	1 117
Excise duty on liquid fuel	3 657	3 687	Other transfer expenditure	8 291	9 625
Other excise duties	3 358	1 452	Total transfer expenditure	35 444	39 411
Tax on autom. and motor-cycles	2 010	2 423	Machinery and equipment	1 695	1 815
Stamp duties	1 435	1 718	Construction of buildings	958	1 179
Special diesel etc. vehicles tax	293	362	Land and waterway construction	2 311	2 460
Other taxes and similar revenue	1 585	1 872	Total real investment	4 964	5 454
Total taxes	52 184	56 279	Interest on State debt	2 199	3 143
Miscellaneous revenue	4 026	4 731	Other expenditure	21	4
Interest, dividends etc.	1 741	1 945	Total other expenditure	2 220	3 147
Surplus of state enterprises	1 231	1 607	Increase in inventories	258	948
Redemptions of loans granted	1 168	1 854	Lending	3 772	4 236
Total revenue	60 350	66 416	Other financial investment	685	763
Foreign borrowing	3 672	4 802	Total expenditure	65 506	74 943
Domestic borrowing	4 493	6 575	Redemption of foreign loans	899	2 378
Total borrowing	8 165	11 377	Redemption of domestic loans	1 852	1 560
Deficit (+) or surplus (-)	-258	1 088	Total redemptions	2 751	3 938
Total	68 257	78 881	Total	68 257	78 881

State debt	1982	1983	1984			
	Dec.	Dec.	Jan.	Feb.	March	April
Foreign debt	18 807	21 723	21 715	21 383	22 167	22 391
Long-term debt	11 378	16 383	16 916	16 822	17 056	16 903
Short-term credit	63	18	19	15	24	37
Domestic debt	11 441	16 401	16 935	16 837	17 080	16 940
Total State debt	30 248	38 124	38 650	38 220	39 247	39 331
Total debt mill. \$	5 651	6 506	6 507	6 586	6 986	6 961

FOREIGN TRADE

Mill. FIM

Period	Value, mill. FIM		
	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*

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.	6 691	5 611	+1 080
Feb.	6 423	5 271	+1 152
March	6 667	5 865	+802

Jan.-March

1983*	16 812	16 355	+457
1984*	19 781	16 747	+3 034

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	101
1983*	104	98	127	125	101

1982

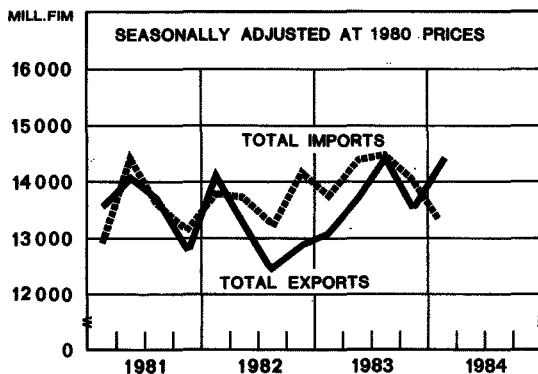
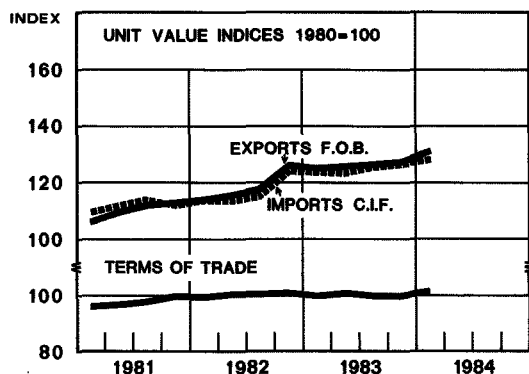
Jan.-March	106	88	115	115	100
Apr.-June	102	92	116	114	101
July-Sept.	85	90	118	116	101
Oct.-Dec.	107	107	127	125	101

1983*

Jan.-March	101	90	126	125	101
Apr.-June	103	95	126	124	101
July-Sept.	97	97	127	126	100
Oct.-Dec.	115	108	128	127	100

1984*

Jan.-March	114	89	132	129	102
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FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

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*

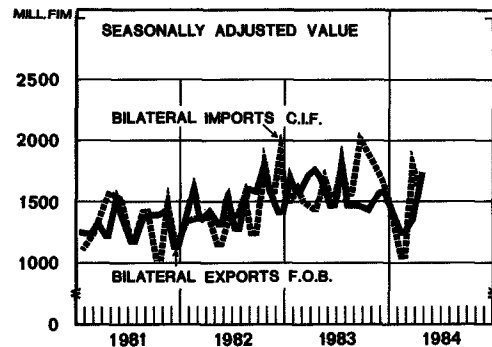
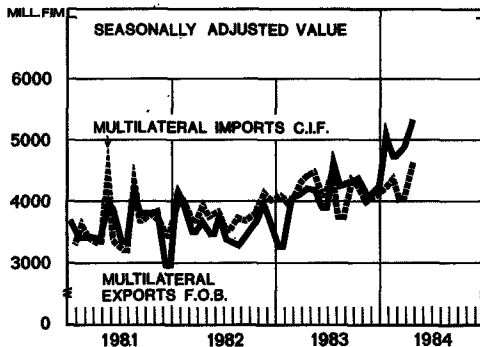
July	68	562	1 571	1 826	1 627	3 459	561	1 022	703	56
Aug.	58	492	1 668	1 123	1 786	3 512	440	685	833	43
Sept.	41	534	1 746	1 499	1 658	4 125	702	850	849	10
Oct.	124	623	1 765	1 574	2 009	4 257	578	818	892	24
Nov.	78	643	1 851	2 054	1 886	4 122	435	935	869	17
Dec.	238	658	1 815	1 931	2 192	4 505	434	1 216	923	6

1984*

Jan.	222	502	1 625	2 395	1 947	3 162	407	1 108	869	65
Feb.	332	541	1 703	1 798	2 049	3 113	339	818	989	12
March	355	628	1 990	1 766	1 928	3 815	273	793	976	8

Jan.-March

1983*	713	1 607	4 402	5 108	4 982	10 154	823	2 506	2 769	103
1984*	909	1 671	5 318	5 959	5 924	10 090	1 019	2 719	2 834	85



