



BANK OF FINLAND

Monthly Bulletin

The budget proposal for 1986

Some observations on profitability in the
Finnish manufacturing sector in
1970—1984

Monetary and foreign exchange policy
measures from December 1984 to
November 1985

Finland's balance of payments January—
September 1985

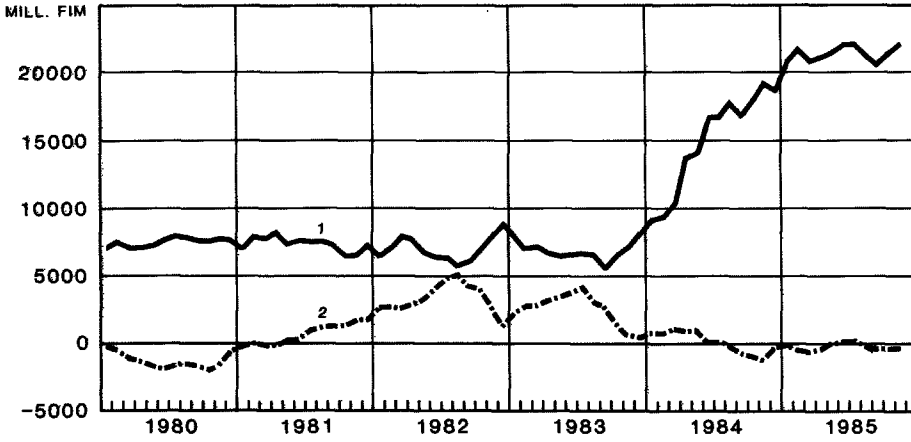
Finland becomes a full member of EFTA

Bank of Helsinki to merge with Union
Bank of Finland

DECEMBER 1985

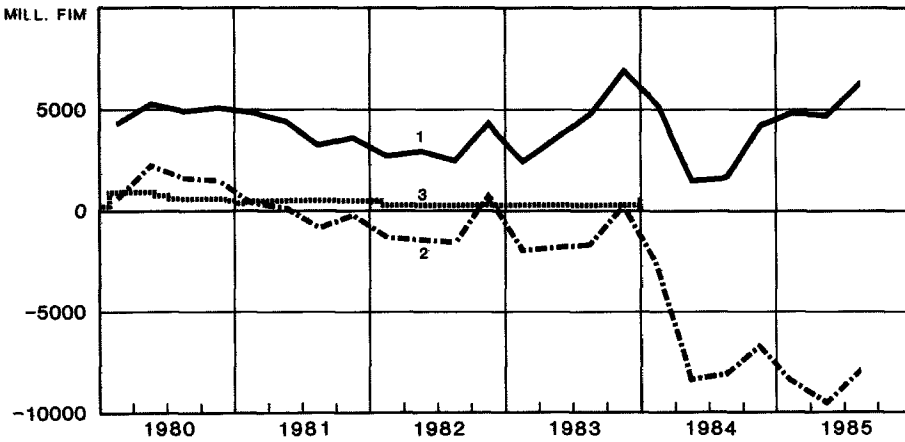
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BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1980-85



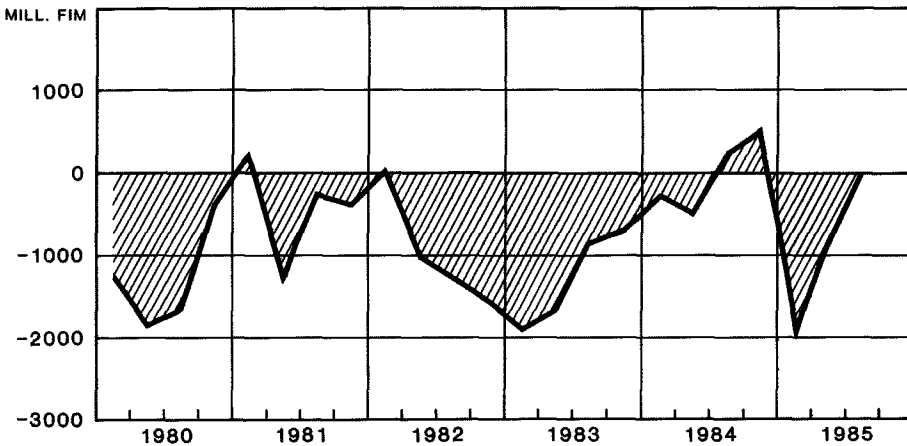
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THE BUDGET PROPOSAL FOR 1986

by Jarmo Pesola, M.Pol.Sc.

Economics Department

Bank of Finland

The main short-term priority of economic policy in Finland is to pave the way for a further decrease in inflation so as to maintain the competitiveness of the Finnish economy. Inflation has decelerated further this year, and the target of limiting consumer price increases to 5 per cent in the 12 months to December seems likely to be achieved. The slowdown in inflation has largely reflected the weakness of foreign trade prices, while the rise in domestic costs has continued to exceed the corresponding rate in competitor countries. For 1986, the Government has set a target of limiting the year-on-year rise in consumer prices to 4 per cent. Against this background, the necessary shift towards a more expansive fiscal policy stance will be kept quite cautious.

The budget proposal for 1986 is based on the assumption that real GDP will grow by 3 per cent next year. Domestic demand will be the main contributor to growth, since the terms of trade are expected to improve and changes in taxation will boost households' real disposable income. Unemployment is forecast to rise slightly, mainly because of the continuation of the relatively rapid growth of the labour force.

The steady expansion of the economy, together with tighter fiscal policy, has strengthened central government finances. In 1984, the net borrowing requirement declined to 1.1 per cent of GDP from 3.1 per cent in the preceding year. The annual growth in the volume of cash outlays decreased from 7.4 to 2.7 per cent. In the current year, the net borrowing requirement is estimated to remain at about one per cent of GDP, while the growth of cash outlays is expected to increase somewhat. Cyclically-adjusted estimates of policy impact indicate that the overall effect of central government budgetary measures will still be somewhat restrictive in 1985. Furthermore, the upward trend in gross central government indebted-

ness is projected to level off, with central government debt dropping to 14.0 per cent of GDP at the end of this year as against 14.3 per cent at the end of the previous year. After rising to 22.5 per cent of GDP in 1984 from 21 per cent in 1983, the general government net tax ratio is forecast to increase further to 23 per cent this year.

Taxation in the budget proposal for 1986 has been designed so as to reduce the tax burden as the growth rate of total output decelerates. The budget proposal also seeks to contain the inflationary impulses stemming from public tariffs and charges. Increases in indirect taxes and public tariffs are to be limited to 4 per cent in line with the inflation target. In corporate taxation, the national income tax rate will be lowered by 10 percentage points to 33 per cent of taxable income, although the present rate of 43 per cent will still be levied on advance tax payments in 1986. On the other hand, the maximum undervaluation of inventories allowed in taxation is to be lowered from 50 to 40 per cent from the beginning of 1986. Moreover, it is proposed to broaden the tax base for capital gains taxation by abolishing the present time limits after which proceeds from sales of property are exempt from taxation. At the same time, however, the proposal provides for a marked increase in the amounts deductible from the selling price for tax purposes.

In personal income taxation, tax brackets will be adjusted upwards by 8 per cent and the main allowable deductions by 6 per cent in 1986. The new scales will be applied in advance tax collection as from March next year. Personal wealth tax rates will also be lowered significantly. In addition, insured persons' social security contribution rates are to be lowered by 0.25 percentage point in 1986. By contrast, the corresponding rates for employers will be raised by the same amount.

All in all, the tax cuts are calculated to reduce the central government's total income tax revenue by nearly FIM 2.6 billion in 1986. The estimated effect on next year's cash receipts would be some FIM 1.5 billion.

Mainly because of the impact of central government operations, the gross tax ratio is forecast to decline by 0.5 percentage point to 36 per cent of GDP in 1986. The net tax ratio is also projected to fall by about the same amount to 22.5 per cent. The proposed changes in central government taxation, tariffs and public charges are estimated to contribute 0.5 percentage point to the rise in the consumer price index during 1986.

So as to lower the tax ratio and keep central government indebtedness in check, expenditure will have to be kept on a very tight rein. Hence, expenditure is projected to rise by 7 per cent from the 1985 budget. This means an increase of only half a per cent in real terms as compared with cash outlays in 1985. Transfers (53 per cent of total expenditure) are estimated to increase by about 7 per cent from the estimate in the 1985 budget proposal. In particular, the growth of state aids to the local government sector is to be limited to the same as that of overall expenditure in the budget proposal, i.e. 7 per cent, in order to adjust the outlays of the local government sector to the financing capability of the central government and the estimated growth of the Finnish economy. Among other things, it is planned to defer state aids to local authorities in a strong financial position until after the completion of the projects concerned. Moreover, transfers from the state to the Social Insurance Institution will decline owing to the increased shares of contributions paid by employers and local authorities and a reduction in the level of the Institution's reserves. Foreign aid is estimated to increase to 0.47 per cent of GDP in 1986 from an estimated 0.41 per cent this year.

The budget proposal provides for an increase of 8.5 per cent in consumption outlays (26 per cent of total expenditure) in 1986. This implies real growth of less than one per cent over the

estimated cash figures for 1985. Real and financial investment outlays are together forecast to grow by 6 per cent as compared with the 1985 budget proposal and by some 7.5 per cent as compared with the estimate for cash outlays in 1985. The difference between the figures is due to the fact that central government loans (mainly for housing) have not been taken up in 1985 as much as anticipated.

The costs of servicing central government debt are forecast to amount to FIM 11.8 billion in 1986 or about 12 per cent of total budget expenditure. Debt repayments are estimated to decrease by some FIM 400 million from the 1985 level to about FIM 6.9 billion. Repayments of domestic debt are forecast to fall sharply whereas repayments of foreign debt are projected to almost double from this year's level.

Total planned expenditure in the 1986 budget proposal amounts to FIM 100.8 billion, about 7 per cent more than estimated in the 1985 budget and some 5.5 per cent more than estimated cash expenditure this year.

