



BANK OF FINLAND

Monthly Bulletin

Employment situation

The terms of trade

Finland's balance of payments January—
March 1980

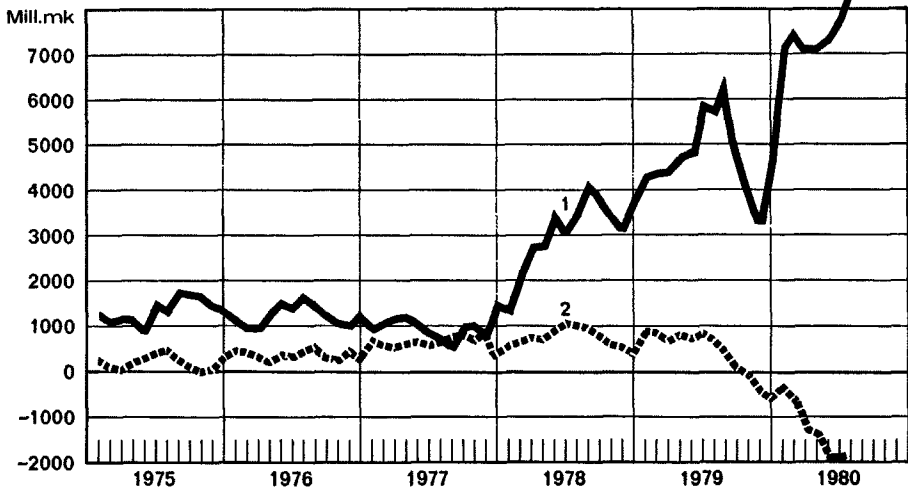
Finland's gross long-term foreign debt in
January—June 1980

