



# BANK OF FINLAND

## *Monthly Bulletin*

The Finnish securities market  
in 1984—1985

Finnish energy policy

Monetary and foreign exchange policy  
measures from September 1984 to August  
1985

Supplementary budget

The Bank of Finland's investment inquiry  
of June 1985

First foreign company gains a listing on  
the Helsinki Stock Exchange

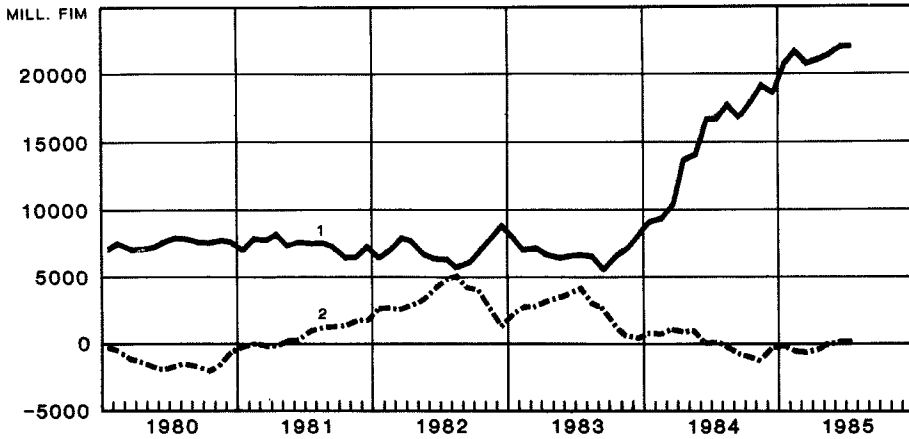
Dr. Heikki Valvanne

Publications of the Bank of Finland

**AUGUST 1985**

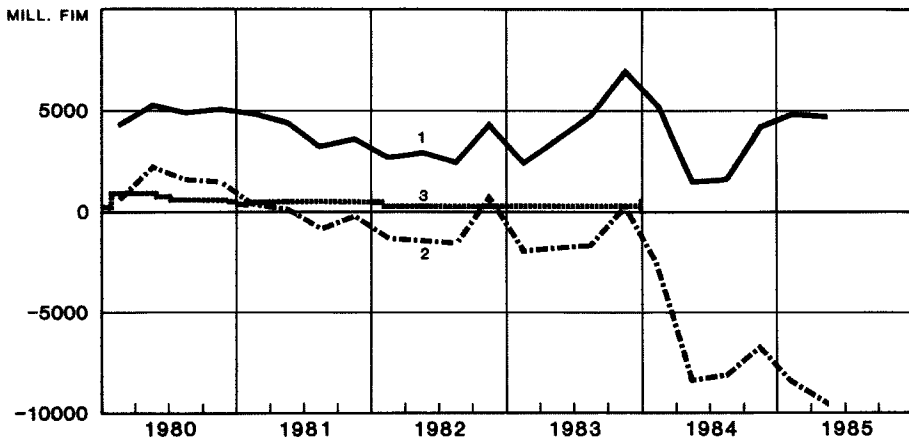
**Vol. 59 No. 8**

**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1980-85**



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

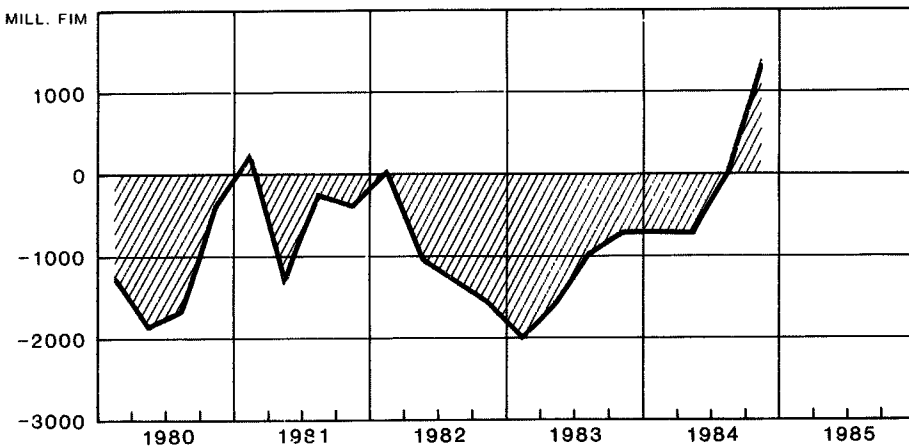
**DEPOSIT BANKS' CENTRAL BANK POSITION, 1980-85**



- 1. Gross central bank debt
- 2. Net central bank debt
- 3. Quotas

Quarterly average of daily amounts (1 and 2)

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1980-85**



Seasonally adjusted quarterly figures

# THE FINNISH SECURITIES MARKET IN 1984—85

by Kim Lindström, M.Pol.Sc.  
Manager, Research  
Unitas Ltd

Until quite recently, investment in securities has been comparatively insignificant in Finland. Mainly for tax reasons, the bulk of the public's savings has traditionally been channelled into bank deposits. Investment by the public in securities was for a long time largely confined to tax-free bonds, which are close substitutes for tax-free bank deposits. In these circumstances, the stock market remained fairly modest. In the 1980s, investment in securities has expanded rapidly, boosted by the development of the financial markets, an increase in liquidity and favourable economic developments. In 1981—83, the vigorous growth in the domestic demand for equities and the entry into the Finnish market of foreign investors raised the average price level of shares quoted on the Helsinki Stock Exchange by altogether 163 per cent according to the Unitas Share Index. During these years, both trading in shares and total turnover on the stock exchange increased many times as compared with the beginning of the 1980s.

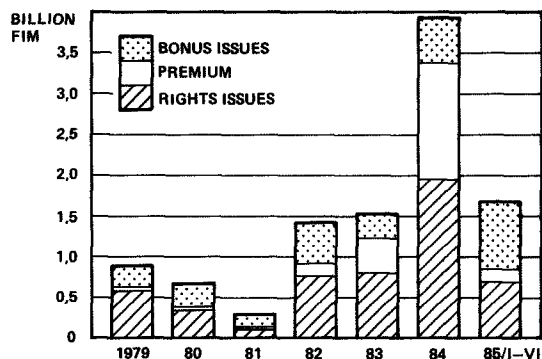
## STOCK MARKET EXPANDS AND DIVERSIFIES

In 1984, the expansion and diversification of Finland's stock market continued apace. Finnish companies quoted on the Helsinki Stock Exchange and enterprises seeking a listing raised new venture capital totalling almost FIM 3.4 billion through sales of new shares to the public. The corresponding figures for 1982 and 1983, which in themselves were good years, were FIM 0.9 and FIM 1.2 billion, respectively. Last year also saw the continuation of the internationalization of issue activity that had started in 1983, with almost a fifth of new venture capital coming from foreign investors. As a result of the issues floated abroad, two Finnish companies gained a listing on the London Stock Exchange. The market

for equities outside the official stock exchange also expanded along with the establishment of an over-the-counter (OTC) market.

Issue activity during the current year has been more sluggish than in 1984. Besides a general weakening in market conditions, this reflects the fact that the figures for 1984 were boosted by the simultaneous appearance on the new issue market of Finland's two biggest commercial banks. In the first half of 1985, companies quoted on the stock exchange raised new risk capital totalling FIM 0.8 billion (Chart 1).

**CHART 1. SHARE ISSUES ON HELSINKI STOCK EXCHANGE**



An indication of the size of the stock market is given by the total market value of shares listed on the stock exchange, which at the end of June 1985 amounted to FIM 23.7 billion, corresponding to a little less than a fifth of the stock of bank deposits. Then, 103 different shares of 55 companies were quoted on the Helsinki Stock Exchange.

## HEAVY SALES OF BONDS AND DEBENTURES ABROAD

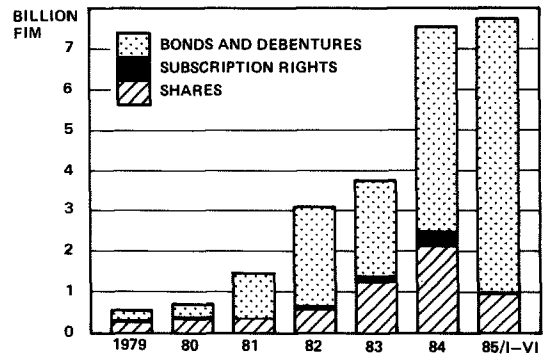
Sales of publicly offered bonds and debentures have clearly exceeded those of equities, mainly

because of the tax-exemption of bonds. Last year, sales of bonds and debentures to the public reached FIM 7.2 billion, an increase of almost a half from 1983. The share of bonds, which are issued mainly by the government, was FIM 5.3 billion and that of taxable debentures and other debt instruments FIM 1.9 billion. In all, 76 issues were offered to the public last year. The marketing of bonds and debentures did not create any difficulties last year, thanks to their tax-exemption (in practice, also interest on taxable debt instruments often represents tax-free income for small savers) and their high yield. At the end of 1984, the amount of quoted bonds and debentures in circulation totalled FIM 17.4 billion. Of this amount, the share of government bonds was more than two thirds and that of all bonds more than 80 per cent.

Owing to the buying interest aroused among foreign investors at the end of last year, demand for taxable debt instruments grew especially strongly. By the end of June 1985, new issues floated in this category totalled as much as FIM 6.4 billion, that is, more than three times the amount sold during the whole of the previous year. To curb the dramatic increase in the capital inflow which took place in this form, the Bank of Finland decided, with effect from June 24, 1985, to prohibit, until further notice, the sale abroad of markka-denominated bonds through the stock exchange. For foreign investors, these instruments offered a particularly attractive investment outlet both because of the stability of the Finnish markka and the almost 13 per cent average rate of interest which they bore. For the sake of comparison, it may be noted that the nominal rate of interest on new tax-free bonds is currently 10–11 per cent, depending on the maturity, while the effective yield on listed shares was 4.8 per cent at the end of June this year (Chart 2).

Bonds and debentures have also dominated trading activity on the secondary market and the above-mentioned sales abroad have contributed to the increase in turnover on the Helsinki Stock Exchange. Except for 1983,

## CHART 2. STOCK EXCHANGE TURNOVER



turnover on the stock exchange has roughly doubled every year in the 1980s. This trend also seems to be continuing during the current year, as turnover during the first half of 1985 amounted to FIM 7.7 billion, of which bonds and debentures accounted for 87 per cent and shares and subscription rights for only 13 per cent. The relative share of equities in the total turnover of FIM 7.5 billion in 1984 had been substantially higher at 33 per cent. An interesting feature of recent developments is that turnover in unrestricted shares, which are shares that can be freely acquired by foreigners, has been clearly greater than that of restricted shares.

TABLE 1. TURNOVER ON THE HELSINKI STOCK EXCHANGE, FIM MILLION

	1983	1984	Jan. 1– June 30 1985
Shares	1241	2109	937
Subscription rights	148	397	61
Bonds and debentures	2356	5008	6761
Total	3746	7515	7759

TABLE 2. UNITAS SHARE INDEX (1975 = 100)

	31.12. 1983	31.12. 1984	30.6. 1985
Banks	165.0	174.3	177.3
Insurance	581.6	475.1	417.3
Trade and transport	288.9	303.3	282.9
Industry	250.6	253.9	209.3
Conglomerates	193.1	191.8	152.7
Forest	139.0	152.9	142.8
Metal and engineering	532.1	521.2	439.0
Textile and clothing	207.3	211.1	161.6
Other	467.1	480.0	376.8
General index	236.3	239.6	208.6

(Continued on page 37)