In order to meet the projected slowing down in income growth, the central government will have to resort to increased borrowing to some extent next year. The net borrowing requirement is forecast to increase by some FIM 650 million to about FIM 4.4 billion in 1986, equivalent to 1.2 per cent of GDP. Since total redemptions of outstanding debt will decline somewhat, the gross borrowing requirement is estimated to increase by only about FIM 230 million to slightly more than FIM 11.3 billion. The policy of the central government is to continue to place debt domestically. When at the same time repayments of the central government's domestic debt will be substantially lower next year, this will have a tightening impact on the domestic financial markets.

All in all, the fiscal impact of central government on the Finnish economy seems likely to remain roughly neutral in 1986. The expansion-

(Continued on page 35)

	1984		1985			
	Nov. 30	Dec. 31	Nov. 8	Nov. 15	Nov. 22	Nov. 29
Assets						
Gold and foreign currency claims	19 752	19 302	23 230	23 154	22 446	22 552
Gold	1 383	1 732	1 732	1 732	1 732	1 732
Special drawing rights	891	936	928	932	927	932
IMF reserve tranche	821	859	806	809	788	783
Convertible currencies	16 303	15 387	19 514	19 429	18 747	18 854
Tied currencies	354	388	250	252	252	251
Other foreign claims	2 686	2 835	2 818	2 818	2 835	2 835
Markka subscription to Finland's IMF quota	2 686	2 835	2 818	2 818	2 835	2 835
Claims on financial institutions	8 065	9 166	10 189	10 171	8 926	9 482
Banks' cheque accounts	37	530	23	56	5	13
Call money market advances	4 819	5 018	6 625	6 651	5 394	5 901
Till-money credits	1 170	1 563	1 422	1 360	1 409	1 450
Bonds	1 988	1 999	2 068	2 068	2 073	2 073
Other claims on financial institutions	51	56	51	36	45	45
Claims on the public sector	2 000	1 951	1 289	1 303	1 297	1 320
Government promissory notes	1 000	1 000	280	280	280	280
Bonds	193	124	126	137	131	152
Total coinage	800	806	883	885	886	888
Other claims on the public sector	7	21	—	1	0	—
Claims on corporations	4 966	4 846	4 918	4 898	4 895	4 865
Financing of exports	1 875	1 786	1 741	1 731	1 734	1 737
Financing of domestic deliveries	2 860	2 860	3 019	3 009	3 003	2 970
Bonds	114	114	82	82	82	82
Other claims on corporations	117	86	76	76	76	76
Other assets	111	142	145	144	144	144
Total	37 580	38 242	42 589	42 488	40 543	41 198
Liabilities						
Foreign currency liabilities	1 762	809	724	396	384	460
Convertible accounts	66	84	48	43	44	43
Tied currencies	1 696	725	676	353	340	417
Other foreign liabilities	3 591	3 752	3 677	3 681	3 694	3 688
IMF markka accounts	2 686	2 835	2 818	2 818	2 835	2 835
Allocations of special drawing rights	905	917	859	863	859	853
Notes and coin in circulation	6 897	7 442	7 333	7 303	7 317	7 442
Notes	6 226	6 744	6 601	6 569	6 582	6 703
Coin	671	698	732	734	735	739
Liabilities to financial institutions	12 973	11 879	16 525	15 434	13 437	14 125
Banks' cheque accounts	15	147	24	398	49	21
Call money market deposits	4 153	2 216	5 769	4 331	3 235	3 881
Cash reserve deposits	8 029	8 696	10 019	10 019	10 019	10 097
Capital import deposits	701	745	618	596	34	34
Other liabilities to financial institutions	75	75	95	90	100	92
Liabilities to the public sector	2 265	4 277	3 000	4 401	4 400	4 400
Cheque accounts	1	1	0	1	0	0
Government deposit account	2 200	4 200	3 000	4 400	4 400	4 400
Export deposits	64	76	—	—	—	—
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	0	0	0	0	0
Liabilities to corporations	2 833	2 814	4 264	4 259	4 251	4 252
Deposits for investment and ship purchase	2 072	2 127	3 827	3 822	3 815	3 819
Capital import deposits	752	668	433	433	432	429
Other liabilities to corporations	9	19	4	4	4	4
Other liabilities	16	16	19	15	14	14
Valuation account and reserves	1 773	963	820	772	819	590
SITRA's capital	400	400	400	400	400	400
Capital accounts	5 070	5 890	5 827	5 827	5 827	5 827
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	—	—	—	—	—
Net earnings	159	252	63	63	63	63
Total	37 580	38 242	42 589	42 488	40 543	41 198

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										
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
Aug.	3 468	18 032	21 500	-159	-873	20 468	1 575	1 500	58	-17
Sept.	3 463	17 391	20 854	-269	-865	19 720	1 297	1 500	58	261
Oct.	3 462	18 174	21 636	-283	-859	20 494	1 269	1 500	59	290
Nov.	3 447	18 811	22 258	-166	-853	21 239	1 320	4 400	0	3 080

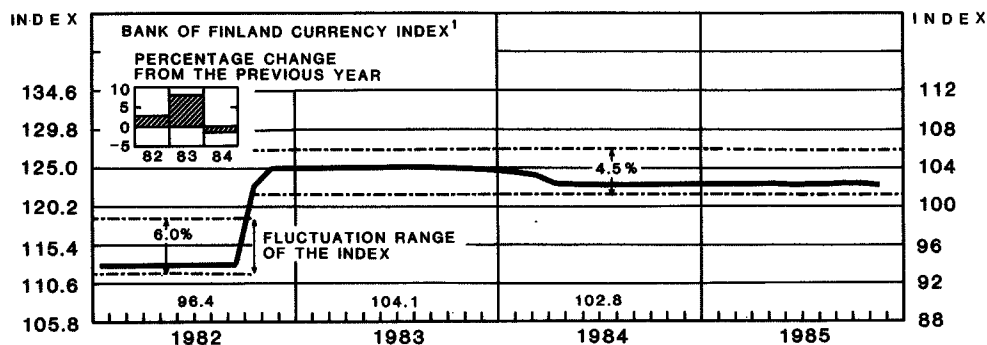
OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1984	Aug. 30, 1985	Sept. 30, 1985	Oct. 31, 1985	Nov. 29, 1985
Gold	1 732	1 732	1 732	1 732	1 732
SDRs	936	941	932	925	932
IMF reserve tranche	859	795	799	805	783
Convertible currencies, net	15 303	18 032	17 391	18 174	18 811
Total convertible reserves, net	18 830	21 500	20 854	21 636	22 258
Tied currencies, net	-337	-159	-269	-283	-166
Total reserves, net	18 493	21 341	20 585	21 353	22 092

End of year or month	Domestic financial sector						Corporate sector				Notes and coin in circulation
	Till-money credits	Claims on cheque accounts, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net claims (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net claims (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
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											
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
Aug.	1 371	52	5 553	4 692	9 928	-1 212	-6 432	4 734	4 040	694	7 342
Sept.	1 617	182	7 396	5 940	9 983	-1 352	-5 376	4 660	4 094	566	7 352
Oct.	1 567	-28	5 950	5 381	10 019	-1 384	-6 527	4 789	4 111	678	7 322
Nov.	1 450	-8	5 901	3 881	10 097	-1 992	-4 643	4 707	4 094	613	7 442

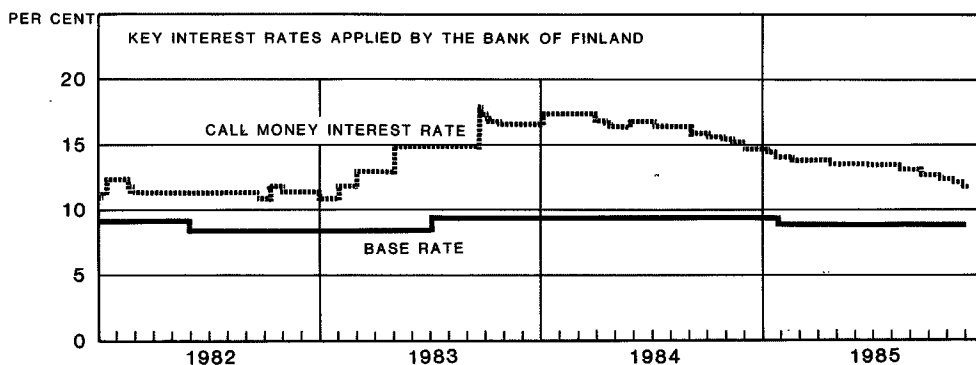
¹ The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



MONETARY POLICY INDICATORS

Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks ¹ %
	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									
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	10.40
Aug.	6 153	-7 843	9 881	5.6	2 038	13.43	13.43	9.00	10.43
Sept.	7 771	-6 928	9 930	5.6	3 002	13.11	13.11	9.00	10.42
Oct.	7 516	-7 079	9 982	5.6	2 904	12.78	12.78	9.00	10.43
Nov.	6 407	-8 485	10 024	5.6	1 539	12.37	12.37	9.00	..

¹ End of period.



