



# BANK OF FINLAND

## *Monthly Bulletin*

The budget proposal for 1985

Developments in Finland's long-term  
foreign financial loans  
and their costs in 1970—1983

Monetary and foreign exchange  
policy measures from November 1983  
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Finland's balance of payments  
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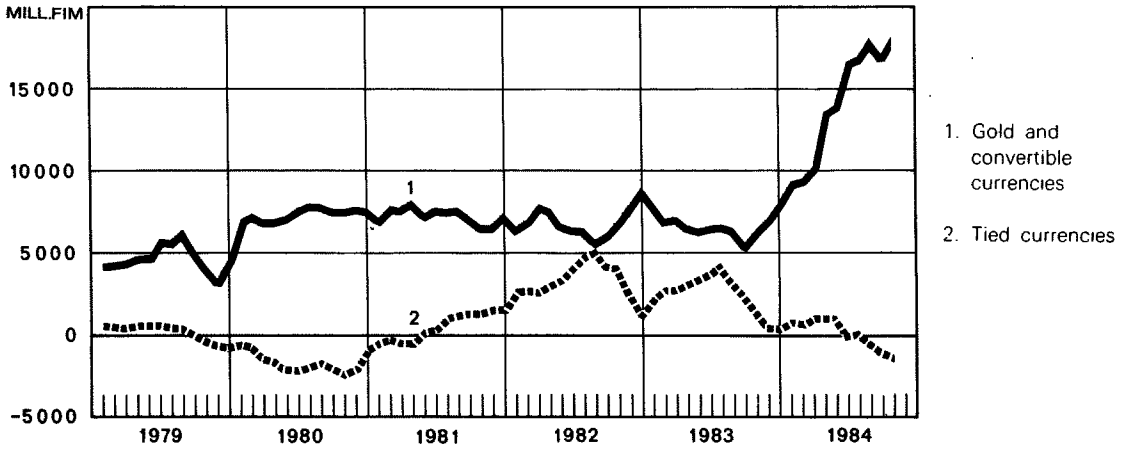
Credit facility agreements

Minor changes to  
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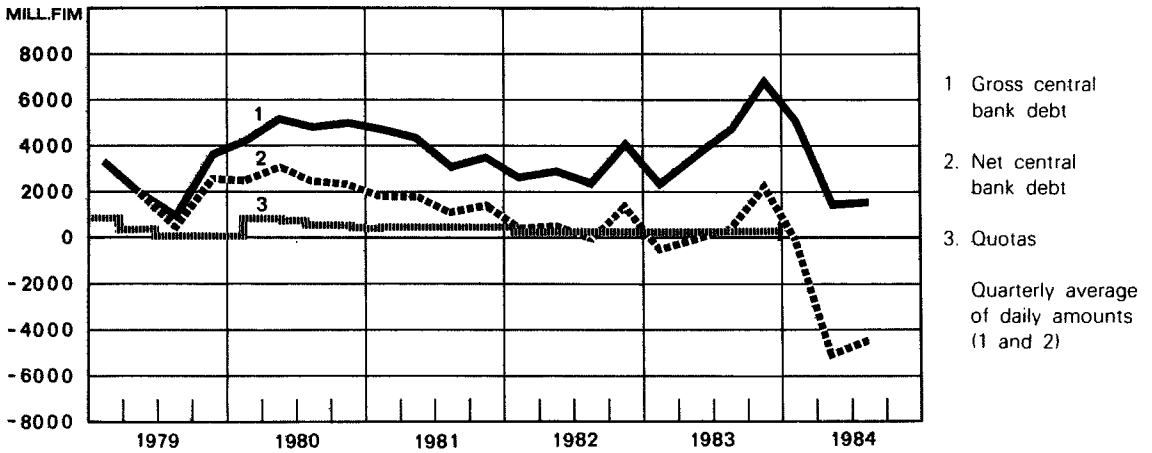
Publications of the  
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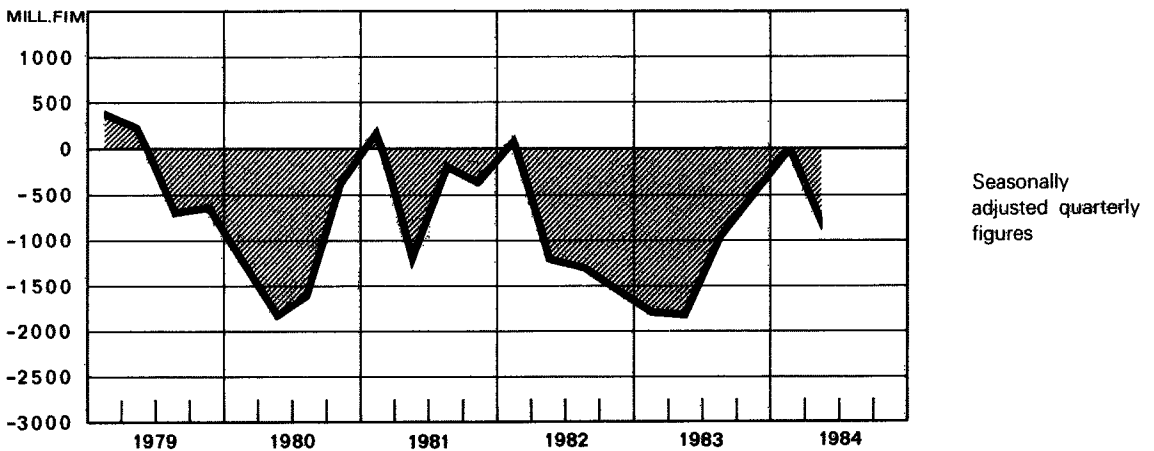
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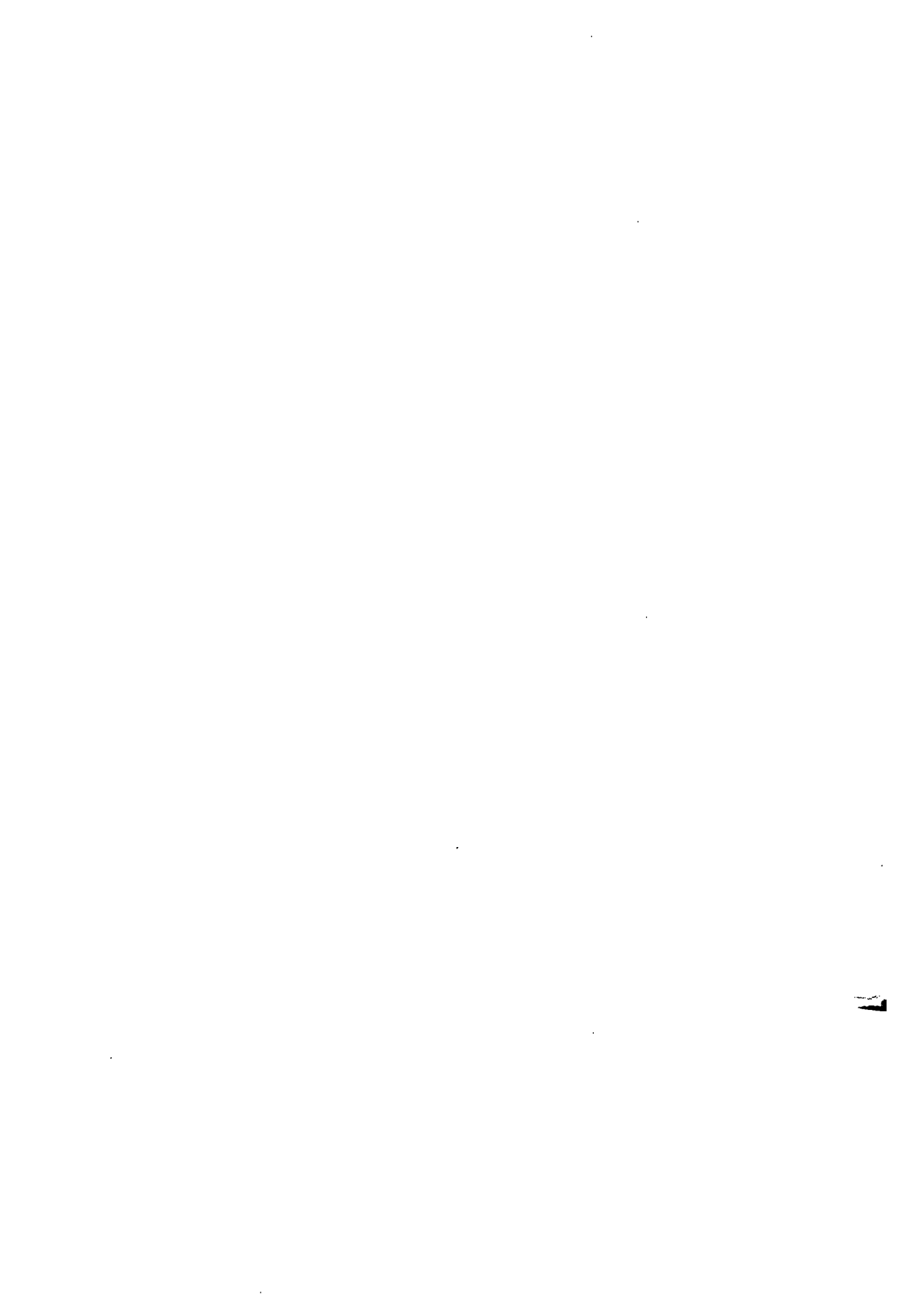
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# THE BUDGET PROPOSAL FOR 1985

by Jarmo Pesola, M.Pol.Sc.

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Although the growth of the Finnish economy in the early years of this decade has been faster than in the OECD area on average, there has, until recently, been a need to support growth and employment by expansionary fiscal policies. As a result, the weakening in central government finances continued until 1983. With the improvement in economic prospects, fiscal policy has been tightened and the central government's budget balance is expected to improve to some extent this year. Official cyclically-adjusted estimates of policy impact indicate that the effect of central government operations will be clearly contractionary in 1984. The increase in gross central government indebtedness, which started in the mid-1970s, is nevertheless projected to continue, and in relation to GDP central government debt is estimated to rise to close to 14 per cent at the end of 1984, a figure comparable to the levels reached in the second half of the 1960s.

The major short-term goal of Finnish economic policy is to contain inflation so as to ensure the competitiveness of the Finnish economy. At present, it seems likely that the target of limiting the rise in consumer prices to 6 per cent in the 12 months to December 1984 will be achieved. Although the differential between Finnish and international inflation has narrowed, prices are still rising slightly faster in Finland than in the OECD area on average. The economic policy stance contained in the budget proposal is designed to curb the rise in prices so that the rate of inflation will not exceed 5 per cent during 1985.

In the budget proposal for next year, fiscal policy has been formulated on the assumption that real GDP will increase by 4 per cent in 1985, with the main contributions to growth coming from a revival in private investment

and the continuation of fairly rapid export growth. The projected growth pattern should also lead to some improvement in the employment situation. Increases in central government expenditure and debt are to be curbed sharply in 1985 to allow some scope for expansionary action needed to deal with an anticipated deceleration in growth after 1985.

The aim in taxation policy is to restrict the rise in the gross tax ratio to a maximum of one percentage point during the period 1984–1986. To restrain the upswing, certain taxes and public charges have been raised with the result that the gross tax ratio will already be close to this ceiling in 1985. However, part of the tax rises represent temporary measures introduced for counter-cyclical reasons. The half percentage point rise in the gross tax burden to 36 per cent of GDP next year can, in fact, be mainly ascribed to a comprehensive reform of the unemployment security system. Under this reform, unemployment benefits will be raised and will at the same time become liable to taxation. The net tax ratio is projected to rise by one percentage point to 23 per cent in 1985. The larger rise in the net tax burden mainly reflects a relative decline in income transfers from the social security funds to the private sector.

The adjustment of personal income and wealth taxation proposed for 1985 corresponds to the 5 per cent ceiling set for inflation, but falls short of the rise in consumer prices in 1984. In addition, taxpayers' own liability is to be raised in connection with certain deductions in income taxation. Consequently, direct taxation is projected to have a restrictive impact on households' disposable income.

Indirect taxes and public charges are, for the most part, to be raised in line with the

projected 5 per cent inflation rate. It is estimated that these increases will add 3/4 percentage point to the rise in the consumer price index during 1985.

