



# BANK OF FINLAND

## *Monthly Bulletin*

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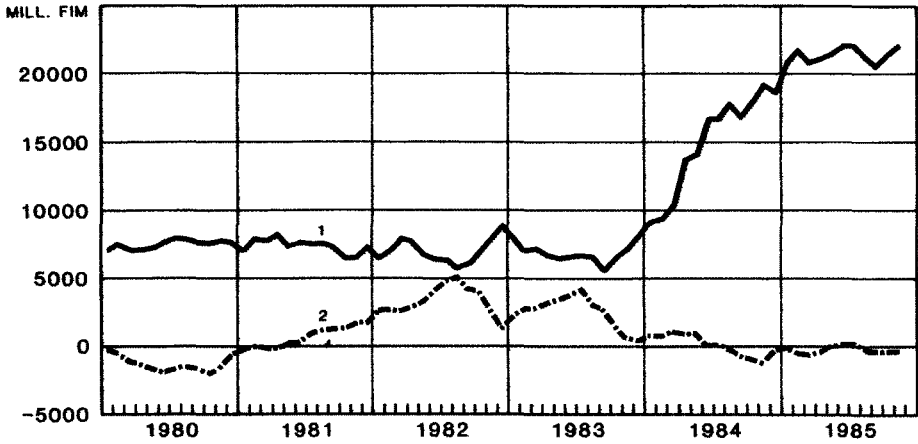
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JANUARY 1986

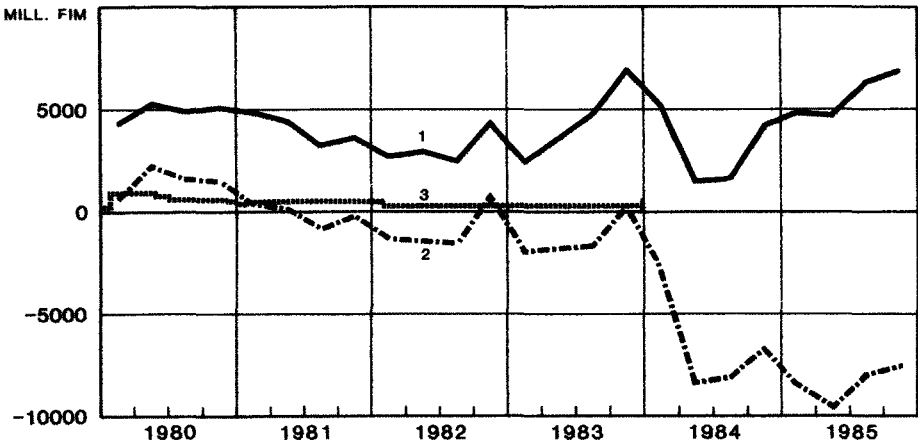
Vol. 60 No. 1

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



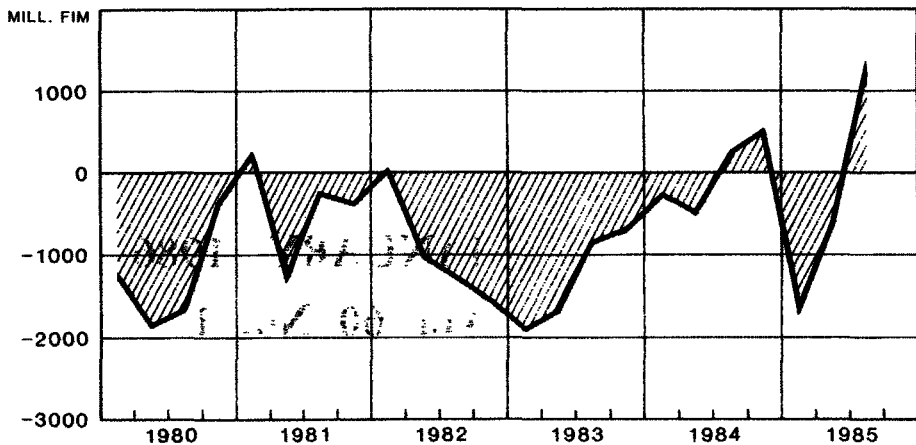
- 1. Gold and convertible currencies
- 2. Tied currencies

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



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

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



Seasonally adjusted quarterly figures

# STATEMENT BY MR. ROLF KULLBERG, GOVERNOR OF THE BANK OF FINLAND, ON THE OCCASION OF THE CLOSING OF THE ACCOUNTS FOR 1985

Compared with the 1970s and internationally, Finland's economic performance in the first half of the current decade has been favourable. Growth of total output has been steady, and inflation has gradually slowed down. Maintenance of external balance has not constituted a constraint to monetary and fiscal policy. Rather, it has been possible to formulate economic policy from the point of view of domestic output and price stabilization. Although the State's financial position has weakened, the level of indebtedness of the central government sector is still one of the lowest in the OECD area. Unfortunately, however, the rise in costs has continued to be more rapid than in competitor countries. Moreover, despite a further increase in employment, the rate of unemployment has begun to rise.

In 1985, economic activity remained comparatively brisk in Finland, even if a weaker trend has already been established in some sectors of the economy. Reflecting the slowdown in growth in the United States and the rather sluggish recovery in the European economies, there was only modest growth in Finland's exports to western markets during the year. In particular, the export prospects of the forest industries have weakened significantly. At the same time, the fall in the oil price, though a positive development as such, has clearly exacerbated the outlook for Finnish exports to the Soviet Union.

As was foreseen a year ago, the continuation of economic growth has come to rely increasingly on a revival in domestic demand and investment. Furthermore, according to available information, especially industrial investment has so far strengthened at least in line with expectations. Monetary policy has supported this development partly through the lowering of the base rate but primarily through

a marked reduction in the call money rate. However, dependence on external factors and the current account set strict limits to the scope for domestically generated growth. Foreign capital movements have not essentially hampered the conduct of monetary policy even if some restrictions on capital flows had to be imposed during the year. The foreign exchange reserves have remained at a high level and the external value of the markka has been stable.

Along with counter-cyclical considerations, the Bank of Finland's monetary policy has, for several years now, given priority to the twin targets of bringing down inflation permanently to the level prevailing in competitor countries and promoting the development of domestic financial markets through the gradual relaxation of interest rate regulation. The past year has seen progress with regard to both these objectives.

By fostering the development of financial markets, the Bank of Finland seeks to enhance the efficiency of the allocation of financial resources. From the point of view of the central bank, it is also of vital importance that its possibilities of influencing the state of financial markets are preserved. Over the past years, it has become increasingly more widely understood that the abandonment of stringent interest rate regulation and credit rationing, together with the shift towards an enlarged role for interest rates in financial markets, serves to improve the efficiency of both financial markets and monetary policy. On the other hand, the internationalization of business and financial markets places strict limits and heavy demands on the monetary policy pursued.

Administratively controlled rates of interest which are low relative to inflation do not lend

support to the structural reforms in the economy that are necessary for adaptation to changes in the world economy and technology. Only positive real interest rates can ensure that adequate profitability criteria are applied to investments. Experience shows that interest rates offer a comparatively effective means of influencing financing decisions and developments in demand.

In recent years, the Bank of Finland has sought gradual and controlled liberalization of the domestic financial markets by unifying and easing the regulation of interest rates. The level of interest rates has been influenced indirectly, primarily by resorting to call money market policy. The Bank of Finland's decision in December to simplify the regulation of interest should also be seen in this light.

The increasing reliance on interest rates in the transmission of monetary policy effects is all the more natural given the fact that the recent changes in the financial environment and the diversification of banks' operations have fundamentally reduced the significance of interest rate regulation as a monetary policy instrument. In fact, the regulation of interest rates under the present circumstances tends to give rise to interest rate tensions that distort the functioning of financial markets and offer opportunities for arbitrage. The relaxation of interest rate controls, together with the narrowing of the differential between the call money rate and the base rate, has significantly diminished these tensions.

The anti-inflationary component of the Bank of Finland's policy stance also promotes the more efficient functioning of financial and capital markets. A rapid and fluctuating rate of inflation distorts the functioning of financial markets by favouring investment projects of a speculative nature at the expense of productive investments. Moreover, with rapid in-

flation, there is little likelihood of interest rates rising to market-clearing levels. This easily results in credit rationing and inefficient allocation of financial resources, a somewhat random redistribution of income and wealth, as well as the aggravation of economic policy conflicts.