FORWARD EXCHANGE MARKETS IN FINLAND

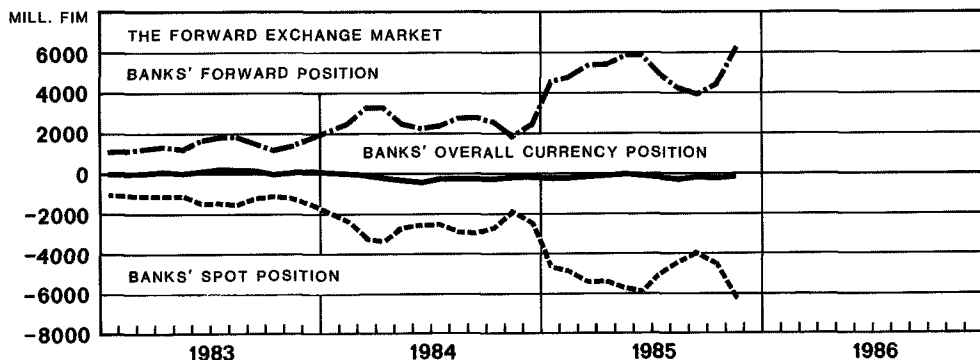
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1983	7 541	1 227	6 314	-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

June	15 547	1 145	14 402	1 389	-12 667	3 083	4.8	4.7	4.0
July	15 956	1 306	14 651	1 541	-13 011	3 240	4.1	3.9	3.3
Aug.	20 049	1 354	18 696	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	5.3	5.2	4.9
Dec.	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1

1985

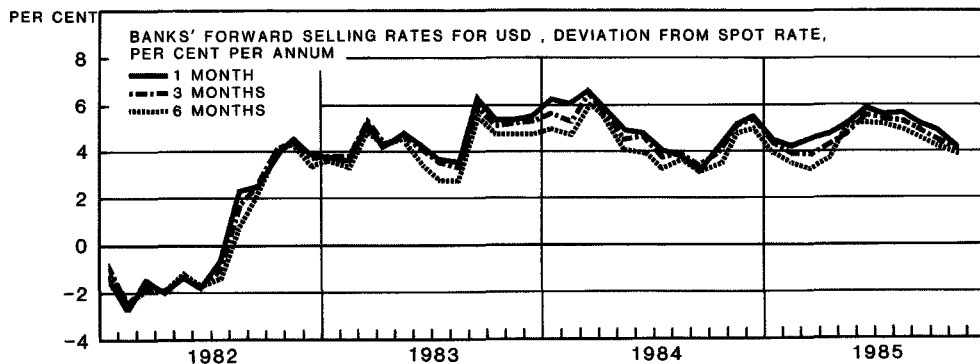
Jan.	23 207	1 450	21 757	2 949	-19 394	5 420	4.5	4.4	4.1
Feb.	22 602	1 592	21 010	2 971	-18 323	5 186	4.3	4.0	3.6
March	23 344	2 247	21 097	1 048	-16 848	5 575	4.6	4.0	3.3
April	22 987	2 219	20 769	1 640	-16 768	5 753	4.8	4.3	3.8
May	22 085	2 316	19 769	1 708	-15 704	5 865	5.3	4.9	4.5
June	21 221	2 259	18 962	1 941	-15 352	5 478	6.0	5.7	5.4
July	19 534	2 250	17 284	2 418	-14 224	5 558	5.7	5.6	5.3
Aug.	18 271	2 727	15 544	1 083	-12 493	4 163	5.8	5.4	5.1
Sept.	17 755	2 889	14 866	92	-11 101	3 811	5.3	5.0	4.7
Oct.	17 666	2 795	14 871	805	-9 813	5 986	5.0	4.6	4.3



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

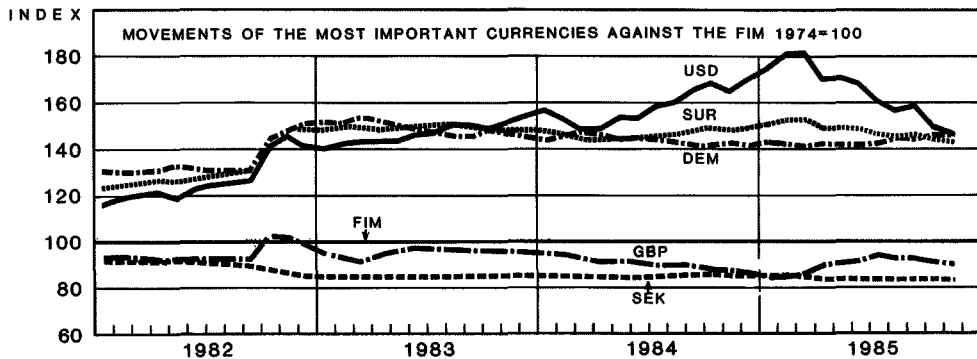
Period	New York 1 US USD	Montreal 1 C CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC BEL	
	1	2	3	4	5	6	7	8	9	10	11
1980	3.730	3.194	8.691	7.689	88.43	75.81	66.53	205.58	188.02	12.818	12.635
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											
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
Aug.	5.942	4.387	8.253	6.653	71.70	72.30	58.93	213.31	189.63	10.547	10.425
Sept.	6.025	4.404	8.232	6.611	71.89	72.39	58.60	212.50	188.92	10.510	10.431
Oct.	5.690	4.168	8.106	6.676	71.63	72.10	59.41	215.47	191.11	10.633	10.556
Nov.	5.579	4.060	8.042	6.668	71.60	71.66	59.53	215.40	191.26	10.654	10.608



Average selling rates for foreign exchange, FIM

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 ŠS 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 ¹
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
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
259.72	69.98	0.319	30.40	3.63	14.77	3.64	2.509	7.319	6.131 58	102.5
258.26	69.77	0.318	30.25	3.57	14.57	3.59	2.550	7.366	6.183 31	102.6
262.81	70.80	0.320	30.69	3.52	13.85	3.54	2.653	7.262	6.051 77	102.6
262.36	70.80	0.320	30.66	3.50	13.63	3.51	2.740	7.209	6.016 47	102.4

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



DEPOSITS BY THE PUBLIC

Mill. FIM

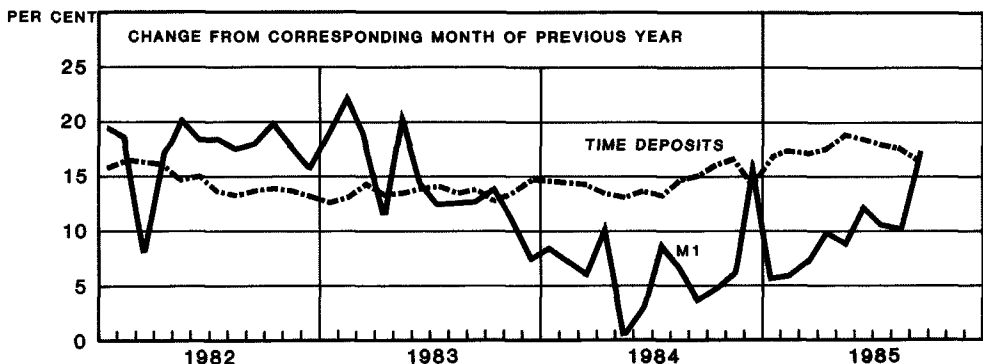
End of year and month	Demand deposits				Time deposits					Total (4 + 9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1981	5 791	2 879	2 952	11 622	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	8 665	85 054	99 132
1983	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 689	112 988
1984*	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 266	111 852	130 053

1984*

Aug.	6 910	4 454	4 708	16 072	36 139	31 989	26 598	10 672	105 398	121 470
Sept.	6 488	4 400	4 826	15 715	36 626	32 141	26 882	10 593	106 242	121 956
Oct.	7 422	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	27 193	10 815	108 706	124 430
Dec.	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 266	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	16 041	41 866	34 729	29 275	11 806	117 677	133 717
March	6 579	4 273	4 663	15 515	42 639	34 658	29 180	11 692	118 170	133 685
April	7 660	4 505	4 786	16 950	42 772	34 904	29 368	11 726	118 770	135 720
May	7 463	4 733	4 364	16 559	43 804	35 347	29 838	11 893	120 881	137 440
June	7 621	4 755	5 168	17 544	44 443	36 047	30 500	11 768	122 758	140 302
July	7 927	4 874	5 283	18 084	44 294	36 219	30 455	11 799	122 767	140 851
Aug.	7 222	4 917	5 731	17 871	44 796	36 551	30 741	12 083	124 171	142 041



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

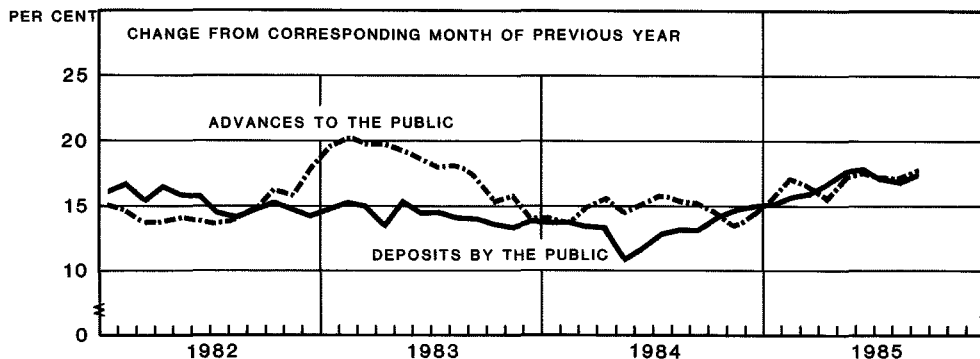
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi-Money
	1	2	3	4	5	6	7		8	9
1981	40 461	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	17 253	126 231	21 427	121 906
1984*	65 965	32 705	31 164	14 687	118 924	5 233	20 363	144 520	24 945	141 658

1984*

Aug.	63 398	31 479	29 649	14 406	112 850	5 345	20 736	138 931	22 460	132 019
Sept.	64 225	31 820	30 076	14 562	114 602	5 401	20 681	140 684	22 239	132 660
Oct.	64 242	32 223	30 465	14 536	116 238	5 398	19 829	141 466	22 832	134 162
Nov.	64 911	32 478	30 810	14 688	117 444	5 697	19 746	142 887	22 426	135 800
Dec.	65 965	32 705	31 164	14 687	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	148 658	23 357	143 069
Feb.	71 757	33 384	31 707	15 328	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	15 484	124 351	6 320	24 425	155 095	23 595	147 783
May	75 015	34 172	32 621	15 883	126 022	6 365	25 304	157 691	23 423	149 700
June	77 246	34 390	32 983	15 959	127 596	6 279	26 703	160 579	24 750	153 455
July	77 104	34 848	33 378	16 074	128 886	6 242	26 275	161 403	24 902	154 118
Aug.	77 677	35 276	33 824	16 082	130 846	6 333	25 680	162 859	24 783	155 013