In keeping with the Government's programme, the gross borrowing requirement has been restricted to FIM 9.5 billion in 1985, or to about 11.5 per cent of budgeted revenue (excluding borrowing), a decline of more than FIM 1 billion as against the previous year. Efforts will also be made to place central government debt domestically, partly so as to prevent a possible excessive easing of the financial market, and borrowing abroad is estimated to decline sharply. As redemptions will increase substantially, net borrowing is projected to fall by almost a half from its level in the previous year. This means that the net financing requirement will decline from an estimated FIM 5.2 billion in 1984 to about FIM 3 billion in 1985 as envisaged in the budget proposal. In relation to GDP, the net financing requirement is expected to fall from slightly less than 2 per cent in 1984 to about one per cent in 1985. As a result of these developments, the ratio of central government debt to GDP will decline.

The largest item on the expenditure side of the budget, transfer expenditure, is estimated to grow by 8 per cent next year. As far as development aid is concerned, the aim is to increase appropriations to 0.4 per cent of GDP in 1985. As for domestic transfers, it is estimated that the reform of the unemployment security system will increase central government expenditure, in gross terms, by about FIM 1.7 billion. In net terms, however, the reform is thought likely to increase central government expenditure by only about FIM 0.1 billion. In addition, the ongoing reform of the national pensions scheme in 1985 is projected to increase transfers from the central government to the Social Insurance Fund by several hundred million markkaa. On the other hand, attempts have been made to check the vigorous growth in state aids to the local government sector by deferring payments of about FIM 0.6 billion in state aids for 1985 until later years. The aim is to contain the growth in

the volume of the local government sector's consumption expenditure to the maximum of 2 per cent agreed upon between representatives of the central government and the municipalities.

The tight stance pursued on the expenditure side of the budget proposal is especially reflected in the central government's own consumption and investment outlays, the growth of which has been restricted to 10 and 7 per cent, respectively. Compared with the cash estimate for the current year, the volume of fixed investment is set to decline by nearly 5 per cent. A projected slight decline in financial investment in real terms will be due to a fall in appropriations for central government housing loans. The scope for regulating the growth of consumption expenditure is partly limited by the fact that 59 per cent of it consists of wages, salaries and pensions.

The costs of servicing central government debt are projected to total more than FIM 11 billion in 1985 or about 12 per cent of total expenditure, an increase of some 20 per cent on the previous year. It is estimated that redemptions will rise by about FIM 1 billion from the previous year to almost FIM 6.5 billion. Redemptions of domestic debt are forecast to register a particularly sharp increase.

Total planned expenditure in the budget proposal for 1985 is FIM 92.9 billion, 10 per cent more than in budget proposal for 1984 and 8 per cent more than estimated cash expenditure this year. Expenditure other than debt servicing costs is forecast to remain unchanged in real terms in 1985. Allowing for changes in both income and expenditure, it is estimated that the central government budget will impart a negative contribution to the growth of total output next year. Cyclically-adjusted estimates of policy impact also suggest that central government budgetary operations will have a clearly tightening impact on economic activity. The restrictive fiscal effect can be considered justified given the present fairly steady business upswing.

November 22, 1984



	1983		1984			
	Nov. 30	Dec. 31	Nov. 8	Nov. 15	Nov. 23	Nov. 30
<b>Assets</b>						
Gold and foreign currency claims	7 883	8 779	18 414	19 494	19 408	19 752
Gold	1 383	1 383	1 383	1 383	1 383	1 383
Special drawing rights	539	226	843	859	860	891
IMF reserve tranche	471	751	764	770	771	821
Foreign bonds	425	685	5 403	5 148	5 184	6 079
Convertible currencies	4 384	5 184	9 695	11 001	10 868	10 224
Tied currencies	681	550	326	333	342	354
Other foreign claims	3 975	4 876	2 726	2 726	2 726	2 686
Markka subscription to Finland's IMF quota	1 854	2 762	2 726	2 726	2 726	2 686
Term credits	2 121	2 114	—	—	—	—
Claims on financial institutions	9 398	8 788	7 136	8 039	7 442	8 065
Banks' cheque accounts	323	445	17	103	18	37
Call money market advances	6 565	5 785	3 851	4 699	4 290	4 819
Till-money credits	953	942	1 291	1 234	1 127	1 170
Bonds	1 501	1 546	1 925	1 939	1 934	1 988
Other claims on financial institutions	56	70	52	64	73	51
Claims on the public sector	1 880	2 178	1 999	1 996	1 993	2 000
Government promissory notes	720	1 000	1 000	1 000	1 000	1 000
Bonds	447	449	204	200	191	193
Total coinage	709	710	789	793	797	800
Other claims on the public sector	4	19	6	3	5	7
Claims on corporations	5 160	5 079	4 941	4 959	4 997	4 966
Financing of exports	1 940	1 867	1 840	1 862	1 889	1 875
Financing of domestic deliveries	2 670	2 662	2 867	2 864	2 875	2 860
Bonds	132	134	117	116	116	114
Other claims on corporations	418	416	117	117	117	117
Other assets	104	105	111	111	111	111
<b>Total</b>	<b>28 400</b>	<b>29 805</b>	<b>35 327</b>	<b>37 325</b>	<b>36 677</b>	<b>37 580</b>
<b>Liabilities</b>						
Foreign currency liabilities	43	34	1 544	1 772	1 709	1 762
Convertible accounts	43	34	48	66	66	66
Tied accounts	0	0	1 496	1 706	1 643	1 696
Other foreign liabilities	4 747	5 670	3 626	3 633	3 581	3 591
IMF markka accounts	1 854	2 762	2 739	2 739	2 686	2 686
Allocations of special drawing rights	867	872	887	894	895	905
Term liabilities	2 026	2 036	—	—	—	—
Notes and coin in circulation	6 179	6 574	6 744	6 744	6 806	6 897
Notes	5 645	6 029	6 084	6 081	6 140	6 226
Coin	534	545	660	663	666	671
Liabilities to financial institutions	6 101	5 712	11 053	11 301	10 683	12 973
Banks' cheque accounts	1	2	33	13	8	15
Call money market deposits	997	610	3 510	3 776	2 531	4 153
Cash reserve deposits	5 053	5 039	7 389	7 389	7 389	8 029
Capital import deposits	26	35	49	50	687	701
Other liabilities to financial institutions	24	26	72	73	68	75
Liabilities to the public sector	2 501	3 000	2 355	3 856	3 864	2 265
Cheque accounts	1	0	1	1	0	1
Government deposit account	2 500	3 000	2 300	3 800	3 800	2 200
Export deposits	—	—	54	55	64	64
Other liabilities to the public sector	0	0	0	0	0	0
Liabilities to corporations	1 911	1 832	2 905	2 909	2 816	2 833
Deposits for investment and ship purchase	1 379	1 290	2 066	2 066	2 064	2 072
Capital import deposits	520	531	835	838	743	752
Other liabilities to corporations	12	11	4	5	9	9
Other liabilities	16	15	22	17	17	16
Equalization accounts	2 103	2 057	1 620	1 623	1 731	1 773
SITRA's capital	—	—	400	400	400	400
Capital accounts	4 799	4 911	5 058	5 070	5 070	5 070
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	—	—	273	273	273	273
Net earnings	434	546	147	159	159	159
<b>Total</b>	<b>28 400</b>	<b>29 805</b>	<b>35 327</b>	<b>37 325</b>	<b>36 677</b>	<b>37 580</b>

End of year or month	Foreign sector						Public sector				
	Gold, SDRs, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1 to 3)	Tied currencies, net	Other claims, net	Net claims (4 to 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											
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
June	2 927	3 184	10 645	16 756	170	510	17 436	2 103	1 000	26	-1 077
July	2 970	3 859	10 031	16 860	224	-184	16 900	2 109	1 800	20	-289
Aug.	2 975	5 673	9 274	17 922	-375	-181	17 366	2 080	1 200	30	-850
Sept.	3 009	4 995	8 996	17 000	-836	-910	15 254	2 039	1 500	38	-501
Oct.	3 019	6 114	8 899	18 032	-1 025	-915	16 092	1 998	1 500	52	-446
Nov.	3 095	6 079	10 158	19 332	-1 342	-905	17 085	2 000	2 200	65	265

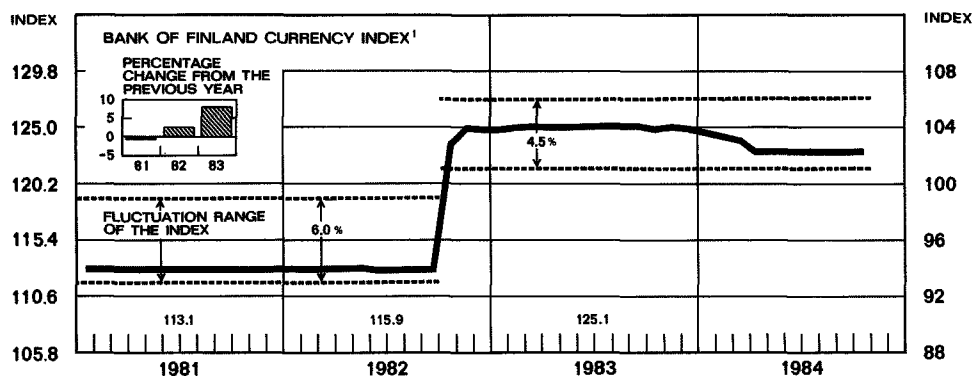
## OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1983	Aug. 31, 1984	Sept. 28, 1984	Oct. 31, 1984	Nov. 30, 1984
Gold	1 383	1 383	1 383	1 383	1 383
SDRs	226	835	853	858	891
IMF reserve tranche	751	757	773	778	821
Foreign bonds	685	5 673	4 995	6 114	6 079
Convertible currencies, net	5 150	9 275	8 996	8 899	10 158
Total convertible reserves, net	8 195	17 923	17 000	18 032	19 332
Tied currencies, net	550	-376	-836	-1 025	-1 342
Total reserves, net	8 745	17 547	16 164	17 007	17 990

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											
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
June	1 119	15	541	3 872	6 480	-2 006	-6 671	4 571	2 641	1 930	6 954
July	1 279	14	1 041	3 063	6 604	-2 037	-5 296	4 487	2 771	1 716	6 813
Aug.	1 108	5	1 149	4 109	6 670	-2 033	-6 484	4 435	2 753	1 682	6 776
Sept.	1 145	27	2 109	2 281	6 734	-2 081	-3 653	4 545	2 834	1 711	6 869
Oct.	1 276	68	3 045	3 658	7 385	-1 816	-4 838	4 710	2 684	2 026	6 698
Nov.	1 170	22	4 819	4 153	8 029	-1 263	-4 908	4 735	2 602	2 133	6 897

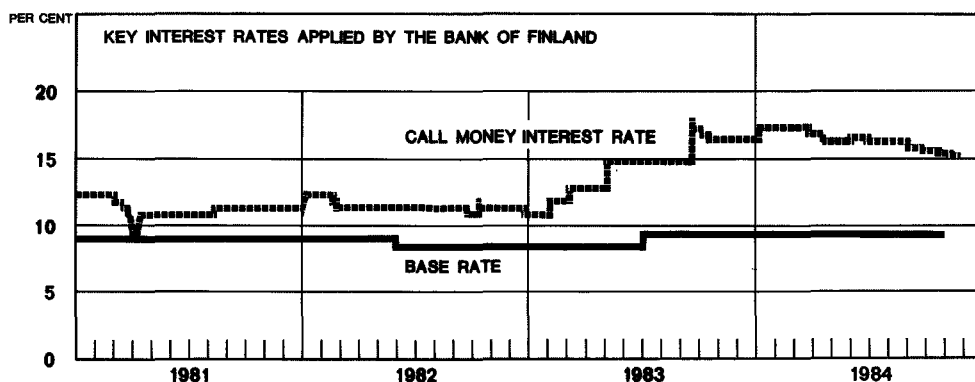
<sup>1</sup> The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



# MONETARY POLICY INDICATORS

Average for period	Gross central bank debt of the deposit banks mill. 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 <sup>1</sup> %
	1	2	3	4	5	6	7	8	9
1979	2 769	372	447	1.0	321	9.74	9.11	7.46	8.03
1980	4 971	1 560	2 542	3.8	3 313	12.38	12.37	9.20	9.77
1981	4 095	-33	2 795	3.5	2 161	11.48	11.61	9.25	9.84
1982	3 201	-783	2 777	3.1	1 571	11.64	11.98	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	15.13	9.00	9.56
1983									
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	10.43
June	1 175	-9 062	6 429	5.6	-2 633	16.80	16.80	9.50	10.48
July	1 463	-7 680	6 481	5.6	-1 199	16.53	16.51	9.50	10.48
Aug.	1 462	-8 136	6 598	5.6	-1 538	16.50	16.50	9.50	10.49
Sept.	2 127	-8 186	6 672	5.6	-1 515	16.10	16.04	9.50	10.54
Oct.	2 948	-6 801	6 755	5.6	-46	15.75	15.76	9.50	10.52
Nov.	4 181	-6 888	7 410	5.6	+522	15.48	15.48	9.50	..