	1984		1985			
	July 31	Dec. 31	June 28	July 15	July 23	July 31
<b>Assets</b>						
Gold and foreign currency claims	17 188	19 302	22 564	22 793	23 057	22 630
Gold	1 383	1 732	1 732	1 732	1 732	1 732
Special drawing rights	828	936	960	940	942	934
IMF reserve tranche	759	859	855	838	840	832
Convertible currencies	13 937	15 387	18 764	18 950	19 269	18 863
Tied currencies	281	388	253	333	274	269
Other foreign claims	3 422	2 835	2 808	2 808	2 808	2 808
Markka subscription to Finland's IMF quota	2 726	2 835	2 808	2 808	2 808	2 808
Term credits	696	—	—	—	—	—
Claims on financial institutions	4 578	9 166	7 229	9 874	8 638	7 949
Banks' cheque accounts	84	530	33	441	25	72
Call money market advances	1 041	5 018	3 845	5 975	5 165	4 391
Till-money credits	1 279	1 563	1 384	1 533	1 528	1 533
Bonds	2 104	1 999	1 900	1 905	1 898	1 929
Other claims on financial institutions	70	56	67	20	22	24
Claims on the public sector	2 109	1 951	1 817	1 573	1 573	1 580
Government promissory notes	1 000	1 000	790	560	560	560
Bonds	345	124	156	146	146	154
Total coinage	761	806	865	866	866	866
Other claims on the public sector	3	21	6	1	1	0
Claims on corporations	4 756	4 846	4 924	4 930	4 930	4 935
Financing of exports	1 760	1 786	1 790	1 788	1 767	1 739
Financing of domestic deliveries	2 727	2 860	2 964	2 975	2 996	3 019
Bonds	152	114	91	89	89	99
Other claims on corporations	117	86	79	78	78	78
Other assets	110	142	144	143	143	143
<b>Total</b>	<b>32 163</b>	<b>38 242</b>	<b>39 486</b>	<b>42 121</b>	<b>41 149</b>	<b>40 045</b>
<b>Liabilities</b>						
Foreign currency liabilities	104	809	21	23	23	21
Convertible accounts	47	84	21	23	23	21
Tied currencies	57	725	—	—	—	—
Other foreign liabilities	3 606	3 752	3 709	3 690	3 692	3 697
IMF markka accounts	2 726	2 835	2 808	2 808	2 808	2 821
Allocations of special drawing rights	880	917	901	882	884	876
Notes and coin in circulation	6 813	7 442	7 553	7 495	7 394	7 376
Notes	6 185	6 744	6 828	6 768	6 665	6 648
Coin	628	698	725	727	729	728
Liabilities to financial institutions	9 874	11 879	15 643	14 976	14 173	15 617
Banks' cheque accounts	70	147	33	241	67	8
Call money market deposits	3 063	2 216	5 120	4 277	3 661	4 981
Cash reserve deposits	6 604	8 696	9 686	9 690	9 690	9 878
Capital import deposits	59	745	700	666	660	652
Other liabilities to financial institutions	78	75	104	102	95	98
Liabilities to the public sector	1 820	4 277	858	4 159	4 159	1 658
Cheque accounts	1	1	0	1	1	0
Government deposit account	1 800	4 200	800	4 100	4 100	1 600
Export deposits	19	76	58	58	58	58
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	0	0	0	0	0
Liabilities to corporations	3 040	2 814	4 069	4 398	4 396	4 400
Deposits for investment and ship purchase	1 803	2 127	3 389	3 734	3 735	3 749
Capital import deposits	1 234	668	676	660	657	647
Other liabilities to corporations	3	19	4	4	4	4
Other liabilities	16	16	15	19	18	18
Valuation account and reserves	1 530	963	1 274	1 013	946	910
SITRA's capital	400	400	400	400	400	400
Capital accounts	4 960	5 890	5 944	5 948	5 948	5 948
Primary capital	3 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	1 638	638	764	764	764	764
Undisposed profits	273	—	126	126	126	126
Net earnings	49	252	54	58	58	58
<b>Total</b>	<b>32 163</b>	<b>38 242</b>	<b>39 486</b>	<b>42 121</b>	<b>41 149</b>	<b>40 045</b>

End of year or month	Foreign sector						Public sector			
	Gold, SDRs, IMF reserve tranche	Convertible currencies, net	Total convertible reserves (1 + 2)	Tied currencies, net	Other claims, net	Net claims (3 to 5)	Claims	Certificates of deposit and deposit account	Other liabilities	Net liabilities (8 - 7 + 9)
	1	2	3	4	5	6	7	8	9	10
1981	2 408	5 050	7 458	1 909	-991	8 376	1 236	1 600	578	942
1982	2 444	6 561	9 005	1 525	-1 447	9 083	1 040	1 700	50	710
1983	2 360	5 835	8 195	550	-794	7 951	2 178	3 000	0	822
1984	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1984										
July	2 970	13 890	16 860	224	-184	16 900	2 109	1 800	20	-289
Aug.	2 975	14 947	17 922	-375	-181	17 366	2 080	1 200	30	-850
Sept.	3 009	13 991	17 000	-836	-910	15 254	2 039	1 500	38	-501
Oct.	3 019	15 013	18 032	-1 025	-915	16 092	1 998	1 500	52	-446
Nov.	3 095	16 237	19 332	-1 342	-905	17 085	2 000	2 200	65	265
Dec.	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1985										
Jan.	3 542	17 438	20 980	-34	-924	20 022	1 952	1 200	85	-667
Feb.	3 631	18 254	21 885	-368	-965	20 552	1 958	2 800	93	935
March	3 540	17 366	20 906	-502	-910	19 494	2 021	1 400	100	-521
April	3 565	17 639	21 204	-321	-917	19 966	1 808	1 000	510	-298
May	3 537	18 128	21 665	62	-907	20 820	1 819	1 100	100	-619
June	3 547	18 743	22 290	253	-901	21 642	1 817	800	58	-959
July	3 498	18 842	22 340	269	-889	21 720	1 580	1 600	58	78

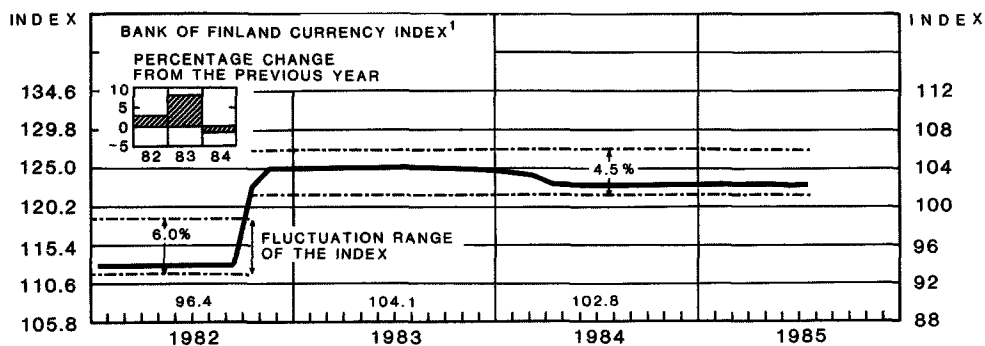
## OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1984	April 30, 1985	May 31, 1985	June 28, 1985	July 31, 1985
Gold	1 732	1 732	1 732	1 732	1 732
SDRs	936	961	963	960	934
IMF reserve tranche	859	872	842	855	832
Convertible currencies, net	15 303	17 639	18 128	18 743	18 842
Total convertible reserves, net	18 830	21 204	21 665	22 290	22 340
Tied currencies, net	-337	-321	62	253	269
Total reserves, net	18 493	20 883	21 727	22 543	22 609

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
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
1984	1 563	383	5 018	2 216	8 696	-1 235	-2 713	4 646	2 614	2 032	7 442
1984											
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
Dec.	1 563	383	5 018	2 216	8 696	-1 235	-2 713	4 646	2 614	2 032	7 442
1985											
Jan.	1 382	110	2 868	5 738	8 799	-1 245	-8 932	4 765	2 632	2 133	6 881
Feb.	1 364	26	4 816	5 184	9 241	-1 197	-7 022	4 729	2 921	1 808	6 929
March	1 273	1	4 599	5 335	9 452	-1 173	-7 741	4 751	3 085	1 666	6 972
April	1 435	29	4 558	5 199	9 502	-1 170	-7 509	4 684	3 243	1 441	7 173
May	1 373	47	3 611	4 785	9 577	-1 175	-8 156	4 744	3 237	1 507	7 322
June	1 384	0	3 845	5 120	9 686	-1 163	-8 414	4 754	3 899	855	7 553
July	1 533	64	4 391	4 981	9 878	-1 203	-7 668	4 758	4 223	535	7 376

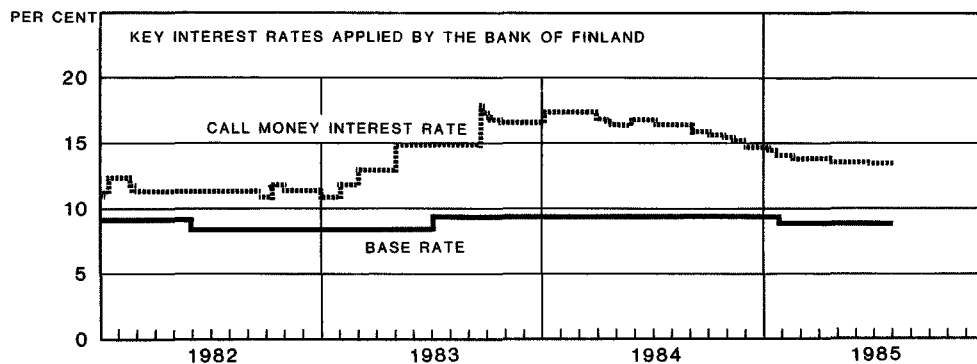
<sup>1</sup> The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



# 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
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
1984	3 176	-6 365	6 325	5.4	-39	16.53	16.53	9.50	10.49
1984									
May	1 471	-8 557	6 149	5.6	-2 407	16.53	16.52	9.50	10.45
June	1 175	-9 062	6 429	5.6	-2 633	16.80	16.80	9.50	10.50
July	1 463	-7 680	6 481	5.6	-1 199	16.53	16.51	9.50	10.50
Aug.	1 462	-8 136	6 598	5.6	-1 538	16.50	16.50	9.50	10.51
Sept.	2 127	-8 186	6 672	5.6	-1 515	16.10	16.04	9.50	10.56
Oct.	2 948	-6 801	6 755	5.6	-46	15.75	15.76	9.50	10.55
Nov.	4 181	-6 888	7 410	5.6	522	15.48	15.48	9.50	10.63
Dec.	5 650	-5 999	8 051	5.6	2 052	15.07	15.07	9.50	10.68
1985									
Jan.	4 713	-7 902	8 700	5.6	798	14.57	14.61	9.50	10.69
Feb.	4 414	-9 319	8 815	5.6	-504	14.18	14.18	9.00	10.30
March	5 727	-8 143	9 261	5.6	1 119	14.00	14.00	9.00	10.36
April	5 483	-8 901	9 453	5.6	552	13.96	13.96	9.00	10.38
May	4 691	-9 267	9 504	5.6	236	13.80	13.80	9.00	10.37
June	4 337	-10 150	9 588	5.6	-562	13.77	13.77	9.00	10.37
July	5 444	-8 711	9 695	5.6	984	13.60	13.60	9.00	..

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





# FORWARD EXCHANGE MARKETS IN FINLAND

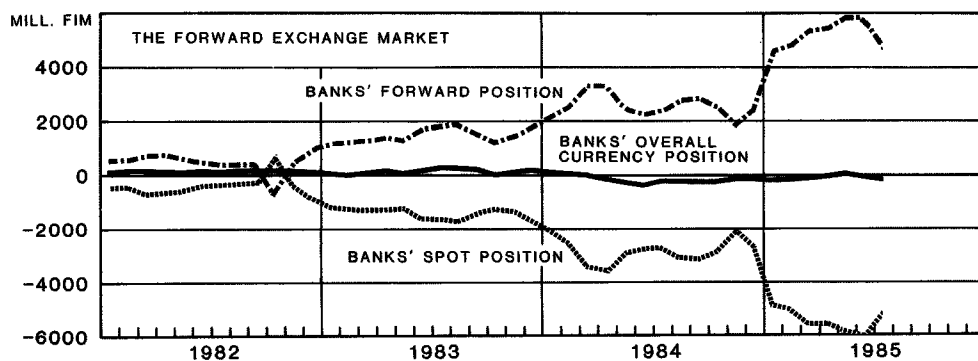
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1983	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1984	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1

1984

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
Nov.	22 383	1 786	20 597	1 790	-20 139	2 460	5.2	5.2	4.9
Dec.	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1

1985

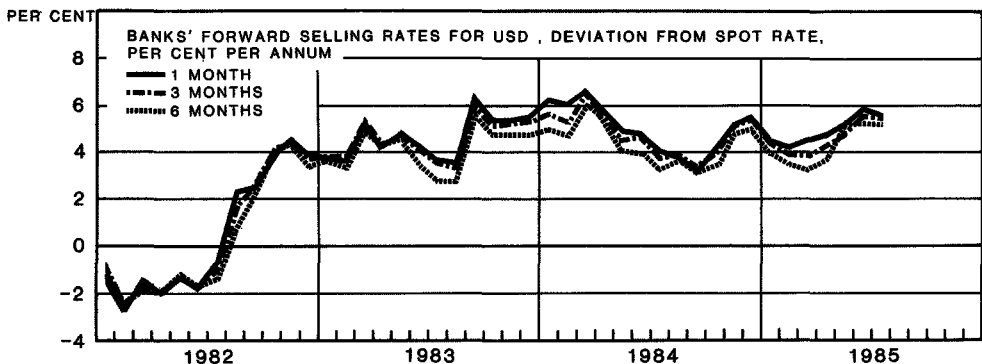
Jan.	23 207	1 450	21 757	2 949	-19 394	5 420	4.5	4.4	4.1
Feb.	22 602	1 592	21 010	2 971	-18 333	5 186	4.3	4.0	3.6
March	23 343	2 246	21 097	1 048	-16 848	5 575	4.6	4.0	3.3
April	22 987	2 218	20 769	1 640	-16 768	5 752	4.8	4.3	3.8
May	22 085	2 316	19 769	1 708	-15 704	5 865	5.3	4.9	4.5
June	21 221	2 259	18 962	1 941	-15 352	5 478	6.0	5.7	5.4



# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

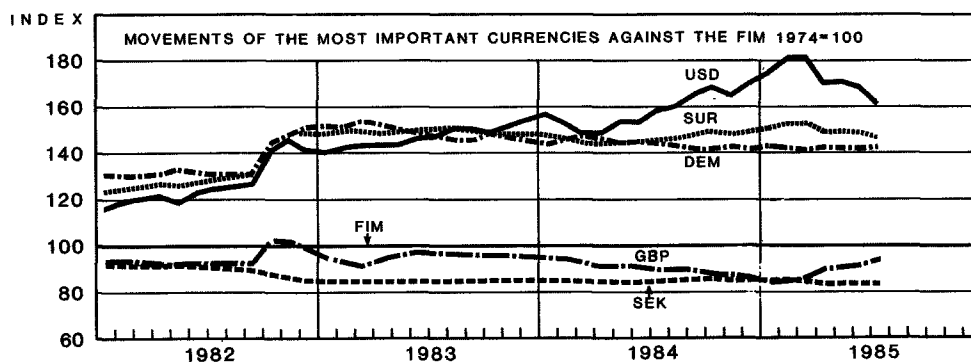
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC BEL	
	1	2	3	4	5	6	7	8	9	10	11
1980	3.730	3.194	8.691	7.689	88.43	75.81	66.53	205.58	188.02	12.818	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
1984	6.010	4.645	8.023	6.533	72.77	73.84	58.16	211.65	187.72	10.428	10.274
1984											
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
Dec.	6.458	4.896	7.686	6.512	73.07	72.10	58.16	208.46	184.72	10.379	10.341
1985											
Jan.	6.640	5.023	7.510	6.548	73.38	72.53	58.75	209.90	185.81	10.489	10.455
Feb.	6.853	5.078	7.525	6.496	73.69	72.64	58.28	208.47	184.09	10.385	10.342
March	6.861	4.962	7.688	6.486	72.97	72.56	58.11	207.80	183.82	10.341	10.286
April	6.445	4.732	8.028	6.562	72.05	72.52	58.32	209.55	185.32	10.405	10.354
May	6.477	4.716	8.091	6.533	72.14	72.47	58.00	208.44	184.60	10.365	10.319
June	6.371	4.665	8.172	6.535	72.10	72.40	58.06	208.37	184.78	10.347	10.298
July	6.099	4.516	8.402	6.570	71.95	72.29	58.26	209.37	185.97	10.398	10.316



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 ESB	Tokyo 100 Y JPY	Moscow 1 Cl Rbl SUR	1 special drawing right SDR	Currency index <sup>1</sup>
12	13	14	15	16	17	18	19	20	21	22
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
256.42	69.07	0.344	30.13	4.14	19.39	3.75	2.534	7.357	6.147 39	102.8
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
252.66	68.18	0.340	29.71	3.92	16.38	3.77	2.609	7.516	6.366 57	102.5
250.36	68.70	0.343	29.92	3.90	16.54	3.81	2.619	7.582	6.470 31	102.5
245.43	68.34	0.339	29.70	3.83	16.72	3.79	2.636	7.652	6.582 22	102.5
244.48	68.14	0.331	29.61	3.81	16.62	3.76	2.660	7.654	6.601 66	102.5
249.89	68.78	0.329	29.85	3.77	16.02	3.76	2.568	7.487	6.380 70	102.5
247.90	68.50	0.328	29.68	3.71	15.73	3.71	2.578	7.496	6.399 94	102.5
248.20	68.49	0.328	29.67	3.69	15.52	3.67	2.564	7.455	6.344 84	102.4
252.74	68.98	0.323	29.82	3.64	15.07	3.64	2.529	7.359	6.211 68	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

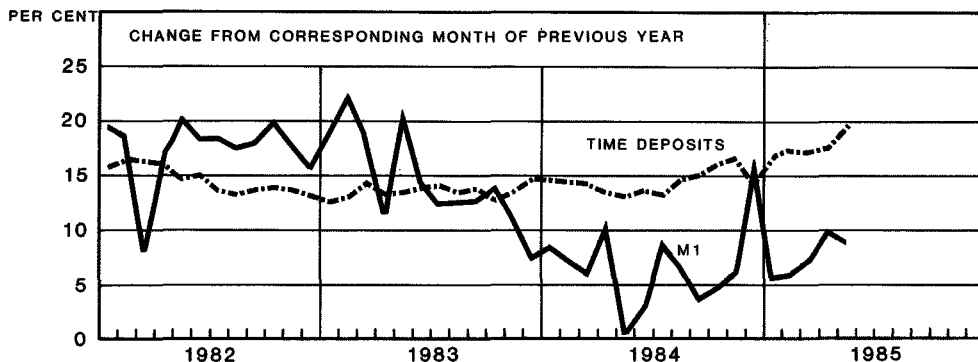
End of year and month	Demand deposits				Time deposits					Total (4 + 9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	
1981	5 791	2 879	2 952	11 622	26 094	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
1984*	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 265	111 852	130 053

## 1984\*

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
Sept.	6 489	4 400	4 826	15 715	36 626	32 140	26 882	10 593	106 241	121 956
Oct.	7 423	4 522	4 621	16 566	37 457	32 255	26 919	10 710	107 341	123 907
Nov.	7 532	4 315	3 876	15 723	38 240	32 459	27 192	10 815	108 706	124 429
Dec.	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 265	111 852	130 053

## 1985\*

Jan.	7 742	4 442	4 655	16 839	40 372	34 040	28 637	11 762	114 811	131 650
Feb.	7 340	4 255	4 445	16 040	41 866	34 730	29 275	11 806	117 677	133 717
March	6 579	4 273	4 663	15 515	42 639	34 659	29 180	11 692	118 170	133 685
April	7 660	4 504	4 786	16 950	42 772	34 904	29 368	11 726	118 770	135 720
May	7 461	4 732	4 444	16 637	43 804	35 347	29 838	11 892	120 881	137 518



# ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

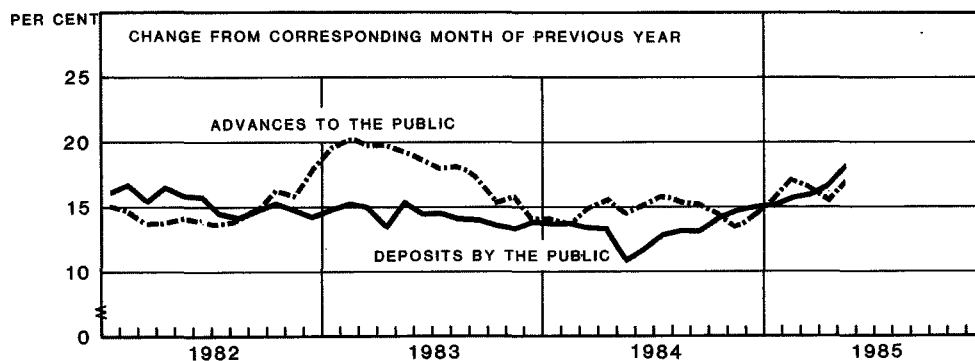
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi-Money
	1	2	3	4	5	6	7		8	9
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
1984*	65 965	32 705	31 164	14 686	118 924	5 233	20 363	144 520	24 945	141 658

## 1984\*

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	14 344	110 255	5 208	20 892	136 355	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	14 406	112 850	5 345	20 736	138 931	22 460	132 019
Sept.	64 225	31 820	30 077	14 562	114 602	5 401	20 681	140 684	22 238	132 660
Oct.	64 242	32 223	30 465	14 536	116 239	5 398	19 829	141 466	22 832	134 162
Nov.	64 911	32 478	30 810	14 687	117 443	5 697	19 746	142 886	22 426	135 800
Dec.	65 965	32 705	31 164	14 686	118 924	5 233	20 363	144 520	24 945	141 658

## 1985\*

Jan.	68 756	33 087	31 445	15 369	120 263	6 014	22 380	148 657	23 357	143 069
Feb.	71 757	33 384	31 707	15 327	121 848	6 099	24 228	152 175	22 617	145 403
March	72 453	33 564	31 988	15 565	123 188	6 305	24 077	153 570	22 152	145 638
April	73 567	33 860	32 184	15 483	124 350	6 319	24 425	155 094	23 595	147 783
May	75 015	34 172	32 621	15 882	126 021	6 365	25 304	157 690	23 423	149 700



## STATE FINANCES

Mill. FIM

Revenue	Jan.-April		Expenditure	Jan.-April	
	1984	1985		1984	1985
Income and wealth tax (net)	6 346	6 741	Wages, salaries, pensions etc.	4 069	4 410
Gross receipts	18 452	20 322	Repair and maintenance	429	423
Refunds & local authorities	-12 106	-13 581	Other consumption expenditure	2 659	2 973
Other taxes on income and wealth	233	238	Total consumption expenditure	7 157	7 806
Employers' child allowance payments	1	224	State aid to local authorities	5 812	5 824
Sales tax	6 738	7 426	State aid to industries	2 945	3 282
of which: agric. price subsidies			of which: agric. price subsidies	1 423	1 893
Customs duties and import charges and levies	518	549	Child allowances	580	614
Excise duties	3 115	3 522	Share in national pensions and sickness insurance schemes	961	784
Excise duty on alcoholic bev.	1 156	1 050	Deficit of State enterprises	388	420
Excise duty on tobacco	429	472	Other transfer expenditure	3 655	3 698
Excise duty on liquid fuel	1 085	1 403	Total transfer expenditure	14 341	14 622
Other excise duties	445	597	Machinery and equipment	564	619
Tax on autom. and motor-cycles	853	988	Construction of buildings	312	290
Stamp duties	671	831	Land and waterway construction	608	600
Special diesel etc. vehicles tax	128	137	Total real investment	1 484	1 509
Other taxes and similar revenue	601	522	Interest on State debt	1 661	1 970
Total taxes	19 204	21 178	Other expenditure	4	3
Miscellaneous revenue	1 849	1 849	Total other expenditure	1 665	1 973
Interest, dividends etc.	349	556	Increase in inventories	-230	11
Surplus of state enterprises	738	832	Lending	1 136	1 056
Redemptions of loans granted	187	302	Other financial investment	237	367
<b>Total revenue</b>	<b>22 327</b>	<b>24 717</b>	<b>Total expenditure</b>	<b>25 790</b>	<b>27 344</b>
Foreign borrowing	1 833	1 788	Redemption of foreign loans	923	555
Domestic borrowing	2 281	2 622	Redemption of domestic loans	1 752	2 152
<b>Total borrowing</b>	<b>4 114</b>	<b>4 410</b>	<b>Total redemptions</b>	<b>2 675</b>	<b>2 707</b>
<b>Deficit (+) or surplus (-)</b>	<b>2 024</b>	<b>924</b>			
<b>Total</b>	<b>28 465</b>	<b>30 051</b>	<b>Total</b>	<b>28 465</b>	<b>30 051</b>

State debt	1983	1984	1985			
	Dec.	Dec.	Feb.	March	April	May
<b>Foreign debt</b>	21 723	24 946	26 110	25 197	26 076	25 532
Long-term debt	16 383	19 057	19 555	19 606	19 431	19 864
Short-term credit	18	266	284	284	286	398
<b>Domestic debt</b>	16 401	19 323	19 839	19 890	19 717	20 262
<b>Total State debt</b>	<b>38 124</b>	<b>44 269</b>	<b>45 949</b>	<b>45 087</b>	<b>45 793</b>	<b>45 794</b>
Total debt mill. \$	6 506	6 855	6 705	6 571	7 105	7 070

# FOREIGN TRADE

Mill. FIM

Period	Value, mill. FIM		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
	1	2	3
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	80 904	74 682	+6 222

1984

Sept.	6 954	5 904	+1 050
Oct.	7 735	6 756	+979
Nov.	7 286	6 380	+906
Dec.	6 884	6 622	+262

1985\*

Jan.	6 906	7 085	-179
Feb.	6 586	4 787	+1 799
March	6 614	6 944	-330
April	7 094	7 075	+19
May	8 304	7 157	+1 147

Jan.—May

1984	33 187	29 333	+3 854
1985*	35 504	33 048	+2 456

Period	Indices of exports and imports 1980 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	100	95	119	117	101
1983	104	98	127	125	101
1984	114	98	134	131	102