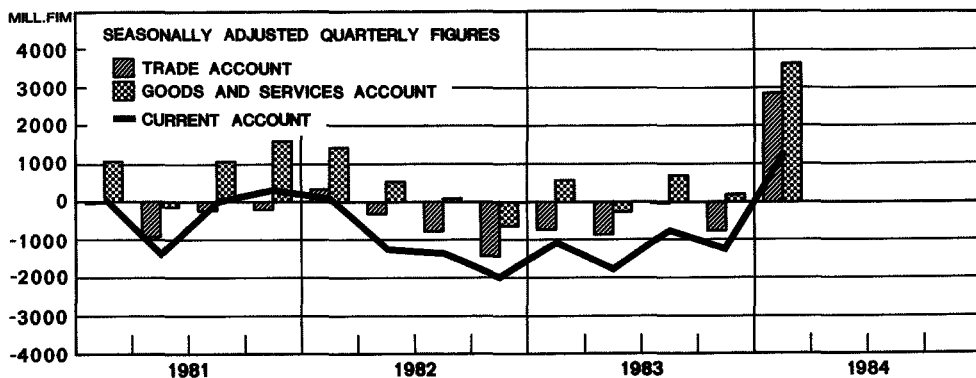
FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January-March				January-March			
	1983*		1984*		1983*		1984*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
OECD countries in Europe	53.6	9 011	57.9	11 445	55.0	8 995	59.3	9 933
Austria	0.6	105	0.6	125	1.3	216	1.2	203
Belgium and Luxembourg	1.8	295	1.4	269	2.0	324	2.0	328
Denmark	3.3	549	4.3	853	2.6	431	2.7	448
France	4.5	763	4.2	833	3.6	594	3.5	579
Federal Republic of Germany	10.7	1 799	10.4	2 050	14.4	2 357	15.0	2 520
Italy	2.1	354	2.2	425	3.3	535	3.6	597
Netherlands	3.2	547	3.4	673	2.8	459	2.9	486
Norway	3.4	571	5.9	1 156	2.7	449	2.4	396
Portugal	0.2	35	0.2	43	0.7	115	0.8	141
Spain	0.7	115	0.6	127	0.8	133	0.9	155
Sweden	11.1	1 874	12.2	2 407	11.7	1 914	15.0	2 517
Switzerland	1.5	244	1.2	245	1.8	289	1.8	297
United Kingdom	9.3	1 558	10.0	1 980	6.7	1 088	6.8	1 144
Other	1.2	202	1.3	259	0.6	91	0.7	122
OECD countries outside Europe	6.5	1 089	11.9	2 359	13.5	2 201	12.1	2 029
Canada	0.9	142	0.7	136	0.7	109	0.7	119
Japan	1.2	202	1.4	278	5.3	863	5.8	967
United States	3.6	613	8.8	1 749	7.1	1 156	5.3	891
Other	0.8	132	1.0	196	0.4	73	0.3	52
CMEA countries	29.9	5 033	20.9	4 134	23.5	3 854	22.3	3 737
Czechoslovakia	0.5	87	0.4	81	0.5	76	0.5	82
German Democratic Republic	0.3	59	0.4	85	0.6	106	0.6	95
Poland	0.2	28	0.3	56	1.1	178	1.0	168
Soviet Union	28.4	4 783	19.3	3 814	20.9	3 424	19.7	3 305
Other	0.5	76	0.5	98	0.4	70	0.5	87
Latin America	1.2	193	0.8	159	2.4	394	2.4	405
Argentina	0.2	27	0.1	16	0.1	20	0.1	15
Brazil	0.3	54	0.2	34	0.8	140	0.9	152
Colombia	0.2	25	0.1	24	0.5	77	0.6	101
Other	0.5	87	0.4	85	1.0	157	0.8	137
Other	8.8	1 486	8.5	1 684	5.6	911	3.9	643
GRAND TOTAL	100.0	16 812	100.0	19 781	100.0	16 355	100.0	16 747
of which								
EFTA countries	16.9	2 846	20.2	3 998	18.3	3 001	21.5	3 593
EEC countries	35.9	6 035	36.9	7 298	35.8	5 863	36.9	6 174
OECD countries	60.1	10 100	69.8	13 804	68.5	11 196	71.5	11 962

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*	69 593	72 107	-2 514	+3 298	-749	+1 172	+1 207	-5 811	-721	+25	-5 300
1981											
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	16 796	16 469	+327	+807	-291	+190	+1 033	-1 553	-217	-29	-766
Apr.-June	17 154	17 500	-346	+787	-229	+299	+511	-1 492	-149	+35	-1 095
July-Sept.	16 236	18 002	-1 766	+934	+44	+336	-452	-1 459	-147	+45	-2 013
Oct.-Dec.	19 407	20 136	-729	+770	-273	+347	+115	-1 307	-208	-26	-1 426
1984*											
Jan.-March	19 736	16 845	+2 891	+978	-383	+154	+3 640	-1 998	-236	-56	+1 350



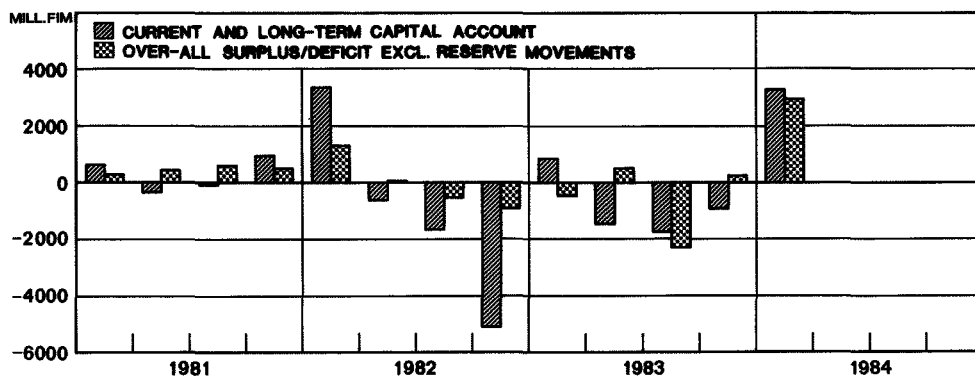
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net ²	Miscellaneous, short-term capital terms, incl. errors and omissions ²	Over-all surplus deficit excl. reserve movements ²	Bank of Finland foreign exchange reserves
+5 183	-4 140	-433	-428	+182	-4 973	+3 255	-967	+3 930	-250 ³	+995	-995
+8 312	-4 643	-518	-826	+2 325	+1 114	-1 067	+437	-406	+1 725 ³	+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	+423	-1 367	+1 895	-3 405	+3 273	-3 422	+1 272	+120	-2 162	+2 162
+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	+866	-115	+647	-1 214	-666	-482	+482
+2 435	-2 895	+273	-204	-391	-1 486	+1 261	-353	+699	+276	+397	-397
+1 479	-1 269	+142	-128	+224	-1 789	+1 197	-1 671	-593	+543	-2 313	+2 313
+3 213	-1 838	-92	-853	+430	-996	+930	-2 045	+2 380	-33	+236	-236
+4 075	-1 887	-207	-47	+1 934	+3 284	-923	+1 281	+2 144	-2 800	+2 986	-2 986

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

¹ Including direct investment, net.