Publications of the Bank of Finland

SEPTEMBER 1980

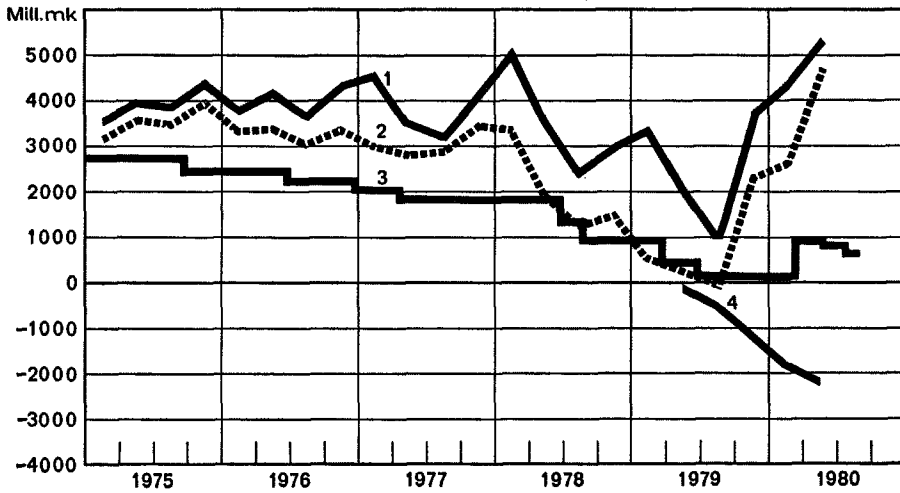
Vol. 54 No. 9

BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1975-80



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

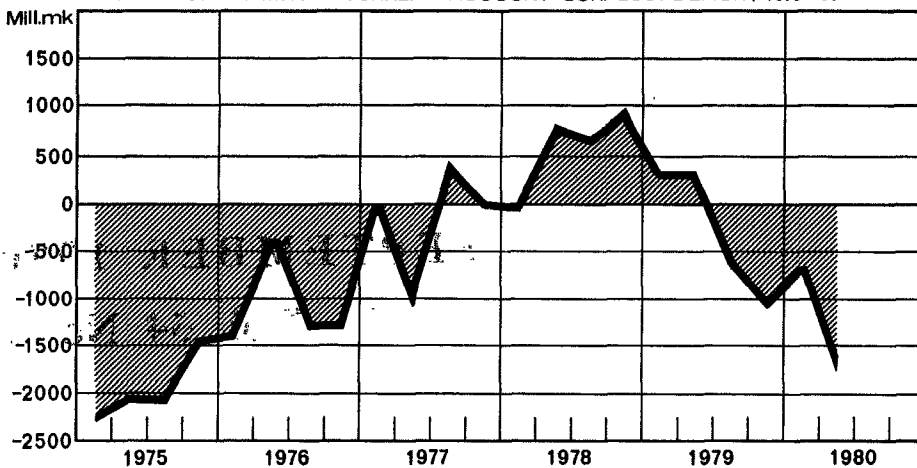
COMMERCIAL BANKS' CENTRAL BANK POSITION, 1975-80



- 1. Total central bank debt
- 2. Actual central bank debt
- 3. The quotas
- 4. Cash reserve deposits

Quarterly average of daily amounts (1, 2 and 4)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1975-80



Seasonally adjusted quarterly figures

EMPLOYMENT SITUATION

by Lauri Korpelainen, D.Pol.Sc.

Ministry of Labour

The sharp fluctuations in employment which Finland has experienced during a period of less than ten years are comparable with those in the years of the Great Depression half a century ago. In the 1970s, the employment situation in Finland remained good for a fairly long period, and in 1975 still only about 2 per cent of the labour force was unemployed. Subsequently, a slackening in productive activity quickly led to a decline in the demand for labour and a growth in unemployment (cf. Bulletin 3/1979). Unemployment reached its peak level during the winter months of 1978 and 1979, when almost 200 000 persons were registered as unemployed. Viewed in annual terms, the situation was at its severest in 1978 when the average number of unemployed amounted to some 170 000 persons, corresponding to an unemployment rate of 7.5 per cent (see the table).

The revival in productive activity, which got under way slowly in 1978 but later accelerated substantially, has gradually also increased the demand for labour. From the low point of 1978, the number of employed grew by 50 000 persons in 1979 and is estimated to increase

further by nearly 60 000 persons in 1980. Together these increases will mean an increase of more than 5 per cent in the demand for labour during the space of two years. During the same period, unemployment has dropped sharply and it is expected to fall to about 4 per cent in 1980. Forecasts of the trend of output suggest that the employment situation could still improve slightly in 1981 (see the chart).

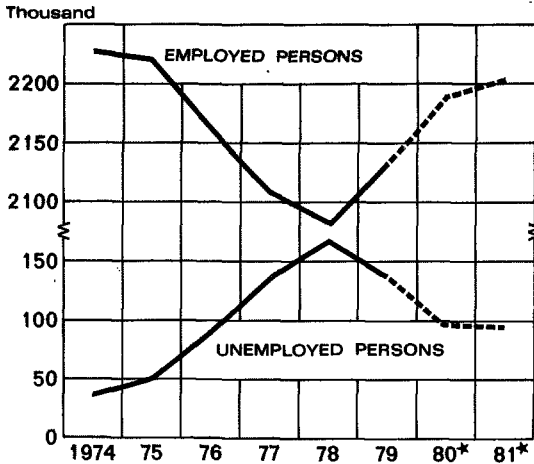
In addition to the revival in productive activity, the brightening in the employment outlook has also been a consequence of the Government's employment policy measures, which have been greatly intensified since 1977. Most of these measures have been designed to stimulate and enhance employment but, to some extent, also to limit the supply of labour, e.g. through extending the duration of education and parents' leave and the facilitation of retirement on an unemployment pension. It is estimated that the net effect of these employment-promoting measures was greatest in 1979. The solution of unemployment problems has been partly alleviated by a change in the population structure of Finland,