1983

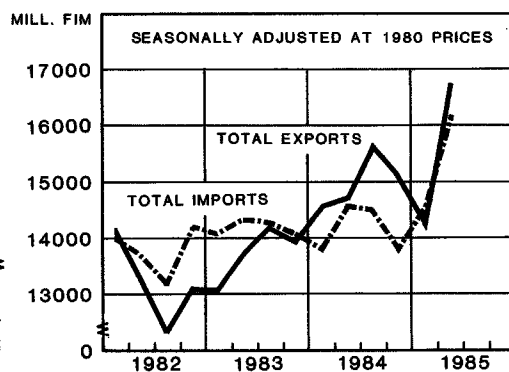
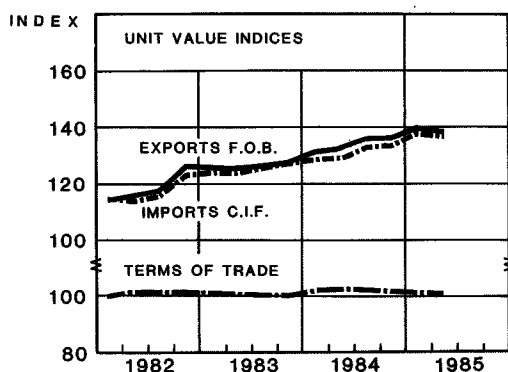
Jan.-March	101	90	126	125	101
Apr.-June	103	95	126	124	101
July-Sept.	97	97	127	127	100
Oct.-Dec.	115	108	128	128	100

1984

Jan.-March	114	90	132	129	102
Apr.-June	113	99	133	130	102
July-Sept.	108	99	137	133	103
Oct.-Dec.	121	101	137	134	102

1985\*

Jan.-March	108	93	140	138	101
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# FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri-cultural 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	
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	2 865	7 145	23 573	22 998	24 323	47 028	5 034	10 993	11 454	173

1984

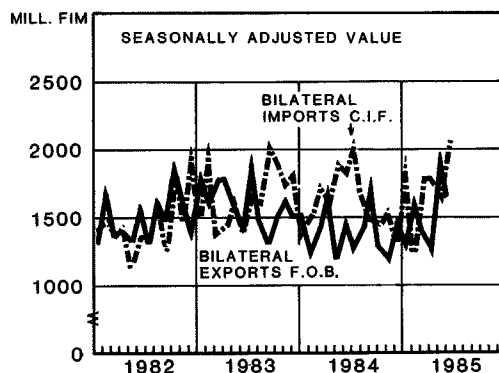
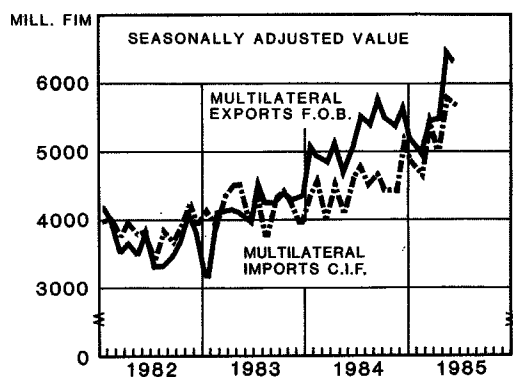
Sept.	144	661	2 029	2 003	2 117	3 666	480	783	972	3
Oct.	180	674	2 209	2 662	2 010	4 175	538	958	1 075	10
Nov.	151	584	2 165	2 349	2 037	3 946	483	958	982	11
Dec.	229	604	2 020	1 531	2 500	4 319	227	1 059	1 006	11

1985\*

Jan.	282	622	2 050	1 835	2 117	4 740	273	878	1 013	181
Feb.	393	482	1 991	1 860	1 860	2 740	218	788	1 025	16
March	295	465	2 157	1 586	2 111	4 251	248	1 082	1 214	149
April	287	590	2 224	1 886	2 107	4 375	436	1 049	1 206	9
May	293	620	2 358	2 596	2 437	4 778	395	929	1 047	8

Jan.—May

1984	1 406	2 867	9 326	9 533	10 055	17 931	1 737	4 701	4 858	106
1985*	1 550	2 779	10 780	9 763	10 632	20 884	1 570	4 726	5 505	363





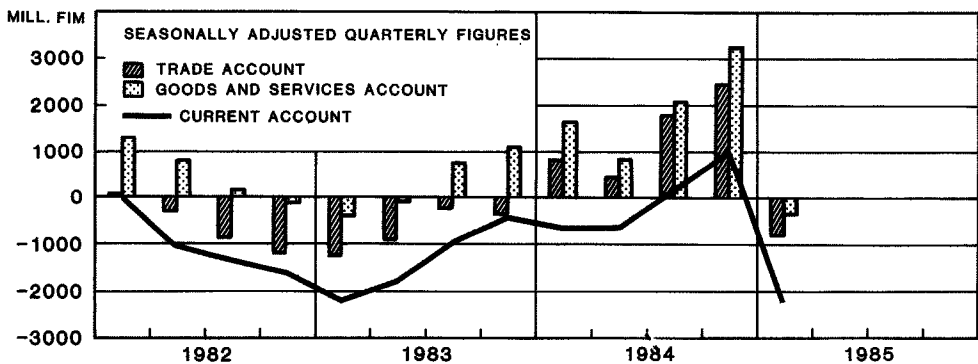
## FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January–May				January–May			
	1984*		1985*		1984*		1985*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
<b>OECD countries in Europe</b>	58.5	19 403	57.5	20 427	56.6	16 589	57.5	19 008
Austria	0.7	240	0.7	237	1.1	334	1.1	379
Belgium and Luxembourg	1.5	502	1.5	541	2.1	603	2.1	678
Denmark	4.3	1 413	3.9	1 376	2.6	768	2.4	783
France	4.4	1 464	4.4	1 557	3.4	984	3.6	1 174
Federal Republic of Germany	10.2	3 385	9.4	3 343	14.7	4 323	15.3	5 058
Italy	2.2	739	2.0	720	3.4	1 005	3.4	1 110
Netherlands	3.6	1 193	3.5	1 224	2.9	854	2.8	931
Norway	5.5	1 806	4.4	1 564	2.2	650	2.9	956
Portugal	0.2	79	0.3	104	0.8	221	0.8	259
Spain	0.7	244	0.8	283	0.9	263	1.0	338
Sweden	12.1	4 003	12.9	4 592	13.4	3 919	11.8	3 905
Switzerland	1.2	401	1.6	585	1.7	498	1.6	538
United Kingdom	10.5	3 488	10.7	3 808	6.7	1 954	8.0	2 648
Other	1.4	446	1.4	493	0.7	213	0.7	251
<b>OECD countries outside Europe</b>	10.7	3 555	10.7	3 798	12.4	3 642	11.4	3 776
Canada	0.7	238	1.2	438	0.7	204	0.7	220
Japan	1.4	452	1.7	601	6.3	1 844	5.4	1 803
United States	7.6	2 531	6.5	2 308	5.2	1 514	5.0	1 667
Other	1.0	334	1.3	451	0.2	80	0.3	86
<b>CMEA countries</b>	21.9	7 279	21.3	7 567	23.9	7 024	22.0	7 266
Czechoslovakia	0.4	121	0.4	132	0.4	126	0.5	153
German Democratic Republic	0.4	141	0.5	201	0.5	156	0.4	149
Poland	0.3	108	0.5	178	1.2	362	1.3	424
Soviet Union	20.3	6 739	19.3	6 837	21.3	6 247	19.2	6 335
Other	0.5	170	0.6	219	0.5	133	0.6	205
<b>Latin America</b>	0.8	266	1.9	674	2.8	824	2.7	905
Argentina	0.1	23	0.1	28	0.2	45	0.1	47
Brazil	0.2	51	0.2	62	1.1	314	0.9	300
Colombia	0.1	46	0.1	47	0.6	185	0.7	213
Other	0.4	146	1.5	537	0.9	280	1.0	345
<b>Other</b>	8.1	2 684	8.6	3 038	4.3	1 254	6.4	2 093
<b>GRAND TOTAL</b>	100.0	33 187	100.0	35 504	100.0	29 333	100.0	33 048
of which								
<b>EFTA countries</b>	19.8	6 569	20.1	7 143	19.4	5 682	18.4	6 095
<b>EEC countries</b>	37.7	12 528	36.4	12 918	36.2	10 626	38.0	12 558
<b>OECD countries</b>	69.2	22 959	68.2	24 225	69.0	20 231	68.9	22 784

# BALANCE OF PAYMENTS

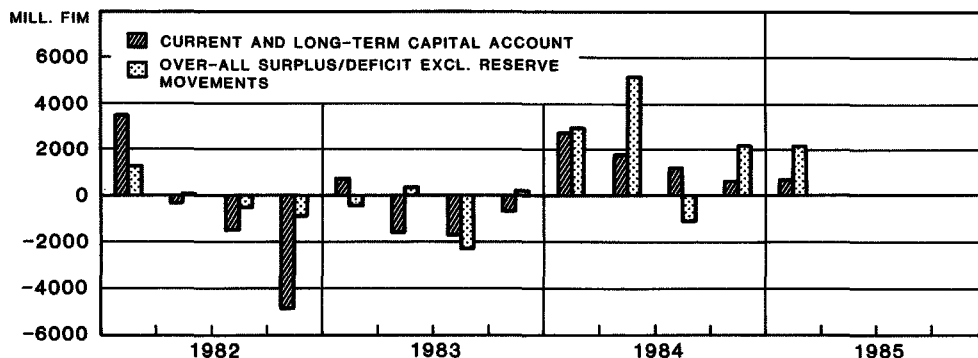
Period	Exports f.o.b.	Imports c.i.f.	Trade account (1-2)	Transport, net	Travel, net	Other services, net	Goods and services account (3 to 6)	Invest- ment income, net	Un- requited transfers, net	Other, net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
1981	60 243	61 703	-1 460	+3 088	+405	+1 049	+3 082	-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	69 368	72 139	-2 771	+3 200	-748	+1 610	+1 291	-5 817	-797	+96	-5 227
1984*	80 607	75 099	+5 508	+3 919	-1 212	-163	+8 052	-6 781	-997	-274	0
1982											
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	16 740	16 469	+271	+744	-292	+142	+865	-1 557	-243	+5	-930
Apr.-June	17 098	17 538	-440	+753	-229	+288	+372	-1 492	-176	+42	-1 254
July-Sept.	16 180	17 970	-1 790	+888	+45	+487	-370	-1 463	-174	+53	-1 954
Oct.-Dec.	19 350	20 162	-812	+815	-272	+693	+424	-1 305	-204	-4	-1 089
1984*											
Jan.-March	19 678	17 066	+2 612	+967	-370	-61	+3 148	-2 010	-272	-72	+794
Apr.-June	19 701	18 846	+855	+984	-326	-181	+1 332	-1 219	-190	-44	-121
July-Sept.	19 395	19 324	+71	+1 105	-123	-104	+949	-1 593	-267	-51	-962
Oct.-Dec.	21 833	19 863	+1 970	+863	-393	+183	+2 623	-1 959	-268	-107	+289
1985*											
Jan.-March	20 087	18 939	+1 148	+899	-481	-140	+1 426	-1 532	-356	-133	-595



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
+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	-1 388	+1 874	-3 353	+3 273	-3 380	+1 266	+32	-2 162	+2 162
+14 087	-7 538	-1 682	+1 428	+6 295	+6 295	+695	+3 308	+2 086	-3 109	+9 275	-9 275
+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	+702	-115	+654	-1 220	-503	-482	+482
+2 435	-2 895	+273	-204	-391	-1 645	+1 261	-343	+699	+425	+397	-397
+1 479	-1 269	+142	-129	+223	-1 731	+1 197	-1 662	-593	+476	-2 313	+2 313
+3 213	-1 838	-92	-873	+410	-679	+930	-2 029	+2 380	-366	+236	-236
+4 075	-1 887	-235	-47	+1 906	+2 700	-1 002	+1 135	+2 443	-2 290	+2 986	-2 986
+3 858	-2 351	+89	+276	+1 872	+1 751	+1 087	+162	+2 531	-309	+5 222	-5 222
+2 495	-1 185	-603	+1 475	+2 182	+1 220	+332	+6	-2 186	-512	-1 140	+1 140
+3 659	-2 115	-933	-276	+335	+624	+278	+2 005	-702	+2	+2 207	-2 207
+2 977	-1 738	+124	-49	+1 314	+719	+608	+329	+2 071	-1 574	+2 153	-2 153

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
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
1984*	8 920	8 689	1 915	19 524	63 958	3 865	2 646	2 013	805	73 287	53 763