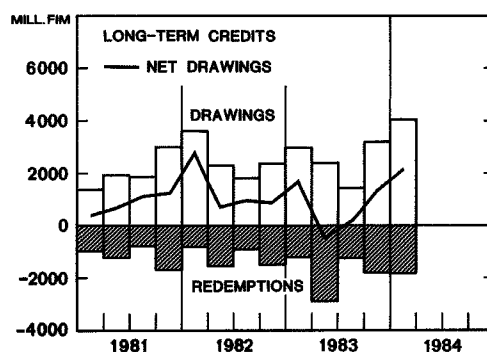
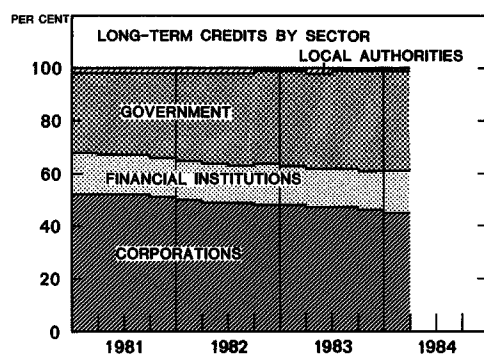
² Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

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

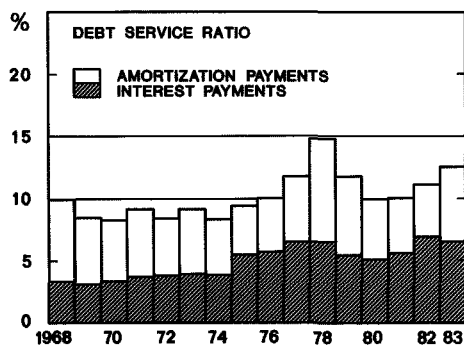
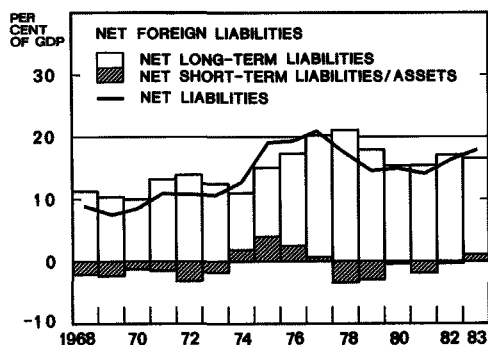


FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities						Net long-term liabilities (10-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Portfolio investment	Other	Total (5 to 9)	
	1	2	3	4	5	6	7	8	9	10	11
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	848	763	61 518	44 808
1981											
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	848	763	61 518	44 808
1984*											
March	6 658	6 687	3 539	16 884	54 014	4 225	2 354	987	731	62 311	45 427



Short-term assets				Short-term liabilities				Net short-term liabilities (19-15)	Net liabilities (11+20)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (12 to 14)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (16 to 18)				
12	13	14	15	16	17	18	19	20	21	22	23
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	29 263	15 387	56 492	5 705	39 443	16 138	61 286	4 794	49 602	11 585	5 621
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	14 580	49 111	4 637	29 530	15 105	49 272	161	42 384	2 531	942
12 905	23 008	14 878	50 791	4 705	31 137	16 546	52 388	1 597	43 686	3 788	2 243
10 556	23 605	15 681	49 842	4 737	31 289	16 779	52 805	2 963	45 597	2 538	1 049
11 842	29 263	15 387	56 492	5 705	39 443	16 138	61 286	4 794	49 602	2 728	1 387
14 740	25 651	14 235	54 626	3 657	37 974	15 323	56 954	2 328	47 755	3 095	1 089



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100 ¹						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										
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	129.6	135.2	133.7	133.6	129.6	133.6
March	1 238	132.0	133.5	127.6	129.6	135.7	134.1	134.2	129.6	134.5
April	1 246	132.7	134.5	127.5	130.6	136.3	134.3	134.7	130.1	135.0

¹ New series calculated by the Central Statistical Office.

Period	Consumer prices 1981 = 100 ¹									
	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										
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
March	124.7	125.4	132.1	117.8	121.5	121.4	139.4	124.3	124.3	128.6
April	125.6	127.3	132.1	119.2	121.6	121.8	143.4	125.0	125.4	128.9

¹ 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	206.9	201.1	195.0	212.0	207.4	208.9	208.1
1983*	246.2	234.4	202.5	228.2	222.0	215.1	233.4	229.1	229.3	229.2
1983*										
Jan.-March	240.2	224.3	194.0	217.6	214.1	205.8	222.9	219.0	219.7	219.4
Apr.-June	247.1	236.7	201.0	227.8	222.3	214.1	233.9	229.0	230.2	229.6
July-Sept.	243.3	234.8	202.8	228.9	222.5	215.9	234.3	229.9	230.4	230.1
Oct.-Dec.	253.7	242.0	208.3	238.8	230.5	224.7	242.1	238.3	237.8	238.1
1984*										
Jan.-March	254.7	244.6	215.5	242.8	231.3	230.5	244.9	241.2	240.7	241.0

PRODUCTION

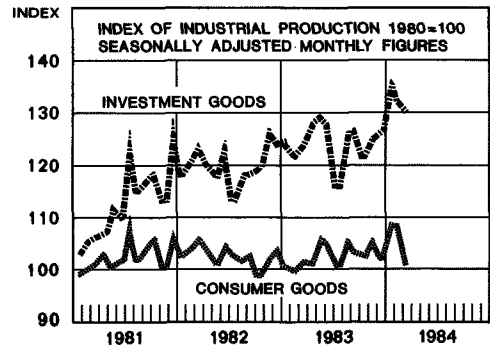
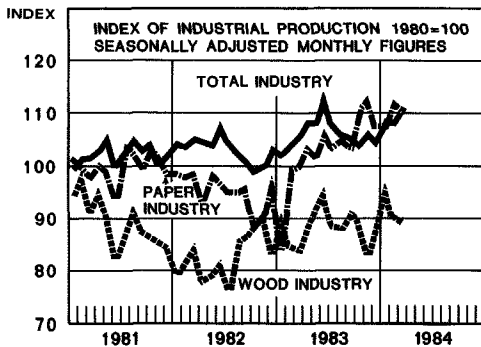
Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1981										
Oct.-Dec.	129	143	80	149	121	97	135	116	132	124
1982										
Jan.-March	115	132	71	134	72	89	113	96	133	120
Apr.-June	121	136	83	135	80	94	122	109	133	125
July-Sept.	120	120	202	64	106	95	123	111	135	121
Oct.-Dec.	133	143	94	154	135	100	136	127	137	129
1983*										
Jan.-March	119	132	81	141	81	86	115	100	138	123
Apr.-June	125	142	88	126	87	94	124	114	138	130
July-Sept.	125	126	224	57	114	94	127	111	140	126
Oct.-Dec.	136	149	95	139	141	94	143	123	142	133

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	103.4	112.2	117.3	106.8
1983*											
March	113.6	135.0	111.2	110.8	107.3	96.1	107.5	115.2	114.6	125.7	105.9
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.	113.4	135.1	109.4	111.4	100.0	91.7	111.3	109.8	98.3	125.7	108.9
Feb.	108.2	130.4	103.2	106.7	87.5	85.7	112.9	102.1	88.2	120.9	108.4
March	116.5	142.0	109.9	115.1	98.1	99.6	118.2	120.1	106.5	129.4	111.3



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	39 324	106	110
1983*								
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	97	94
Feb.	3 700	2 498	2 329	169	6.8	4 209	95	101
March	3 694	2 520	2 353	168	6.6	4 734

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 markka 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 M₁ = 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: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 22. 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 22 and 23 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings. Debt service does not include amortisation of the Bank of Finland's reserve and oil credits.

PRICE INDICES

Page 20. All indices calculated by the Central Statistical Office.