STATE FINANCES

Mill. FIM

Revenue	Jan.-Sept.		Expenditure	Jan.-Sept.	
	1984	1985		1984	1985
Income and wealth tax (net)	15 671	17 736	Wages, salaries, pensions etc.	9 918	10 863
Gross receipts	43 131	48 915	Repair and maintenance	1 250	1 412
Refunds & local authorities	-27 459	-31 179	Other consumption expenditure	5 336	6 132
Other taxes on income and wealth	434	463	Total consumption expenditure	16 504	18 407
Employers' child allowance payments	116	552	State aid to local authorities	13 674	15 767
Sales tax	15 723	17 611	State aid to industries	6 589	7 129
Customs duties and import charges and levies	1 242	1 160	of which: agric. price subsidies	3 012	3 816
Excise duties	7 702	8 804	Child allowances	1 734	1 837
Excise duty on alcoholic bevs.	2 946	3 070	Share in national pensions and sickness insurance schemes	1 949	1 763
Excise duty on tobacco	1 129	1 210	Deficit of State enterprises	927	925
Excise duty on liquid fuel	2 647	3 204	Other transfer expenditure	8 023	9 044
Other excise duties	980	1 320	Total transfer expenditure	32 896	36 464
Tax on autom. and motor-cycles	1 933	2 045	Machinery and equipment	1 351	1 443
Stamp duties	1 645	1 919	Construction of buildings	885	798
Special diesel etc. vehicles tax	274	301	Land and waterway construction	1 640	1 665
Other taxes and similar revenue	1 551	1 528	Total real investment	3 876	3 906
Total taxes	46 290	52 118	Interest on State debt	3 008	3 656
Miscellaneous revenue	3 980	4 347	Other expenditure	6	25
Interest, dividends etc.	1 137	1 530	Total other expenditure	3 014	3 680
Surplus of state enterprises	1 432	1 535	Increase in inventories	64	250
Redemptions of loans granted	1 016	1 196	Lending	3 073	3 055
Total revenue	53 856	60 726	Other financial investment	567	710
Foreign borrowing	3 891	2 646	Total expenditure	59 994	66 473
Domestic borrowing	4 383	5 629	Redemption of foreign loans	1 474	1 348
Total borrowing	8 275	8 274	Redemption of domestic loans	3 018	4 294
Deficit (+) or surplus (-)	2 355	3 116	Total redemptions	4 492	5 642
Total	64 486	72 116	Total	64 485	72 115

State debt	1983	1984	1985			
	Dec.	Dec.	July	Aug.	Sept.	Oct.
Foreign debt	21 723	24 946	25 269	25 654	25 787	26 205
Long-term debt	16 383	19 057	19 748	20 154	20 196	20 603
Short-term credit	18	266	323	314	314	314
Domestic debt	16 401	19 323	20 071	20 468	20 510	20 917
Total State debt	38 124	44 269	45 340	46 122	46 297	47 122
Total debt mill. \$	6 506	6 855	7 434	7 762	7 684	8 282

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

1985*

Jan.	6 905	7 085	-180
Feb.	6 586	4 787	+1 799
March	6 614	6 944	-330
April	7 090	7 073	+17
May	8 570	7 157	+1 413
June	6 843	7 060	-217
July	7 108	6 734	+374
Aug.	6 661	5 787	+874
Sept.	6 904	7 009	-105

Jan.-Sept.

1984	58 999	54 924	+4 075
1985*	63 281	59 636	+3 645

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

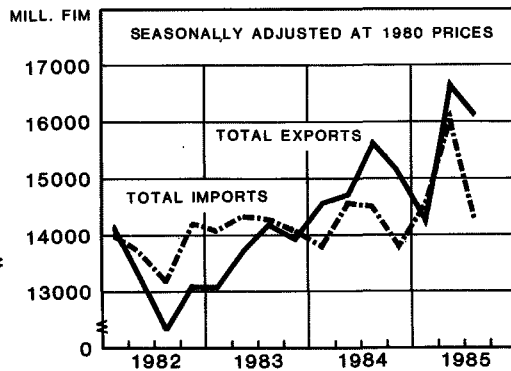
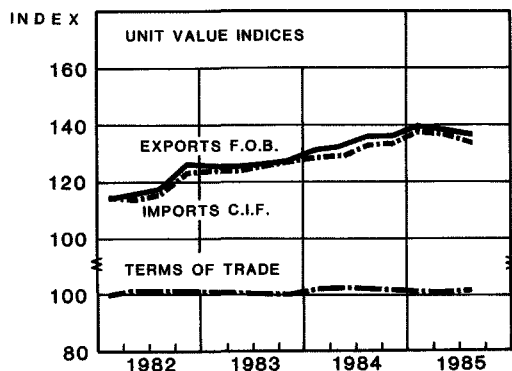
July-Sept.	97	97	127	127	100
Oct.-Dec.	115	108	128	128	100

1984

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

1985*

Jan.-March	108	93	140	138	101
Apr.-June	121	106	139	137	101
July-Sept.	114	100	138	134	102



FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

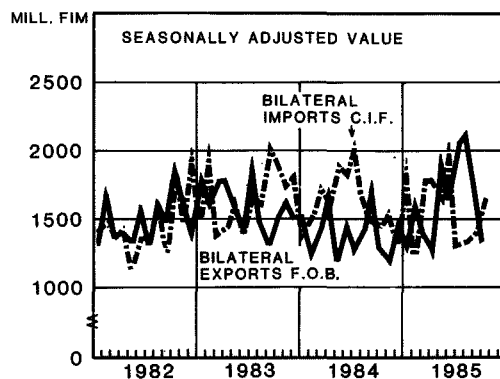
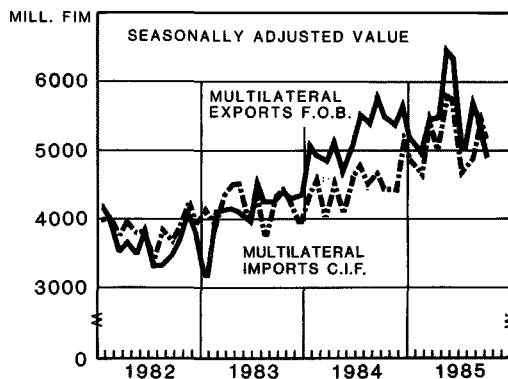
Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer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

1985*

Jan.	282	622	2 050	1 834	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	2 221	1 885	2 107	4 376	436	1 049	1 203	9
May	293	620	2 352	2 869	2 436	4 778	395	930	1 047	7
June	212	680	1 855	2 008	2 088	4 524	601	1 020	911	4
July	152	504	2 215	2 265	1 972	4 185	637	885	997	30
Aug.	142	507	2 251	1 832	1 929	3 434	491	833	1 020	9
Sept.	155	503	2 097	2 022	2 127	4 425	458	937	1 184	5

Jan.—Sept.

1984	2 305	5 283	17 179	16 456	17 776	34 588	3 786	8 018	8 391	141
1985*	2 211	4 973	19 189	18 162	18 746	37 453	3 757	8 402	9 614	410



FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January–Sept.				January–Sept.			
	1984*		1985*		1984*		1985*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
OECD countries in Europe	57.7	34 025	56.5	35 724	53.9	29 633	56.5	33 687
Austria	0.7	442	0.7	427	1.1	604	1.1	670
Belgium and Luxembourg	1.5	873	1.4	904	1.9	1 059	2.0	1 204
Denmark	4.2	2 451	3.9	2 457	2.5	1 357	2.5	1 505
France	4.1	2 415	3.9	2 482	3.1	1 718	3.4	2 035
Federal Republic of Germany	9.9	5 870	9.2	5 825	13.8	7 562	15.0	8 933
Italy	2.2	1 274	2.0	1 249	3.2	1 775	3.4	2 009
Netherlands	3.6	2 149	3.3	2 104	2.7	1 495	3.0	1 778
Norway	5.0	2 943	4.2	2 662	2.1	1 145	2.6	1 542
Portugal	0.2	125	0.3	198	0.7	381	0.8	462
Spain	0.7	428	0.8	512	0.8	457	1.0	569
Sweden	11.9	7 047	12.8	8 108	11.9	6 546	11.7	6 971
Switzerland	1.3	759	1.5	979	1.6	889	1.6	983
United Kingdom	10.9	6 444	10.9	6 868	7.7	4 244	7.6	4 538
Other	1.4	805	1.5	949	0.7	401	0.8	488
OECD countries outside Europe	11.1	6 567	10.5	6 637	11.4	6 262	11.4	6 814
Canada	0.8	486	1.2	778	0.6	335	0.8	448
Japan	1.4	797	1.6	1 006	5.7	3 152	5.3	3 153
United States	7.8	4 621	6.5	4 103	4.8	2 616	5.1	3 053
Other	1.1	663	1.2	750	0.3	159	0.3	160
CMEA countries	21.4	12 651	23.2	14 669	27.2	14 935	23.6	14 082
Czechoslovakia	0.4	237	0.3	200	0.4	232	0.5	277
German Democratic Republic	0.5	278	0.5	316	0.5	296	0.5	295
Poland	0.3	193	0.4	279	1.5	838	1.5	890
Soviet Union	19.7	11 617	21.3	13 455	24.2	13 272	20.6	12 256
Other	0.5	326	0.7	419	0.5	297	0.6	364
Latin America	0.9	513	1.8	1 157	2.6	1 421	2.6	1 538
Argentina	0.1	52	0.1	48	0.2	98	0.2	91
Brazil	0.1	88	0.2	106	0.9	498	0.9	510
Colombia	0.1	76	0.2	97	0.6	313	0.6	378
Other	0.5	297	1.4	906	0.9	512	0.9	559
Other	8.9	5 243	8.0	5 094	4.9	2 673	5.9	3 515
GRAND TOTAL	100.0	58 999	100.0	63 281	100.0	54 924	100.0	59 636
of which								
EFTA countries	19.3	11 395	19.7	12 475	17.6	9 651	18.0	10 709
EEC countries	37.5	22 117	35.6	22 520	35.5	19 488	37.5	22 365
OECD countries	68.8	40 592	66.9	42 361	65.3	35 866	67.9	40 501

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

Oct.-Dec.	17 904	19 494	-1 590	+668	-191	+319	-794	-1 328	-150	+42	-2 230
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1983