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



# FORWARD EXCHANGE MARKETS IN FINLAND

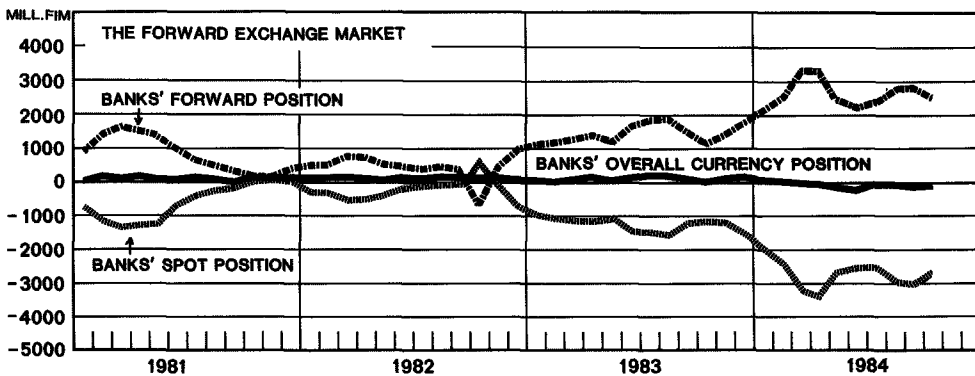
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1982	11 128	2 117	9 011	-865	-6 827	1 104	3.9	3.8	3.4
1983	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8

1983

June	9 674	1 604	8 070	-1 296	-4 932	1 689	4.3	4.1	3.5
July	9 349	1 610	7 739	-1 299	-4 248	2 183	3.7	3.6	2.9
Aug.	8 618	1 784	6 834	-1 144	-3 791	1 813	3.6	3.3	2.8
Sept.	7 818	1 952	5 866	-1 575	-3 345	964	6.5	6.1	5.7
Oct.	8 087	1 942	6 145	-1 645	-2 792	1 711	5.5	5.2	4.8
Nov.	7 488	1 912	5 576	-1 411	-2 438	1 687	5.4	5.3	4.8
Dec.	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8

1984

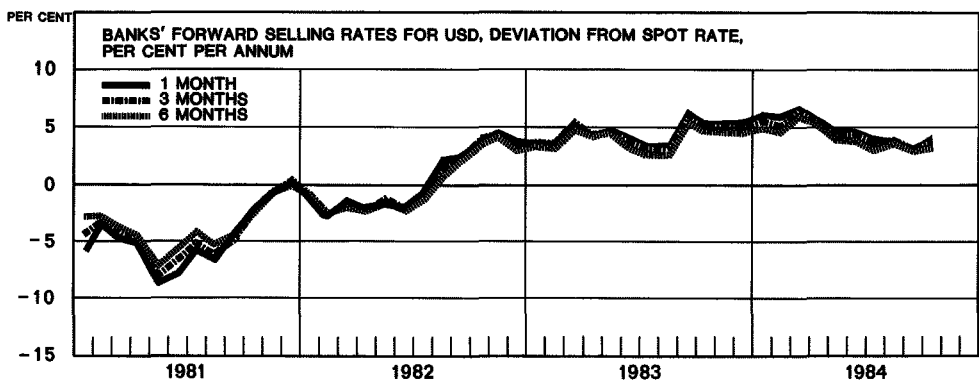
Jan.	7 292	1 661	5 631	-2 026	-1 235	2 304	6.3	5.3	5.1
Feb.	8 290	1 681	6 609	-1 871	-1 887	2 717	6.1	5.3	4.8
March	10 052	1 611	8 441	-1 676	-3 560	3 173	6.7	6.6	6.2
April	11 249	1 326	9 923	-841	-5 109	3 846	5.8	5.7	5.5
May	13 528	1 156	12 372	178	-10 041	2 529	4.9	4.5	4.1
June	15 547	1 145	14 402	1 389	-12 667	3 083	4.8	4.7	4.0
July	15 956	1 306	14 650	1 541	-13 011	3 240	4.1	3.9	3.3
Aug.	20 049	1 354	18 695	2 557	-17 217	4 089	3.8	4.0	3.7
Sept.	20 548	1 679	18 869	2 406	-18 362	3 056	3.2	3.4	3.2
Oct.	22 267	1 741	20 526	1 914	-19 419	3 138	4.2	4.0	3.5



# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange. FIM

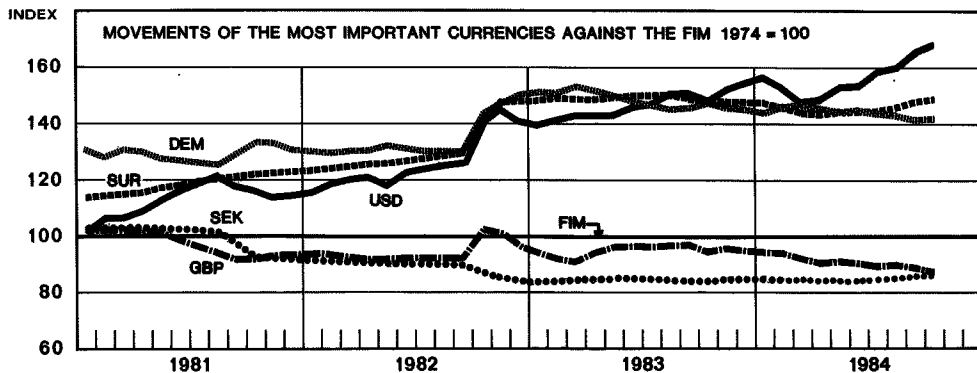
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC	BEL
	1	2	3	4	5	6	7	8	9	10	11
1979	3.896	3.330	8.275	.	91.12	77.22	74.38	212.75	194.43	13.338	12.979
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											
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
June	5.822	4.472	8.038	6.528	72.05	74.66	58.10	213.19	189.12	10.462	10.324
July	6.019	4.550	7.962	6.501	72.64	73.48	57.92	211.78	187.65	10.454	10.355
Aug.	6.072	4.661	7.987	6.502	72.78	73.27	57.78	210.61	186.72	10.433	10.336
Sept.	6.278	4.787	7.919	6.451	73.36	73.05	57.40	208.01	184.46	10.320	10.236
Oct.	6.378	4.842	7.793	6.455	73.57	72.06	57.61	208.14	184.61	10.294	10.206
Nov.	6.261	4.762	7.792	6.507	73.13	72.08	58.07	209.79	186.02	10.400	10.346



Average selling rates for foreign exchange, FIM

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 ÖS ATS	Lisbon 100 Esc PTE	Reykjavik 100 lkr ISK	Madrid 100 Ptas ESP	Tokyo 100 ¥ JPY	Moscow 1 Cl Rbl SUR	I special drawing right SDR	Currency index <sup>1</sup>
12	13	14	15	16	17	18	19	20	21	22
234.36	91.88	0.473	29.19	8.13	1.14	5.84	1.797	5.941	5.016 78	117.3
222.87	88.65	0.440	28.90	7.60	0.81	5.25	1.662	5.741	4.842 55	113.6
220.34	79.92	0.385	27.17	7.17	60.35	4.72	1.967	5.986	5.071 40	113.1
237.79	73.65	0.358	28.31	6.13	40.79	4.41	1.943	6.624	5.305 63	115.9
265.70	73.53	0.369	31.11	5.14	23.25	3.91	2.351	7.491	5.943 25	125.1
267.91	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
255.83	69.50	0.346	30.39	4.16	19.87	3.78	2.501	7.257	6.044 21	102.5
250.57	69.13	0.346	30.20	4.08	20.17	3.75	2.484	7.296	6.131 93	102.5
251.43	68.75	0.343	30.01	4.08	19.78	3.71	2.511	7.340	6.162 64	102.5
251.64	67.93	0.338	29.64	4.03	19.44	3.71	2.565	7.435	6.272 79	102.5
253.02	68.01	0.337	29.66	3.97	19.35	3.72	2.588	7.486	6.323 99	102.5
254.59	68.52	0.339	29.87	3.91	17.78	3.75	2.578	7.447	6.268 66	102.5

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



# DEPOSITS BY THE PUBLIC

Mill. FIM

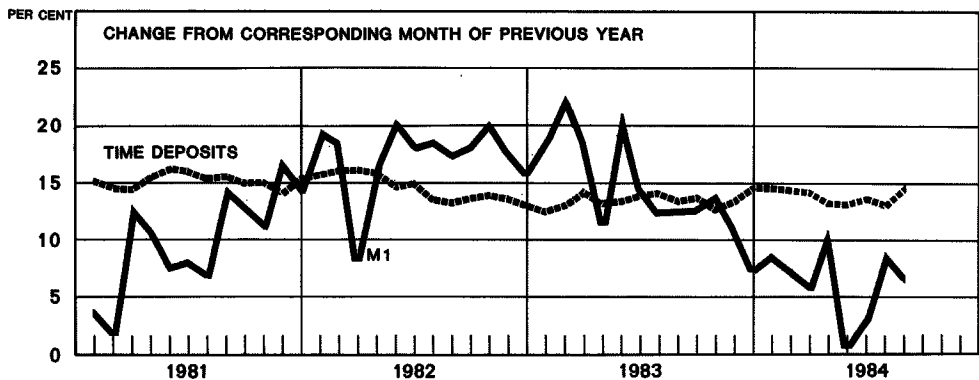
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1980	5 459	2 285	2 531	10 275	22 591	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\*

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
March	6 469	4 040	3 974	14 483	34 812	30 236	25 203	10 471	100 722	115 205
April	7 094	4 084	4 173	15 351	34 760	30 411	25 252	10 403	100 826	116 177
May	6 978	4 216	3 960	15 154	34 485	30 801	25 653	10 552	101 491	116 645
June	6 843	4 291	4 231	15 365	35 435	31 442	26 232	10 364	103 473	118 838
July	7 091	4 458	4 638	16 187	35 505	31 608	26 315	10 524	103 952	120 139
Aug.	6 910	4 454	4 708	16 072	36 139	31 989	26 598	10 672	105 398	121 470





# ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

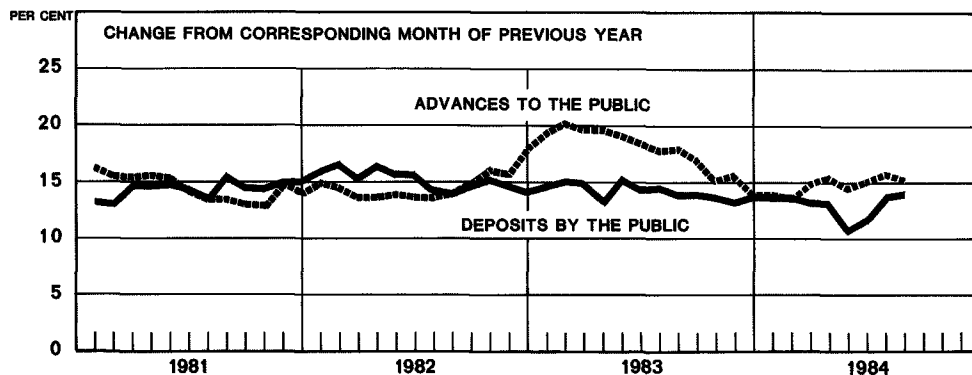
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi-Money
	1	2	3	4	5	6	7		8	9
1980	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601
1981	40 462	22 009	20 059	11 135	80 817	2 877	9 971	93 665	17 186	94 577
1982	48 620	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	13 471	104 627	4 350	17 254	126 231	21 427	121 905

1983\*

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
March	59 625	29 961	27 990	14 011	106 930	5 142	19 515	131 587	20 606	125 049
April	61 338	30 142	28 191	14 317	107 812	5 466	20 710	133 988	21 464	126 269
May	60 965	30 522	28 535	14 362	109 106	5 140	20 138	134 384	21 486	126 686
June	62 468	30 718	28 825	14 343	110 267	5 208	20 879	136 354	22 026	129 549
July	62 941	31 049	29 134	14 466	111 229	5 365	20 996	137 590	22 495	130 602
Aug.	63 398	31 479	29 648	14 405	112 849	5 345	20 736	138 930	22 460	132 019