WAGES - PRODUCTION

Pages 21-22. Figures supplied by the Central Statistical Office.

Page 22. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II.

LABOUR - TIMBER FELLINGS - INTERNAL TRADE - CONSTRUCTION OF BUILDINGS

Page 23. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Forest Research Institute, *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

SYMBOLS USED: * Preliminary, r Revised, 0 Less than half the final digit shown, . Logically impossible, . . Not available, - Nil, S affected by strike, - Break in series.

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1 155 to 1 809 Finland formed a part of the kingdom of Sweden. Connected from 1 809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1983 is as follows: Social Democratic Party of Finland 57, National Coalition Party 44, Centre Party 38, Democratic League of the People of Finland 27, Finnish Rural Party 17, Swedish People's Party 11, Christian League of Finland 3, The Greens 2 and Finnish People's Constitutional Party 1.

Finland is divided into 461 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of 4 years.

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 m³ (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 m³ was up to the standard required for logs, 52 % of these being pine. The annual growth was 66 million m³ and the total drain calculated on the basis of roundwood consumption was 56 million m³.

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 (March 31, 1984): Passenger vessels 155 (243 950 gross reg. tons), tankers 46 (1 178 740 gross reg. tons), dry cargo vessels 177 (819 857 gross reg. tons), other vessels, 100 (13 951 gross reg. tons), total 478 (2 256 498 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1983): Passenger cars 1 410 438, lorries and vans 167 831, buses 9 102, others 10 585, total 1 597 956.

FINNISH AIRLINES (May 1, 1984) Finnair has in use 1 DC-8, 6 DC-9-10, 5 DC-9-41, 12 DC-9-51, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 2 Fokker F-27. The company has scheduled flights to 38 foreign and 21 domestic destinations.

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 markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21 159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is tradeweighted 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 Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1983). There are two big and eight small commercial banks with in all 924 offices, 270 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 48 private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1984). The base rate applied by the Bank of Finland is 9 ½ %. The range of rates for other credits granted by the Bank of Finland is between 7 % and 12 %. Other credit institutions: time deposits 5 ½ %; 6 month deposits 6 ½ %; 12 month deposits 8 %; 24 month deposits 9 ½ % and sight deposits 2 ½ %. The highest lending rate is 14 %.

PUBLIC FINANCE

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ECONOMIC POLICY AND PUBLIC FINANCE

Finland experienced a sharp deceleration in output growth in 1981 and activity continued sluggish in 1982. The recession was mainly attributable to the weakness of export markets, which, together with a deterioration in competitiveness, led to a decline in exports. To alleviate the harmful effects of the international recession on the domestic economy, the expansive stance of both fiscal and monetary policy was maintained in 1982. Hence, domestic activity remained distinctly brisker than in most of the other western industrial countries. On the other hand, the difference in relative activity levels caused a widening in the current account deficit, an acceleration in inflation and a deterioration in competitiveness.

Economic policy for 1983 was formulated on the assumption of a modest revival in economic growth, which was not, however, expected to be sufficient to bring about any noticeable improvement in the employment situation. The international recession was forecast to be prolonged, and it was judged that Finland could not in these circumstances depart from the overall trend of slow growth.

In the summer of 1982, when the budget proposal was being prepared, a modest acceleration in growth and increasing imbalances in the economy were forecast. Fiscal policy was designed to have a neutral impact in 1983. It was known that it would not be possible to tighten fiscal policy in the middle of the fiscal year, if economic developments proved to be better than forecast. If by contrast, economic performance turned out to be weaker than expected, it would be easy to agree on appro-

priate steps to be taken to stimulate the economy in the course of the fiscal year. Past experience indicated that the strength of economic upswings frequently tends to be underestimated. On the other hand, there were fears that international developments could prove more sluggish than forecast.

Soon after the budget proposal had been submitted to Parliament in September, it became necessary to reorientate the overall stance of economic policy in an expansionary direction. The latest economic indicators suggested developments in the world economy had been weaker than anticipated. Moreover, expectations of a devaluation of the Swedish krona, coupled with low interest rates and easy monetary conditions in Finland, had induced a massive outflow of short-term capital resulting in a decline in Finland's official convertible foreign exchange reserves. In October 1982, the markka was devalued by 10 per cent — notably less, however, than the Swedish krona. To compensate the corporate sector for the smaller exchange rate adjustment, the overall stance of fiscal policy was shifted in a clearly expansive direction. In addition, the free depreciation allowance for industrial investments was increased and the period of utilization for investment reserves was extended. There were also certain increases on the expenditure side. The additional state revenue needed to fund these discretionary measures was acquired mainly through an increase in the general sales tax rate, which did not, however, take effect until June 1983, and increased borrowing.

By the autumn of 1983, no significant new decisions bearing on the overall stance of fiscal policy had been made, but revised data for

1982 pointed to appreciably stronger activity than forecast earlier and similarly developments in 1983 seemed to be turning out better than forecast. Hence, the estimate of the impact of fiscal policy on GDP was lowered to 1/2 percentage point from one percentage point. The preliminary outturn for the year also indicated that the final impact was a 1/2 percentage point boost to growth.

Because of lags and a projected slow acceleration of output growth, attempts were made in the course of 1983 to gradually reorientate economic policy in a restrictive direction. As for monetary policy, the swing to a more restrictive stance already took place in the spring of 1983, although the financial market did not tighten until the autumn. In fiscal policy, the turning point was marked by the Government's programme issued in May and the raising of the general sales tax rate by 2 percentage points at the beginning of June.

TABLE 1. THE EXPANSIONARY IMPACT OF FISCAL POLICY IN 1983

	Projection			Outturn (preliminary)
	Sep- tember 1982	Feb- ruary 1983	Sep- tember 1983	
	Per cent			
Impact of fiscal policy in GDP ¹	-0.1	1.0	0.5	0.6
Financial surplus of general govern- ment in rela- tion to GDP	-1/2	-1/2	-1 1/2	-1.4
Volume growth of GDP	2 1/2	1 1/2	2 1/2	3.1
Change in consumer prices	7	10	9	8.4
Volume growth of exports	2	1	1 1/2	4.1
Current account surplus in relation to GDP	0	-1	-2	-2.0
Unemployment rate	6.8	7.0	6.2	6.1

¹ As estimated by the fiscal impact model of the Economics Department of the Ministry of Finance.

CENTRAL GOVERNMENT FINANCE

The budget proposal for 1983 envisaged a gross financing requirement of slightly less than FIM 9 billion. The most significant change on the revenue side was the inflation adjust-

ment of personal taxation by 9 per cent, which is estimated to have reduced the revenue accrual in 1983 by about FIM 1.5 billion. To curb inflation, it was proposed that public charges and tariffs be raised by less than the rise in the overall price level. Revenue, excluding loans, was projected to grow by only 7 per cent in nominal terms compared with cash revenue in the previous year.¹ In volume terms, total expenditure was forecast to exceed total cash expenditure in 1982 by 2 per cent. The increase in interest expenses and redemptions accounted for half of the entire growth.