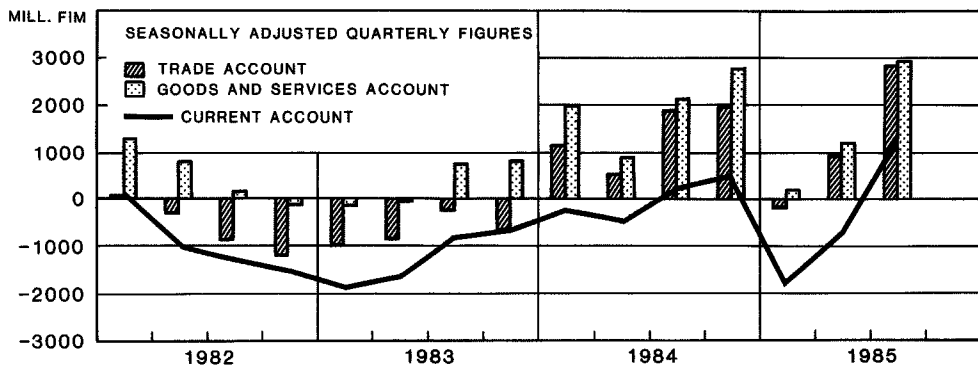
Jan.-March	16 740	16 469	+271	+744	-292	+142	+865	-1 557	-243	+5	-930
Apr.-June	17 098	17 538	-440	+753	-229	+288	+372	-1 492	-176	+42	-1 254
July-Sept.	16 180	17 970	-1 790	+888	+45	+487	-370	-1 463	-174	+53	-1 954
Oct.-Dec.	19 350	20 162	-812	+815	-272	+693	+424	-1 305	-204	-4	-1 089

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*

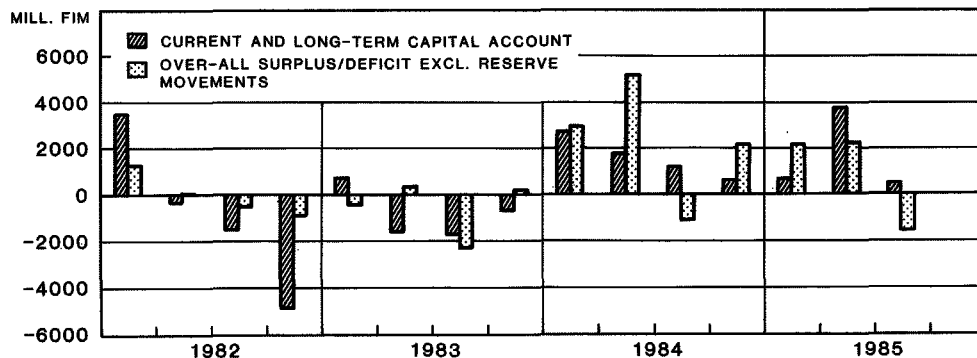
Jan.-March	20 105	18 933	+1 172	+914	-490	-254	+1 343	-1 585	-351	-136	-728
Apr.-June	22 547	21 403	+1 145	+995	-444	-146	+1 550	-1 590	-290	-59	-389
July-Sept.	20 636	19 646	+991	+1 019	-247	-55	+1 708	-1 388	-223	-68	29



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 ¹	+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
+2 385	-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	+336	-49	+1 526	+798	+533	-1 027	+1 924	-75	+2 153	-2 153
+3 355	-2 709	+369	+3 111	+4 126	+3 737	+862	-1 992	+1 582	-1 961	+2 228	-2 228
+2 460	-1 621	+254	-627	+466	+495	+86	-686	-1 288	-173	-1 566	+1 566

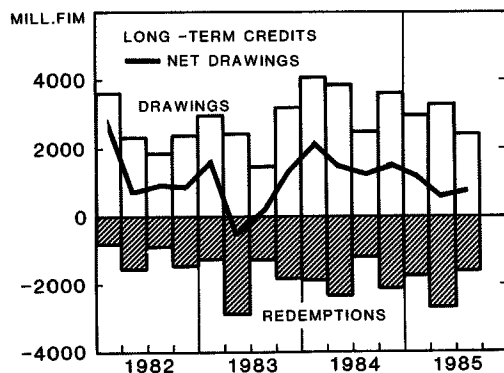
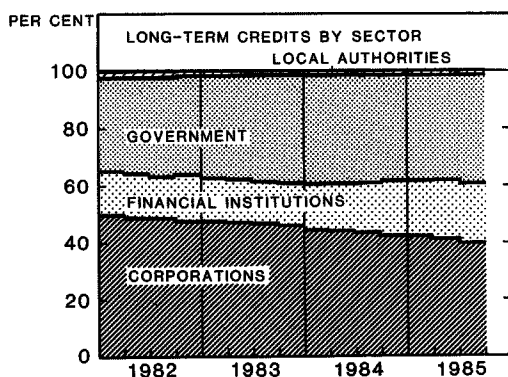
Assets: increase -, decrease +. Liabilities: increase +, decrease -

¹Including allocations of special drawing rights totalling FIM 131 million.

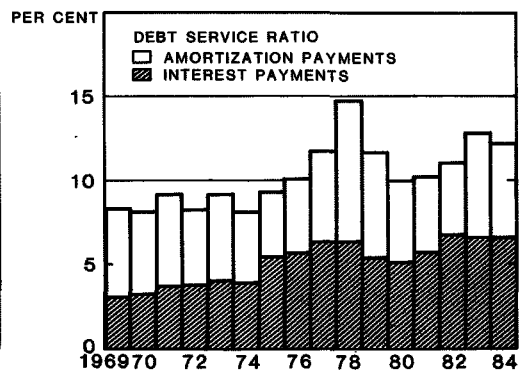
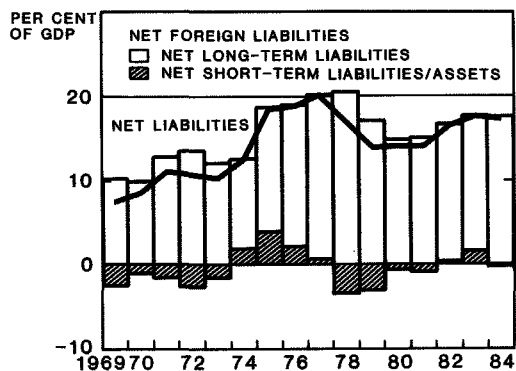


FINLAND'S FOREIGN ASSETS AND LIABILITIES

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											
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	8 504	9 408	2 071	19 983	64 798	3 616	2 631	2 900	778	74 723	54 740
June	8 034	9 824	2 195	20 053	65 273	3 350	2 763	6 317	873	78 576	58 523
Sept.	7 231	10 290	2 179	19 700	64 060	3 080	2 809	6 210	867	77 026	57 326



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
12 737	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	44 984	13 492	83 261	4 535	59 101	18 298	81 935	-1 327	53 413	3 237	1 688
26 208	46 661	14 905	87 773	3 729	62 282	18 558	84 570	-3 204	55 319	3 745	2 110
24 770	44 674	16 481	85 926	4 240	58 728	18 219	81 187	-4 739	52 587	2 937	1 544



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	126.0	130.8	128.5	128.7	124.4	129.2
1984	1 261	134.5	136.0	130.0	132.6	137.5	135.8	136.5	133.7	136.1
1985										
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
July	1 330	141.1	144.2	131.4	137.7	146.9	143.2	144.9	145.8	143.1
Aug.	1 324	140.2	143.7	129.4	136.1	146.8	143.5	145.6	146.0	144.0
Sept.	1 326	140.8	143.6	132.3	137.0	146.7	143.9	145.8	146.2	144.2
Oct.	1 319	140.0	143.3	129.8	135.4	146.7	144.2	145.9	146.4	144.3

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
	1	2	3	4	5	6	7	8	9	10
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	119.5	124.5	123.0	145.2	125.4	126.4	130.8
1985										
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
July	135.4	141.3	139.7	125.2	132.6	129.6	154.4	131.1	132.2	140.4
Aug.	135.6	141.4	139.7	126.4	132.6	130.4	157.1	129.8	133.1	141.7
Sept.	135.8	140.0	141.4	128.0	132.8	131.1	157.2	130.1	134.0	142.1
Oct.	136.0	140.0	141.4	129.7	132.9	131.8	158.3	129.7	134.4	142.2

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			State employees	Municipal employees	Employees in private sector				
	Agriculture	Industry	Construction							Employees in services
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	137.3	138.4	136.9	137.8
1984*	148.5	149.9	152.8	152.4	147.1	154.7	150.5	151.4	149.7	150.8
1984*										
July-Sept.	150.9	151.1	153.0	153.6	147.5	155.9	152.0	152.9	150.8	152.1
Oct.-Dec.	154.6	152.7	158.0	154.9	149.2	156.6	154.2	154.3	153.4	154.0
1985*										
Jan.-March	150.3	157.0	164.3	159.9	154.2	162.5	157.3	158.2	157.2	157.8
Apr.-June	163.2	163.0	168.7	165.3	159.2	167.2	164.3	164.5	163.6	164.2
July-Sept.	165.1	161.7	169.8	165.6	159.2	167.2	164.2	164.7	163.1	164.1

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										
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	82	89	107	101	117	117
Apr.-June	114	120	83	107	91	105	112	111	117	127

PRODUCTION

Index of industrial production 1980 = 100

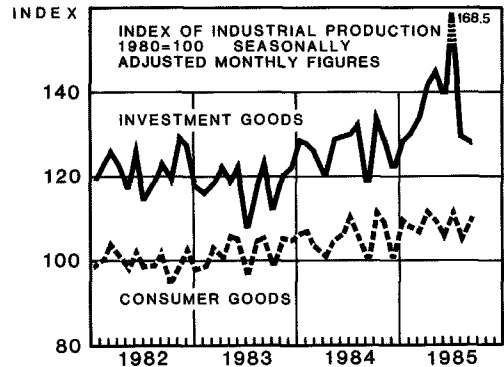
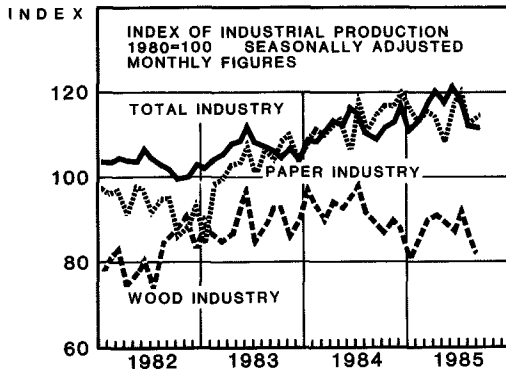
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1982	103.6	122.9	100.5	101.5	106.0	82.4	94.7	98.8	110.0	113.9	103.8
1983*	107.1	118.9	102.6	107.1	108.9	89.9	103.5	106.2	115.0	114.5	107.1
1984*	112.4	127.8	106.0	112.5	110.1	92.4	114.3	110.8	109.2	121.6	112.7