One of the most gratifying developments in 1985 was the drop in Finland's rate of inflation to almost the average level for the OECD countries. Thanks to the slowdown in inflation, it has been possible to lower the base rate twice during the past one and a half years and the call money rate by a total of 5 percentage points. It would, however, be dangerous to take an unreservedly optimistic view of the inflation outlook. The deceleration of inflation is highly dependent on external factors such as the fall in the price of oil and other foreign trade prices. It seems almost certain that price developments in competitor countries and in the world at large will remain appreciably calmer than has been the experience over the past decade. As yet, however, there are no guarantees that this basic fact has been understood in all quarters in Finland. The nominal wage claims put forward so far are not compatible with this outlook for prices, and if realised they could, through wage linkages, lead to an acceleration of inflation and losses in competitiveness. Accordingly, it is essential that the easing of the Bank of Finland's monetary policy be implemented gradually and cautiously, irrespective of the fact that the lowering of real interest rates has become justifiable on cyclical grounds. Along with the demands imposed by the cyclical situation, the Bank of Finland will also have to place emphasis in its policy on considerations that are important from the point of view of long-term development.

January 3, 1986

	1984	1985			
	Dec. 31	Dec. 5	Dec. 13	Dec. 23	Dec. 31
<b>Assets</b>					
Gold and foreign currency claims	19 302	22 526	21 502	22 262	22 650
Gold	1 732	1 732	1 732	1 732	2 081
Special drawing rights	936	928	937	937	931
IMF reserve tranche	859	779	784	781	775
Convertible currencies	15 387	18 840	17 804	18 549	18 608
Tied currencies	388	247	245	263	255
Other foreign claims	2 835	2 835	2 835	2 839	2 645
Markka subscription to Finland's IMF quota	2 835	2 835	2 835	2 839	2 645
Claims on financial institutions	9 166	11 310	12 225	10 829	9 256
Banks' cheque accounts	530	—	—	—	—
Call money market advances	5 018	7 623	8 400	6 924	5 219
Till-money credits	1 563	1 557	1 711	1 800	1 925
Bonds	1 999	2 085	2 072	2 059	2 065
Other claims on financial institutions	56	45	42	46	47
Claims on the public sector	1 951	1 315	1 315	1 307	1 023
Government promissory notes	1 000	280	280	280	—
Bonds	124	146	146	121	118
Total coinage	806	889	889	891	891
Other claims on the public sector	21	0	—	15	14
Claims on corporations	4 846	4 818	4 826	4 765	4 679
Financing of exports	1 786	1 690	1 701	1 672	1 601
Financing of domestic deliveries	2 860	2 972	2 970	2 939	2 924
Bonds	114	81	81	81	81
Other claims on corporations	86	75	74	73	73
Other assets	142	144	144	145	146
<b>Total</b>	<b>38 242</b>	<b>42 948</b>	<b>42 847</b>	<b>42 147</b>	<b>40 399</b>
<b>Liabilities</b>					
Foreign currency liabilities	809	624	953	1 103	576
Convertible accounts	84	37	37	35	36
Tied currencies	725	587	916	1 068	540
Other foreign liabilities	3 752	3 684	3 689	3 694	3 494
IMF markka accounts	2 835	2 835	2 835	2 839	2 645
Allocations of special drawing rights	917	849	854	855	849
Notes and coin in circulation	7 442	8 200	8 590	8 550	8 072
Notes	6 744	7 452	7 836	7 784	7 304
Coin	698	748	754	766	768
Liabilities to financial institutions	11 879	15 008	14 539	13 642	12 153
Banks' cheque accounts	147	0	0	0	0
Call money market deposits	2 216	4 776	4 231	2 818	1 205
Cash reserve deposits	8 696	10 097	10 097	10 097	10 222
Capital import deposits	745	34	114	650	639
Other liabilities to financial institutions	75	101	97	77	87
Liabilities to the public sector	4 277	4 401	4 000	4 001	4 300
Cheque accounts	1	1	0	1	0
Government deposit account	4 200	4 400	4 000	4 000	4 300
Export deposits	76	—	—	—	—
Capital import deposits	—	—	—	—	—
Other liabilities to the public sector	0	0	0	0	0
Liabilities to corporations	2 814	4 260	4 261	4 261	4 267
Deposits for investment and ship purchase	2 127	3 819	3 818	3 828	3 841
Capital import deposits	668	429	431	431	424
Other liabilities to corporations	19	12	12	2	2
Other liabilities	16	18	15	14	14
Valuation account and reserves	963	526	573	717	1 639
SITRA's capital	400	400	400	400	400
Capital accounts	5 890	5 827	5 827	5 765	5 484
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	638	764	764	764	764
Undisposed profits	—	—	—	—	—
Net earnings	252	63	63	1	-280
<b>Total</b>	<b>38 242</b>	<b>42 948</b>	<b>42 847</b>	<b>42 147</b>	<b>40 399</b>

End of year or month	Foreign sector						Public sector			
	Gold, SDRs, IMF reserve tranche	Convertible currencies, net	Total convertible reserves (1-2)	Tied currencies, net	Other claims, net	Net claims (3 to 6)	Claims	Certificates of deposit and deposit account	Other liabilities	Net liabilities (8-7+9)
	1	2	3	4	5	6	7	8	9	10
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
1985	3 787	18 572	22 359	-285	-849	21 225	1 023	4 300	0	3 277
1984										
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
Dec.	3 787	18 572	22 359	-285	-849	21 225	1 023	4 300	0	3 277

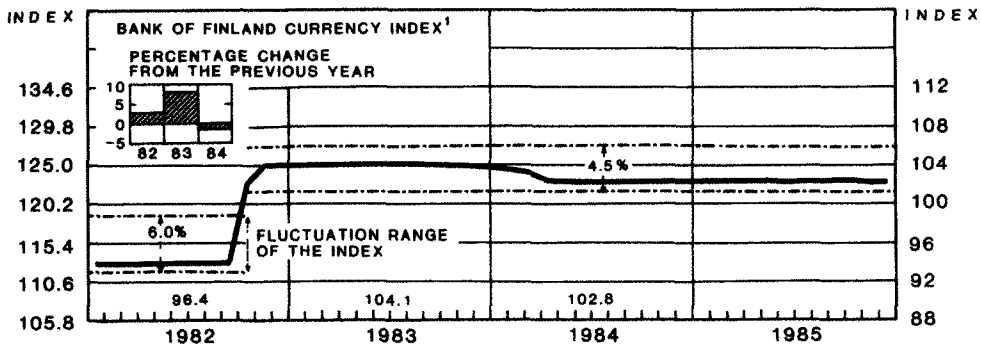
## OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1984	Sept. 30, 1985	Oct. 31, 1985	Nov. 29, 1985	Dec. 31, 1985
Gold	1 732	1 732	1 732	1 732	2 081
SDRs	936	932	925	932	931
IMF reserve tranche	859	799	805	783	775
Convertible currencies, net	15 303	17 391	18 174	18 811	18 572
Total convertible reserves, net	18 830	20 854	21 636	22 258	22 359
Tied currencies, net	-337	-269	-283	-166	-285
Total reserves, net	18 493	20 585	21 353	22 092	22 074

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
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
1985	1 925	0	5 219	1 205	10 222	-1 386	-2 897	4 525	4 113	412	8 072
1984											
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
Dec.	1 925	0	5 219	1 205	10 222	-1 386	-2 897	4 525	4 113	412	8 072

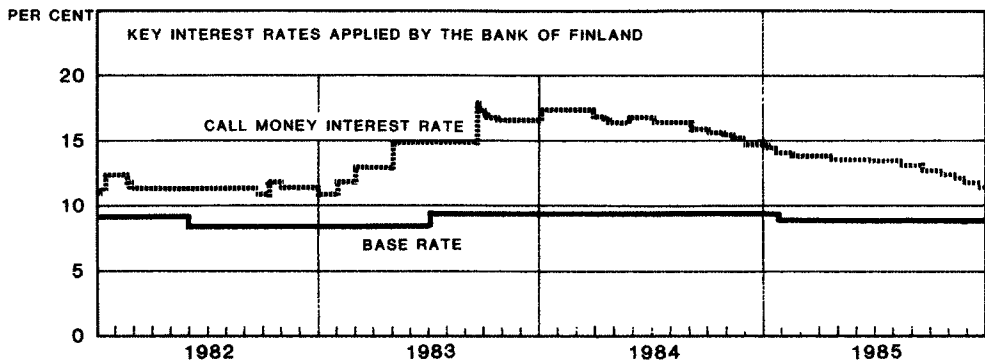
<sup>1</sup> The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



# MONETARY POLICY INDICATORS

Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks %
	1	2	3	4	5	6	7	8	9
1981	4 095	-33	2 795	3.5	2 161	11.48	11.61	9.25	9.84
1982	3 201	-783	2 778	3.1	1 571	11.64	11.99	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	15.14	9.00	9.56
1984	3 176	-6 365	6 325	5.4	-39	16.53	16.53	9.50	10.49
1985	5 812	-8 293	9 578	5.6	1 285	13.37	13.37	9.04	..
1984									
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	9 262	5.6	1 119	14.00	14.00	9.00	10.36
April	5 483	-8 902	9 453	5.6	552	13.96	13.96	9.00	10.38
May	4 691	-9 268	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	10.40
Dec.	7 084	-6 784	10 101	5.6	3 317	11.96	11.96	9.00	..