The October 1982 devaluations and the ensuing measures caused considerable changes in planned revenue and expenditure in the budget proposal. To reduce corporate costs, sales tax concessions for industrial investment were raised, electricity taxes were refunded in part and employers' sickness insurance contribution rates were reduced by one percentage point. Altogether, these measures weakened central government finances by about FIM 1.5 billion. Expenditure was also increased by the effects of the devaluations on inflation and debt service costs. In order to cover the rise in the financing requirement, the government decided to raise the general sales tax rate by 2 percentage points to 16 per cent as from the beginning of June 1983. In connection with the parliamentary debate, the budget total increased by FIM 2.1 billion to reach FIM 74.2 billion. As a result of all these changes, the real growth of expenditure was estimated to rise by 2 1/2 percentage points. In order to balance the budget, it was necessary to increase gross borrowing by FIM 1.4 billion to FIM 10.3 billion. The ordinary budget did not, as yet, include the so-called social benefits package for supporting households' purchasing power, which had been agreed upon in connection with the devaluation decisions. Hence, the budget, which had originally been designed to have a neutral impact, had become expansionary.

¹ The growth of both revenue and expenditure was reduced by about 3 percentage points because of the adoption of the practice of netting out certain excise duties and price differential compensations. The netting out procedure enables better budgetary control of price differential compensations paid on domestic agricultural products used in the foodstuffs industry.

In 1983, three supplementary budgets were approved, totalling FIM 3.4 billion. In relation to the ordinary budget, total expenditure in the supplementary budgets fell from 6.5 per cent in 1982 to 4.6 per cent. This was partly explained by the fact that since 1982 savings in expenditure have been recorded in the supplementary budget as deductions. Moreover, inflation did not create pressures boosting ordinary expenditure in 1983. The first supplementary budget included appropriations for the social benefits package. Transfers to households were increased by raising, inter alia, child allowances, unemployment benefits and study grants.

State cash revenue excluding borrowing grew, in nominal terms, by 10 per cent. The accrual of excise duties fell by almost FIM 2 billion due to netting out. The yield from sales taxes grew by 12 per cent or by approximately the same amount as total domestic demand, even though the general sales tax rate was raised as from June 1. Curbing the growth in the yield was the sluggishness of domestic trade during the latter half of the year. The yield from direct taxes increased by 14 per cent. Revenue other than tax receipts, particularly redemptions of state loans, increased appreciably faster than tax receipts.

Total state expenditure grew, in nominal terms, by as much as 5 1/2 percentage points faster than revenue. At constant prices, the expenditure growth was 6 per cent. Without the netting-out practice noted above, the growth would have been more than 8 1/2 per cent. The increase in debt service payments accounted for 3 percentage points of the total growth.

The growth in consumption expenditure continued at a very fast rate; in real terms, growth amounted to 6 per cent. Equipment purchases by the Finnish Defence Force continued to grow at a rapid pace, and there was also a substantial increase in expenditure on repairs and maintenance.

TABLE 2. STATE REVENUE AND EXPENDITURE

	1981	1982	1983
	FIM million		
Revenue			
Income and wealth taxes	15 984	17 160	19 565
Sales tax	14 421	15 877	17 800
Customs duties and import charges	785	956	945
Excise duties	10 448	12 202	10 823
Other taxes and similar revenue	5 213	5 989	7 145
Other revenue	5 825	6 997	8 284
Redemptions of loans	971	1 168	1 854
Total revenue	53 647	60 350	66 416
Borrowing	5 229	8 165	11 378
Total	58 876	68 515	77 794
Expenditure			
Consumption expenditure	15 604	18 163	20 984
Transfers	30 363	35 444	39 411
Gross fixed capital formation	4 552	4 964	5 454
Interest on state debt	1 580	2 199	3 142
Other expenditure ¹	278	279	952
Lending	3 256	3 772	4 236
Other financial investment	544	685	763
Total expenditure	56 177	65 506	74 943
Redemptions of state debt	1 748	2 751	3 939
Deficit (-), surplus (+)	+ 951	+ 258	-1 088
Total	58 876	68 515	77 794

¹ Change in stocks and miscellaneous expenditure

Owing to a decline in subsidies, the growth in current transfers was smaller than the average. Central government grants to municipalities increased by 6 per cent in real terms, or by 3 percentage points more than local government consumption expenditure. At present, almost half of local government consumption expenditure is financed by central government grants. State funds were used to support households' purchasing power in accordance with the policy decided upon at the end of 1982. Central government grants to households increased, in volume terms, by as much as 8 per cent. Among other things, child allowances rose by 13 per cent in real terms and self-employed persons' and front-veterans' pensions as well as study grants were increased. Subsidies declined, in part because of the decrease in compensation paid to farmers for crop losses.

The employers' sickness insurance contribution rate was reduced by one percentage point as from the beginning of 1983, the resulting financing requirement being covered

entirely out of state funds. Mainly for this reason, central government transfers to the Social Insurance Institution almost trebled. The increase in daily allowances also raised the central government's contributions.

Central government gross fixed capital formation grew, in real terms, by about 2 per cent. The growth was mainly attributable to an increase in building investment; for example, renovation activity was particularly brisk. The labour force employed by means of the central government's appropriations for public works continued to decline. However, the numbers employed as a result of special employment measures, such as grants and training schemes, rose by 2 300 on the previous year to total 129 000.

The volume of the central government's financial investment also increased somewhat. In particular, loans granted by the Investment Fund of Finland grew appreciably, and state housing loans also increased slightly in real terms.

Both interest payments on and redemptions of state debt increased by 43 per cent in nominal terms. Debt service payments on foreign loans exceeded those on domestic loans. A rise in stocks increased state expenditure to an unusually large extent in 1983. Stocks grew by almost FIM 950 million, or by nearly FIM 700 million more than in 1982. Grain stocks grew as a result of last summer's good crops, and buffer stocks were also increased.

Operations benefitting households account for almost half of total state expenditure. Expenditure on social security increased particularly sharply in 1983. The growth of central government contributions to sickness insurance expenditure and the expansion of social services, including child day-care, caused the largest increase in expenditure. The growth of expenditure on education was slightly lower than the average. The increase in state expenditure on general purposes was due, inter alia, to expenditure on defence, development aid and investments in government offices. State expenditure designed to promote industrial activities increased substantially, in part because of an increase in price differential compensations payable by the Import Trade Fund, mainly on oil products. This sphere of operations also includes the activities of the Investment Fund of Finland; loans granted by the Fund grew considerably. The netting out of excise duties and price differential compensations is reflected in a decline in expenditure on agriculture and forestry. Other state expenditure includes debt service costs and pensions; as noted above, the former item increased substantially.