1984*

Sept.	111.7	125.6	103.5	113.0	107.4	99.7	112.5	113.4	129.1	121.3	109.6
Oct.	127.7	143.4	123.6	126.6	142.9	104.8	125.7	122.7	138.3	138.9	112.3
Nov.	125.7	143.7	123.6	123.2	134.2	95.0	124.4	122.1	118.2	138.4	113.4
Dec.	104.8	120.7	98.5	104.8	104.3	65.4	110.8	103.5	94.7	116.6	117.9

1985*

Jan.	118.9	132.7	116.1	117.4	103.3	78.6	119.3	108.8	109.2	129.3	111.8
Feb.	109.9	127.6	105.7	108.6	89.9	77.1	110.6	107.1	88.2	120.9	113.8
March	121.5	146.2	113.0	120.9	105.5	97.7	123.5	123.2	113.1	136.1	118.0
April	119.9	147.7	110.8	119.1	106.7	107.6	105.9	128.7	103.9	139.6	121.0
May	128.1	172.3	116.8	125.6	114.1	115.9	108.2	126.1	125.3	158.5	118.6
June	114.9	152.9	103.1	113.7	102.8	92.4	106.9	106.7	116.1	138.3	122.4
July	81.3	67.6	72.1	88.0	102.5	40.4	127.5	78.3	71.6	68.3	118.9
Aug.	115.3	127.7	108.9	116.0	112.5	81.9	119.7	122.3	132.3	124.0	112.5
Sept.	118.2	134.0	112.3	118.0	107.7	94.5	112.9	121.2	137.1	131.9	112.1



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	2 414	159	6.2	41 288	109	109
1984*								
Aug.	3 700	2 598	2 454	144	5.6	1 649	113	120
Sept.	3 703	2 549	2 395	154	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	171	6.6	5 882	107	114
May	3 709	2 611	2 461	150	5.7	4 598	118	120
June	3 708	2 761	2 594	167	6.1	2 407	113	104
July	3 708	2 780	2 621	159	5.7	1 121	119	97
Aug.	3 712	2 631	2 481	150	5.7	1 212
Sept.	3 714	2 563	2 405	159	6.2	1 951

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	51.77	19.67	6.43	18.33	3.64	47.37	18.43	5.91	16.32	3.53	51.44
1984*	49.68	19.93	5.65	17.44	3.13	44.24	17.65	5.13	15.75	2.83	52.13
1984*											
Jan.-March	9.17	3.87	1.12	3.10	0.61	9.35	3.89	0.75	3.38	0.70	46.23
Apr.—June	17.32	7.77	2.44	5.01	0.77	10.79	4.26	0.75	4.63	0.58	51.59
July-Sept.	12.91	4.85	1.28	4.68	1.03	9.70	3.66	1.67	2.74	0.90	55.86
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	9.15	3.44	1.09	3.17	0.86	8.46	3.77	0.54	2.87	0.73	48.36
Apr.—June	16.63	7.04	3.03	4.65	0.74	9.25	3.75	0.61	3.19	1.00	54.14

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

Corporate sector: Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers' credits. Liabilities, net = Deposits for investment and ship purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Export deposits + Other liabilities to corporations - Bonds - Other claims on corporations.

MONETARY POLICY INDICATORS

Page 6. All the figures except the average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The average lending rate of the commercial banks is the mean value of the end of the month lending rates weighted by credit outstanding. The annual figure for the average lending rate is an unweighted average of the weighted average monthly rates.

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

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

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

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

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

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

FORWARD EXCHANGE MARKETS IN FINLAND

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

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

FOREIGN EXCHANGE RATES

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

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

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

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

Page 11. *Advances to the public*. The central government and the financial institutions are not included in the public. Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply M₁ = Finnish-notes and coins in circulation - Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

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

STATE FINANCES

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

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.

Owing to rounding, the figures in statistical tables do not necessarily add up to the totals shown.

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% to 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 m³ (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 m³ was up to the standard required for logs, 52% of these being pine. The annual growth was 67 million m³ and the total drain calculated on the basis of roundwood consumption was 48.5 million m³.

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 (Sept. 30, 1985): Passenger vessels 160 (245 176 gross reg. tons), tankers 39 (938 995 gross reg. tons), dry cargo vessels 147 (666 773 gross reg. tons), other vessels 102 (21 163 gross reg. tons), total 448 (1 872 107 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 0.21169 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is tradeweighted and as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 18.6, DEM 19.6, GBP 15.4, USD 9.3, other currencies 37.1. 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 (Jan. 1, 1986). The Bank of Finland's base rate is 8 ½%. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 6% and 11%. Other credit institutions: time deposits 4 ¼%, 6 month deposits 5 ½%, 12 month deposits 7%, 24 month deposits 8 ¼% and sight deposits 1 ¼%.

SOME OBSERVATIONS ON PROFITABILITY IN THE FINNISH MANUFACTURING SECTOR IN 1970—1984

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INTRODUCTION

The aim of this article is to give a picture of developments in profitability in the Finnish manufacturing sector since 1970. The description is partial and causal relationships are discussed only to a limited extent. The measurements are carried out in terms of national accounts data at the macro-level and profit and loss accounts data at the micro-level. One purpose of this comparison is to find out how suitable national accounts data - published statistics on which are available with a clearly shorter time lag than those on profit and loss accounts - are for assessing developments in profitability.

If micro- and macroeconomic indicators give a reasonably uniform picture of developments in profitability, national accounts could also provide a basis for a comparison of profitability developments between countries. International comparisons based on profit and loss account statistics are very laborious owing to the scarcity of published statistics and widely varying compilation practices in different countries. Hence, no attempt at international comparisons is made here.

PROFITABILITY INDICATORS

Different definitions of profit exist along with different techniques of measurement. This article, however, avoids much of the discussion on concepts and measurement and limits itself to two frameworks, i.e. aggregative national accounts and firms' profit and loss accounts. The profit indicators derived from national accounts data are essentially based on the operating surplus of production accounts. In practice, operating surpluses are measured as residual items (value of output at producers'

prices less the value of intermediate inputs less wages and related labour costs¹ of production accounts. The surpluses may therefore be subject to wide margins of measurement error.

Operating surpluses are calculated both gross and net, that is, before and after adjustments for depreciation (consumption) of fixed capital. The comparisons reported below employ only the gross operating surplus for the reason that depreciations are measured differently in national accounts and in profit and loss accounts. The use of the gross operating surplus generated in production means that holding gains, i.e. capital gains and losses, are not included in profits.

When gross operating surplus is related to either value added or gross fixed capital stock, indicators of the profit share (income share of capital) and the rate of return on capital,² respectively, are obtained. In the Finnish national accounts the estimate of the gross fixed capital stock closely approximates the replacement value of fixed assets. This means that indicators for return on capital are adjusted for inflation as far as changes in the value of the capital stock are concerned.

The profit and loss statement of a firm provides a framework which to certain extent is analogous to that formulated on the basis of national accounts. However, there are also

¹ This definition means that income from entrepreneurs' labour input is included in capital's share. In Finnish manufacturing this component is, however, relatively small. In 1970, entrepreneurs accounted for 3.1 per cent of the total manufacturing labour force, and in 1984 for 2.6 per cent.

² Estimated rates of return are overstated as inventories are omitted from the capital stock. If the tendency to economize in the holding of inventories is significant, the omission could, however, cause a downward bias in developments in rates of return.

some important differences. As the table below shows, the same income and cost items appear in both frameworks. The operating margin in the profit and loss accounts is obtained by deducting from gross sales materials and supplies, wages and salaries, rents and some other cost items of a similar nature. Hence this income flow is conceptually quite close to gross operating surplus in national accounts data. There are, however, certain

TABLE. CAPITAL INCOME/PROFITS IN THE CONTEXT OF NATIONAL ACCOUNTS AND FIRMS' PROFIT AND LOSS ACCOUNTS

National accounts		Profit and loss account
Output at producers' prices		Gross sales
	+ or -	Items adjusting gross sales (discounts, bad debts, indirect taxes etc.)
		<u>= Turnover</u>
- Value of intermediate inputs (raw materials etc.)		- Variable costs (materials, wages, other variable costs, production for own use, + or - inventory change)
<u>= Value added</u>		<u>= Gross margin</u>
		- Fixed costs (salaries, rents and leases etc.)
- Labour costs (wages, salaries and employers' social security contributions)		<u>= Operating margin</u>
<u>= Gross operating surplus</u>		- Depreciations
- Consumption of fixed capital		<u>= Trading profit/loss</u>
<u>= Operating surplus (net)</u>	+ or -	- Other income and expenses (interest income, dividend income, other income, other expenses)
		Increase (-) or decrease (+) in reserves
		- Interest expenses
		- Direct taxes
		<u>= Profit/loss for the financial year</u>

specific features associated with the valuation of transactions in a firm's profit and loss statement. Without going into details, it can be noted that the most important adjustment item is the possibility to write down the value of inventories by up to a maximum of 50 per cent. The time series for the operating margin used in the empirical analysis are unadjusted for the undervaluation of inventories, so that

changes in the latter affect the observed operating margins.

The profit and loss account provides a basis for a more detailed and thoroughgoing analysis of profits than national accounts; e.g. information on the manufacturing sector's after-tax profits and profits net of interest payments are available only from the profit and loss accounts. The size of net interest payments is briefly discussed below.