TABLE. TOTAL LABOUR FORCE IN 1974—1979 (1980*), IN THOUSANDS

	1974	1978	1979	1980*	1974—78	Change 1978—79	1979—80*
Population of working age (15—74 years)	3 483	3 578	3 593	3 607	+ 95	+15	+14
Labour force	2 268	2 253	2 273	2 289	— 15	+20	+16
Unemployed persons	39	169	139	98	+130	—30	—41
Employed persons ¹	2 229	2 084	2 134	2 191	—145	+50	+57
Agriculture and forestry	362	256	250	243	—106	— 6	— 7
Mining, manufacturing, electricity	613	562	581	598	— 51	+19	+17
Construction	187	151	150	157	— 36	— 1	+ 7
Tertiary industries	1 067	1 099	1 135	1 175	+ 32	+36	+40
Labour participation rate, per cent	65.1	63.0	63.3	63.5	..	..	..
Unemployment rate, per cent	1.7	7.5	6.1	4.3	..	..	..

¹ Including the category »Unknown».

CHART. THE NUMBER OF EMPLOYED AND UNEMPLOYED PERSONS IN 1974—1979 AND THE FORECAST FOR 1980—1981



as a result of which the annual increase in the population of working age has fallen to about half of what it was even in the early 1970s.

Although the employment situation has improved markedly since 1978, it remains highly problematic in many respects. The regional differences in employment have remained very great: while the unemployment rate has fallen to two to three per cent in the southernmost parts of Finland (the administrative district of Helsinki) and certain sectors are already suffering from a shortage of skilled labour, in the development regions of Northern and Eastern Finland nearly one in ten persons in the labour force is unemployed, irrespective of the employment-promoting measures directed specifically at these regions.

In addition to regional differences, both frictional and structural unemployment seem to have increased in line with the economic upswing. This has been reflected in growing difficulties in the filling of unfilled vacancies; during the current year, the Employment

Service has reported about 50 per cent more unfilled vacancies than in the previous year. This is perhaps primarily attributable to the fact that the regional and occupational mobility of labour has declined with the deceleration in the growth of production and the slowing-down in structural change. Other factors contributing to this development include the extension of the coverage of employment security, the risks involved in retraining, the high level of housing costs, the shortage of rented dwellings, an increasingly selective attitude towards both job-seekers and vacancies, and an expansion in the duties of the Employment Service without a corresponding increase in its resources.

Certain estimates of the structure of unemployment suggest that the share of unemployed job-seekers for whom it is very difficult to find work by means of traditional measures will remain fairly large, at least in some regions.

Under the present circumstances it seems obvious that a reduction in unemployment from the present level of about 4 per cent can hardly be attained by means of general economic and employment policy measures alone. The achievement of a low unemployment rate necessitates not only rapid economic growth for sustaining the demand for labour but also the provision of increasingly individual-oriented guidance and consulting services by the Employment Service, so that an unemployed job-seeker can be directed to a job, on-the-job training or a training course, or, in the last resort, to the social security authorities. In particular, attempts should be made to improve the occupational and regional compatibility of the supply of and demand for labour, to reduce long-term unemployment and to promote the entry into the labour market of the young.