Central government finances clearly deteriorated in 1983: the net financing requirement grew by FIM 3.4 billion, and in relation to GDP it rose by one percentage point to more than 3 per cent. Redemptions of state debt increased by FIM 1.2 billion; so that the gross financing

TABLE 3. REAL CHANGES IN STATE EXPENDITURE BY PURPOSE, PER CENT

	1983 Share per cent	1977	1978	1979	1980	1981	1982	1983
General ¹	15	3.3	5.9	5.5	8.2	-0.9	6.3	10.1
Benefitting the household sector ²	46	6.1	3.8	2.0	-0.4	2.2	6.7	10.8
Benefitting the corporate sector ³	27	-7.4	-4.9	12.9	-2.4	-0.2	4.3	-6.3
Other ⁴	13	5.0	19.7	16.5	6.5	4.1	21.3	17.6
Total	100	0.9	2.5	7.1	0.9	1.2	7.7	6.3

1 General administration and external affairs, public order, safety, and defence.

2 Education, health, social security and welfare, and housing and community amenities.

3 Agriculture and forestry, transport and communication, industry, and manpower.

4 Debt service and pensions.

requirement amounted to almost FIM 12.5 billion.

The central government's gross drawings of long-term loans totalled nearly FIM 11.4 billion, of which FIM 6.6 billion was raised in Finland and FIM 4.8 billion abroad. The remainder of the gross financing requirement was covered by reserves and short-term credits.

LOCAL GOVERNMENT

The financial surplus of the local government sector declined by FIM 0.5 billion in 1982, partly because of the rapid growth of investments started after the removal of the investment tax. On the other hand, tax revenue increased slightly faster than GDP and the share of central government grants in local government consumption expenditure grew. Local government debt and interest payments increased rapidly, though they still remained at a low level.

As in the previous year, the financial surplus of the local government sector was modest in 1983 in spite of a slight acceleration in overall economic growth. The actual growth of local government tax revenue was slower than assumed in their budgets and also slower than implied by the increase in taxable income. The average local government tax rate was raised by .03 penniä to 15.94 penniä. As in previous years, central government grants to local authorities grew more rapidly than local government consumption expenditures in which the central government's share in costs was the largest.

According to preliminary figures, local government consumption expenditure grew, in real terms, by 3 per cent, or slightly faster than in the previous year, although the growth was curbed slightly by a strike in the health care sector in the spring. However, as a result of the strike, the level of earnings of local government personnel rose more than the average and also raised the prices of local government services, thereby posing difficulties for the

financial position of local government in the longer term. According to preliminary figures, expenditure on gross fixed capital formation by local government sector hardly increased at all in real terms, although it maintained the high level attained in the previous year.

In order to forestall excessive growth of local government expenditure, attempts were made to prevent the easing of the financial position of local government by lowering the central government grant scales in health care by one percentage point. The tightening impact was, however, alleviated by a rise in health care charges at the beginning of July. The lowering of the grant sales was also designed to curb the growth of central government expenditure. Central government grants to local authorities account for one-fifth of total state expenditure, and the central government pays a varying proportion of various local government expenditures.

The outstanding debt of local authorities rose by FIM 1 billion to FIM 9.5 billion in 1983, growth being smaller than in the previous year. Of municipalities' budgeted loans, 73 per cent were drawn, which was almost the same amount as in the previous year. In spite of the relatively smaller volume of borrowing, municipalities found credit market conditions notably more stringent in the previous year, reflecting the tightening of the financial market.

SOCIAL SECURITY FUNDS²

The Finnish social security system is being reformed in stages. Last year saw the implementation of stage II A of the national pensions reform, which increased pension benefits but at the same time made national pensions taxable income. The reform will continue in the years ahead, with the level of social security being raised further.

² These include the Social Insurance Institution, unemployment funds, the Central Unemployment Fund, the Support Fund for Unemployment Funds and the Redundancy Payments Fund. Contrary to many other countries, the employment pensions scheme in Finland is included in the private sector.

Parallel to the improvement of social security, compulsory social security contributions have been used as active instruments of counter-cyclical policy aimed at containing the rise in indirect labour costs and improving the purchasing power of the insured. As a consequence, the financial position of social security funds has become very weak. The financial surplus of social security funds swung into deficit in 1982 and remained in deficit in 1983. To cover the deficit, the funds have been run down, in addition to which the central government has promised to pay the amounts necessary to ensure the liquidity of the funds. In fact, in 1983 the central government was forced to assist the Sickness Insurance Fund for the first time with a payment of FIM 1.3 billion.

GENERAL GOVERNMENT REVENUE, EXPENDITURE AND FINANCIAL BALANCE

With the pursuit of reflationary fiscal policy, the financial balance of the general government sector deteriorated substantially in 1982. At that time, the expansionary impact was based, in particular, on an increase in transfers, which cause a decline of one percentage point in the net tax ratio, and on a surge in general government investment following the removal of the investment tax. In 1983, the gross tax ratio fell very sharply, although the major part of the decline was due to the netting out of excise duties and price differential compensations for foodstuffs. A real – albeit temporary – reduction in the tax ratio occurred largely as the result of a lowering in compulsory social insurance contribution rates. The real growth of public consumption also accelerated slightly on the previous year, and, according to preliminary figures, public sector investment rose slightly from the high level in the previous year.

In 1983 the public sector's financial deficit grew by almost the same amount as in 1982. Since this took place at the beginning of an economic upswing, the reduction of the structural deficit will pose a central problem for

fiscal policy in the remaining years of the upswing. The problem will be moderated to some extent by the fact that the higher sales tax rate was in force for only part of 1983 and that certain tax reductions were temporary. On the other hand, the counterpart to the increased financial deficit of general government has been the improvement in the financial position of the private sector, which, in fact, has been one of the objectives of fiscal policy.

TABLE 4. TAX RATIO AND GENERAL GOVERNMENT EXPENDITURE IN 1977–1983, ON A NATIONAL ACCOUNTS BASIS

	1977	1978	1979	1980	1981	1982*	1983*
	per cent of GDP						
Gross tax ratio	38.5	36.2	34.7	34.7	36.3	36.2	35.3
Net tax ratio	25.0	22.7	21.4	22.0	23.4	22.3	21.6
	percentage change in volume						
General government consumption	4.1	3.8	3.7	4.4	3.5	3.6	4
– central government	0.9	4.1	3.0	4.8	1.3	5.5	5
– local government	5.9	3.7	4.1	4.1	4.9	2.5	3
General government investment	0.6	0.7	1.5	9.1	0.8	8.1	2
– central government	–7.7	7.2	2.4	0.7	–1.0	5.1	4
– local government	7.2	–3.3	1.2	14.4	1.1	9.8	1/2

TABLE 5. FINANCIAL SURPLUSES OF GENERAL GOVERNMENT IN 1977–1983, ON A NATIONAL ACCOUNTS BASIS

	Central government	Local government	Social security funds	Overall surplus, per cent of GDP
	FIM million			
1977	2 698	1 043	298	3.2
1978	1 411	836	– 253	1.4
1979	– 470	967	291	0.5
1980	– 72	83	888	0.5
1981	1 982	572	677	1.5
1982*	– 555	27	– 658	– 0.5
1983*	–3 233	12	– 595	– 1.4

PUBLIC DEBT

Despite the deterioration in the financial position of general government, the public debt in Finland remains small by international standards; in relative terms, it is less than one-third of that of the majority of western industrial countries. At the end of 1983, gross public

debt in relation to GDP amounted to 18 per cent in Finland. The relative growth of the public debt has been entirely due to an increase in central government indebtedness, whereas the relative debt of local government has remained virtually unchanged over a long period. The social security sector has no debt at all, only assets. The central government, too, has financial assets, which are almost equivalent to its debt. In general, however, the State's financial assets have far longer maturities and bear lower rates of interest than its liabilities.