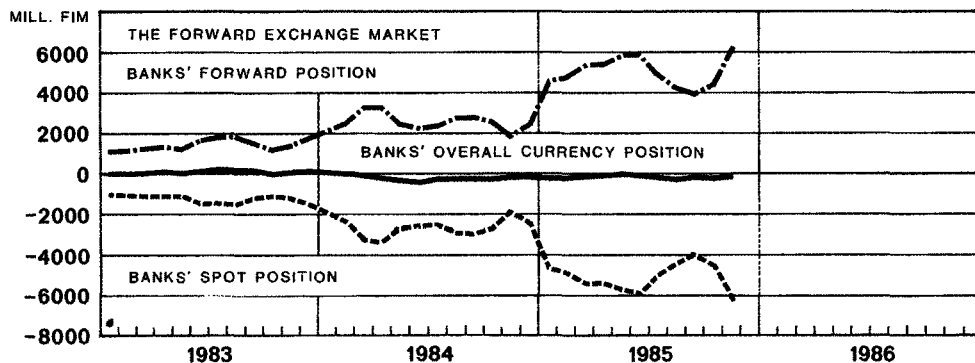
<sup>1</sup> End of period.





# FORWARD EXCHANGE MARKETS IN FINLAND

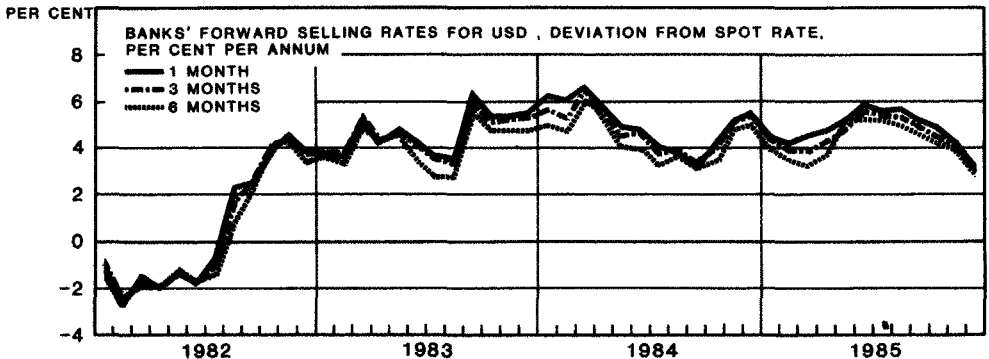
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1983	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1984	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1
1984									
July	15 956	1 306	14 651	1 541	-13 011	3 240	4.1	3.9	3.3
Aug.	20 050	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
Nov.	17 510	2 014	15 496	1 200	-10 032	6 702	4.3	4.1	4.0



# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

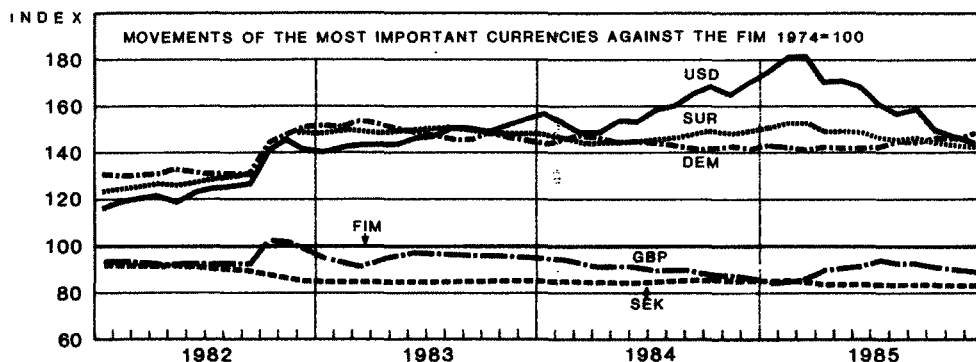
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC	BEL
	1	2	3	4	5	6	7	8	9	10	11
1981	4.315	3.602	8.731	6.976	85.74	75.54	60.96	191.31	173.43	11.688	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
1985	6.206	4.554	8.000	6.590	72.22	72.31	58.71	211.42	187.45	10.483	10.421
1984											
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
Dec.	5.487	3.941	7.952	6.737	71.57	71.85	60.23	218.51	194.03	10.722	10.666



## Average selling rates for foreign exchange. FIM

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 OS ATS	Lisbon 100 Esc PTE	Reykjavik 100 Ikr ISK	Madrid 100 Ptas ESB	Tokyo 100 Y JPY	Moscow 1 CI Rbl SUR	I special drawing right SDR	Currency index <sup>1</sup>
12	13	14	15	16	17	18	19	20	21	22
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
253.60	69.40	0.327	30.12	3.67	15.20	3.66	2.610	7.419	6.278 77	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
261.01	71.57	0.322	31.12	3.48	13.36	3.54	2.710	7.183	5.971 01	102.5

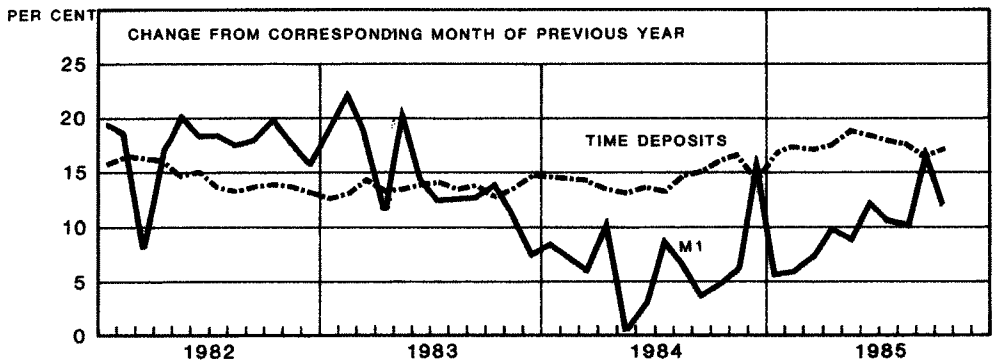
<sup>1</sup> Until December 31, 1983 the base year was 1974=100.  
Since January 1, 1984 the base year has been 1982=100.



# DEPOSITS BY THE PUBLIC

Mill. FIM

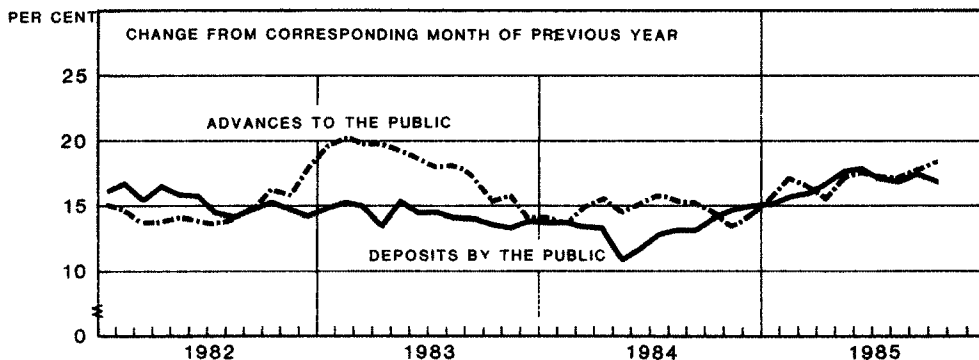
End of year and month	Demand deposits				Time deposits					Total (4 + 9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1981	5 791	2 879	2 952	11 622	26 094	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	7 056	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*										
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
Sept.	8 081	5 072	6 243	19 397	44 770	36 469	30 658	11 973	123 870	143 267



# ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi-Money
	1	2	3	4	5	6	7		8	9
1981	40 461	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*										
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
Sept.	79 367	35 764	34 411	16 376	133 113	6 637	26 167	165 917	26 092	156 195