## STATE FINANCES

Mill. FIM

Revenue	Jan.-Sept.		Expenditure	Jan.-Sept.	
	1983	1984		1983	1984
Income and wealth tax (net)	13 702	15 672	Wages, salaries, pensions etc.	8 922	9 918
Gross receipts	36 900	43 131	Repair and maintenance	1 147	1 250
Refunds & local authorities	-23 198	-27 459	Other consumption expenditure	5 398	5 336
Other taxes on income and wealth	338	434	Total consumption expenditure	15 467	16 504
Employers' child allowance payments	1	116	State aid to local authorities	11 379	13 674
Sales tax	12 656	15 723	State aid to industries	5 977	6 589
of which: agric. price subsidies			of which: agric. price subsidies	2 945	3 012
Customs duties and import charges and levies	1 172	1 242	Child allowances	1 656	1 734
Excise duties	7 572	7 702	Share in national pensions and sickness insurance schemes	1 860	1 949
Excise duty on alcoholic bevs.	2 744	2 946	Deficit of State enterprises	976	927
Excise duty on tobacco	1 110	1 129	Other transfer expenditure	6 980	8 023
Excise duty on liquid fuel	2 694	2 647	Total transfer expenditure	28 828	32 896
Other excise duties	1 024	980	Machinery and equipment	1 264	1 351
Tax on autom. and motor-cycles	1 819	1 933	Construction of buildings	777	885
Stamp duties	1 226	1 644	Land and waterway construction	1 725	1 640
Special diesel etc. vehicles tax	204	274	Total real investment	3 766	3 876
Other taxes and similar revenue	1 244	1 551	Interest on State debt	2 472	3 008
Total taxes	39 934	46 291	Other expenditure	9	6
Miscellaneous revenue	3 409	3 980	Total other expenditure	2 481	3 014
Interest, dividends etc.	1 358	1 137	Increase in inventories	320	64
Surplus of state enterprises	1 168	1 432	Lending	3 144	3 073
Redemptions of loans granted	1 187	1 016	Other financial investment	521	567
<b>Total revenue</b>	47 056	53 856	<b>Total expenditure</b>	54 527	59 994
Foreign borrowing	3 331	3 892	Redemption of foreign loans	1 657	1 474
Domestic borrowing	5 221	4 383	Redemption of domestic loans	1 390	3 018
<b>Total borrowing</b>	8 552	8 275	<b>Total redemptions</b>	3 047	4 492
<b>Deficit (+) or surplus (-)</b>	1 966	2 355			
Total	57 574	64 486	Total	57 574	64 486

State debt	1982	1983	1984			
	Dec.	Dec.	July	Aug.	Sept.	Oct.
<b>Foreign debt</b>	18 807	21 723	23 377	24 006	24 328	24 609
Long-term debt	11 378	16 383	17 315	17 762	17 867	18 033
Short-term credit	63	18	53	58	78	118
<b>Domestic debt</b>	11 441	16 401	17 368	17 820	17 945	18 151
<b>Total State debt</b>	30 248	38 124	40 745	41 826	42 273	42 760
Total debt mill. \$	5 651	6 506	6 769	6 888	6 734	6 704

# FOREIGN TRADE

Mill. FIM

Value, mill. FIM

Period	Value, mill. FIM		Surplus of exports (+) or imports (-)
	Exports f.o.b	Imports c.i.f.	
	1	2	3
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

1984\*

Jan.	6 691	5 737	+954
Feb.	6 414	5 296	+1 118
March	6 670	5 924	+746
April	6 790	6 069	+721
May	6 624	6 302	+322
June	6 361	6 363	-2
July	6 433	7 182	-749
Aug.	6 073	6 126	-53
Sept.	6 955	5 919	+1 036

Jan.-Sept.

1983	50 251	51 497	-1 246
1984*	59 011	54 918	+4 093

Indices of exports and imports  
1980 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	
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

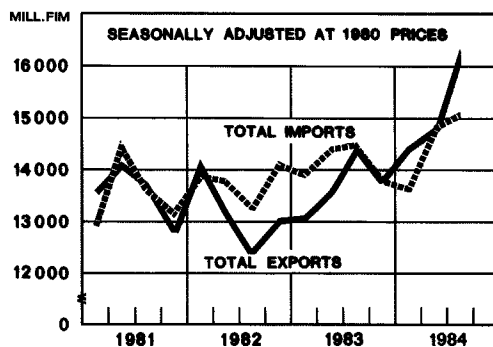
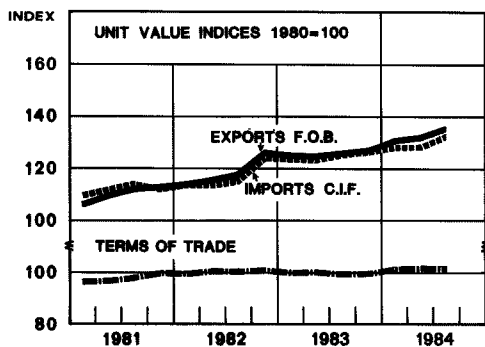
July-Sept.	85	90	118	116	101
Oct.-Dec.	107	107	127	125	101

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	90	132	129	102
Apr.-June	113	99	133	129	103
July-Sept.	108	99	136	133	102



# FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

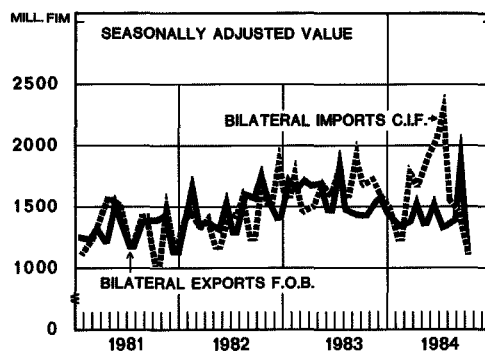
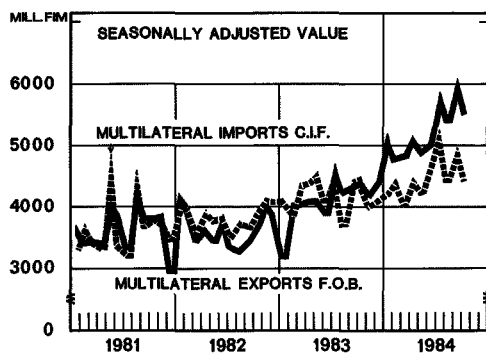
Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1	2	3	4	5	6	7	8	9	10	
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

## 1984\*

Jan.	222	502	1 625	2 395	1 947	3 162	407	1 171	932	65
Feb.	332	540	1 702	1 790	2 050	3 116	339	824	1 005	12
March	355	626	1 990	1 766	1 933	3 830	273	813	1 000	8
April	263	567	1 880	1 739	2 341	3 698	265	1 096	992	18
May	234	632	2 128	1 839	1 791	4 128	453	788	930	3
June	250	641	1 768	1 668	2 034	4 213	531	850	767	2
July	332	554	1 765	2 013	1 769	4 865	565	857	878	17
Aug.	173	560	2 299	1 236	1 805	3 893	474	830	916	13
Sept.	144	663	2 032	2 003	2 113	3 682	480	782	972	3

## Jan.-Sept.

1983	1 283	5 020	13 896	14 652	15 400	31 873	3 559	7 891	7 888	286
1984*	2 305	5 285	17 189	16 449	17 783	34 587	3 787	8 011	8 392	141



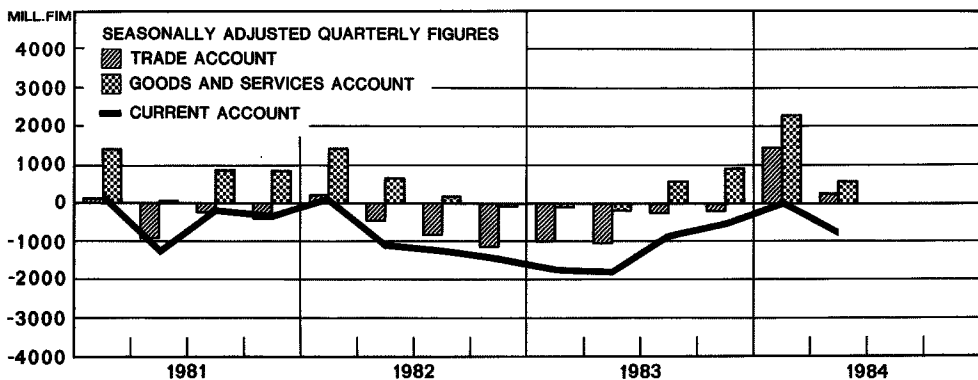
## FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January–September				January–September			
	1983*		1984*		1983*		1984*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
<b>OECD countries in Europe</b>	55.1	27 679	57.7	34 034	52.2	26 872	53.9	29 608
Austria	0.7	368	0.7	442	1.2	625	1.1	603
Belgium and Luxembourg	1.6	820	1.5	873	1.8	932	1.9	1 058
Denmark	3.5	1 764	4.2	2 451	2.5	1 299	2.5	1 354
France	4.2	2 099	4.1	2 415	3.3	1 724	3.1	1 718
Federal Republic of Germany	9.8	4 944	10.0	5 872	13.6	6 977	13.8	7 557
Italy	1.9	949	2.2	1 274	3.1	1 620	3.2	1 774
Netherlands	4.2	2 087	3.6	2 150	2.7	1 394	2.7	1 493
Norway	3.5	1 726	5.0	2 943	2.4	1 225	2.1	1 140
Portugal	0.2	117	0.2	125	0.7	340	0.7	381
Spain	0.7	368	0.7	429	0.7	361	0.9	457
Sweden	11.7	5 899	11.9	7 047	11.1	5 707	11.9	6 542
Switzerland	1.4	685	1.3	759	1.7	863	1.6	889
United Kingdom	10.4	5 212	10.9	6 449	6.8	3 482	7.7	4 244
Other	1.3	641	1.4	805	0.6	323	0.7	398
<b>OECD countries outside Europe</b>	6.4	3 237	11.1	6 565	12.5	6 439	11.4	6 258
Canada	0.6	304	0.8	486	0.7	370	0.6	335
Japan	1.2	603	1.4	797	5.7	2 946	5.7	3 151
United States	3.7	1 860	7.8	4 621	5.7	2 943	4.8	2 613
Other	0.9	470	1.1	661	0.4	180	0.3	159
<b>CMEA countries</b>	28.5	14 322	21.4	12 651	28.0	14 415	27.2	14 955
Czechoslovakia	0.4	195	0.4	237	0.5	237	0.4	232
German Democratic Republic	0.5	230	0.5	278	0.6	330	0.5	296
Poland	0.1	72	0.3	193	1.2	627	1.5	838
Soviet Union	27.0	13 583	19.7	11 617	25.1	12 906	24.2	13 293
Other	0.5	242	0.5	326	0.6	315	0.6	296
<b>Latin America</b>	1.8	900	0.9	512	2.4	1 244	2.6	1 391
Argentina	0.1	54	0.1	52	0.1	72	0.2	98
Brazil	0.3	145	0.2	88	0.7	340	0.9	498
Colombia	0.1	74	0.1	76	0.5	237	0.6	313
Other	1.3	627	0.5	296	1.1	595	0.9	482
<b>Other</b>	8.2	4 113	8.9	5 249	4.9	2 527	4.9	2 706
<b>GRAND TOTAL</b>	100.0	50 251	100.0	59 011	100.0	51 497	100.0	54 918
of which								
<b>EFTA countries</b>	17.6	8 856	19.3	11 396	17.1	8 798	17.6	9 639
<b>EEC countries</b>	36.6	18 382	37.5	22 125	34.4	17 695	35.5	19 474
<b>OECD countries</b>	61.5	30 916	68.8	40 599	64.7	33 311	65.3	35 866