TABLE 6. PUBLIC DEBT IN 1975–1983, END-YEAR FIGURES

	Central government	Local government FIM million	Overall debt per cent of GDP
1975	3 544	4 158	7.6
1976	4 623	4 504	7.9
1977	6 753	5 000	9.2
1978	12 196	5 445	12.6
1979	15 189	5 892	13.0
1980	17 966	6 577	13.1
1981	22 102	7 367	13.9
1982	30 248	8 500	16.3
1983	38 124	9 500	17.9

The growing indebtedness of the central government has been connected, in particular,

with both a rise in borrowing costs and a shortening in the average maturity of the debt. The average maturity of domestic debt shortened in 1983 as a result of drawings of two-year loans from the central bank (FIM 1 billion) and the banks (in all, FIM 1.5 billion). However, the major part of the central government's domestic debt is still in the form of traditional public bonds and private placement loans.

In 1983 the central government reduced its borrowing abroad and the share of the foreign debt in total debt fell to 57 per cent, although exchange rate losses raised the markka value of the foreign debt by almost FIM 0.8 billion. The net inflow of capital to the central government amounted to FIM 2.4 billion in 1983. This, together with the borrowing from the central bank and the state's share in the central bank's net earnings, increased the money supply. However, the central government also increased its short-term financial reserves. All in all, the central government was responsible for a FIM 3.3 billion increase in the money supply in 1983. The central government's impact on the financial market was approximately as forecast.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM MAY 1983 TO MAY 1984

1983

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 the Finnish markka 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 markkaa.

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.

Repayment of standby credit. On February 29, 1984, the Bank of Finland repays a USD 150 million standby credit.

March

Repayment of standby credit. On March 23, 1984, the Bank of Finland repays its last standby credit in use, amounting to USD 200 million.

The external value of the markka. On March 27, 1984, the Bank of Finland raises the external value of the markka by about one per cent within the range of fluctuation of the currency index number.

Financing of domestic suppliers' credits. The Bank of Finland reduces its share in the financing of domestic suppliers' credits from 40 to 30 per cent as from March 27, 1984.

Arrangement for the financing of short-term export credits. On March 27, 1984, the Bank of Finland decides to reduce the maximum annual average amount of the Bank's financing of short-term export credits from FIM 50 to FIM 30 million as from January 1, 1984.

Cash reserve requirement. The Bank of Finland

raises the cash reserve requirement from 5.0 per cent to 5.4 per cent at the end of March.

April

Call money market. The Bank of Finland rescinds the upper limit on the banks' call money deposits as from April 1, 1984. The Bank of Finland lowers the call money rate from 17.5 to 17.0 per cent as from the same date. The call money rate is lowered further to 16.7 per cent as from April 17 and to 16.5 per cent as from April 19.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 5.4 to 5.6 per cent at the end of April.

Revisions in Foreign Exchange Regulations. In a decision of the Council of State, the foreign branch offices of commercial banks and Postipankki are defined as non-residents as from March 1, 1984. Because of this decision, the Bank of Finland announces certain other revisions in the Foreign Exchange Regulations, which enter into force on April 11, 1984. The right of Finnish residents to use credit and debit cards for purchasing goods to be imported to Finland is extended as from the same date, provided that the value of any one purchase does not exceed FIM 10 000.

May

Call money market. The Bank of Finland raises the call money rate from 16.5 to 16.8 per cent as from May 29.

ITEMS

SITRA's capital. The Finnish National Fund for Research and Development (SITRA) was founded in 1967 to commemorate the fiftieth anniversary of Finland's independence. The annual interest earnings on SITRA's capital is appropriated for purposes promoting the country's economic development. The administrative responsibility for SITRA's capital rests with the owner, the Bank of Finland. A new item 'SITRA's capital' was added to the balance sheet of the Bank (page 3) as from May 1, 1984. This addition reflects a technical change in the administration of SITRA's capital. On the assets side, the corresponding change occurred in the item 'Bonds' under 'Claims on financial institutions', since SITRA's capital previously consisted of these. More information about SITRA can be found in the front article of the May 1978 issue of the Bulletin.

Finland's balance of payments

January—March 1984. According to the Bank of Finland's preliminary figures, the current account showed a surplus of FIM 1 350 million in January—March of this year. The net inflow of long-term capital amounted to FIM 1 934 million and the net outflow of short-term capital to FIM 298 million. Hence, the foreign exchange reserves of the Bank of Finland grew by FIM 2 986 million. In the first quarter of 1983, the current account had shown a deficit of FIM 766 million.

Current account. The trade account (including adjustment items) registered a surplus of FIM 2 891 million in January—March, as against FIM 327 million in the corresponding period last year. Commodity exports rose by 18 per cent in value and 12 per cent in volume. The largest increase in export volumes occurred in the paper and graphical industries and in the metal products, machinery and equipment industries. The value of commodity imports increased by 2 per cent while the volume decreased by one per cent. Contributing particularly to the slowdown in the growth of imports was a decline in imports of crude oil.

The surplus on the services account totalled FIM 749 million, which was about the same as in the first quarter of 1983. At FIM 978 million, the surplus on the transport account was FIM 0.2 billion greater than in the corresponding period last year. Travel receipts grew by 5 per cent and expenditure by 15 per cent, giving rise to a deficit of FIM 383 million on the travel account. The "other services account" recorded a surplus of FIM 154 million.

Interest payments on foreign loans amounted to FIM 2 858 million. With interest earnings on foreign assets reaching FIM 860 million, the investment income account showed a deficit of FIM 1 998 million. This was FIM 445 million more than in January—March 1983. The unrequited transfers account registered a deficit of FIM 236 million.

Capital account. Drawings of long-term loans amounted to FIM 4 075 million, FIM 1 090 million more than in January–March 1983. The central government accounted for FIM 1 528 million of the drawings. Redemptions of long-term loans totalled FIM 1 887 million, or FIM 616 million more than in the corresponding period last year. Drawings of long-term export credits granted to foreign customers reached FIM 478 million and redemptions of outstanding export credits FIM 271 million. Finnish direct investment abroad totalled FIM 544 million and foreign direct investment in Finland FIM 46 million. The total net inflow of long-term capital amounted to FIM 1 934 million, which was FIM 302 million more than in the first quarter of last year.

Exports of short-term capital (including errors and omissions) totalled FIM 298 million. Short-term liabilities related to imports declined by FIM 923 million, and net prepayments and receivables related to exports by FIM 1 281 million. The net short-term liability of the authorized banks grew by FIM 2 144 million.

As a result of the current account surplus and the net capital inflow, the foreign exchange reserves of the Bank of Finland increased by FIM 2 986 million. The Bank's convertible foreign exchange reserves grew by FIM 2 358 million, and claims in tied currencies by FIM 628 million. At the end of March, the convertible foreign exchange reserves of the Bank of Finland totalled FIM 10 281 million and the tied foreign exchange reserves FIM 1 153 million.