## 1982

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

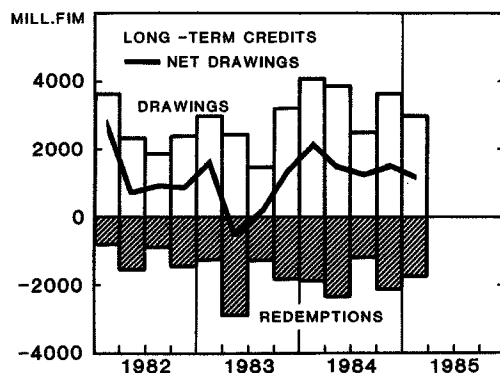
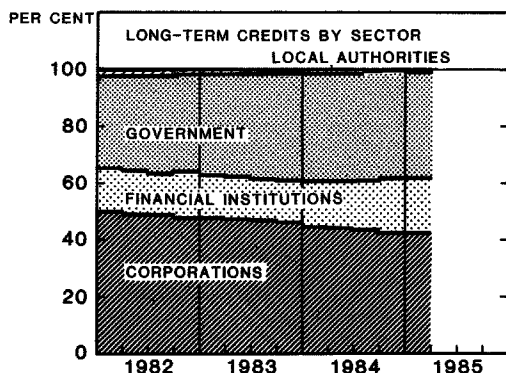
March	6 672	5 003	3 892	15 567	49 897	4 759	2 288	..	846	57 790	42 223
June	6 458	4 998	3 956	15 412	49 921	4 462	2 306	..	812	57 501	42 089
Sept.	6 411	5 392	3 935	15 738	50 705	4 566	2 303	..	798	58 372	42 634
Dec.	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808

## 1984\*

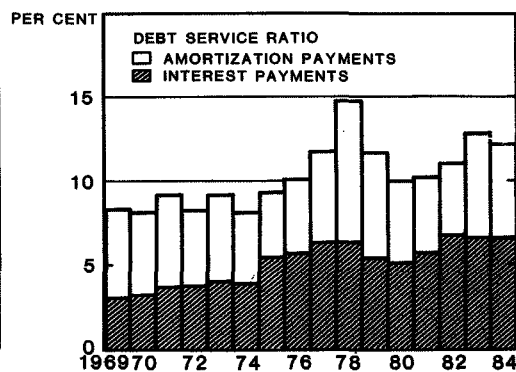
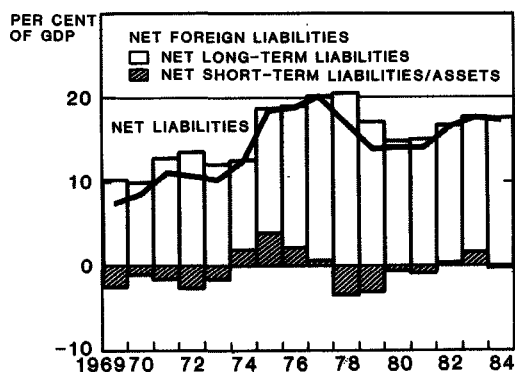
March	6 658	6 687	3 539	16 884	54 014	4 225	2 354	987	731	62 311	45 427
June	6 827	7 435	3 230	17 492	57 198	3 937	2 393	1 640	729	65 897	48 405
Sept.	7 767	7 834	1 839	17 440	60 497	3 951	2 410	1 957	834	69 649	52 209
Dec.	8 920	8 689	1 915	19 524	63 958	3 865	2 646	2 013	805	73 287	53 763

## 1985\*

March	8 676	9 408	2 071	20 155	64 798	3 616	2 631	2 900	778	74 723	54 568
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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
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	7 994	3 494
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	9 069	3 464
11 842	29 263	15 915	57 020	5 705	39 443	16 180	61 328	4 308	49 116	11 591	5 621
22 912	43 319	12 491	78 722	4 562	55 695	17 922	78 179	-543	53 220	12 878	5 896
12 846	14 641	13 536	41 023	3 077	19 349	15 048	37 474	-3 549	33 190	2 730	1 017
12 456	17 474	13 531	43 461	4 097	21 737	14 859	40 693	-2 768	34 871	2 040	662
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	2 542	1 185
12 365	22 166	14 580	49 111	4 637	29 530	15 112	49 279	168	42 391	2 535	942
12 905	23 008	14 878	50 791	4 705	31 137	16 563	52 405	1 614	43 703	3 788	2 243
10 556	23 605	15 681	49 842	4 737	31 289	16 805	52 831	2 989	45 623	2 542	1 049
11 842	29 263	15 915	57 020	5 705	39 443	16 180	61 328	4 308	49 116	2 726	1 387
14 740	25 724	15 522	55 986	3 657	37 966	15 617	57 240	1 254	46 681	3 523	1 452
20 705	31 935	15 083	67 723	3 775	47 084	16 884	67 743	20	48 425	3 260	1 987
21 064	34 621	14 700	70 385	4 815	47 882	17 388	70 085	-300	51 909	2 448	821
22 912	43 319	12 491	78 722	4 562	55 695	17 922	78 179	-543	53 220	3 647	1 636
24 785	44 761	12 369	81 915	4 535	59 208	18 417	82 160	245	54 813	3 238	1 689



# 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	
1983	1 189	127.6	128.8	124.2	125.9	130.8	128.5	128.7	124.4	129.3
1984	1 261	134.5	135.9	130.0	132.6	137.5	135.8	136.6	133.7	136.1
1984										
Nov.	1 291	137.4	139.2	131.7	136.1	139.9	137.8	138.8	136.3	138.2
Dec.	1 298	138.1	139.7	133.4	137.1	140.4	138.2	139.0	136.5	138.3
1985										
Jan.	1 308	139.2	140.5	135.1	137.8	142.7	138.5	140.0	137.8	139.1
Feb.	1 321	140.4	141.5	137.0	139.5	143.3	139.4	140.8	138.0	140.1
March	1 332	141.4	142.2	138.9	140.6	144.6	139.9	143.3	144.0	141.8
April	1 334	141.5	143.4	135.6	139.8	145.2	141.5	144.1	145.1	142.5
May	1 335	141.6	144.2	133.9	139.3	146.2	142.5	144.2	145.4	142.3
June	1 332	141.3	143.9	133.4	138.6	146.0	142.9	144.6	145.6	142.7

Period	Consumer prices 1981 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1983	118.7	120.0	125.1	112.8	118.4	114.3	126.6	117.4	116.9	120.7
1984	127.1	129.1	132.5	119.4	124.5	123.0	145.2	125.4	126.4	130.8
1984										
Nov.	129.7	133.4	133.0	123.4	126.3	125.9	149.4	127.1	128.6	133.3
Dec.	129.8	132.6	133.1	123.4	126.4	126.2	149.4	128.0	128.8	133.7
1985										
Jan.	131.2	133.7	139.6	119.4	126.9	126.6	153.6	129.2	130.3	137.7
Feb.	131.7	134.9	139.7	121.4	126.9	127.4	153.6	129.7	130.2	137.9
March	133.0	137.9	139.7	123.7	127.2	128.0	153.6	131.5	130.7	138.2
April	133.7	139.3	139.7	125.9	127.2	128.5	153.6	132.2	131.2	138.9
May	135.0	140.0	139.7	126.6	132.6	129.2	154.7	130.6	131.8	139.9
June	135.3	141.1	139.7	126.4	132.6	129.4	154.4	130.8	132.0	140.3

## WAGES

Index of wage and salary earnings 1980 = 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	
1982	124.1	125.1	124.3	124.8	123.8	125.5	124.8	124.9	124.6	124.8
1983	132.1	137.3	138.2	138.8	137.3	140.0	137.4	138.4	136.9	137.8
1984*	148.5	149.9	152.7	152.1	146.4	154.7	150.5	151.2	149.7	150.7
1984*										
Jan.-March	141.4	143.7	148.9	148.3	143.9	151.2	144.5	146.6	143.8	145.6
Apr.-June	147.2	152.2	151.1	152.5	146.8	155.1	151.2	151.6	150.8	151.3
July-Sept.	150.9	151.1	153.0	153.3	146.8	155.9	152.0	152.6	150.8	152.0
Oct.-Dec.	154.6	152.7	158.0	154.5	148.2	156.6	154.2	154.1	153.4	153.8
1985*										
Jan.-March	160.6	155.6	161.1	159.6	153.1	162.5	156.9	158.0	156.4	157.4

## 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
1983*										
Jan.-March	101	103	74	100	83	95	97	95	111	108
Apr.-June	107	111	80	90	90	103	105	109	111	115
July-Sept.	108	99	206	41	119	103	108	105	112	113
Oct.-Dec.	117	116	88	101	148	104	121	117	114	121
1984*										
Jan.-March	104	110	75	89	82	93	103	98	114	113
Apr.-June	109	114	83	90	84	104	109	108	114	121
July-Sept.	110	102	199	45	114	104	107	110	115	119
Oct.-Dec.	121	123	94	118	141	106	121	119	117	128
1985*										
Jan.-March	108	111	78	101	83	89	107	101	117	117

# PRODUCTION

Index of industrial production 1980 = 100

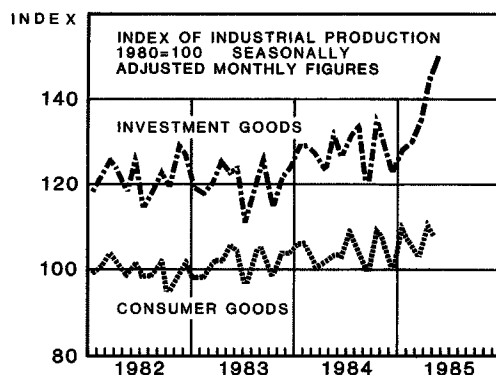
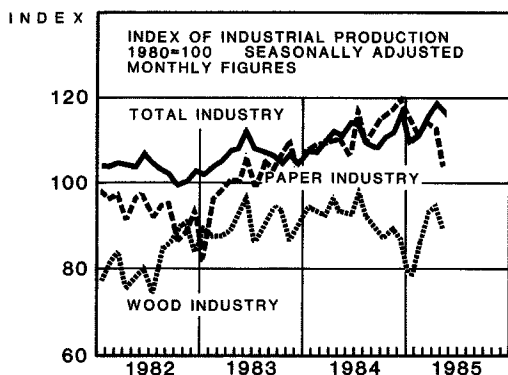
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1982	103.6	122.9	100.5	101.5	106.0	82.4	94.7	98.8	110.0	113.9	103.8
1983*	106.9	121.2	102.4	106.4	108.6	91.0	102.2	105.1	117.3	114.5	106.9
1984*	111.3	129.2	105.0	111.0	108.3	92.3	113.0	109.6	107.8	120.8	111.6

1984\*

May	121.7	152.7	110.4	121.5	116.6	120.7	117.0	118.1	116.4	140.5	111.8
June	110.0	144.5	101.5	107.9	103.6	103.1	91.5	105.3	114.7	128.2	114.7
July	74.9	54.7	71.9	79.8	97.2	41.7	124.2	70.9	62.1	56.0	114.5
Aug.	114.7	131.5	108.7	114.5	114.3	90.5	117.5	112.2	124.7	122.7	109.7
Sept.	110.5	127.3	102.0	111.5	105.6	99.6	111.3	112.2	127.7	120.6	108.6
Oct.	126.3	145.0	122.4	124.7	140.4	104.6	124.2	121.4	135.8	137.9	111.3
Nov.	124.2	144.5	121.7	121.6	132.1	94.9	123.0	120.7	116.6	136.8	111.9
Dec.	104.4	122.7	98.4	104.0	102.4	65.3	109.5	102.5	94.3	116.6	117.6

1985\*

Jan.	117.1	131.4	114.6	115.7	101.9	78.3	117.9	107.7	108.8	126.4	109.8
Feb.	108.3	128.1	103.2	107.2	87.5	78.2	109.4	106.0	87.1	119.5	112.3
March	119.1	143.9	110.7	118.6	101.4	98.4	122.1	121.6	111.5	131.6	116.9
April	118.6	148.5	109.6	117.5	104.7	107.5	104.9	127.3	101.9	137.7	119.6
May	126.5	173.6	115.4	123.5	112.0	115.3	104.9	124.7	125.7	157.0	117.4





# 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
1983	3 681	2 546	2 390	156	6.1	39 324	107	110
1984*	3 700	2 572	2 413	158	6.2	41 288	109	109
1984*								
April	3 693	2 523	2 356	167	6.6	4 207	102	98
May	3 697	2 579	2 438	140	5.4	3 734	114	120
June	3 695	2 745	2 570	175	6.4	2 664	114	105
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	120
Sept.	3 703	2 549	2 395	153	6.0	2 353	106	117
Oct.	3 706	2 520	2 370	150	6.0	3 561	113	121
Nov.	3 704	2 517	2 358	159	6.3	4 269	111	117
Dec.	3 705	2 544	2 386	158	6.2	5 134	130	113
1985*								
Jan.	3 706	2 531	2 360	171	6.8	4 241	99	103
Feb.	3 707	2 534	2 363	171	6.7	4 581	97	101
March	3 706	2 528	2 355	173	6.8	6 031	107	110
April	3 707	2 565	2 394	170	6.6	5 882	107	114
May	3 709	2 611	2 461	150	5.7	4 598	..	..