# BALANCE OF PAYMENTS

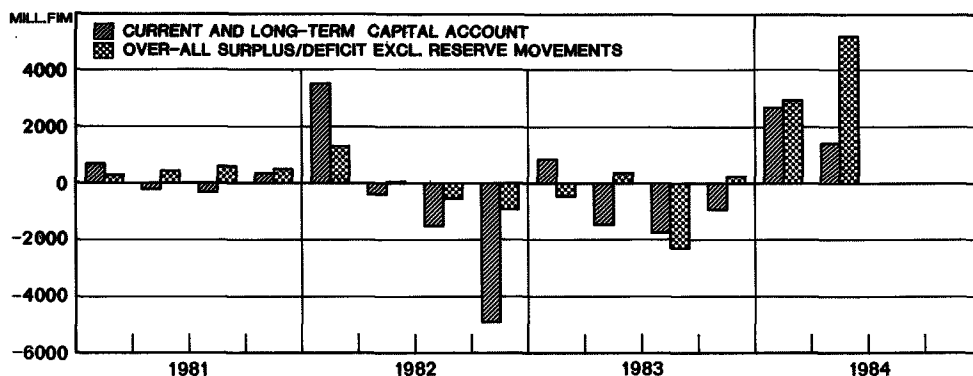
Period	Exports f.o.b.	Imports c.i.f.	Trade account (1-2)	Transport, net	Travel, net	Other services, net	Goods and services account (3 to 6)	Invest- ment income, net	Un- requited transfers, net	Other, net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
1980	52 594	58 046	-5 452	+2 824	+320	+679	-1 629	-3 292	-454	+164	-5 211
1981	60 243	61 703	-1 460	+3 088	+405	+1 049	+3 082	-4 423	-498	+107	-1 732
1982	62 867	65 147	-2 280	+2 856	-277	+1 732	+2 031	-5 447	-643	+161	-3 898
1983*	69 593	72 107	-2 514	+3 298	-749	+1 172	+1 207	-5 811	-721	+25	-5 300
1981											
Oct.-Dec.	16 197	16 528	-331	+706	-28	+287	+634	-1 120	-133	+9	-610
1982											
Jan.-March	16 078	14 858	+1 220	+699	-154	+484	+2 249	-1 078	-187	-6	+978
Apr.-June	15 577	15 376	+201	+700	-83	+451	+1 269	-1 682	-167	+50	-530
July-Sept.	13 308	15 419	-2 111	+789	+151	+478	-693	-1 359	-139	+75	-2 116
Oct.-Dec.	17 904	19 494	-1 590	+668	-191	+319	-794	-1 328	-150	+42	-2 230
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	19 730	17 054	+2 676	+899	-371	-148	+3 056	-2 046	-232	-56	+722
Apr.-June	19 732	18 900	+832	+954	-327	-319	+1 140	-1 244	-150	-1	-255
July-Sept.	19 418	19 408	+10	+1 040	-124	-323	+603	-1 427	-191	+4	-1 011



Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net	Long-term capital account (12 to 15)	Current and long-term capital account (11 + 16)	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net	Miscellaneous, short-term capital items, incl. errors and omissions	Over-all surplus deficit excl. reserve movements (17 to 21)	Bank of Finland foreign exchange reserves
12	13	14	15	16	17	18	19	20	21	22	23
+5 183	-4 140	-433	-428	+182	-5 029	+3 255	-967	+3 696	+40 <sup>1</sup>	+995	-995
+8 312	-4 643	-518	-826	+2 325	+593	-148	+723	-421	+1 056 <sup>1</sup>	+1 803	-1 803
+10 213	-4 721	-1 239	-3 642	+611	-3 287	-914	+771	+1 493	+1 811	-126	+126
+10 112	-7 273	+423	-1 367	+1 895	-3 405	+3 273	-3 422	+1 272	+120	-2 162	+2 162
+3 028	-1 678	-211	-157	+982	+372	-1 309	+46	+601	+766	+476	-476
+3 637	-806	-114	-165	+2 552	+3 530	-676	+762	-1 517	-787	+1 312	-1 312
+2 332	-1 555	-328	-301	+148	-382	+367	+581	-171	-350	+45	-45
+1 859	-883	-127	-246	+603	-1 513	-277	-143	-520	+1 909	-544	+544
+2 385	-1 477	-670	-2 930	-2 692	-4 922	-328	-429	+3 701	+1 039	-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	-863	+430	-996	+930	-2 045	+2 380	-33	+236	-236
+4 075	-1 887	-235	-46	+1 907	+2 629	-765	+485	+2 443	-1 806	+2 986	-2 986
+3 858	-2 351	+89	+275	+1 871	+1 616	+1 287	+94	+2 854	-629	+5 222	-5 222
+2 495	-1 185	-629	+1 475	+2 156	+1 145	+615	-273	-1 935	-692	-1 140	+1 140

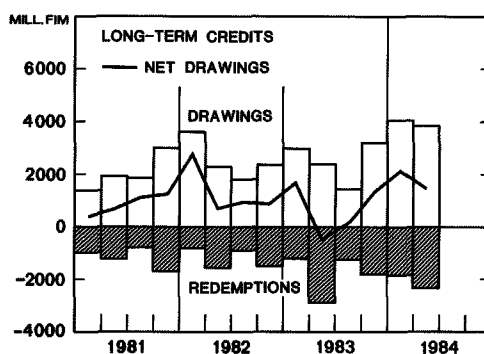
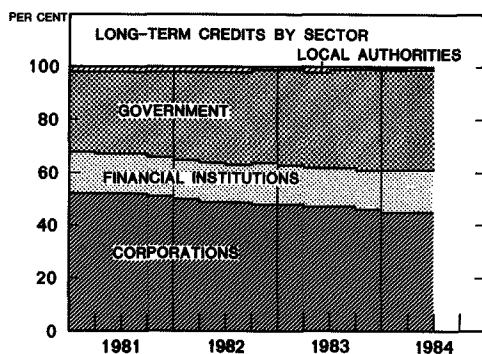
Assets: increase -, decrease +. Liabilities: increase +, decrease -

<sup>1</sup> Including allocations of special drawing rights: 133 million in 1980 and 131 million in 1981.



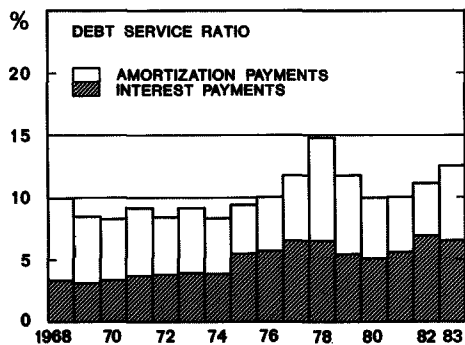
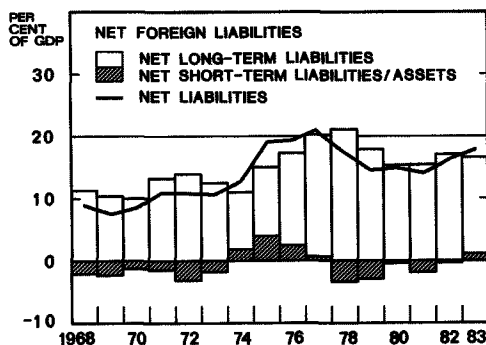
# FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities						Net long-term liabilities (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
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
June	6 827	7 435	3 230	17 492	57 198	3 937	2 393	1 640	729	65 897	48 405
Sept.	7 487	7 834	1 839	17 160	60 497	3 951	2 410	1 957	834	69 649	52 489





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	10 061	12 532	32 488	3 089	16 240	11 849	31 178	-1 310	27 483	6 700	3 274
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	8 067	3 567
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	9 268	3 663
11 842	29 263	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	11 670	5 706
12 795	13 654	13 791	40 240	3 074	18 592	14 218	35 884	-4 356	31 917	1 757	600
12 846	14 641	13 536	41 023	3 077	19 349	15 048	37 474	-3 549	33 190	2 850	1 137
12 456	17 474	13 531	43 461	4 097	21 737	14 859	40 693	-2 768	34 871	2 077	699
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	2 584	1 227
12 365	22 166	14 580	49 111	4 637	29 530	15 105	49 272	161	42 384	2 573	984
12 905	23 008	14 878	50 791	4 705	31 137	16 546	52 388	1 597	43 686	3 831	2 286
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	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	2 728	1 387
14 740	25 724	16 098	56 562	3 657	37 966	15 738	57 361	799	46 226	3 196	1 089
20 705	31 929	15 760	68 394	3 775	47 083	17 282	68 140	-254	48 151	2 923	1 624
21 064	34 639	16 045	71 748	4 815	47 857	18 156	70 828	-920	51 569	788	-663



# PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
	1	2	3	4	5	6	7	8	9	10
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

1984

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
May	1 251	133.4	134.9	128.8	131.4	136.7	134.8	136.6	134.9	135.8
June	1 254	134.1	135.5	129.7	131.8	137.2	136.3	137.0	134.9	136.4
July	1 261	134.8	136.0	131.0	132.9	137.6	136.5	137.5	135.5	136.6
Aug.	1 264	134.8	136.6	129.5	132.6	138.2	136.9	137.7	135.7	136.9
Sept.	1 277	135.9	137.5	131.1	134.1	138.9	137.2	137.8	135.9	137.1
Oct.	1 289	137.1	138.6	132.4	135.9	139.5	137.4	138.2	136.1	137.6

## Consumer prices 1981 = 100

Period	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
	1	2	3	4	5	6	7	8	9	10
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

1984

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
May	126.9	128.4	132.5	119.7	126.0	122.4	144.8	123.6	125.9	130.6
June	127.2	128.8	132.6	119.7	126.0	122.4	144.7	124.7	126.2	130.7
July	127.7	130.2	132.7	118.6	126.0	122.7	147.7	125.7	126.1	131.0
Aug.	128.2	131.1	132.7	119.6	126.0	123.8	148.1	126.0	127.2	131.2
Sept.	129.0	132.6	132.7	121.1	126.3	124.5	148.1	126.4	128.1	132.3
Oct.	129.6	133.7	132.8	123.0	126.3	125.2	148.7	127.4	128.2	132.9

# 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							
1	2	3	4	5	6	7	8	9	10	
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	207.3	208.8	208.0
1983	243.6	234.0	202.5	229.0	223.3	217.2	233.3	229.5	229.3	229.6
1983										
Apr.-June	244.1	236.2	201.2	228.5	223.3	216.4	233.8	229.3	230.1	229.9
July-Sept.	239.0	233.5	202.8	230.0	223.1	218.7	233.8	230.5	229.3	230.2
Oct.-Dec.	252.2	242.0	212.4	239.9	231.7	228.2	242.3	239.3	237.8	239.1
1984*										
Jan.-March	260.7	245.6	218.1	244.5	233.7	234.7	245.9	243.1	241.7	242.9
Apr.-June	271.4	258.4	224.3	251.4	237.6	240.9	256.1	250.2	252.9	251.4

# PRODUCTION

Volume indices of production 1980 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1982										
Apr.-June	103	106	75	94	84	104	103	103	107	109
July-Sept.	103	95	182	45	112	105	104	106	109	107
Oct.-Dec.	115	111	85	110	144	110	116	121	111	116
1983*										
Jan.-March	101	103	73	99	83	95	97	95	111	108
Apr.-June	107	112	80	90	91	104	105	109	111	115
July-Sept.	107	99	204	41	120	104	108	105	113	112
Oct.-Dec.	117	116	87	101	149	104	123	117	114	120
1984*										
Jan.-March	104	109	74	90	81	92	105	97	115	112
Apr.-June	109	113	82	92	85	103	112	107	115	119

# PRODUCTION

Index of industrial production 1980 = 100

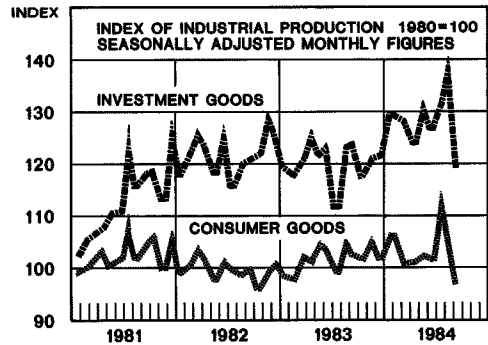
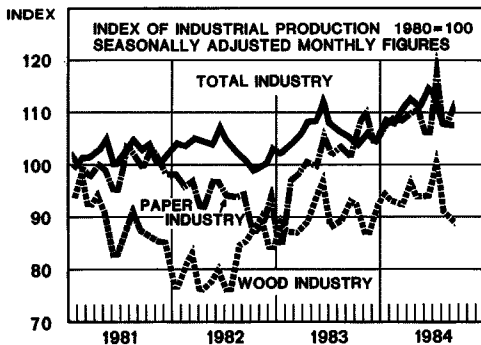
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1981	102.6	114.1	103.4	100.1	104.0	89.6	100.8	103.0	101.3	106.9	102.9
1982*	103.7	121.0	103.4	100.6	106.4	83.5	96.1	98.8	109.8	114.0	103.8
1983*	106.8	125.3	103.3	105.1	106.4	88.9	103.9	105.1	117.3	117.3	106.9