At the end of March, Finland's net foreign debt amounted to FIM 47 485 million, of which the central government accounted for FIM 20 910 million. The net long-term debt totalled FIM 45 157 million, and the net short-term debt FIM 2 328 million.

MAJOR BALANCE OF PAYMENTS ITEMS JANUARY–MARCH 1984, MILLION FIM¹

	Receipts	Expendi- ture	Net
Trade (exports f.o.b., imports c.i.f.)	19 781	16 747	3 034
Adjustment items	—45	98	—143
Trade account	19 736	16 845	2 891
Transport (c.i.f.)	1 581	603	978
Travel	506	603	978
Other services	1 532	1 378	154
Services account	3 619	2 870	749
GOODS AND SERVICES ACCOUNT	23 355	19 715	3 640
Investment income, net	860	2 858	—1 998
Unrequited transfers	110	346	—236
Other	706	762	—56
A. CURRENT ACCOUNT	25 031	23 681	1 350
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits:			
drawings	—478	4 075	3 597
redemptions	—478	—1 887	—1 616
Direct investment	—544	46	498
Other long-term capital	327	124	451
B. LONG-TERM CAPITAL ACCOUNT	—424	2 358	1 934
BASIC BALANCE (A + B)			3 284
Prepayments and liabilities related to imports			—923
Prepayments and receivables related to exports			1 281
Short-term capital of authorized banks			2 144
Other short-term capital			—2 214
Errors and omissions			—586
C. SHORT-TERM CAPITAL ACCOUNT			—298
D. Allocations of SDRs			—
OVERALL BALANCE (A + B + C + D)			2 986
Change in the foreign exchange reserves of the Bank of Finland			—2 986

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

¹ Preliminary figures

BANK OF FINLAND

Board of Management

Rolf Kullberg

Chairman

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom

*Absent as Minister
of Trade and Industry*

Esko Ollila

Markku Puntila

Acting Member of the Board

Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Sirkka Hämäläinen

Matti Vanhala

Senior officials

Timo Männistö

Internal Audit

Ralf Pauli

Monetary Policy

Raimo Hyvärinen

Domestic Financing

Stig G. Björklund

Payments

H.T. Hämäläinen

Administration

U. Levo

International Legal Affairs

Ossi Leppänen

Accounting

Anton Mäkelä

Personnel

Reijo Mäkinen

Cash

Heikki Koskenkylä

Research Dept.

Johnny Åkerholm

Exchange Policy

Kari Pekonen

Foreign Exchange

Kari Holopainen

Bilateral Trade

Markus Fogelholm

Foreign Financing

J. Ojala

Exchange Control

Seppo Kostiainen

Deputy, Economics Dept.

Markku Pietinen

Information

Erkki Vehkamäki

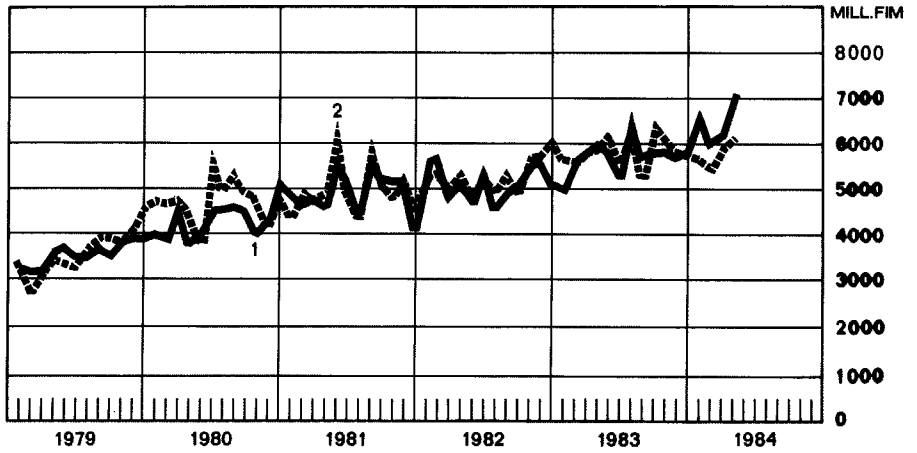
Data Processing

FOREIGN TRADE, 1979 - 84

1. Exports f.o.b.

2. Imports c.i.f.

Seasonally adjusted monthly figures



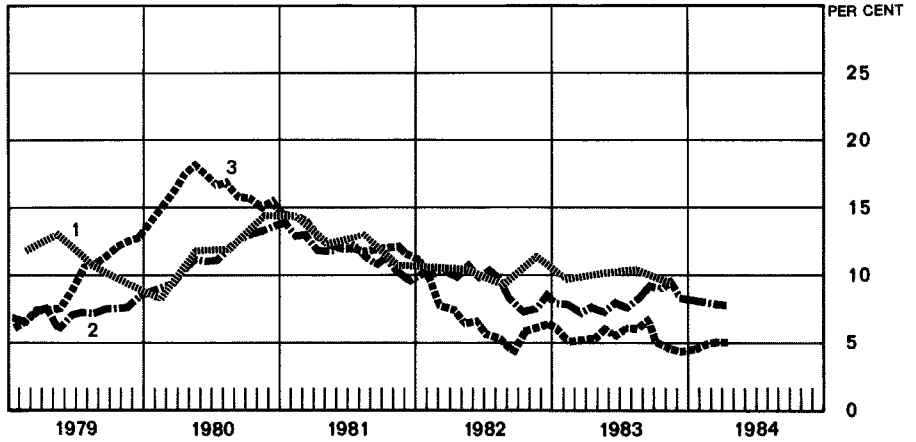
PRICES AND WAGES, 1979 - 84

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

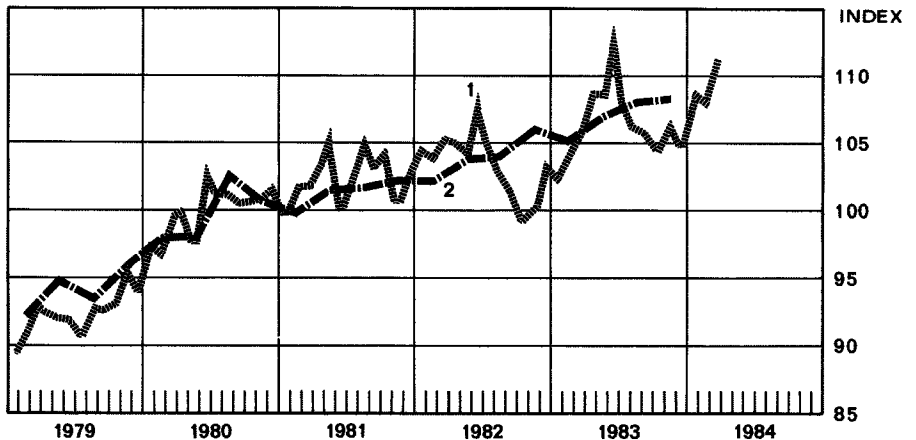
Percentage change on previous year



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



Bank of Finland Monthly Bulletin
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