# STATE FINANCES

Mill. FIM

Revenue	Jan.-Oct.		Expenditure	Jan.-Oct.	
	1984	1985		1984	1985
Income and wealth tax (net)	17 576	19 838	Wages, salaries, pensions etc.	10 981	12 132
Gross receipts	47 788	54 113	Repair and maintenance	1 387	1 565
Refunds & local authorities	-30 212	-34 274	Other consumption expenditure	5 965	7 081
Other taxes on income and wealth	512	514	Total consumption expenditure	18 333	20 778
Employers' child allowance payments	169	610	State aid to local authorities	15 222	17 520
Sales tax	17 803	20 127	State aid to industries	7 417	7 940
of which: agric. price subsidies			of which: agric. price subsidies	3 396	4 173
Customs duties and import charges and levies	1 408	1 328	Child allowances	1 736	1 838
Excise duties	8 987	9 726	Share in national pensions and sickness insurance schemes	1 993	1 918
Excise duty on alcoholic bevcs.	3 306	3 454	Deficit of State enterprises	1 020	1 017
Excise duty on tobacco	1 341	1 390	Other transfer expenditure	9 005	10 197
Excise duty on liquid fuel	3 149	3 390	Total transfer expenditure	36 392	40 430
Other excise duties	1 191	1 492	Machinery and equipment	1 500	1 633
Tax on autom. and motor-cycles	2 176	2 322	Construction of buildings	1 017	925
Stamp duties	1 842	2 174	Land and waterway construction	1 883	1 938
Special diesel etc. vehicles tax	314	346	Total real investment	4 400	4 496
Other taxes and similar revenue	1 751	1 766	Interest on State debt	3 430	4 065
Total taxes	52 538	58 751	Other expenditure	17	25
Miscellaneous revenue	4 518	4 798	Total other expenditure	3 448	4 091
Interest, dividends etc.	1 311	1 700	Increase in inventories	135	141
Surplus of state enterprises	1 583	1 687	Lending	3 491	3 455
Redemptions of loans granted	1 116	1 323	Other financial investment	590	767
<b>Total revenue</b>	61 065	68 259	<b>Total expenditure</b>	66 788	74 158
Foreign borrowing	4 169	3 374	Redemption of foreign loans	1 561	1 588
Domestic borrowing	5 035	6 283	Redemption of domestic loans	3 525	4 334
<b>Total borrowing</b>	9 203	9 656	<b>Total redemptions</b>	5 086	5 922
<b>Deficit (+) or surplus (-)</b>	1 606	2 165			
Total	71 874	80 080	Total	71 874	80 080

State debt	1983	1984	1985			
	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.
<b>Foreign debt</b>	21 723	24 946	25 654	25 787	26 205	26 027
Long-term debt	16 383	19 057	20 154	20 196	20 603	20 902
Short-term credit	18	266	314	314	314	314
<b>Domestic debt</b>	16 401	19 323	20 468	20 510	20 917	21 216
<b>Total State debt</b>	38 124	44 269	46 122	46 297	47 122	47 243
Total debt mill. \$	6 506	6 855	7 762	7 684	8 282	8 468

# FOREIGN TRADE

Mill. FIM

Value, mill. FIM

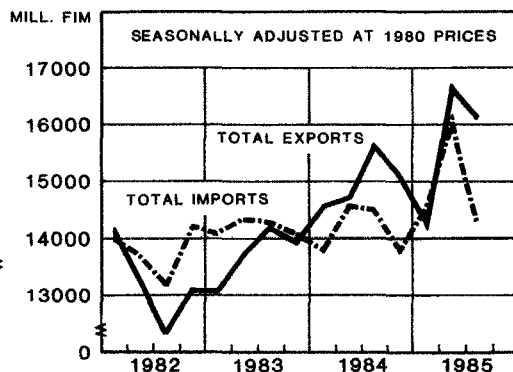
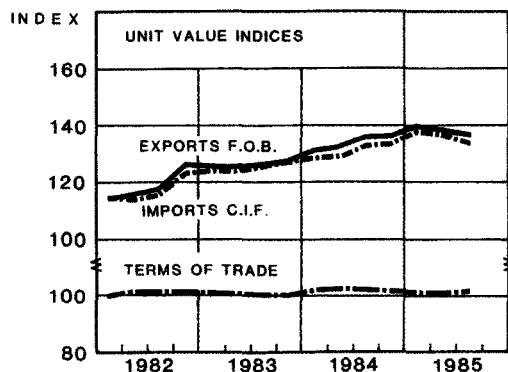
Period	Value, mill. FIM		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
	1	2	3
1980	52 795	58 250	-5 455
1981	60 308	61 269	-961
1982	63 026	64 751	-1 725
1983	69 692	71 528	-1 836
1984	80 904	74 682	+6 222
1985*			
Jan.	6 905	7 085	-180
Feb.	6 586	4 787	+1 799
March	6 616	6 945	-329
April	7 090	7 074	+16
May	8 569	7 151	+1 418
June	6 843	7 062	-219
July	7 108	6 736	+372
Aug.	6 659	5 788	+871
Sept.	6 901	7 010	-109
Oct.	7 471	8 134	-663

Jan.-Oct.

1984	66 734	61 680	+5 054
1985*	70 748	67 772	+2 976

Indices of exports and imports  
1980 = 100

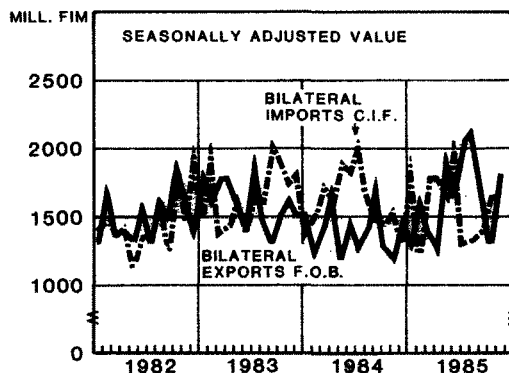
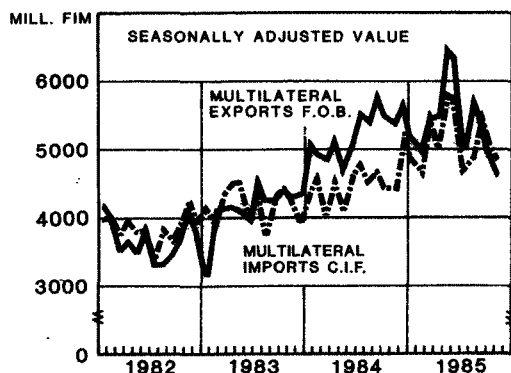
Period	Indices of exports and imports 1980 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	100	95	119	117	101
1983	104	98	127	125	101
1984	114	98	134	131	102
1983					
July-Sept.	97	97	127	127	100
Oct.-Dec.	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	2 113	4 252	248	1 082	1 214	149
April	287	590	2 221	1 885	2 107	4 377	436	1 049	1 203	9
May	292	620	2 352	2 869	2 436	4 774	395	928	1 047	7
June	212	680	1 855	2 008	2 088	4 526	601	1 020	911	4
July	152	504	2 215	2 265	1 972	4 187	637	885	997	30
Aug.	142	507	2 251	1 830	1 929	3 435	491	833	1 020	9
Sept.	155	503	2 094	2 022	2 127	4 425	458	937	1 184	6
Oct.	185	630	2 166	1 966	2 524	4 967	742	1 169	1 251	5
Jan.—Oct.										
1984	2 485	5 957	19 388	19 118	19 786	38 763	4 324	8 976	9 466	151
1985*	2 395	5 603	21 352	20 125	21 273	42 423	4 499	9 569	10 865	416





## FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports. f.o.b.				Imports. c.i.f.			
	January—October				January—October			
	1984*		1985*		1984*		1985*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
<b>OECD countries in Europe</b>	58.3	38 927	57.1	40 422	54.1	33 385	55.9	37 892
Austria	0.7	500	0.7	495	1.1	689	1.1	775
Belgium and Luxembourg	1.5	978	1.4	1 019	1.9	1 193	2.0	1 371
Denmark	4.1	2 716	4.0	2 835	2.5	1 524	2.5	1 705
France	4.0	2 656	3.9	2 766	3.2	1 956	3.4	2 281
Federal Republic of Germany	9.7	6 497	9.3	6 578	13.8	8 495	14.9	10 100
Italy	2.1	1 398	2.0	1 401	3.2	1 970	3.3	2 252
Netherlands	3.6	2 375	3.3	2 352	2.7	1 685	3.0	2 006
Norway	4.8	3 228	4.2	2 991	2.1	1 300	2.5	1 699
Portugal	0.2	140	0.3	228	0.7	417	0.7	505
Spain	0.7	472	0.8	566	0.8	518	0.9	636
Sweden	12.0	7 992	13.2	9 317	12.0	7 399	11.6	7 890
Switzerland	1.3	847	1.5	1 095	1.6	1 004	1.7	1 119
United Kingdom	12.3	8 225	10.9	7 705	7.8	4 776	7.4	4 997
Other	1.3	903	1.5	1 074	0.7	459	0.8	556
<b>OECD countries outside Europe</b>	11.0	7 339	10.3	7 275	11.4	7 040	11.6	7 885
Canada	0.8	565	1.2	857	0.7	444	0.8	511
Japan	1.4	910	1.5	1 060	5.7	3 490	5.3	3 565
United States	7.6	5 090	6.4	4 544	4.7	2 935	5.3	3 603
Other	1.2	774	1.2	814	0.3	171	0.3	206
<b>CMEA countries</b>	21.0	13 990	22.8	16 122	27.2	16 762	24.0	16 275
Czechoslovakia	0.4	256	0.3	220	0.4	270	0.5	318
German Democratic Republic	0.5	307	0.5	341	0.5	328	0.5	332
Poland	0.3	209	0.4	292	1.5	944	1.5	1 031
Soviet Union	19.3	12 853	20.9	14 780	24.2	14 890	21.0	14 202
Other	0.5	365	0.7	489	0.6	330	0.6	392
<b>Latin America</b>	0.9	584	1.8	1 271	2.6	1 596	2.4	1 657
Argentina	0.1	64	0.1	57	0.2	113	0.2	104
Brazil	0.1	100	0.2	122	0.9	545	0.8	554
Colombia	0.1	82	0.2	106	0.6	353	0.6	411
Other	0.5	338	1.4	986	0.9	585	0.9	588
<b>Other</b>	8.8	5 894	8.0	5 658	4.7	2 897	6.0	4 063
<b>GRAND TOTAL</b>	100.0	66 734	100.0	70 748	100.0	61 680	100.0	67 772
of which								
<b>EFTA countries</b>	19.2	12 795	20.1	14 236	17.7	10 896	17.8	12 078
<b>EEC countries</b>	38.3	25 565	35.9	25 372	35.6	21 925	37.1	25 121
<b>OECD countries</b>	69.3	46 266	67.4	47 697	65.5	40 398	67.5	45 777

# 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

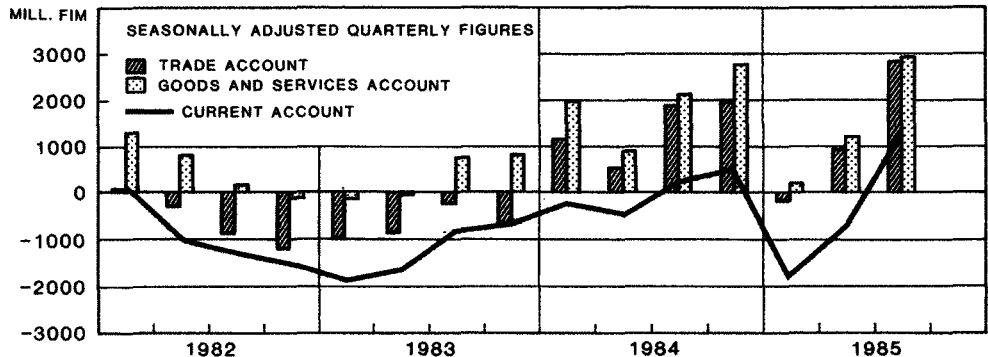
Jan.-March	16 740	16 469	+271	+744	-292	+142	+865	-1 557	-243	+5	-930
Apr.-June	17 098	17 538	-440	+753	-229	+288	+372	-1 492	-176	+42	-1 254
July-Sept.	16 180	17 970	-1 790	+888	+45	+487	-370	-1 463	-174	+53	-1 954
Oct.-Dec.	19 350	20 162	-812	+815	-272	+693	+424	-1 305	-204	-4	-1 089

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\*

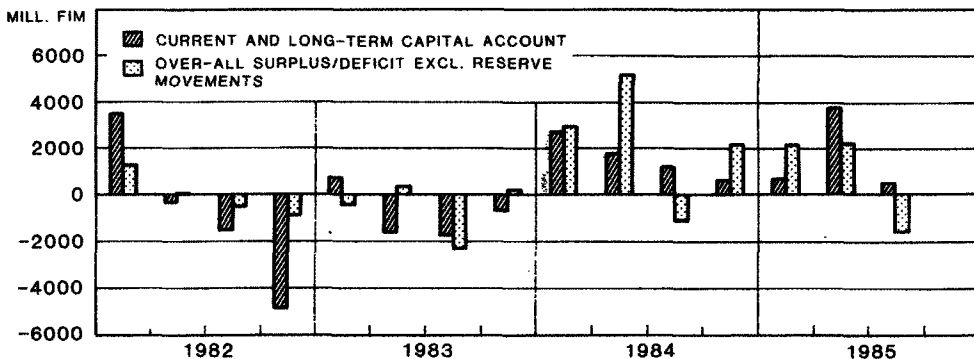
Jan.-March	20 105	18 933	+1 172	+914	-490	-254	+1 343	-1 585	-351	-136	-728
Apr.-June	22 547	21 403	+1 145	+995	-444	-146	+1 550	-1 590	-290	-59	-389
July-Sept.	20 636	19 646	+991	+1 019	-247	-55	+1 708	-1 388	-223	-68	29



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 <sup>1</sup>	+1 803	-1 803
+10 213	-4 721	-1 239	-3 642	+611	-3 287	-914	+771	+1 493	+1 811	-126	+126
+10 112	-7 273	-423	-1 388	+1 874	-3 353	+3 273	-3 380	+1 266	+32	-2 162	+2 162
+14 087	-7 538	-1 682	+1 428	+6 295	+6 295	+695	+3 308	+2 086	-3 109	+9 275	-9 275
+2 385	-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

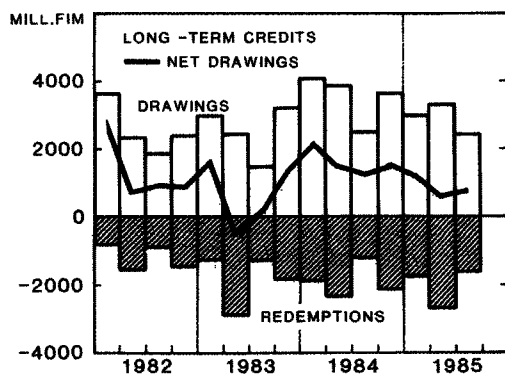
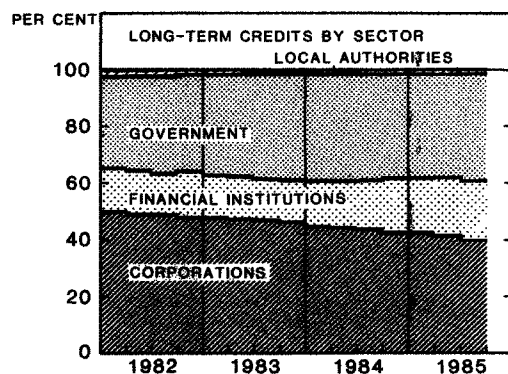
Assets: increase -, decrease +. Liabilities: increase +, decrease -

<sup>1</sup> Including allocations of special drawing rights totalling FIM 131 million.

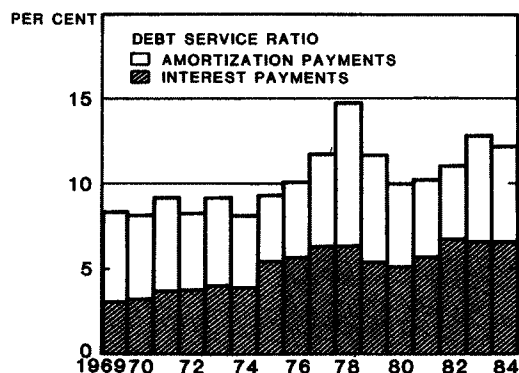
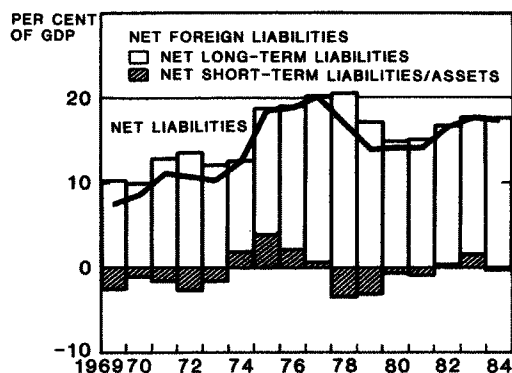


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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 (19-18)	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										
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
Nov.	1 314	139.5	143.1	128.7	134.5	146.8	144.6	146.1	146.0	144.7