1983\*

Sept.	114.3	134.2	108.6	113.4	113.7	109.8	103.0	114.4	146.9	126.5	105.9
Oct.	112.8	126.0	111.3	111.2	125.2	100.1	115.9	116.2	135.9	119.3	104.6
Nov.	118.5	139.2	117.8	115.1	127.5	89.1	117.4	120.9	117.6	130.3	106.7
Dec.	106.6	128.9	103.7	104.0	103.4	77.6	98.7	107.3	106.9	120.2	105.2

1984\*

Jan.	113.4	135.1	109.4	111.4	100.0	91.7	111.3	111.6	102.8	125.7	109.3
Feb.	108.2	130.4	103.2	106.7	87.5	85.7	112.9	103.8	92.4	120.9	108.6
March	116.4	142.0	109.7	114.9	97.1	98.6	118.2	120.4	111.4	129.3	111.3
April	107.8	132.1	100.5	106.8	95.4	102.2	102.9	116.3	96.2	121.6	113.3
May	121.8	158.5	110.9	120.4	114.0	118.2	120.5	117.6	117.5	144.1	111.8
June	110.0	144.5	101.5	107.9	103.6	103.1	91.5	105.7	114.6	128.2	115.3
July	74.9	54.7	71.9	79.8	97.2	41.7	124.2	71.9	60.8	56.0	113.9
Aug.	114.7	131.5	108.7	114.5	114.3	90.5	117.5	112.2	124.6	122.7	108.3
Sept.	110.9	129.2	102.3	111.7	107.3	99.5	111.3	112.2	127.1	121.9	108.0



# 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
	1	2	3	4	5	6	7	8
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	107	110
1983								
Aug.	3 682	2 555	2 426	128	5.0	1 303	106	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	115
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	124
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	105	111
April	3 693	2 523	2 356	167	6.6	4 207	101	98
May	3 697	2 579	2 438	140	5.4	3 734	113	120
June	3 695	2 745	2 570	175	6.4	2 664	115	106
July	3 700	2 761	2 614	146	5.3	1 323	113	93
Aug.	3 700	2 598	2 454	145	5.6	1 649	113	119
Sept.	3 703	2 549	2 395	153	6.0	2 353	..	..

## 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											
	1	2	3	4	5	6	7	8	9	10	11
1982	52.17	19.30	6.73	19.12	3.50	43.74	18.0	6.02	14.35	2.67	50.32
1983*	51.78	19.66	6.44	18.34	3.65	47.37	18.43	5.92	16.32	3.55	51.44
1983*											
Jan.-March	9.85	4.18	1.28	3.23	0.70	10.29	4.06	1.13	3.80	0.66	45.55
Apr.-June	19.12	7.95	3.14	5.43	1.01	10.56	4.29	0.85	3.77	0.90	52.74
July-Sept.	14.22	4.23	1.07	6.90	0.91	11.06	3.96	1.86	3.52	0.96	58.14
Oct.-Dec.	8.59	3.31	0.95	2.78	1.02	15.46	6.12	2.07	5.24	1.02	51.44
1984*											
Jan.-March	9.11	3.83	1.12	3.08	0.61	8.72	3.72	0.71	3.08	0.62	47.01
Apr.-June	16.19	7.21	2.35	4.67	0.73	8.64	3.53	0.55	3.57	0.51	53.65

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

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

## STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis.

## 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.

Columns 1-7. The figures for the trade and goods and services accounts are in accordance with the System of National Accounts.

Columns 12-13. Long-term loans comprise financial loans and import and leasing credits.

Column 15. Miscellaneous long-term capital items, net = direct investment, net + portfolio investment by foreigners + financial loans and development credits to abroad + Finland's subscriptions to international financial institutions, net.

Column 23. Changes in the foreign exchange reserves of the Bank of Finland exclude changes in the markka value of the reserves caused by changes in exchange rates.

## 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 (1982): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1982): In South Finland 47.1, in East and Central Finland 14.2, in North Finland 4.2 and in the whole country an average of 15.9 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1982): 40 % of the population inhabit the rural areas, 60 % towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 260 inhabitants, Tampere (Tammerfors) 167 211, Turku (Åbo) 163 484.

EMPLOYMENT (1983): Agriculture and forestry 13 %, industry and construction 33 %, commerce 14 %, transport and communication 7 %, financing, insurance, real estate and business services 6 %, community and personal services 27 %.

LANGUAGE (1982): Finnish speaking 93.5 %, Swedish speaking 6.3 %, others 0.2 %.

EDUCATION (1984): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1982): births 13.7 ‰, deaths 9.0 ‰, change + 6.2 ‰, net immigration + 1.5 ‰. Deaths in France 10.1 ‰ and Great Britain 11.8 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1983), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 11 747 (5 %), forestry 9 007 (4 %), manufacturing 73 782 (30 %), construction 20 442 (8 %), trade, restaurants and hotels 27 803 (11 %), transport and communication 19 129 (8 %), banking and insurance 9 671 (4 %), ownership of dwellings 16 460 (7 %), other services 58 100 (23 %), total 246 141. Index of real domestic product 108 (1980 = 100).

FOREST RESOURCES (1982). The growing stock comprised of 1 658 million m<sup>3</sup> (solid volume with bark) of which 45 % was pine and 37 % spruce the remaining 18 % being broad-leaved trees chiefly birch. Of the growing stock 667 million m<sup>3</sup> was up to the standard required for logs, 52 % of these being pine. The annual growth was 67 million m<sup>3</sup> and the total drain calculated on the basis of roundwood consumption was 48.5 million m<sup>3</sup>.

AGRICULTURE (1982). Cultivated land 2.4 million hectares. Number of holdings 212 630 of which 148 590 are of more than 5 ha. Measure of self-sufficiency in bread cereals (1983) 93 %.

INDUSTRY (1982). Gross value of industrial production FIM 205 471 mill., number of workers 409 499, salaried employees 145 997, motive power 8.2 mill. kW. Index of industrial production 103.6 for 1982 (1980 = 100).

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

MERCHANT FLEET (Sept. 30, 1984): Passenger vessels 159 (238 035 gross reg. tons), tankers 44 (1 016 342 gross reg. tons), dry cargo vessels 174 (859 102 gross reg. tons), other vessels 101 (14 087 gross reg. tons), total 478 (2 127 566 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 0.21159 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 18.7, GBP 14.9, USD 10.8, other currencies 35.6. 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 Bank of Finland's base rate is 9 ½ %. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 7 % and 12 %. Other credit institutions: time deposits 5 ½ %; 6 month deposits 6 ½ %; 12 month deposits 8 %; 24 month deposits 9 ½ % and sight deposits 2 ¼ %. The highest lending rate is 14 %.

# DEVELOPMENTS IN FINLAND'S LONG-TERM FOREIGN FINANCIAL LOANS AND THEIR COSTS IN 1970–1983<sup>1</sup>

by Jorma Hietalahti, M.Sc. (Econ.)

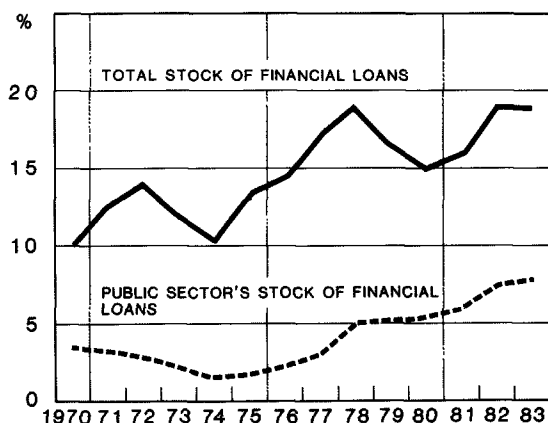
Foreign Exchange Policy Department  
Bank of Finland

## OVERALL TRENDS

Finland incurred a substantial amount of debt in the international financial markets in 1970–1983. During this period, the level of external indebtedness grew almost twofold but in 1983 it was still quite moderate by international standards (Chart 1).

In this period, foreign capital was available in the international financial markets on relatively favourable terms and the Finnish corporate sector was able to finance a fairly brisk level of investment activity. The international financial markets thus complemented the domestic financial market and constituted a fairly flexible financial source for the corporate sector, although financial loans raised abroad were subject to prior authorization by the central bank. However, for most of the period reviewed, the central bank's authorization policy sought to influence the favourable development of Finland's creditworthiness and the terms on which loans were authorized rather than to quantitatively regulate capital imports.

**CHART 1. EXTERNAL INDEBTEDNESS AS A PERCENTAGE OF GDP**



On account of both supply and demand factors, the level of indebtedness in terms of the stock of financial loans fluctuated from year to year (Chart 1). Hence, it fell during the first oil crisis, largely because of disturbances in the functioning of the international financial markets. On the other hand, the level of indebtedness increased very rapidly in 1975–1977, when tight domestic market conditions coupled with liquidity in the international financial markets increased the recourse to foreign borrowing.

Up to the mid-1970s, the private sector accounted for the bulk of international debt. Firms in the forest and metal and engineering industries made the most extensive use of foreign loans for financing their investments. Since the latter part of the 1970s, however, the central government has become an important international borrower; the borrowing of the central government was part of the medium-term stabilization programme introduced in 1977.<sup>2</sup> At the same time, increasing exchange rate uncertainties, sharp fluctuations in international interest rates as well as lower investment activity reduced the corporate sector's interest in long-term foreign loans.

## THE STRUCTURE AND CREDIT TERMS OF THE LOANS DRAWN

The structural change in Finland's external indebtedness is clearly reflected in the breakdown of drawings of loans as depicted in

<sup>1</sup> The present article is based on a publication in Finnish (with an English summary) by the same author, *Developments in the Cost of Long-Term Foreign Financial Loans*, Bank of Finland A:56, 1984, which also includes a statistical appendix.

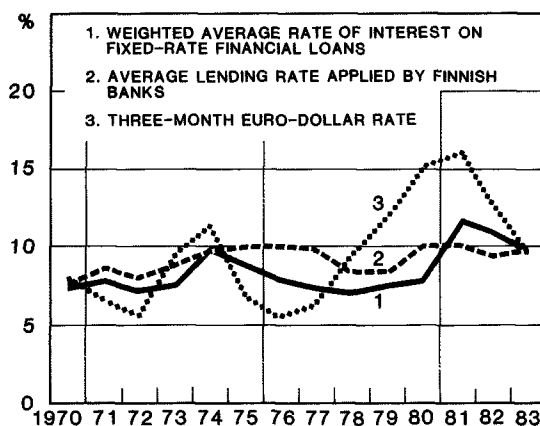
<sup>2</sup> See the back article in the November 1984 issue of this Bulletin.



Table 1. In 1970–1976, the loans drawn by the public sector accounted for only 12 per cent of all drawings, whereas, in 1977–1983, its share of drawings amounted to 40 per cent. As a result of the sectoral shift, the share of bonds in total drawings also increased in 1977–1983, since the public sector's loans consisted almost exclusively of bonds.

The increased borrowing of the public sector did not, however, change the relative shares of fixed-rate and floating-rate loans in 1977–1983; the share of floating-rate loans remained at 40 per cent over the entire period reviewed and the share of fixed-rate loans at 60 per cent.

**CHART 2. THE WEIGHTED AVERAGE RATE OF INTEREST ON FIXED-RATE FINANCIAL LOANS AND SELECTED REFERENCE RATES**



**TABLE 1. PERCENTAGE DISTRIBUTION OF THE FINANCIAL LOANS DRAWN IN 1970–1983**

	1970–1983 Share of drawings	1970–1976 Share of drawings	1977–1983 Share of drawings
Private sector	68	88	60
Public sector	32	12	40
Total	100	100	100
Fixed-rate loans	60	60	60
Floating-rate loans	40	40	40
Total	100	100	100
Euro-currency loans	50	58	46
Bonds	31	22	35
Other loans	19	20	19
Total	100	100	100

In the case of floating-rate loans, the average interest rate margin (i.e. the spread over LIBOR) on loans raised by Finnish borrowers fell from about 1.1 per cent to 0.5 per cent in the period 1976–1983. The development of this margin was similar to that of the average margin on loans drawn by borrowers from other industrial countries. Hence, when the interest rate margin is used as an indicator of a country's creditworthiness, Finland's creditworthiness developed very positively during this period.