# 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
1983	51.78	19.66	6.44	22.03	3.65	47.37	18.43	5.92	19.46	3.55	51.44
1984*	49.68	19.92	5.65	17.44	3.15	44.24	17.66	5.13	15.76	2.83	52.13
1983											
Oct.-Dec.	8.59	3.31	0.95	3.31	1.02	15.46	6.12	2.07	6.24	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
July-Sept.	12.85	4.82	1.26	4.67	1.04	9.61	3.61	1.64	2.74	0.90	55.96
Oct.-Dec.	10.28	3.44	0.81	4.65	0.72	14.40	5.84	1.96	5.00	0.65	52.13
1985*											
Jan.-March	8.49	3.30	1.07	2.94	0.61	7.87	3.55	0.52	2.64	0.68	48.31

# 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 (1983): 4.9 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1983): In South Finland 47.4, in East and Central Finland 14.3, in North Finland 4.2 and in the whole country an average of 16.0 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1983): 40% of the population inhabit the rural areas, 60% towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 471 inhabitants, Tampere (Tammerfors) 167 344, Turku (Åbo) 163 002.

EMPLOYMENT (1984): Agriculture and forestry 12%, industry and construction 33%, commerce 14%, transport and communication 7%, financing, insurance, real estate and business services 6%, community and personal services 28%.

LANGUAGE (1983): Finnish speaking 93.6%, Swedish speaking 6.1%, others 0.3%.

EDUCATION (1985): 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 (1983): births 13.8‰, deaths 9.3‰, change + 5.8‰, net immigration + 1.4‰. Deaths in France 10.3‰ and Great Britain 11.7‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1984), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 12 849 (5%), forestry 10 004 (4%), manufacturing 82 263 (30%), construction 21 786 (8%), trade, restaurants and hotels 30 337 (11%), transport and communication 21 419 (8%), banking and insurance 11 676 (4%), ownership of dwellings 17 688 (6%), other services 65 583 (24%), total 273 605. Index of real domestic product 111 (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 (1983). Cultivated land 2.4 million hectares. Number of holdings 208 229 of which 146 465 are of more than 5 ha. Measure of self-sufficiency in bread cereals 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, 1984): Length 6 069 km.

MERCHANT FLEET (June 30, 1985): Passenger vessels 161 (245 886 gross reg. tons), tankers 40 (956 935 gross reg. tons), dry cargo vessels 155 (739 596 gross reg. tons), other vessels 103 (21 211 gross reg. tons), total 459 (1 963 628 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1984): Passenger cars 1 473 975, lorries and vans 173 784, buses 9 069, others 11 159, total 1 667 987.

FINNISH AIRLINES (Feb. 28, 1985). Finnair has in use 1 DC-8-62, 3 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 3 Fokker F-27 Friendship MK. The company has scheduled flights to 34 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 traded weighted and as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 18.2, DEM 19.5, GBP 15.6, USD 9.4, other currencies 37.3. 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, 1984). There are two big and eight small commercial banks with in all 942 offices, 263 savings banks, 370 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 (Feb. 1, 1985). The Bank of Finland's base rate is 9%. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 6½% and 11%. Other credit institutions: time deposits 4% %; 6 month deposits 6% %; 12 month deposits 7½% %; 24 month deposits 8% % and sight deposits 1% %.

# FINNISH ENERGY POLICY

by Jyrki Myllyvirta, Senior Adviser  
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The international energy price crises of 1973 and 1979 also saw the adoption and intensification of an active energy policy in Finland. The first oil price shock led to the introduction of a number of temporary conservation and restrictive measures, although they were noticeably more moderate than in many other countries. At the same time, the first steps were taken towards the formulation and implementation of a long-term energy policy strategy, a good illustration of which was the establishment of an energy department at the Ministry of Trade and Industry in 1975.

The objectives and instruments of the long-term policy pursued by Finland have been officially laid down in the Energy Policy Programmes approved by the Government. The first programme was adopted in 1979 and the second, which is still in force, in 1983. The preparation of a new programme will start during the current year.

## ENERGY IN THE FINNISH ECONOMY

In Finland, energy consumption per head of population is one of the highest among industrial countries, being, for example, about 1.8 times higher than the average for European OECD countries. This is primarily due to the structure of industry — in particular, the forest industries are highly energy-intensive and account for half of industrial energy consumption — and to space heating requirements caused by the cold climate. The degree of self-sufficiency in Finland's energy supply is relatively low, i.e. only about 32 per cent. High energy consumption, coupled with a large proportion of imported energy, make energy an exceptionally vital commodity in the Finnish economy.

**TABLE. TOTAL ENERGY CONSUMPTION IN FINLAND IN 1973 AND 1984 BY SECTORS AND BY SOURCE OF ENERGY**

By sectors:	1973		1984	
	Mtoe	Per cent	Mtoe	Per cent
Industry	10.7	47	12.6	48
Space heating	6.6	29	5.7	22
Transportation	2.6	11	3.3	13
Other sectors	2.9	13	4.6	17
Total	22.8	100	26.2	100
By source of energy:				
Hydropower	2.6	11	3.3	13
Peat	0.0	0	0.9	3
Other indigenous fuels	4.5	20	4.2	16
Indigenous energy	7.1	31	8.4	32
Oil	12.7	56	8.8	34
Natural gas	—	—	0.7	2
Coal	1.9	8	2.6	10
Nuclear power	—	—	4.4	17
Electricity imports, net	1.1	5	1.3	5
Imported energy	15.7	69	17.8	68
Total	22.8	100	26.2	100

Efficient and economic use and production of energy is a prerequisite for the maintenance of Finland's international competitiveness and the curbing of inflation. According to estimates by the Ministry of Trade and Industry, efficiency in the use of energy in Finnish industry is on a par with, or even exceeds, that in Finland's competitor countries. The maintenance of competitiveness will require the continued promotion of energy conservation and ensuring the supply of competitively priced energy. In devising energy policy measures, other considerations apart from those relating directly to the energy economy have to be taken into account, such as environmental, employment and broader economic factors. In the future, the main areas of emphasis will be the same as those in other industrial policies.

Energy occupies a central position in Finnish foreign trade. It makes up about 25 per cent of commodity imports, with net imports (energy

imports less energy exports) accounting for some 20 per cent. The availability of imported energy has not posed a problem for Finland. The major part of imported energy has been obtained from the Soviet Union under bilateral trade agreements, so that balance-of-trade difficulties caused by rises in energy prices have been kept to a minimum.

At present, trade between Finland and the Soviet Union is based to a significant extent on energy imports, which account for about 80 per cent of the total volume of Finnish imports from the Soviet Union. As the diversification of imports has proved rather difficult and slow to implement, energy imports are expected to dominate this trade in the future as well.

#### ENERGY POLICY, OBJECTIVES, INSTRUMENTS AND RESULTS

Finland's energy policy objectives are set forth in the Energy Policy Programme approved in 1983. According to this Programme, the main objectives are as follows:

- ensuring the security of energy supply in accordance with the objectives established for national security and domestic economic activity;
- the economic use of energy, i.e. efficient, economic uses of energy that avoid waste; and
- increasing the share of domestic energy sources in the total supply by increasing the use of indigenous sources and the share of other indigenous production inputs in the energy economy.

The Programme stresses that decisions on energy supply should be primarily based on a comparison of the economic costs of the various alternatives. As far as possible, this comparison should also take into account the indirect costs resulting from a project, as well as both the direct and indirect costs of environmental protection.

In Finland, decisions on energy consumption and production take place at a fairly decen-

tralized level. Households, firms and municipalities generally decide themselves on their own energy consumption. Similarly, a substantial proportion of energy is imported and produced by private enterprises. The activities of state-owned energy companies are also largely based on their own commercial interests.

Under these circumstances, the government's chief means of fostering energy policy objectives are as follows:

- promotion of research and development;
- pricing and taxing policies;
- support in the form of loans or subsidies;
- regulations and legislation governing the production and consumption of energy; and
- energy information.

In the long run, the promotion of research and development related to the production and use of energy constitutes the government's most important means of influencing developments in the energy economy. The support of the government may frequently play a decisive role in stimulating the implementation of projects the results of which are uncertain.

Greater emphasis is being placed on the role of pricing and taxing in energy policy. As regards pricing, increasing attention has been paid to ensuring that prices of final products reflect energy costs. Excise taxes on fuels, particularly the heavy taxes on motor fuels, are used to influence consumption patterns. Domestic fuels are favoured by keeping them exempt from direct fuel taxation.

Support in the form of loans and grants has been granted, inter alia, for energy savings investments in the heating of buildings and in industry. Similarly, the production and use of indigenous fuels has been supported. The aim in the future is to shift the emphasis of financial support increasingly towards loans.

To some extent, the efficient and safe use of energy can be promoted by means of regula-

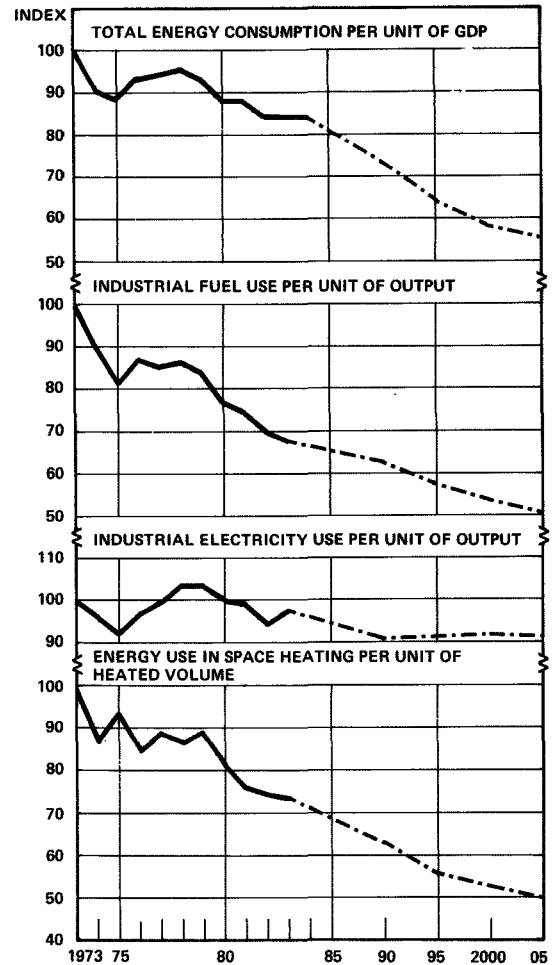
tions and legislation. Here, mention can be made of building codes, planning systems for electricity supply, provisions on buffer stocks as well as regulations governing safety and the environment. In the spring of this year, the Government presented a bill to Parliament on a new nuclear power act, which, among other things, authorizes Parliament to make decisions in principle on potential new nuclear power plants.

Information and the influencing of people's attitudes play an important role in developments in energy use. Total direct and indirect energy costs at present account for about one-fifth of the total expenditure of the household sector. Information, advisory services and education are to an increasing extent being targetted on specific economic and social groups. Efforts are made to approach the corporate sector at the industry or firm level. Information related to the use of energy in the residential sector is disseminated directly to professionals in the real estate field. At the same time, the direct provision of information to the public at large is being continued. The aim is to encourage the more efficient use of energy in the main areas of consumption and to promote both the production and use of indigenous fuels.

According to estimates by the Ministry of Trade and Industry, changes in Finland's energy supply have taken place largely in the direction prescribed in the Energy Policy Programme. Greater efficiency in the use of energy has been accomplished, energy supply as a whole functions economically and the structure of energy supply has been diversified. A central feature of the change in the structure of energy consumption since 1973 has been a rapid shift towards cheaper forms of energy. Energy savings targets have been achieved, and in some cases even exceeded. Chart 1 shows past and forecast developments in the energy intensity of total output (consumption of energy per unit of GDP), industry and space heating. By contrast, the degree of self-sufficiency in energy supply has not been raised in line with targets; rather, it seems likely to

stabilize at around 32–33 per cent in the near future.

**CHART 1. INDICES OF ENERGY INTENSITY IN 1973–2005, 1973 = 100**



The development of energy supply in recent years has been characterized by rapid structural change in response to changed price relations, the energy policy pursued and the occasionally intense competition between energy companies. The change in the structure of Finland's total energy supply (see Table) has proceeded at a clearly more rapid pace than in other industrial countries on average. Oil has lost its predominance and has been replaced by indigenous fuels, natural gas, coal and nuclear power. The total consumption of oil, which amounted to 12.7 million tonnes in 1973, was last year no more than 8.8 million tonnes.