Period	Consumer prices 1981 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1983	118.7	120.0	125.1	112.8	118.4	114.3	126.6	117.4	116.9	120.7
1984	127.1	129.1	132.5	119.5	124.5	123.0	145.2	125.4	126.4	130.8
1985										
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
Nov.	136.1	140.0	141.4	130.2	133.0	132.0	159.0	129.4	134.9	142.7

# WAGES

Index of wage and salary earnings 1980 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1	2	3	4	5	6	7	8	9	10	
1982	124.1	125.1	124.3	124.8	123.8	125.5	124.8	124.9	124.6	124.8
1983	132.1	137.3	138.2	138.8	137.3	140.0	137.3	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	167.5	164.2	164.7	163.1	164.1

# PRODUCTION

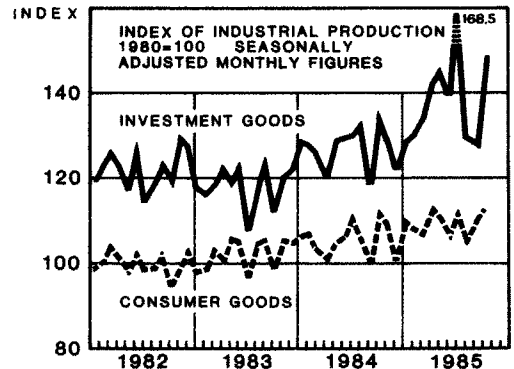
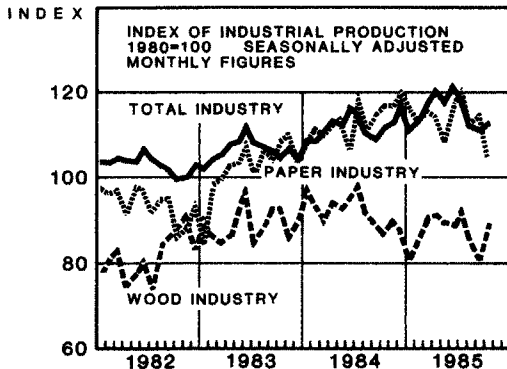
Volume indices of production 1980 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1983										
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	76	89	82	93	103	98	114	113
Apr.-June	109	114	84	90	84	104	109	108	114	121
July-Sept.	110	102	203	45	114	104	107	110	115	119
Oct.-Dec.	121	123	96	118	141	106	121	119	117	127
1985*										
Jan.-March	108	111	78	101	82	89	107	101	117	117
Apr.-June	114	120	84	107	86	105	112	111	117	127
July-Sept.	113	106	200	37	111	105	112	114	118	125

# PRODUCTION

Index of industrial production 1980 = 100

Period	Special indices of manufacturing										Total adjusted for seasonal variations
	Total	Investment goods	Consumer goods	Other producer goods	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*											
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.	118.5	131.9	115.6	117.3	103.3	78.7	119.0	108.8	109.2	128.8	111.5
Feb.	109.9	127.4	105.8	108.5	89.9	77.1	110.3	107.1	88.2	120.7	113.7
March	121.7	146.8	113.3	121.1	105.5	98.0	123.3	123.6	113.1	136.6	118.2
April	120.2	147.6	112.0	119.1	106.7	107.6	105.4	128.7	103.9	139.5	121.3
May	128.2	172.5	117.4	125.3	114.1	115.9	108.2	126.3	125.3	158.7	118.7
June	115.2	153.2	103.2	114.0	102.8	93.7	106.7	106.7	115.5	138.5	122.7
July	81.2	67.5	72.0	87.9	102.5	40.2	127.5	78.3	71.6	68.1	118.8
Aug.	115.1	127.6	108.7	115.8	112.5	81.9	119.7	122.3	132.3	123.6	112.3
Sept.	118.0	133.6	111.8	117.9	107.8	94.5	112.9	121.2	137.0	131.8	111.9
Oct.	129.4	156.8	124.6	126.5	136.7	108.0	113.0	127.9	138.3	150.4	113.5





# 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*								
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	102	99
Feb.	3 707	2 534	2 363	171	6.7	4 581	98	96
March	3 706	2 528	2 355	173	6.8	6 031	108	109
April	3 707	2 565	2 394	171	6.6	5 882	110	111
May	3 709	2 611	2 461	150	5.7	4 598	121	115
June	3 708	2 761	2 594	167	6.1	2 407	115	102
July	3 708	2 780	2 621	159	5.7	1 121	120	95
Aug.	3 712	2 631	2 481	150	5.7	1 212	117	108
Sept.	3 714	2 563	2 405	159	6.2	1 951	111	113
Oct.	3 714	2 556	2 396	160	6.3	2 962	..	..

# 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*											
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
July–Sept.	11.82	4.37	1.60	4.00	0.93	9.27	3.51	1.63	2.78	0.71	56.74

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

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

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

## MONETARY POLICY INDICATORS

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

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

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

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

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

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

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

## FORWARD EXCHANGE MARKETS IN FINLAND

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

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

## FOREIGN EXCHANGE RATES

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

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

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

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

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

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

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

## STATE FINANCES

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

## FOREIGN TRADE

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

## BALANCE OF PAYMENTS

Pages 16-17. Figures are calculated by the Bank of Finland.

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

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

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

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

## FOREIGN ASSETS AND LIABILITIES

Pages 18-19. Figures calculated by the Bank of Finland.

Long-term assets: Other = financial loans + development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 22. Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payment of long-term foreign assets and liabilities, excl. amortisation payments of the Bank of Finland's reserve and oil credits.

Columns 22 and 23 during the year and the quarter.

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

## PRICE INDICES

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

## WAGES - PRODUCTION

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

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

## LABOUR - TIMBER FELLINGS - INTERNAL TRADE - CONSTRUCTION OF BUILDINGS

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

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 % towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 471 inhabitants, Tampere (Tammerfors) 167 344, Turku (Åbo) 163 002.

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

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

EDUCATION (1985): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

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

## TRADE AND TRANSPORT

NATIONAL INCOME (1984), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 12 849 (5 %), forestry 10 004 (4 %), manufacturing 82 263 (30 %), construction 21 786 (8 %), trade, restaurants and hotels 30 337 (11 %), transport and communication 21 419 (8 %), banking and insurance 11 676 (4 %), ownership of dwellings 17 688 (6 %), other services 65 583 (24 %), total 273 605. Index of real domestic product 111 (1980 = 100).

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

AGRICULTURE (1983). Cultivated land 2.4 million hectares. Number of holdings 208 229 of which 146 465 are of more than 5 ha. Measure of self-sufficiency in bread cereals 93 %.

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

STATE RAILWAYS (Dec. 31, 1984): Length 6 069 km.

MERCHANT FLEET (Dec. 31, 1985): Passenger vessels 161 (246 112 gross reg. tons), tankers 36 (784 471 gross reg. tons), dry cargo vessels 139 (597 967 gross reg. tons), other vessels 103 (21 137 gross reg. tons), total 439 (1 649 687 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-9-61, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 3 Fokker F-27 Friendship MK. The company has scheduled flights to 34 foreign and 21 domestic destinations.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is 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 19.7, DEM 18.8, GBP 15.6, USD 10.2, other currencies 35.7. 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 ½ %, 6 month deposits 5 ½ %, 12 month deposits 7 %, 24 month deposits 8 ½ % and sight deposits 1 ½ %.

# REVISION OF THE FOREIGN EXCHANGE REGULATIONS

by **Esa Ojanen**, Head of Department  
Exchange Control Department  
Bank of Finland

## GENERAL

Finland's Foreign Exchange Regulations have been revised, the new regulations becoming effective from January 1, 1986. The Bank of Finland's exchange control powers have been extended for a further five year term. At the same time the regulations have been restructured and simplified. The revision does not entail any major change in the degree of control, although a number of liberalization measures have been included.

The three-tier structure of exchange control authority has been retained in the new legislation. The Foreign Exchange Regulations consist of the Foreign Exchange Act, the Decision of the Council of State as well as the Decision and Provisions of the Bank of Finland. Parliament, through the Foreign Exchange Act, authorizes the Council of State to decide on the introduction of the Bank of Finland's exchange control powers, after which the Bank of Finland issues detailed regulations and implements control in practice.

The new regulations include a large number of changes involving relaxation of the controls, but whose significance for foreign exchange policy is nevertheless limited. The most important of these changes are the abolition of the penalty surcharge scheme applied to short-term import credits and a cautious and quite limited liberalization of portfolio investment abroad. The new Foreign Exchange Act and the regulations issued on the basis thereof will be in force until the end of 1990.