The weighted average rate of interest on fixed-rate loans followed movements in the international level of interest rates and was, on average, somewhat lower than the average lending rate applied by Finnish banks (Chart 2). It should be pointed out, however, that the banks' average lending rate only indicates developments in the level of interest rates in the regulated rate market. If developments in the unregulated rate money market, which has expanded rapidly in recent years, are taken into account, the difference between domestic and foreign rates rises, particularly towards the end of the period.<sup>3</sup>

#### ACTUAL DEBT SERVICING COSTS

In addition to nominal interest rate levels the total costs of foreign loans should, of course, also include the effects of exchange rate changes, which influence both interest payments and redemptions. Defined in this way, the debt servicing costs of financial loans calculated in markkaa can be broken down into three cost components: interest payments on the stock of loans, and exchange rate losses realized through both interest payments and redemptions. In the calculation presented below, the ex post costs are obtained by comparing, in terms of markkaa, the actual debt servicing costs of the loans raised in different currencies with the hypothetical debt servicing costs calculated by using the average

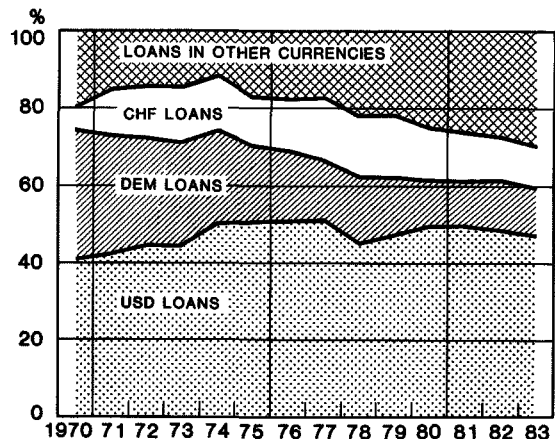
<sup>3</sup> For a description of these developments, see, for example, the back article in the September 1984 issue of this Bulletin.

exchange rates for the years in which loans were drawn.

The effects of exchange rate movements is compared with the weighted average rate of interest on the stock of loans, which is obtained by dividing interest expenses by the stock of loans outstanding in the previous period. Similarly, the exchange rate losses arising in connection with interest payments and redemptions are calculated by dividing the exchange rate losses for both components by the stock of loans outstanding in the previous period.<sup>4</sup>

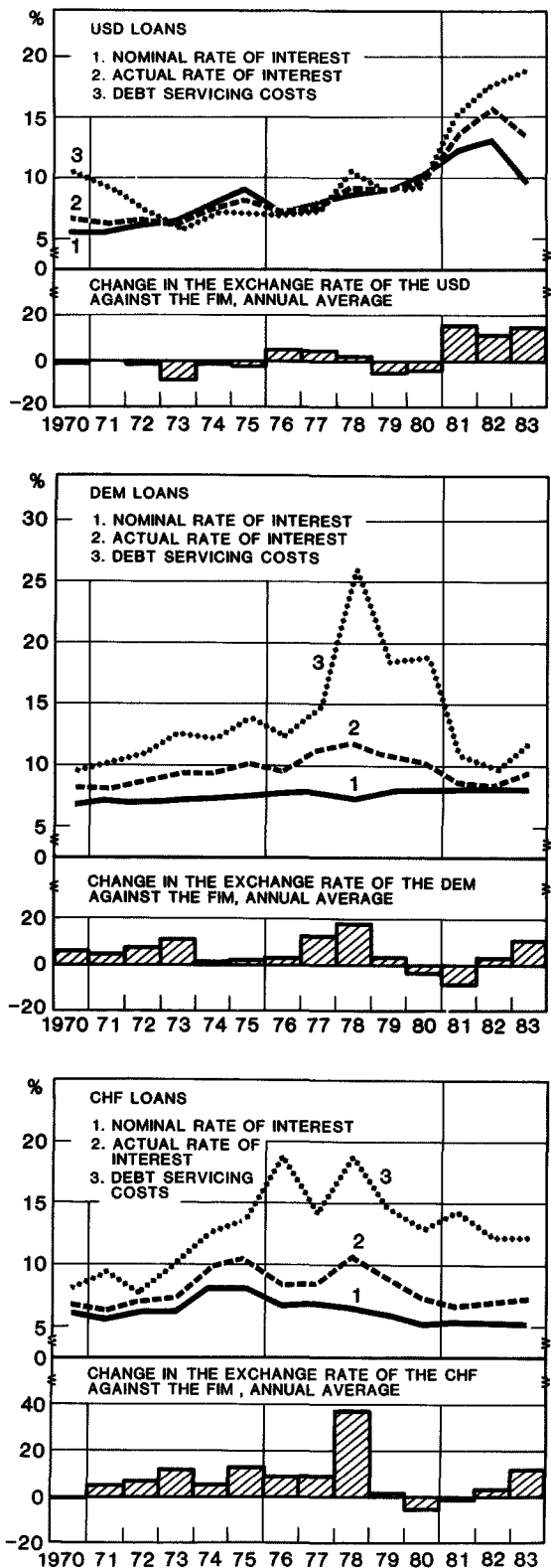
The analysis of debt servicing costs is confined to the loans denominated in the major loan currencies, i.e. the U.S. dollar, the Deutsche mark and the Swiss franc, which accounted, on average, for about 80 per cent of the stock of financial loans in 1970–1983 (Chart 3).

**CHART 3. CURRENCY DISTRIBUTION OF THE STOCK OF FINANCIAL LOANS**



Owing to differences in the Euro-rates for these currencies, there were marked differences in the level of nominal rates calculated for the stock of loans in each currency (Chart 4). Variations in the weighted average rates calculated for the stock of loans in each currency were smaller than those in Euro-rates, because the fluctuations in Euro-rates on new

**CHART 4. DEBT SERVICING COSTS OF FINANCIAL LOANS IN FINNISH MARKKAA, PER CENT PER ANNUM**



<sup>4</sup> The formula for computing costs is presented in the study referred to above.

loans accounted for only a part of the total amount of loans. The weighted average rate of interest was highest on dollar-denominated loans and lowest on loans denominated in Swiss francs (Chart 4 and Table 2). Hence, if exchange rates had been fixed throughout the period of existence of these loans, the loans denominated in Swiss francs would have been the most favourable in terms of their debt servicing costs.

When exchange rate movements are taken into consideration, the cost relations alter to a significant extent. Exchange rate changes decreased the debt servicing costs of dollar-denominated loans in 1973–1977 and in 1980. Towards the end of the period reviewed, the high dollar exchange rate was reflected in substantial exchange rate losses (Chart 4 and Table 2). The strengthening of both the Deutsche mark and the Swiss franc during this period gave rise to exchange rate losses in each year through both interest payments and redemptions.

**TABLE 2. AVERAGE DEBT SERVICING COSTS OF FINANCIAL LOANS IN 1970–1983, PER CENT PER ANNUM**

	USD	DEM	CHF
Nominal interest rate	8.63	7.72	6.37
Exchange rate loss incurred in interest payments	0.53	1.95	1.76
Exchange rate loss incurred in redemptions	1.05	4.12	4.73
<b>Debt servicing costs</b>	<b>10.21</b>	<b>13.79</b>	<b>12.86</b>

Because of irregular repayment schedules, the exchange rate losses which were realized in connection with redemptions of loans denominated in Deutsche mark and Swiss francs varied from year to year (Chart 4). The substantial exchange rate losses incurred during the second half of the 1970s were largely due to redemptions of bullet loans (i.e. loans which are repaid in full at maturity) drawn in the early 1970s.

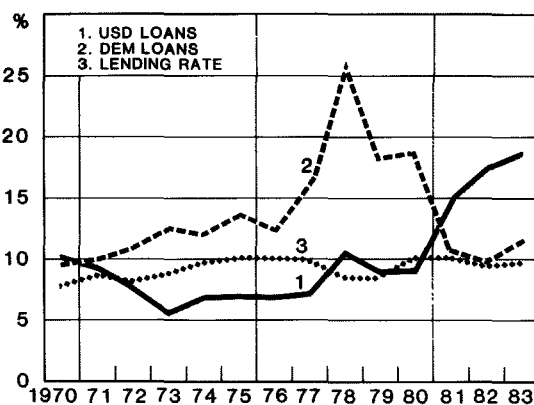
For Swiss franc loans, the extra costs caused by exchange rate changes were, on average, equivalent to the nominal interest rate (Table 2

and Chart 4). By contrast, the additional costs of dollar-denominated loans were, on average, only about one-fifth of the nominal interest rate.

Taken together, Deutsche mark loans proved to be the most expensive and dollar loans the most favourable in terms of debt servicing costs, despite the fact that the dollar loans were the most expensive on the basis of nominal rates of interest alone.

Because of exchange rate losses, the debt servicing costs of loans denominated in Deutsche marks and Swiss francs rose in 1973–1980 to a substantially higher level than the lending rate applied by domestic banking institutions, even though the nominal rates on the loans denominated in these currencies were lower than the domestic lending rate (Chart 5)<sup>5</sup>. By contrast, the total debt servicing costs of dollar-denominated loans were lower than those of domestic loans in 1973–1977. But, in 1981–1983, the debt servicing costs of dollar loans also exceeded the domestic lending rate by a clear margin as the debt servicing costs of these loans increased fairly sharply as a result of both exchange rate losses and the occasionally high level of Euro-dollar rates.

**CHART 5. DEBT SERVICING COSTS OF FINANCIAL LOANS AND THE LENDING RATE APPLIED BY FINNISH BANKS, PER CENT PER ANNUM**



<sup>5</sup> Chart 5 shows only the debt servicing costs of Deutsche mark loans. Loans denominated in Swiss francs showed a similar pattern of development (Chart 4).

It should be borne in mind that the above calculation is partial, since it only covers currency movements in relation to long-term financial loans. Moreover, the calculation is, of course, hypothetical because it shows the debt servicing costs of the loans raised by all sectors in terms of markkaa. In practice, this assumption holds true with respect to the central government and the closed sector of the economy. By contrast, firms engaged in foreign trade often pay the debt servicing costs of their loans directly in the currency concerned. In such cases, exchange rate movements are of less significance, and hence the above calculation overestimates the effect of exchange rate movements to some extent.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM NOVEMBER 1983 TO NOVEMBER 1984

**1983**

**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 ½ 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.

## **June**

*Export deposits.* On June 5, the Council of State decides to collect export deposits for pulp to be exported between June 8, 1984 and June 7, 1985. The deposits are to be made at the Bank of Finland, and will bear interest at a rate of 8 ¼ per cent.

## July

*Call money market.* The Bank of Finland lowers the call money rate from 16.8 to 16.5 per cent as from July 3.

## September

*Central bank financing.* The Bank of Finland decides to extend to Peruspankki Ltd, as from the beginning of September, the same rights to central bank financing and the use of the call money market as the other commercial banks.

*Call money market.* The Bank of Finland lowers the call money rate from 16.5 to 16.0 per cent as from September 7 and further to 15.8 per cent as from September 28.

*Cash reserve requirement.* On September 7, 1984, the Bank of Finland concludes a new cash reserve agreement with the banks. According to it, the cash reserve base comprises, in addition to deposits received on normal terms, the total stock of deposits denominated in foreign currency, special deposits and the banks' net foreign liabilities after certain deductions.

*Regulation of average lending rates.* On September 7, 1984, the Bank of Finland decides to revise its regulation of the banks' average lending rates. According to the new system, the average lending rate applied by a banking institution to its domestic markka-denominated lending is allowed to rise by not more than 30 per cent of the increase in the average deposit

rate on the bank's total stock of deposits. The new system is to become effective progressively as from the beginning of October.

## October

*Call money market.* The Bank of Finland lowers the call money rate from 15.8 to 15.6 per cent as from October 26.

## November

*Financing of domestic suppliers' credits.* The Bank of Finland raises the rate of interest applied to domestic suppliers' credits by one percentage point to 10 ½ per cent. At the same time, the Bank raises the lower limit on the contract price of a delivery which can be financed to FIM 1 million and the commitment fee to a maximum of 0.35 per cent. The revisions are to concern domestic suppliers' credits granted as from November 1, 1984.

*Export deposits.* The Council of State decides to discontinue the collection of export deposits on sawn pine wood as from November 1, 1984.

*Call money market.* The Bank of Finland lowers the call money rate from 15.6 to 15.4 per cent as from November 14 and further to 15.2 per cent as from November 30.

*Bank of Finland's credit facility agreements.* On November 16, the Bank of Finland cancels its credit facility agreements totalling FIM 1.5 billion with international banking consortia.