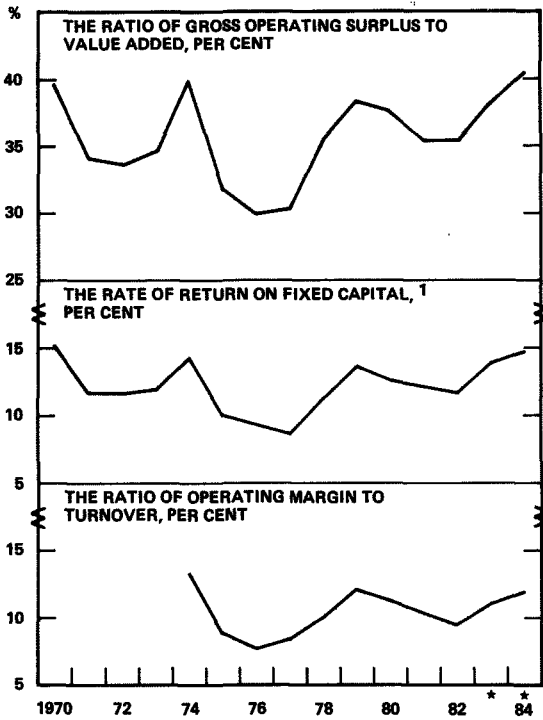
SOME TRENDS IN PROFITABILITY INDICATORS SINCE 1970³

During the period for which profitability indicators based both on national accounts and profit and loss accounts are available, the time profile of these indicators is similar (Chart 1). All indicators fluctuate procyclically together with output and most of their variation is of cyclical origin. As the degree of coherence between different time series is high and also the relative size of the changes has been of the same magnitude, it seems that the macroeconomic indicators derived from national accounts are satisfactory indicators of the profitability of firms, at least for the purposes of business cycle analysis.

The share of debt-financing in Finnish manufacturing firms as well as in the whole corporate sector has traditionally been high by international standards. Consequently, the share of net interest payments in gross profits has also been large. The relative indebtedness of manufacturing firms has not increased, however. The ratio of net interest payments to turnover (sales) displays cyclical variation, but its average level has, by and large, been unchanged (Chart 2). It should be noted that real interest rates, as measured by e.g. the banks' average lending rate, were clearly negative in the period of high inflation following the first oil shock.

³ In Finland, the present Accounting Act came into force in 1974. It changed book-keeping practices to such an extent that earlier profit and loss accounts statistics are not comparable with those compiled on the basis of the new Act.

CHART 1. GROSS OPERATING SURPLUS, RATE OF RETURN ON FIXED CAPITAL AND OPERATING MARGIN IN THE FINNISH MANUFACTURING SECTOR IN 1970—1984



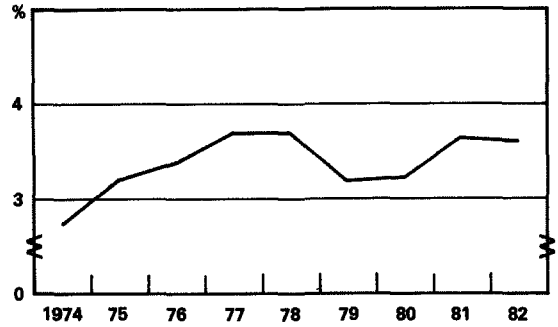
¹ The ratio of gross operating surplus to gross fixed capital stock

* Preliminary data based on large firms covering about 85 per cent of manufacturing turnover.

Until the early 1970s, cyclical fluctuations in the volume of output and concomitant price fluctuations were major causes of variations in manufacturing profitability. Abrupt changes in the terms of trade have been the source of additional disturbances since the first oil shock in 1973 (Chart 3).

However, the initial impact of the first oil shock on the Finnish economy proved somewhat contrary to expectations. The international raw material boom strengthened especially the demand for forest industry products, with the result that export prices soared. In 1974, foreign trade prices rose by more than 40 per cent and the terms of trade improved clearly during the year. Consequently, profits in manufacturing peaked, but they soon spilled over into domestic costs, while the high

CHART 2. THE RATIO OF NET INTEREST PAYMENTS TO TURNOVER IN THE FINNISH MANUFACTURING SECTOR IN 1974—1982



level of export prices proved to be only transitory. In 1975, firms were hit by a profitability crisis, which lasted for three years. Since 1978, profitability has improved rapidly and, apart from minor fluctuations, it has remained at a relatively high level in the early 1980s as well. Several factors have contributed to this development.

Firms' operating conditions were improved by cutting employers' social security contributions in several steps at the end of the 1970s. The present contribution rates are still below the level reached before the reductions were implemented. The competitive position of the manufacturing was further enhanced by devaluations of the markka in 1977 and 1978.

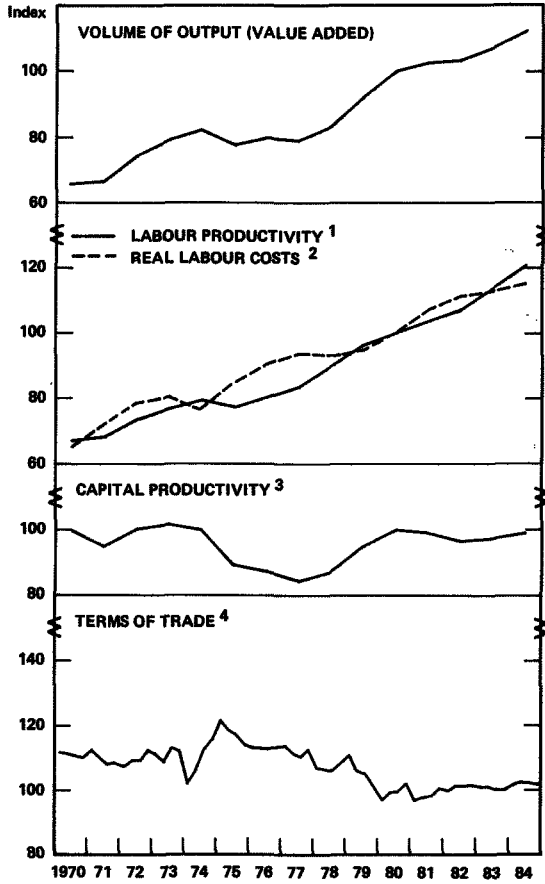
The rate of increase in labour productivity recovered in 1976, in spite of a weak output performance. Since then, labour productivity has increased at an average rate of nearly 5 per cent, which compares favourably with productivity growth in the 1960s. The fluctuations in capital productivity reflect changes in the level of capacity utilization. The trend of capital productivity has developed in line with its previous pattern and hence there have been no signs of an acceleration of capital deepening in Finnish manufacturing (Chart 3).

There has been some evidence of an easing in the growth of nominal wages. Firms have been able to compensate for the rise in real labour

costs through increased labour productivity. Moreover, measures aimed at supporting wage-earners' real income may have had a positive influence on firms' profitability. The

adjustment of personal income tax scales for inflation - carried out annually since 1977 - and reductions in wage-earners' social security contributions seem to have moderated nominal wage claims.

CHART 3. OUTPUT, PRODUCTIVITY AND REAL LABOUR COSTS IN THE FINNISH MANUFACTURING SECTOR AND THE TERMS OF TRADE IN 1970-1984, INDICES 1980 = 100



- 1 Volume of value added per man-hour
- 2 Nominal labour costs deflated by the implicit price index of value added
- 3 Ratio of output to fixed capital stock (constant prices)
- 4 For the whole economy, quarterly

Owing to the developments discussed above, the weakening of profitability in manufacturing in the wake of the second oil shock was appreciably milder and shorter-lived than that experienced half a decade before.

SUMMARY

The various indicators of profitability in the Finnish manufacturing sector considered above have developed in quite a uniform pattern over the last decade for which published statistics are available. The close correlation suggests that the macroeconomic indicators based on national accounts data reveal quite accurately the relationships between microeconomic indicators based on business accounts data and overall macroeconomic developments.

In Finland, as in all industrial countries, the manufacturing sector's profitability weakened sharply after the first oil shock. It is, however, noteworthy that a protracted downward trend in profitability was avoided in Finland, and profits more or less returned to their trend levels in the later years of the 1970s. There is no doubt that the relatively favourable developments in profitability have contributed to the positive overall performance of the Finnish economy, which, in turn, has been a factor helping the manufacturing sector to maintain its profits.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM DECEMBER 1984 TO NOVEMBER 1985

1984

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 earlier. 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.

September

Forward market. The Bank of Finland issues new guidelines on operations in the forward market. Under these guidelines, firms are granted the right to hedge against the foreign exchange risk arising from the difference between their foreign currency claims and liabilities. Firms and private persons may still hedge against foreign exchange risks on an individual transactions basis as before. The new guidelines are to enter into force on September 1, 1985.

Personal credit guidelines. On September 6, the Bank of Finland issues the financial institutions new guidelines on the granting of personal credits.

Call money market. The Bank of Finland lowers the call money rate from 13.3 to 12.9 per cent as from September 17.

Local government counter-cyclical deposits. On September 19, the Council of State makes a decision according to which local authorities are allowed to make counter-cyclical deposits between October 1, 1985 and May 2, 1986. The funds are to be deposited with the Bank of Finland and they can be drawn as from October 1, 1986 and by August 31, 1987 at the latest. The Bank of Finland is to pay interest on the deposits at a rate which is 2.5 percentage points below the base rate. In addition,

supplementary interest at a rate of 5.5 per cent is to be paid from central government funds on deposits of more than one year.

October

Call money market. The Bank of Finland lowers the call money rate from 12.9 to 12.6 per cent as from October 18.

November

Call money market. The Bank of Finland lowers the call money rate from 12.6 to 12.4 per cent as from November 5 and further to 12.0 per cent as from November 26.

ITEMS

Finland's balance of payments January-September 1985. According to the Bank of Finland's preliminary figures, the current account showed a deficit of FIM 1 089 million in January-September of this year. The net inflow of long-term capital amounted to FIM 6 118 million and the net outflow of short-term capital to FIM 2 215 million. Since the total net inflow of capital exceeded the deficit on current account, the Bank of Finland's foreign exchange reserves grew by FIM 2 814 million. In January-September 1984, the current account had shown a deficit of FIM 291 million.

Current account. The trade account (including adjustment items) registered a surplus of FIM 3 308 million in January-September, as compared with a surplus of FIM 3 537 million in the corresponding period last year. Commodity exports were up 7 per cent in value and 3 per cent in volume on January-September 1984. The paper and metal and engineering industries accounted for most of the growth in export volumes. The value of commodity imports rose by 9 per cent and the volume by 4 per cent as compared with the corresponding period last year. The growth in import volumes was reduced by a decline in imports of crude oil and fuels.