## THE NEED FOR EXCHANGE CONTROL

When the revision of the foreign exchange regulations was being prepared, it was also

discussed whether exchange control was necessary and practicable in the changing foreign exchange and monetary policy environment.

With the structural diversification of the Finnish economy in the 1970s and 1980s, the prerequisites for the maintenance of internal and external balance in the economy have improved appreciably. At the same time, however, the openness of the economy and the instability of international foreign exchange and financial markets have increased the susceptibility to external disturbances.

These changes have enhanced the importance of market factors and placed different demands on the operation of exchange control. Nevertheless, even in the new conditions, it seems to be both possible and prudent to retain exchange controls as a potential cushion and moderating influence on both inflows and outflows of capital. It has, however, become increasingly evident that exchange control does not offer a solution to any fundamental problems of an economy.

## THE STRUCTURE OF THE FOREIGN EXCHANGE REGULATIONS

As a result of the new legislation, the structure of the Foreign Exchange Regulations has changed completely. So as to meet the requirement of clarity, the contents of the Regulations as well as the procedures applied by the Bank of Finland have been compiled in a Handbook section arranged by type of transaction. The relevant legal texts are included at the end of the Foreign Exchange Regulations. The list of payment codes relating to the Foreign Exchange Regulations has also been

revised. As previously, the Foreign Exchange Regulations are available separately in Finnish, Swedish and English editions.

## THE NEW FOREIGN EXCHANGE ACT

Like its predecessors, the new Foreign Exchange Act is in the nature of a general enabling statute. The order of enactment observed in its legislation was the same as that applied in respect of a change in the constitution.

The provision stipulating the purpose of the act has been made more precise. Foreign exchange transactions may be restricted, if needed, to secure the country's external liquidity and stable monetary developments. Thus, as before, this provision confers on the Bank of Finland the right to exercise exchange control for foreign exchange policy and monetary policy purposes, but not, for example, for achieving industrial, trade or tax policy objectives.

Definitions of the major concepts have been included in the Act to a greater extent than previously. Exchange control is now focussed directly on foreign exchange transactions carried out by residents of Finland. Transactions are divided into current foreign exchange transactions and capital transfers. Current foreign exchange transactions are deemed to comprise foreign exchange transactions relating to foreign trade in goods and services as well as to interest and dividend payments and other comparable payments. Capital transfers consist of other foreign exchange transactions, such as credits and loans, direct investments, other investments, securities, and foreign exchange deals not directly pertaining to commercial payments.

Under the new Act, the powers to exercise exchange control are divided into two categories: powers applicable under normal conditions and those applicable during times of emergency. Under normal conditions it is pos-

sible to restrict capital movements, intervene in the export of means of payment, securities and certificates of claim, and to require the repatriation of claims from abroad. Current foreign exchange transactions can be deemed subject to permission only to the extent that it is necessary to ascertain the purpose of payment and to implement the country's payments agreements. So as to forestall a serious disturbance threatening the economy during an emergency, the Council of State can, if such a situation arises, also make current foreign exchange transactions subject to permission for a prescribed period and stipulate that the obligation to repatriate be fulfilled exclusively against compensation in Finnish markkaa.

Among the other new features included in the Foreign Exchange Act, mention can be made of the definition of branches as residents of the country of their location, the possibility of making a deposit or a fee a precondition for permission, and the right to conditionally impose a fine so as to rectify foreign exchange transactions contravening the Foreign Exchange Regulations or to obtain information concerning foreign exchange transactions.

## CHANGES IN THE APPLICATION OF EXCHANGE CONTROL

In connection with the renewal of the Act, the Bank of Finland has revised its own foreign exchange regulations in many respects. These changes are designed to simplify procedures and to abolish restrictions which have become unnecessary. The changes have hardly any bearing on the overall degree of exchange control, however.

With the coming into force of the new regulations, the penalty surcharge scheme applied since 1976 as a technique to discourage the use of short-term import credits of over 6 months was abolished. Under the new Regulations, the maximum period of suppliers' credit which does not require the special permission of the Bank of Finland is six months.

A change which, although important in principle, is probably of little practical significance is the cautious easing of the restrictions on portfolio investments abroad. A resident of Finland is now allowed to invest in foreign listed securities, to place funds in accounts with foreign monetary institutions, or to leave unpatriated foreign claims up to a total amount equivalent to FIM 10 000 a year. This change can be ascribed to the improvement in the country's external balance and to the fact that non-residents are allowed to undertake certain portfolio investments in Finland.

In connection with the revision, the maximum amount of foreign exchange allowed for the purchase of a second home abroad has been doubled to FIM 600 000. Although Finns have shown an increasing interest in second homes abroad in recent years, the amounts involved do not seem to have any great significance from a monetary point of view. This view is also supported by the experiences of other countries which have eased their exchange controls in this respect.

With regard to payments between Finland and countries maintaining a payments agreement with Finland, the Foreign Exchange Regulations have been modified in some respects. In fact, this represents no more than the recording in the Foreign Exchange Regulations of practices which, pertaining to the nature of

payments agreements, have already been applied in such transactions.

The revision also includes a large number of minor changes which simplify the management of foreign exchange matters and make the provisions and the concepts used more precise. In no cases does the acquisition of travel exchange now require the permission of the Bank of Finland. The rights of securities brokers have been expanded. Pure risk insurance is no longer included in transactions subject to permission. It is also permitted to send out of the country by mail means of payment up to the value of FIM 2 000. In addition, a number of markka limits have been raised.

#### EXCHANGE CONTROL IN THE FUTURE

The new Foreign Exchange Regulations can be said to mark a further step in the cautious liberalization of exchange control. Nevertheless, the majority of capital transfers still remain under the control of the Bank of Finland. In the years to come, it will certainly be necessary to reconsider the appropriate degree of exchange control. Minor changes can be expected to be introduced at fairly frequent intervals, and thus the nature of the controls will gradually adapt to changing circumstances.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM FEBRUARY 1985 TO JANUARY 1986

**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.

## **December**

*Call money market.* The Bank of Finland lowers the call money rate from 12.0 to 11.7 per cent as from December 27.

*Cash reserve requirement.* The Bank of Finland lowers the cash reserve requirement from 5.6 per cent to 5.3 per cent of the total stock of deposits at the end of December.

## **1986**

### **January**

*Interest rate policy.* The Bank of Finland lowers its base rate from 9.0 to 8.5 per cent as from January 1, 1986. In the same context, the upper limit on the banks' lending rates is rescinded. The Bank of Finland requires, how-



ever, that the rates of interest applied to loans granted for the acquisition of a dwelling intended for own use are not raised in relation to the base rate.

As a result of this decision, the rates applied by the banks to existing loans and tax-free deposits are also generally presupposed to fall by 0.5 percentage point.

*Regulation of average lending rates.* The Bank of Finland revises its regulation of the banks' average lending rate. With effect from the beginning of 1986, the average interest rate at the end of each calendar month may at most be the Bank of Finland's base rate plus 1.75 percentage points. If the average interest rate on the banks' total markka-denominated deposits exceeds the Bank of Finland's base rate by more than 1.25 percentage points, the banks' average lending rate may at most equal the average deposit rate for the month in question plus 0.5 percentage point.

*Call money market.* From the beginning of 1986, the Bank of Finland revises the system applied in the call money market, so that it pays a lower rate of interest on deposits than it charges on call money advances.

The rate on call money advances remains at 11.7 per cent while the rate on call money deposits is 11.0 per cent as from January 2.

*Revision of foreign exchange regulations.* In connection with the renewal of the Foreign Exchange Act, which enters into force at the beginning of the year, the Bank of Finland updates and partially liberalizes the foreign exchange regulations, the revised regulations also becoming effective on January 1, 1986.

Among other things, the penalty surcharge scheme applied to short-term import credits is abolished; the maximum period for suppliers' credit which does not require the special permission of the Bank of Finland is now six months. Investments in securities quoted abroad and in the form of funds held in accounts with foreign monetary institutions are permitted up to a maximum of FIM 10 000 a year per resident. The upper limit on foreign exchange which may be acquired for the purchase of a second home abroad is raised to FIM 600 000. Authorized banks are granted the right to surrender travel exchange without upper limit on the basis of a breakdown of costs drawn up by the purchaser of travel exchange. Securities brokers are accorded the same rights as the authorized banks to act as intermediaries in securities transactions between residents and non-residents.

*Cash reserve requirement.* The Bank of Finland lowers the cash reserve requirement from 5.3 per cent to 5.0 per cent of the total stock of deposits at the end of January.