## ITEMS

**Finland's balance of payments January-September 1984.** According to the Bank of Finland's preliminary figures, the current account showed a deficit of FIM 544 million in January-September of this year. The net inflow of long-term capital amounted to FIM 5 934 million and that of short-term capital to FIM 1 678 million. Hence, the foreign exchange reserves of the Bank of Finland grew by FIM 7 068 million. In January-September 1983, the current account had shown a deficit of FIM 3 874 million.

*Current account.* The trade account (including adjustment items) registered a surplus of FIM 3 518 million in January-September, as compared with a deficit of FIM 1 785 million in the corresponding period last year. Commodity exports were up 17 per cent in value and 10 per cent in volume on January-September 1983. Of the industrial sectors, the largest increase in export volumes occurred in the chemical industries and the paper and graphical industries. The value of commodity imports grew by 7 per cent and the volume by 2 per cent. Import volumes of raw materials and intermediate goods and of consumer goods increased slightly as compared with the previous year. By contrast, imports of investment goods declined.

The surplus on the services account amounted to FIM 1 281 million in January-September, which was FIM 1 596 million less than in the corresponding period last year. The transport account registered a surplus of FIM 2 893 million. Travel receipts grew by 14 per cent and travel expenditure by 24 per cent, giving rise to a deficit of FIM 822 million on the travel account. The "other services account" recorded a deficit of FIM 790 million, as against a surplus of about the same size in January-September 1983. The account swung into a deficit mainly because of a decline in planning and engineering earnings.

Interest payments on foreign loans amounted

to FIM 7 997 million. With interest earnings on foreign assets reaching FIM 3 280 million, the investment income account showed a deficit of FIM 4 717 million. This was FIM 213 million more than in January-September 1983. The unrequited transfers account registered a deficit of FIM 573 million.

*Capital account.* Drawings of long-term loans amounted to FIM 10 428 million in January-September, which was FIM 3 529 million more than in the corresponding period of 1983. The central government accounted for FIM 3 814 million of the drawings. Redemptions of long-term loans totalled FIM 5 423 million, or approximately the same amount as in the previous year. Drawings of long-term export credits granted to foreign customers reached FIM 1 877 million and redemptions of outstanding export credits FIM 1 102 million. Finnish direct investment abroad totalled FIM 1 641 million and foreign direct investment in Finland FIM 92 million. The total net inflow of long-term capital amounted to FIM 5 934 million, which was FIM 4 469 million more than in January-September 1983.

The inflow of short-term capital (including errors and omissions) totalled FIM 1 678 million in January-September. Short-term liabilities related to imports grew by FIM 1 137 million, while net prepayments and receivables related to exports fell by FIM 306 million. The net short-term liability of the authorized banks went up by FIM 3 362 million.

As the capital inflow was more than enough to finance the current account deficit, the foreign exchange reserves of the Bank of Finland increased by FIM 7 068 million. The Bank's convertible foreign exchange reserves grew by FIM 8 445 million. The tied foreign exchange reserves fell by FIM 1 377 million, turning tied currency claims into tied currency liabilities, on a net basis. At the end of September, the convertible foreign exchange reserves of the Bank of Finland totalled FIM 17 001 million, while the liabilities in tied currencies amounted to FIM 836 million.



At the end of September, Finland's net foreign debt reached FIM 51 569 million, of which the central government accounted for FIM 23 034 million. The net long-term debt totalled FIM 52 489 million and net short-term claims FIM 920 million.

**MAJOR BALANCE OF PAYMENTS ITEMS  
JANUARY—SEPTEMBER 1984, MILLION FIM<sup>1</sup>**

	Receipts	Expendi- ture	Net
Trade (exports f.o.b., imports c.i.f.)	59 011	54 918	4 093
Adjustment items	- 131	444	-575
Trade account	58 880	55 362	3 518
Transport (c.i.f.)	4 972	2 079	2 893
Travel	2 595	3 417	-822
Other services	3 485	4 275	-790
Services account	11 052	9 771	1 281
<b>GOODS AND SERVICES ACCOUNT</b>	<b>69 932</b>	<b>65 133</b>	<b>4 799</b>
Investment income, net	3 280	7 997	-4 717
Unrequited transfers	385	958	-573
Other	2 336	2 389	-53
<b>A. CURRENT ACCOUNT</b>	<b>75 933</b>	<b>76 477</b>	<b>-544</b>
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits: <sup>2</sup>			
drawings	-1 877	10 428	8 551
redemptions	1 102	-5 423	-4 321
Direct investment	-1 641	92	-1 549
Other long-term capital	2 093	1 160	3 253
<b>B. LONG-TERM CAPITAL ACCOUNT</b>	<b>-323</b>	<b>6 257</b>	<b>5 934</b>
<b>BASIC BALANCE (A + B)</b>			<b>5 390</b>
Prepayments and liabilities related to imports			1 137
Prepayments and receivables related to exports			306
Short-term capital of authorized banks			3 362
Other short-term capital			-3 226
Errors and omissions			99
<b>C. SHORT-TERM CAPITAL ACCOUNT</b>			<b>1 678</b>
<b>D. ALLOCATIONS OF SDRs</b>			<b>-</b>
<b>OVERALL BALANCE (A + B + C + D)</b>			<b>7 068</b>
Change in the foreign ex- change reserves of the Bank of Finland			-7 068

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

<sup>1</sup> Preliminary figures

<sup>2</sup> Assets include export credits only

**Credit facility agreements.** The Bank of Finland has cancelled its credit facility agreements with international bank consortia. The credit facility arrangements, which amounted to USD 1.5 billion in all, were available whenever necessary to support Finland's official foreign exchange reserves. The decision to cancel the agreements was based on the improvement in Finland's balance of payments and external liquidity.

**Minor changes to Finnish 10 markka note.**

The obverse of the FIM 10 note, type 1980, has undergone a slight change, as a result of which the notation "Litt. A" appears in the unprinted area under the rosette on the right-hand side of the note. To improve the recognition of the note by the blind, the four raised points of the present 10 markka note have been replaced by five points in the form of a circle. The date 1980 is now under the portrait of President J.K. Paasikivi, and the other serial number is printed vertically in the upper left-hand corner of the note. The numbers are optically readable.

The new version of the 10 markka note will be put into circulation as from November 14, 1984, and it will circulate together with the present note type. In addition, there are still some 10 markka notes, type 1963, in circulation.

**Publications of the Bank of Finland.** The Bank of Finland's publication "Finnish Bond Issues 1983" has been published as a trilingual edition in Finnish, Swedish and English. This book is the first to appear in the new series replacing the publication on bond issues formerly published by the Bank of Finland. Because of the diversification and expansion of the bond markets, the book now covers, in addition to ordinary bonds, all other kinds of bonds issued by Finnish borrowers in 1983.

All in all, 145 new bond issues with a total nominal value of FIM 11.6 billion were floated in Finland in 1983. The number of issues was one and a half times as great and the total markka amount almost twice as great as in the

previous year. Of the loans, 46 were ordinary bond issues, with a total nominal value of FIM 5.8 billion. At the end of 1983, the total stock of domestic bonds outstanding amounted to about FIM 32 billion.

In 1983, the inflow of foreign capital arising from Finnish bond issues abroad amounted to the equivalent of FIM 5.7 billion. Of the 29 issues floated abroad, 11 were ordinary bond issues with a total nominal value of FIM 3.7 billion. The total value of bonds issued abroad was one-fifth higher than in the previous year. At the end of the year, the outstanding stock of external bonds amounted to about FIM 29 billion. Helsinki 1984. 236 pp. ISBN 951-686-097-4. ISSN 0781-4437.

The Bank of Finland has published a study by Jukka Pekkarinen and Tapio Peura "The Concept of Price Competitiveness and its Measurement" (Series A:58) in Finnish with a summary in English, 1984, 74 pp. ISBN 951-686-099-0, ISSN 0355-6034.

This study examines problems relating to the estimation of the price competitiveness of Finnish industry and special attention is paid to two aspects. First, the picture obtained of movements in price competitiveness depends significantly on the choice of countries compared and how they are weighted. The alternatives range from a comparison which

takes into account only a few competitor countries and/or sectors to one which covers as many competitor countries as possible in all sectors and market areas.

Secondly, it emerges that different indicators of price competitiveness give a clearly different picture of the developments in Finnish industry's price competitiveness, especially in the 1970s. The picture changes according to whether price competitiveness is estimated from the point of view of relative unit labour costs, relative prices or relative profitability. This is mainly due to a rise in Finnish relative export prices.

In addition, the study points out that special attention should be paid in the measurement of competitiveness to the competitive conditions prevailing in the market and to the cyclical situation.

Together, these observations on the system of weighting and indicators emphasize the need to assess developments in price competitiveness by applying several alternative methods. The need for sectoral disaggregation is also underlined. This multifaceted approach may result in partly contradictory information, so that the overall picture of competitiveness should be viewed against the background of the targets set for macroeconomic development and economic policy.







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# BANK OF FINLAND

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## Board of Management

Rolf Kullberg

*Chairman*

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom

*Absent as Minister  
of Trade and Industry*

Esko Ollila

Markku Puntila

*Acting Member of the Board*

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## Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Sirkka Hämäläinen

Matti Vanhala

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## Senior officials

Timo Männistö

*Internal Audit*

Ralf Pauli

*Monetary Policy*

Raimo Hyvärinen

*Domestic Financing*

Stig G. Björklund

*Payments*

H.T. Hämäläinen

*Administration*

U. Levo

*International Legal Affairs*

Ossi Leppänen

*Accounting*

Anton Mäkelä

*Personnel*

Reijo Mäkinen

*Cash*

Heikki Koskenkylä

*Research Dept.*

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.*

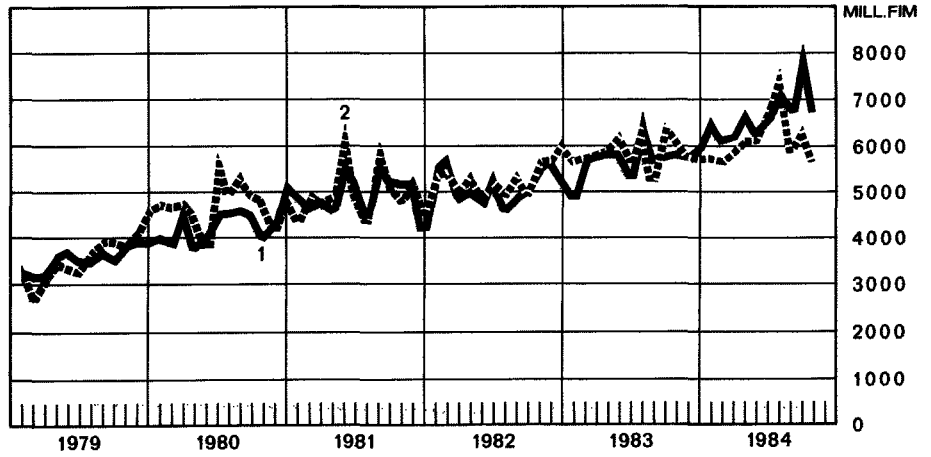
Erkki Vehkamäki

*Data Processing*

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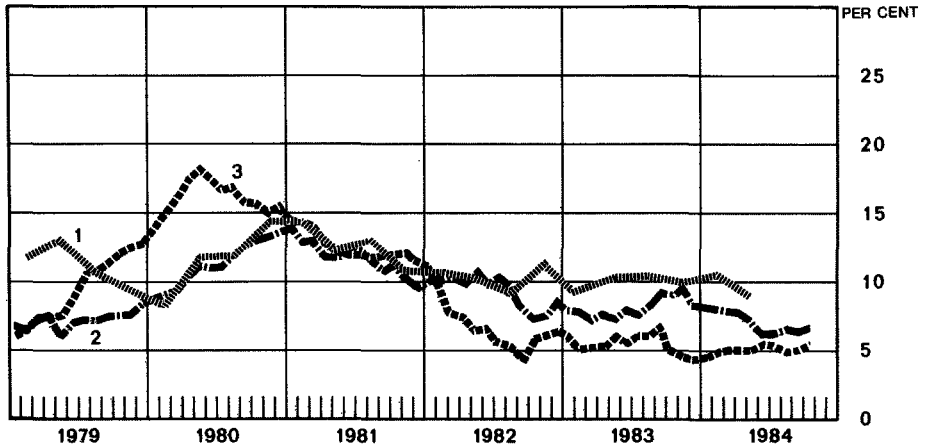
### FOREIGN TRADE, 1979 - 84

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



### PRICES AND WAGES, 1979 - 84

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



### PRODUCTION, 1979 - 84

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