The surplus on the services account amounted to FIM 1 292 million in January-September, which was FIM 600 million less than in the corresponding period last year. The decline in the surplus was primarily due to a widening in the deficit on the travel account. Travel receipts grew by 3 per cent and travel expenditure by 13 per cent, giving rise to a deficit of FIM 1 181 million on the travel account. At FIM 2 927 million, the surplus on the transport account was slightly smaller than in the same period last year because of a decline in transport receipts. The "other services account" recorded a deficit of FIM 454 million in January-September.

Interest payments on foreign loans amounted to FIM 9 110 million. With interest earnings on

foreign assets reaching FIM 4 548 million, the investment income account showed a deficit of FIM 4 562 million in January-September. This was FIM 260 million less than in the corresponding period last year. The unrequited transfers account registered a deficit of FIM 864 million.

Capital account. Drawings of long-term loans amounted to FIM 8 792 million in January-September, FIM 1.6 billion less than in the corresponding period last year. The central government accounted for FIM 2 574 million of the drawings. Repayments of long-term loans totalled FIM 6 068 million. Drawings of long-term export credits granted to foreign customers reached FIM 400 million and repayments of outstanding export credits FIM 1 359 million. Finnish net direct investment abroad totalled FIM 1 738 million and net foreign direct investment in Finland FIM 171 million. Portfolio investments in Finland amounted to FIM 4 197 million in net terms, of which amount FIM 3 417 million took place in the second quarter of the year. The total net inflow of long-term capital reached FIM 6 118 million, which was FIM 0.2 billion more than in the corresponding period last year.

Short-term capital outflows (including errors and omissions) totalled FIM 2 215 million in January-September. Short-term liabilities related to imports grew by an estimated FIM 1 481 million, while net prepayments and receivables related to exports increased by FIM 3 704 million in net terms. The net short-term liability of the authorized banks went up by FIM 2 217 million.

The foreign exchange reserves of the Bank of Finland grew by FIM 2 814 million in January-September. The convertible foreign exchange reserves increased by FIM 2 760 million. The tied currency liabilities decreased by FIM 54 million. At the end of September, the convertible foreign exchange reserves of the Bank of Finland totalled FIM 20 854 million, while the tied currency liabilities amounted to FIM 269 million.

At the end of September, Finland's net foreign debt totalled FIM 52 587 million, of which the central government accounted for FIM 24 197 million. The net long-term debt amounted to FIM 57 326 million and net short-term claims to FIM 4 739 million.

**MAJOR BALANCE OF PAYMENTS ITEMS
JANUARY—SEPTEMBER 1985, MILLION FIM¹**

	Receipts	Expendi- ture	Net
Trade (exports f.o.b., imports c.i.f.)	63 281	59 636	3 645
Adjustment items	7	345	-337
Trade account	63 288	59 981	3 308
Transport (c.i.f.)	4 809	1 882	2 927
Travel	2 475	3 656	-1 181
Other services	3 604	4 059	-454
Services account	10 888	9 596	1 292
GOODS AND SERVICES ACCOUNT	74 176	69 577	4 600
Investment income, net	4 548	9 110	-4 562
Unrequited transfers	421	1 286	-864
Other	2 476	2 739	-262
A. CURRENT ACCOUNT	81 622	82 711	-1 089
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits: ²			
drawings	-400	8 792	8 392
redemptions	1 359	-6 068	-4 709
Direct investment	-1 738	171	-1 567
Other long-term capital	-292	4 294	4 002
B. LONG-TERM CAPITAL ACCOUNT	-1 071	7 189	6 118
BASIC BALANCE (A + B)			5 029
Prepayments and liabilities related to imports			1 481
Prepayments and receivables related to exports	-2 990	-715	-3 704
Short-term capital of authorized banks			2 217
Other short-term capital			-1 359
Errors and omissions			-850
C. SHORT-TERM CAPITAL ACCOUNT			-2 215
D. ALLOCATIONS OF SDRs			-
OVERALL BALANCE (A + B + C + D)			2 814
Change in the foreign ex- change reserves of the Bank of Finland			-2 814

Assets: increase —, decrease +

Liabilities: increase +, decrease —

¹ Preliminary figures.

² Assets include export credits only.

³ Figures include the foreign assets and liabilities of foreign branches.

Finland becomes a full member of the European Free Trade Association (EFTA).

The EFTA Council decided in its meeting on November 4, 1985 to extend Finland full membership in EFTA as from January 1, 1986. Finland has been an associate member of EFTA since 1961.

Bank of Helsinki to merge with Union Bank of Finland.

Finnish commercial banking will become more concentrated when the Bank of Helsinki Ltd ceases to operate as an independent unit in 1986. Union Bank of Finland acquired a majority shareholding in the Bank of Helsinki around the beginning of November and announced soon afterwards that the Bank of Helsinki would be merged with Union Bank. Owing to the takeover, Union Bank of Finland will become Finland's largest commercial bank and the number of commercial banks will fall to nine. Two of them act as central monetary institutions for savings and co-operative banking groups while three are foreign-owned. Following the takeover, the combined balance sheet total of the two largest banks will increase from more than 70 per cent to almost 80 per cent of the commercial banks' aggregate balance sheet total.

(Continued from page 2)

ary measures contained in the budget proposal will to some extent be offset by the lagged effects of restrictive measures taken in earlier years. Limiting central government disbursements to the other levels of public administra-

tion could have a restrictive effect after a certain lag.

November 25, 1985

BANK OF FINLAND

Board of Management

Rolf Kullberg
Chairman

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom
*Absent as Minister
of Trade and Industry*

Esko Ollila

Markku Puntila
Acting Member of the Board

Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Sirkka Hämäläinen

Matti Vanhala

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*Secretary to the Board
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Internal Audit

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Data Processing

Kari Puumanen
Economics

Antti Heinonen
Information

Ralf Pauli
Monetary Policy

Kari Holopainen
Bilateral Trade

Esa Ojanen
Exchange Control

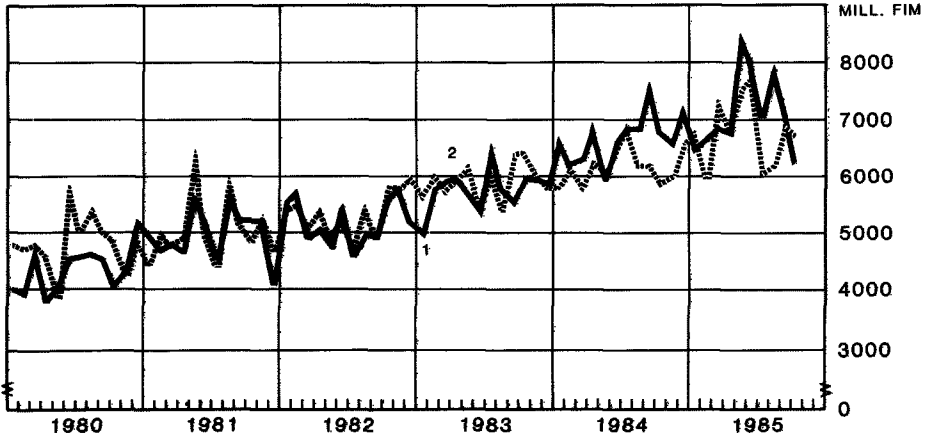
Johnny Åkerholm
Exchange Policy

Kari Pekonen
Foreign Exchange

Markus Fogelholm
Foreign Financing

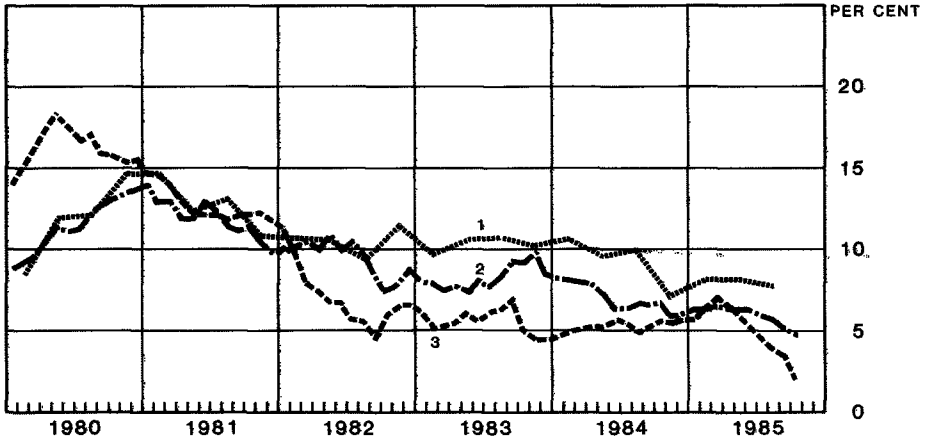
FOREIGN TRADE, 1980-85

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



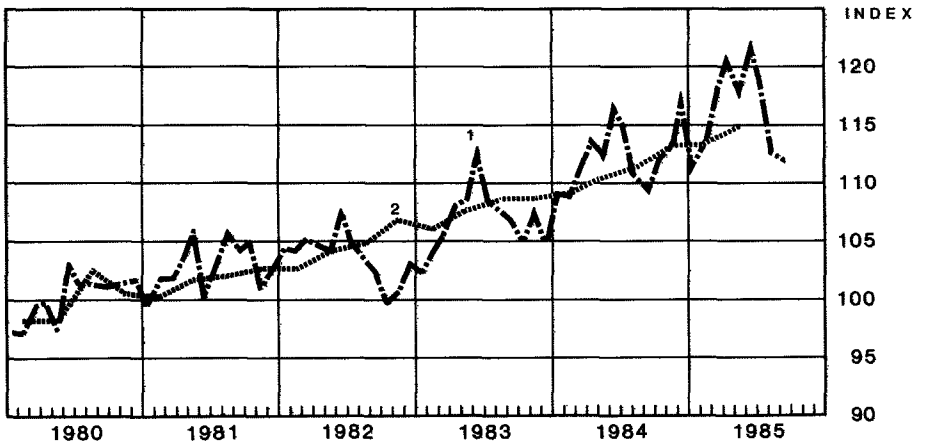
PRICES AND WAGES, 1980-85

- 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



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