## ITEMS

**Supplementary budget.** The second supplementary budget for 1985 was approved by Parliament in December. It provides for a net increase in expenditure of nearly FIM 1.6 billion. Together, the additional outlays in the first and second supplementary budgets total FIM 2.8 billion in net terms. Thus, budgeted central government expenditure for 1985 amounts to about FIM 96.7 billion. This figure is about 3 per cent higher than planned outlays in the ordinary budget. Owing to decelerating inflation, the difference between the two figures has displayed a downward trend during the past few years. Budgeted expenditure is equivalent to about 28.7 per cent of forecast GDP in 1985.

Of the gross outlays of FIM 2.3 billion in the second supplementary budget, more than FIM 470 million represents export subsidies for agricultural products, while about FIM 300 million is to be used for the advance redemption of a foreign loan. Among the reductions in outlays, more than FIM 270 million is due to the fact that the estimated share of the central government in the expenditure of the Social Insurance Institution seems likely to be smaller than expected.

A sum of nearly FIM 150 million was appropriated for interest payments on central government debt. This is due to both an increase in the amount of domestic debt and certain technical changes in the terms applied to it. In addition, interest payments on foreign debt have been boosted by the high value of the dollar.

On the receipts side, there is a net increase of almost FIM 2.2 billion in the second supplementary budget. The largest item represents an additional accrual in tax revenue totalling some FIM 1.3 billion. The increase is mainly attributable to the faster-than-expected growth in wages and salaries. Parliament also authorized the Government to increase its borrowing by FIM 320 million.

**Interest rate regulation and the call money market.** The Bank of Finland has decided to further ease the regulation of interest rates and to introduce a dual-rate system in the call money market from January 1, 1986.

In recent years, a practice has been applied in the regulation of lending rates which has allowed the deposit banks to pass on in their lending rates part of their unregulated interest costs. Now interest rate regulation has been simplified by defining the upper limit on the banks' average lending rate so that, as a general rule, it is equal to the base rate plus 1 3/4-percentage points. In addition, the upper limit on the banks' lending rate has been rescinded.

The system of interest rates applied in the call money market has been revised, so that from the beginning of 1986 the Bank of Finland pays a lower rate of interest on call money market deposits than what it charges on call money market advances. This differentiation of call money rates is designed to promote the development of money market activity by creating an incentive for a well-functioning interbank market.

**Samuel Montagu to establish a subsidiary in Finland.** In December, the Council of State granted the British-owned Montagu International Holdings permission to establish a subsidiary in Finland. The new bank, Samuel Montagu Osakepankki, will be the fourth subsidiary of a foreign bank in Finland. The three foreign banks already established in Finland are the American-owned Citibank and Chase Manhattan Bank and the French-owned Banque de l'Indochine et de Suez (Indosuez), all established in 1982. In addition, five foreign banks have representative offices in Finland.

**Publication of the Bank of Finland.** The Bank of Finland has published a study by Kerstin Heinonen "The Special Drawing Rights System - Development, Characteristics and Future Prospects" (Series A:60) in Swedish with a summary in English, 1985, 65 pp. ISBN 951-686-112-1, ISSN 0355-6034.

Views on how to improve the functioning of the international monetary system have been put forward in international fora in recent years. At the same time, consideration has been given to the significance of the special drawing rights (SDRs) of the International

Monetary Fund. This study discusses certain aspects of the use of the SDR from the point of view of the international monetary system. It also shows how the system of special drawing rights is constructed and what are the most essential features in its functioning.





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# BANK OF FINLAND

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## Board of Management

Rolf Kullberg  
*Chairman*

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom  
*Absent as Minister  
of Trade and Industry*

Esko Ollila

Markku Puntila  
*Acting Member of the Board*

---

## Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Sirkka Hämäläinen

Matti Vanhala

---

## Senior officials

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

Timo Männistö  
*Internal Audit*

Ossi Leppänen  
*Accounting*

Urpo Levo  
*Administration*

Reijo Mäkinen  
*Cash*

Raimo Hyvärinen  
*Domestic Financing*

Anton Mäkelä  
*Personnel*

Heikki Koskenkylä  
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Erkki Vehkamäki  
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Kari Puumanen  
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Antti Heinonen  
*Information*

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*Monetary Policy*

Kari Holopainen  
*Bilateral Trade*

Esa Ojanen  
*Exchange Control*

Johnny Åkerholm  
*Exchange Policy*

Kari Pekonen  
*Foreign Exchange*

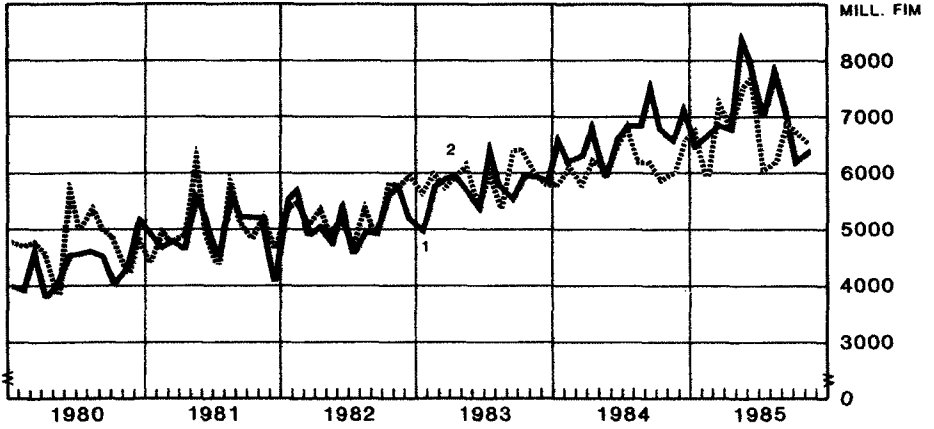
Markus Fogelholm  
*Foreign Financing*

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### FOREIGN TRADE, 1980-85

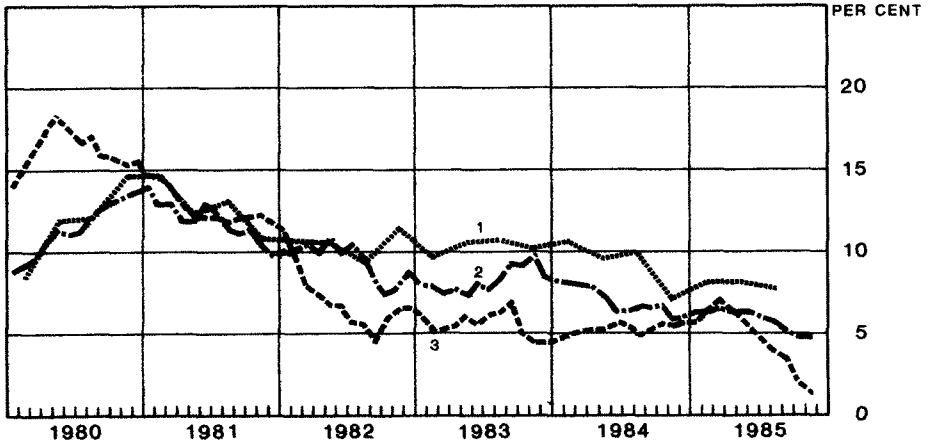
1. Exports f.o.b.
2. Imports c.i.f.

Seasonally adjusted monthly figures



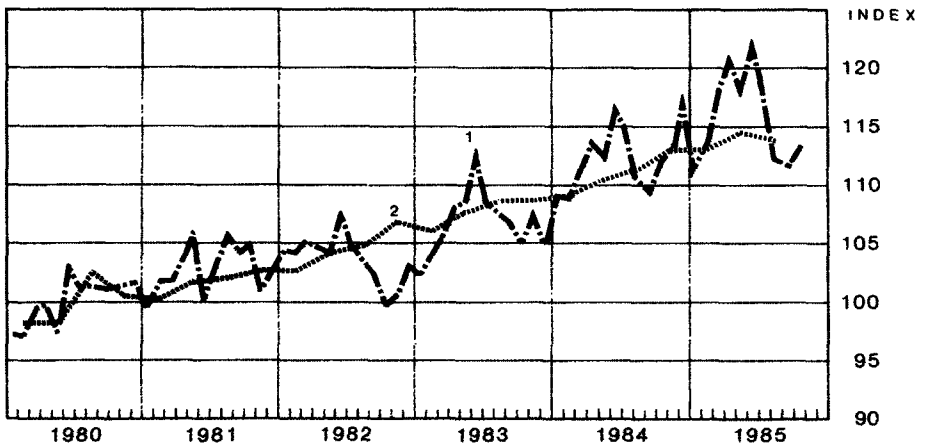
### PRICES AND WAGES, 1980-85

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



### PRODUCTION, 1980-85

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



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