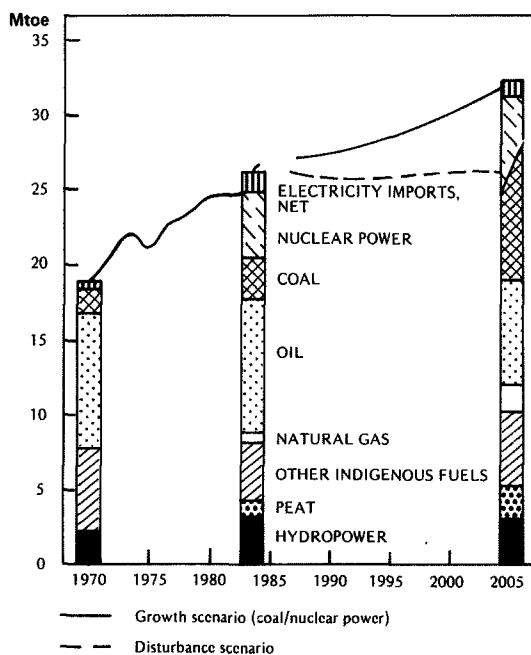
## FUTURE PROSPECTS

The Energy Department of the Ministry of Trade and Industry has recently carried out a study of trends in energy consumption up to the year 2005. The study examines the prospects for the energy economy against the background of developments in the Finnish economy, energy policy and the international market. International prices of fuels are assumed to rise steadily in real terms in the long run, without major changes in the price relations between the various fuels. Further it is assumed that energy policy in Finland will be pursued along the lines recommended in the Energy Policy Programme approved in 1983 and that economic growth will average about 2.5 per cent per annum. In addition to this so-called growth scenario, another scenario was studied in which the GDP growth rate is assumed to be modest — only about one per cent per annum — because of international economic disturbances or other exceptional circumstances, including unstable developments in international energy prices.

According to the growth scenario, total energy consumption will grow from 26.3 Mtoe in 1984 to more than 32 Mtoe in 2005. This corresponds to an annual increase of about 1 per cent. In the case of the disturbance scenario, energy consumption in 2005 would be less than 27 Mtoe. Both scenarios indicate a further decline in the energy intensity of GDP, but which is faster in the growth scenario. Chart 2 shows estimates of energy consumption by energy source.

Electricity consumption is estimated to continue growing at substantially faster pace than total energy consumption. Gross consumption of electricity, which in 1984 was 48.5 TWh, would be 74 TWh by 2005 according to the growth scenario and 60 TWh in the disturbance scenario. In the growth scenario, the average annual increase is more than 2 per cent, less in the disturbance scenario. Part of this growth will be covered by combined heat and power generation in district heating and industry, but Finland will also need additional

**CHART 2. TOTAL ENERGY CONSUMPTION BY SOURCE OF ENERGY IN 1975–2005, MILLION TONNES OF OIL EQUIVALENT**



nuclear or coal-fired generating-capacity or increased electricity imports amounting to 2 500–3 000 megawatts by 2005 according to the growth scenario. No decision has yet been taken as to how the additional electricity requirements will be met, but the Government, and eventually also Parliament, will consider the matter in the near future. According to the study, new capacity would be needed by the mid-1990s.

The volume of industrial output is estimated to grow slightly faster than GDP. This means that, in spite of the more efficient use of energy, industrial fuel consumption would increase on average by more than one per cent per annum and electricity consumption by more than 2 per cent per annum. Industrial oil consumption is estimated to fall during the period examined to about half of its present level, while the consumption of coal, natural gas and indigenous fuels, particularly peat, will increase.

The specific consumption of space heating (the energy requirement per unit of volume) is

estimated to decline further. According to the study, the fall in specific consumption will correspond to the growth in the volume of the heated building stock so that total space heating requirements will remain broadly unchanged. District and electricity heating will increase rapidly, whereas the shares of solid fuels and oil, in particular, will fall sharply.

Energy consumption in the transportation sector is estimated to grow by about one per cent per annum. Other energy consumption, including that in the residential and service sectors, is assumed to increase. The growth, which will centre mainly on electricity, is estimated to average about 1.5 per cent per annum in the growth scenario.

According to the study, the share of domestic energy in total energy use will remain at approximately one-third over the following two decades, unless prices of imported fuels, techniques of exploiting domestic energy supplies or official financial support measures undergo fundamental change in favour of indigenous fuels. Given present trends, the hopes expressed in the Energy Policy Programme for raising the degree of self-sufficiency in Finland's energy supply seem unlikely to be fulfilled. The consumption of peat is estimated to grow from 0.9 Mtoe at present to about 2 Mtoe in 2005. The use of wood, waste and other indigenous fuels would rise from 4.2 to 5 Mtoe.

The annual consumption of oil is estimated to decline from the present level of 8.8 to 7 Mtoe by 2005. Oil consumption would fall in all sectors except transportation. The consumption of natural gas could double or even almost triple from its present level. The growth is expected to be distributed fairly evenly between industry and district heating.

The use of coal in the generation of district heat and in industry is estimated to increase. In addition, coal could be used in potentially large quantities in condensing power plants, if the increased need for electricity is met by coal-fired power stations. According to the growth scenario, the total use of coal in energy production, which amounted to 5.0 million tonnes in 1984, would be about 13 million tonnes in 2005, if coal were used for generating the additional condensing power, and about 6 million tonnes, if the increased electricity requirements were met entirely by nuclear power.

Many uncertainties attach to a study extending over two decades into the future. For example, prices of raw materials may undergo sharp changes. New technologies may rapidly become competitive and alter trends. Furthermore, there could be changes in priorities in energy policy or in the degree of intensity with which it is pursued.



# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM SEPTEMBER 1984 TO AUGUST 1985

1984

## 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.

*Insurance companies' right to acquire foreign shares.* On November 9, 1984, the Bank of Finland authorizes the insurance companies engaged in foreign insurance business to also invest, on certain conditions, the funds obtained from their foreign insurance business in foreign shares.

*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 USD 1.5 billion with international banking consortia.

## December

*Banks' foreign lending activities and transactions in foreign securities.* Through permits entering into force at the beginning of December, the Bank of Finland increases the banks' opportunities to engage in foreign lending

activities and dealings in foreign securities, particularly shares. These permits require that the credits granted to non-residents and the security purchases are refinanced mainly by resorting to foreign credit.

*Call money market.* The Bank of Finland lowers the call money rate from 15.2 to 14.8 per cent as from December 21.

## **1985**

### **January**

*Arrangement for the financing of short-term export credits.* On January 1, 1985, the Bank of Finland raises the rate of interest on short-term export credits so that, irrespective of the credit period, it is the same as the Bank of Finland's base rate at any one time. At the same time, the Bank of Finland decides to reduce the maximum annual average amount of the Bank's financing of short-term export credits from FIM 30 to FIM 20 million.

*Call money market.* The Bank of Finland lowers the call money rate from 14.8 to 14.6 per cent as from January 11 and further to 14.2 per cent as from January 25.

*Export deposits.* The Council of State decides to discontinue the collection of export deposits on pulp as from January 31, 1985.

### **February**

*Interest rate policy.* The Bank of Finland lowers its base rate from 9.5 to 9.0 per cent as from February 1. The banks are required to lower, in general, the rates of interest on their outstanding loans by 0.5 percentage point from the same date. The upper limit on the banks' lending rates is also lowered to 13.5 per cent. In addition, the rates of interest on the banks' tax-exempt deposit accounts fall, on average, by 0.5 percentage point.

*Domestic foreign-currency-denominated loans.* As from February 1, 1985, the Bank of Finland limits the amount of domestic foreign currency

loans granted by an authorized bank which do not require the prior approval of the Bank of Finland to no more than the amount of domestic non-bank foreign currency deposits with the bank.

*Payments agreement between Finland and Hungary.* Under an agreement concluded between the Finnish and Hungarian authorities in October 1984, the payments agreement between the two countries terminates on January 31, 1985. As from February 1, 1985, payments between the two countries are to be effected in convertible currencies.

*Call money market.* The Bank of Finland lowers the call money rate from 14.2 to 14.0 per cent as from February 26.

### **March**

*Currency options.* The Bank of Finland decides to entitle the authorized banks to conclude option contracts as from March 1, 1985. However, these contracts may not concern rates of exchange quoted against the Finnish markka.

*Amendments to Foreign Exchange Regulations.* The Bank of Finland revises the Foreign Exchange Regulations in certain respects as from March 1, 1985. The main details of the amendments are as follows:

Dividend receipts from foreign direct investment in Finland can be transferred abroad through an authorized bank without the Bank of Finland's special permission.

Obtaining collateral security on behalf of a non-resident is allowed without the Bank of Finland's special permission. Similarly, granting collateral security to a non-resident on behalf of a resident is allowed without special permission.

### **April**

*Payments Agreement between Finland and Bulgaria.* In keeping with an agreement concluded between the Finnish and Bulgarian authorities in November 1984, the US dollar clearing account between the two countries is

replaced by a Finnish markka clearing account as from April 1, 1985.

*Export deposits.* On April 3, the Council of State decides to repay export deposits. The export deposits collected on sawn wood are to be repaid during June and those on pulp during November.

*Call money market.* The Bank of Finland lowers the call money rate from 14.0 to 13.8 per cent as from April 26.

## **June**

*Investment reserves.* On June 13, the Council of State decides to release, as from October 1, 1985, investment reserves made by companies for accounting periods ending in 1983 or ear-

lier. In the Greater Helsinki area, such reserves may not be used until April 1, 1986. The utilization period is to expire on December 12, 1987.

*Sale of Finnish bonds abroad.* The Bank of Finland prohibits, until further notice, the sale abroad of bonds and debentures quoted on the Helsinki Stock Exchange as from June 24.

*Call money market.* The Bank of Finland lowers the call money rate from 13.8 to 13.6 per cent as from June 26.

## **August**

*Call money market.* The Bank of Finland lowers the call money rate from 13.6 to 13.3 per cent as from August 15.

## ITEMS

**Supplementary budget.** The first supplementary budget for 1985 was approved by Parliament in June. It provides for a net increase in outlays of slightly more than FIM 1.1 billion on the ordinary budget for this year. Thus, budgeted central government expenditure for 1985 totals about FIM 95 billion, the equivalent of 28.6 per cent of forecast GDP.

Outlays have been increased only very moderately, as the intention is to strengthen the state's financial position. The largest individual item in the supplementary budget, FIM 580 million, is earmarked for the repayment of two loans before maturity. They are due to be refinanced on more favourable terms and, accordingly, Parliament has increased the Council of State's powers to borrow by the same amount.

Excluding the loan repayments, the increase in expenditure arising from the supplementary budget amounts to only about FIM 560 million, or 0.6 per cent of the ordinary budget. The largest single items of additional expenditure are for the war veterans' early retirement pensions scheme and the Finnish UN peace-keeping forces.

The increase in budgeted revenue, FIM 730 million, is mainly attributable to the above-mentioned loan refinancings, but state income has also been somewhat larger than forecast.

Curbing inflation is currently the major goal of economic policy. The target is to limit the rise in consumer prices to not more than 5 per cent during 1985. To support this aim, the temporary increases in the electricity tax and in employers' child allowance contributions will be abolished as from November 1, somewhat earlier than previously announced. Also designed to support this goal were the decisions to lower the motor vehicle tax in May and to cut charges on long-distance telephone calls with effect from the autumn. These measures are estimated to reduce central government revenue by approximately FIM 80

million. All in all, the supplementary budget is expected to result in a net increase in revenue of about FIM 650 million.

**The Bank of Finland's investment inquiry of June 1985.** According to the Bank of Finland's investment inquiry, there will be a pick-up in industrial investment activity this year. The volume of fixed investment in total industry is expected to be almost 20 per cent greater than last year. In the manufacturing industries, the increase will be about 15 per cent. The growth is centred on investments in machinery and equipment, but industrial building investment is also forecast to rise.

The sharpest increase in investment is reported by large and medium-sized enterprises. State-owned companies forecast that their investment volumes will grow by three-quarters, while private companies expect a 5 per cent increase in their investment.

The investment inquiry points to a slight decline in investment next year. Since, however, investment plans for the following year in the spring inquiry usually fall short of actual investment, the favourable trend in investment can be expected to continue.

*Industrial investment in 1984.* Total industry's<sup>1</sup> volume of investment in 1984 maintained the previous year's level. In manufacturing, investment grew by 5 per cent. These developments were in line with companies' estimates in the November inquiry in all main sectors except the metal and engineering industries, where the growth in investment was less than anticipated. The fastest increase in investment was reported by large companies, whereas small companies recorded a clear decline.

*Planned investment for 1985.* The total volume of investment planned for 1985 exceeds last year's level by 17 per cent. As expected, companies have revised their plans upwards since last November.

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

Investment is expected to increase in all sectors of industry, with particularly pronounced growth in the energy sector. In manufacturing, especially the metal and engineering industries and the chemical industries forecast a marked pick-up in their investment volumes. As an exception to the general trend, small enterprises expect a further decline in their investment this year. Over the longer-term, however, the investment activity of small companies has not differed from that of the manufacturing industries on average.

*Planned investment for 1986.* The companies' replies to the investment inquiry suggest that the volume of fixed investment in both total industry and manufacturing will fall by more than 10 per cent in 1986. However, companies' estimates of investment for the following year in the spring inquiry have, on average, been more than 15 per cent lower than their actual investment, even if there has been less underestimation in recent years. But, even when normal underestimation is taken into account, the forest industries planned investment for 1986 is clearly less than this year.

Planned changes in investment volumes are roughly the same for both small and large companies. In state-owned companies, the high levels of investment will be maintained next year. However, in volume terms their investment will be notably smaller than during the previous peak in the mid-1970s.

*Expenditure on research and development in industry.* Expenditure on research and development in total industry amounted to over FIM 2 billion 1984. This year, outlays on research and development are forecast to reach FIM 2.5 billion, the equivalent of one-sixth of gross investment. The share of research and development expenditure in gross investment is particularly high in the metal and engineering industries and the chemical industries, where the rate of growth of this type of expenditure is also higher than average.

*Capacity utilization.* Capacity utilization rates rose in most industrial sectors during the first

half of this year, and even somewhat more than forecast in the autumn. In the paper industry, it reached the level of the previous cyclical peak, while in the other industries there was more idle capacity. Capacity utilization will be at its highest in the first half of the year. Thereafter, it is expected to fall gradually to 86 per cent, at which level it will remain until the end of next year. Thus, the companies covered by the investment inquiry do not anticipate any significant weakening in business conditions in the near future.

**TABLE 1. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1984 AND PLANNED CHANGES FOR 1985 AND 1986, BY INDUSTRIAL SECTOR, PER CENT<sup>1</sup>**

	1984	1985	1986
Forest industries	18	7	-23
Metal and engineering industries	4	26	-6
Other manufacturing	-3	12	-7
TOTAL MANUFACTURING	5	14	-12
Electricity, gas and water	-11	31	-7
TOTAL INDUSTRY	1	17	-11

**TABLE 2. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1984 AND PLANNED CHANGES FOR 1985 AND 1986, BY TYPE OF INVESTMENT, PER CENT**

	1984	1985	1986
Building investment	-5	8	-18
Investment in machinery and equipment	4	22	-8

**TABLE 3. EXPENDITURE ON RESEARCH AND DEVELOPMENT IN MANUFACTURING IN 1984 AND PLANNED EXPENDITURE FOR 1986, MILLION FIM AND PER CENT**

	1984		Planned expenditure 1986	
	Mill. FIM	Change %	Mill. FIM	Change %
Forest industries	173	24	208	20
Metal and engineering industries	1189	33	1403	18
Other manufacturing	755	24	891	18
TOTAL MANUFACTURING	2116	29	2502	18

<sup>1</sup> In earlier inquiries, companies' estimates of investment in the current year have, on average, matched actual investment. On the other hand, investment volumes for the following year have normally been clearly underestimated in the spring inquiry.

**First foreign company gains a listing on the Helsinki Stock Exchange.** In April, the Bank of Finland for the first time granted a foreign company permission to sell its shares to the Finnish public. The Swedish gas sector firm, AGA AB, has sold 70,000 of its shares to Finland, and as from June 1 its shares have been quoted on the Helsinki Stock Exchange.

**Death of Dr. Heikki Valvanne.** Mr. Heikki Valvanne, D.Pol.Sc., former Member of the Board of Management of the Bank of Finland and General Manager of Mortgage Bank of Finland Ltd, died in Helsinki on May 28 at the age of 66.

Dr. Valvanne joined the Bank as a research officer in the Bank of Finland Institute for Economic Research in 1945 and later became Head of Department and Director of the Institute. He served as a Director of the Bank of Finland in 1966–1968, as an Acting Member of the Board of Management in 1963 and 1964–1968, and as a Member of the Board of Management in 1968–1974. Dr. Valvanne was Managing Director of Mortgage Bank of Finland Ltd from 1974 until his retirement in 1982.

**Publications of the Bank of Finland.** The Bank of Finland Year Book for 1984 has been published. The first section reviews the Finnish economy in 1984, and the subsequent sections examine the central bank's monetary and foreign exchange policy, its balance sheet and profit and loss account and its relations with

international organizations. A summary of new items relating to monetary and foreign exchange policy measures taken during the year is included. The Bank's financial statements and various banking transactions during the year under review are included in a statistical appendix. Helsinki 1985. 70 pp. ISSN 0081-9468.

The Bank of Finland's publication "Finnish Bond Issues 1984" has been published as a trilingual edition in Finnish, Swedish and English. The book contains data on all ordinary bonds, debentures and so-called other bonds issued by Finnish borrowers in 1984. All in all, 209 bond issues with a total nominal value of FIM 14 912 million were floated in Finland in 1984. Of the loans, 76 were ordinary bond issues with a total nominal value of FIM 7283 million. At the end of 1984, the total stock of domestic bonds outstanding amounted to about FIM 44 billion.

In 1984, external bond issues by Finnish borrowers amounted to the equivalent of FIM 8806 million. This represented an increase of more than a half from the previous year, although the number of loans remained the same at 29. At the end of the year, the outstanding stock of external bonds amounted to about FIM 36 billion or about a half of Finland's total long-term foreign net debt. Helsinki 1985. 309 pp. ISBN 951-686-106-7. ISSN 0781-4437.

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## STOCK EXCHANGE PRICES FALLING SINCE APRIL 1984

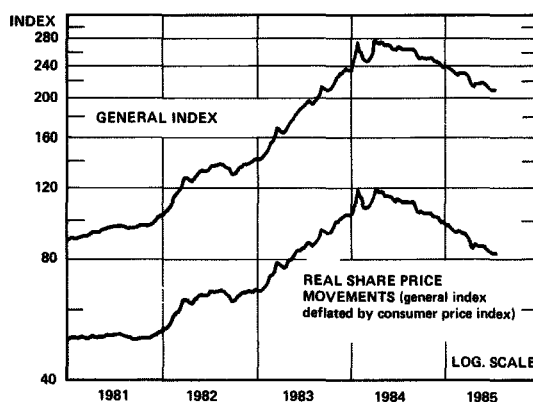
The upward trend in quoted share prices that started in the first half of 1981 continued into the first months of 1984. In addition to brisk domestic demand, this reflected the sharply increased interest of foreign investors. To facilitate purchases by foreigners, the Helsinki Stock Exchange started to quote unrestricted shares separately from the beginning of last year. Owing to the limited supply of these shares, their prices promptly rose to clearly higher levels than those of restricted shares.

During the first months of 1984, domestic demand was sustained by the continuation of the economic upswing and its impact on companies' financial results. Foreign investors were drawn by Finland's internationally rather favourable economic performance and by the relative attractiveness of share prices in comparison to those abroad. The upward trend in prices continued until the beginning of April when the Uunitas Share Index recorded an all time high of 281.6 (1975=100).

Since April of last year, stock exchange quotations have been declining gently, which is probably mainly due to expectations of a cyclical downturn as well as to the resale of unrestricted shares to Finland from abroad. In addition, the high rate of interest on unregulated market money has reduced the interest of domestic institutions in equity investments. The fall can also partly be regarded as a technical reaction to the sharp rise that preceded it. Although listed shares were fetching, on average, 26 per cent less at the end of June 1985 than at the beginning of April 1984 and 13 per cent less than at the beginning of the current year, the price level was nevertheless still twice as high compared with the end of 1981 (Chart 3).

In spite of the weak price developments, the diversification of Finland's stock market has

## CHART 3. SHARE PRICE MOVEMENTS ACCORDING TO UNITAS SHARE INDEX, 1975 = 100



continued during the current year. At the beginning of June, the Swedish AGA group became the first foreign company to gain a listing on the Helsinki Stock Exchange. Especially equity markets outside the stock exchange are growing rapidly. Most of the new listed and OTC-enterprises have consisted of finance companies, investment trusts or development companies.

## SHORT-TERM PROSPECTS

The rapid expansion of Finland's securities market in the first half of the 1980s is expected to continue in the future if only for the reason that housing investment is losing its relative importance, among other things, because of changes in population structure. In addition, increased yield awareness among investors and the diversification of companies' financing needs are expected to lead to the channelling of an increasingly large amount of funds from bank deposits into securities.

Developments in the stock market in the near future will depend decisively on possible changes in corporate and equity taxation. A committee report on corporate taxation published in December 1984 included a number of

proposals which, if carried out, would stimulate share trading. So, too, would the implementation of legislation on investment trusts that has been under discussion for some time. A slight improvement could take place for the reason alone that the share prices of Finnish companies listed on the stock exchange are currently exceptionally low in comparison to these companies' ability to make dividend payments. Financial results for 1985 are expected to remain at the rather good level of 1984 and the coming recession seems likely to be modest.

The prohibition of the sale of taxable bonds and debentures abroad should significantly reduce issue activity for such instruments as

well as trading on the stock exchange, as a consequence of which the share of equities in total stock exchange turnover is likely to grow substantially.

One of the most striking trends in Finland's stock market is the continuation of internationalization. More and more Finnish companies are considering selling their shares abroad and the entry into the Finnish market of foreign companies is likely to become more prevalent in the years ahead. However, a prerequisite for internationalization is that the recent interest shown abroad in the Finnish market proves to be lasting.

August 8, 1985





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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

H.T. Hämäläinen  
*Secretary to the Board  
of Management*

Timo Männistö  
*Internal Audit*

Ossi Leppänen  
*Accounting*

Urpo Levo  
*Administration*

Reijo Mäkinen  
*Cash*

Raimo Hyvärinen  
*Domestic Financing*

Stig G Björklund  
*Payments*

Anton Mäkelä  
*Personnel*

Heikki Koskenkylä  
*Research*

Erkki Vehkamäki  
*Data Processing*

Kari Puumanen  
*Economics*

Antti Heinonen  
*Information*

Ralf Pauli  
*Monetary Policy*

Kari Holopainen  
*Bilateral Trade*

J. Ojala  
*Exchange Control*

Johnny Åkerholm  
*Exchange Policy*

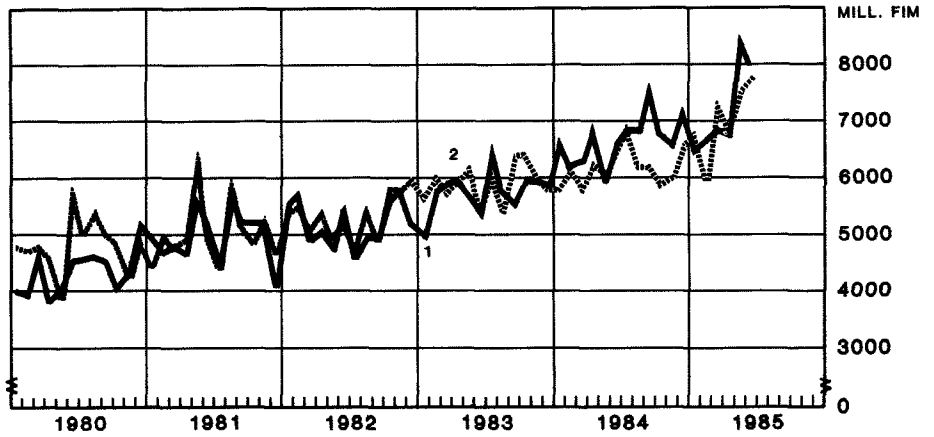
Kari Pekonen  
*Foreign Exchange*

Markus Fogelholm  
*Foreign Financing*

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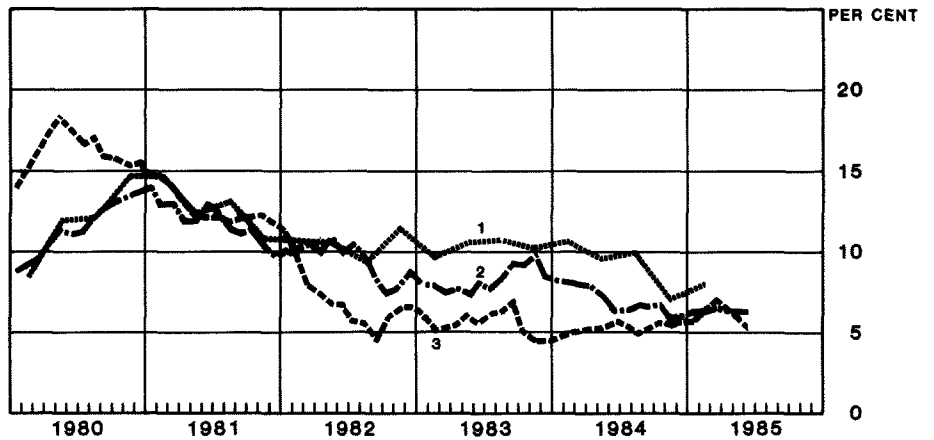
## FOREIGN TRADE, 1980-85

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



## PRICES AND WAGES, 1980-85

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, 1980-85

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