August 21, 1980

BANK OF FINLAND

Mill. mk

	1979		1980			
	Aug. 31	Dec. 31	Aug. 8	Aug. 15	Aug. 22	Aug. 29
Assets						
Gold and foreign exchange receivables	7 027	4 860	8 180	7 961	8 149	8 122
Gold ¹	169	1 073	1 073	1 073	1 073	1 073
Special drawing rights	448	430	564	564	564	564
IMF reserve tranche	236	225	225	225	225	225
Foreign bonds ²	—	—	2 048	2 054	2 051	2 071
Convertible currencies	5 670	2 978	4 182	3 951	4 147	4 103
Tied currencies	504	154	88	94	89	86
Other foreign receivables	2 971	2 803	1 054	1 054	1 054	1 054
Foreign bonds ²	1 865	1 749	—	—	—	—
Mark subscription to Finland's IMF quota	1 106	1 054	1 054	1 054	1 054	1 054
Receivables from financial institutions	1 110	4 538	4 448	5 304	5 020	5 196
Banks' cheque accounts	331	233	724	681	742	751
Call money market advances	392	3 870	3 269	4 168	3 821	3 968
Bonds	370	408	407	409	411	424
Other financial institution receivables	17	27	48	46	46	53
Receivables from the public sector	848	884	1 293	1 306	1 255	1 261
Government promissory notes	346	346	700	700	650	650
Bonds	134	145	200	212	214	220
Total coinage	366	372	387	388	389	389
Other public sector receivables	2	21	6	6	2	2
Receivables from corporations	2 256	2 520	2 946	2 954	2 959	2 978
Financing of exports	1 034	1 230	1 257	1 262	1 264	1 268
Financing of domestic deliveries	875	952	1 371	1 370	1 373	1 372
Bonds	205	205	209	209	209	223
Other corporate receivables	142	133	109	113	113	115
Other assets	69	73	76	76	77	77
Total	14 281	15 678	17 997	18 655	18 514	18 688
Liabilities						
Foreign exchange liabilities	26	846	1 926	1 382	1 686	1 775
Convertible accounts	26	14	32	29	28	33
Tied accounts	0	832	1 894	1 353	1 658	1 742
Other foreign liabilities	1 899	1 818	1 931	1 931	1 931	1 931
IMF mark accounts	1 445	1 385	1 365	1 365	1 365	1 365
Allocations of special drawing rights	454	433	566	566	566	566
Notes and coins in circulation	4 022	4 375	4 443	4 431	4 416	4 449
Notes	3 685	4 020	4 080	4 068	4 053	4 086
Coins	337	355	363	363	363	363
Deposit certificates in circulation	3 378	1 700	2 250	2 850	2 850	2 100
Claims of financial institutions	1 880	3 043	3 118	3 655	3 211	4 000
Banks' cheque accounts	1	4	33	25	1	1
Call money market deposits	1 038	1 131	125	745	330	780
Cash reserve deposits	730	1 764	2 649	2 649	2 649	2 989
Capital import deposits	103	140	285	216	209	205
Other financial institution claims	8	4	26	20	22	25
Claims of the public sector	374	387	43	43	43	43
Cheque accounts	0	2	1	1	1	0
Counter-cyclical reserves	40	42	42	42	42	42
Capital import deposits	333	339	—	—	—	—
Other public sector claims	1	4	0	0	0	1
Claims of corporations	407	403	868	893	896	854
Deposits for investment and ship purchase	120	133	534	535	536	572
Capital import deposits	282	254	322	346	348	260
Export deposits	—	—	5	7	7	17
Import levy deposits	1	2	—	—	—	—
Other corporate claims	4	14	7	5	5	5
Other liabilities	13	13	16	13	14	14
Equalization accounts	112	1 252	1 423	1 466	1 466	1 516
Capital accounts	2 170	1 841	1 979	1 991	2 001	2 006
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	636	636	441	441	441	441
Undisposed profits	92	—	—	—	—	—
Net earnings	42	-195	138	150	160	165
Total	14 281	15 678	17 997	18 655	18 514	18 688

¹ As of Dec. 31, 1979 gold is valued at Fmk 35 per gramme.

² As of January 1, 1980 foreign bonds are included in Gold and foreign exchange receivables.

BANK OF FINLAND

Mill. mk

End of year or month	Foreign sector ¹							Public sector			Deposit certificates in circulation
	Gold ² , SDR, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1974	675	341	1 047	2 063	-388	-6	1 669	302	560	258	1 040
1975	399	204	1 011	1 614	368	-315	1 667	339	1 301	962	250
1976	357	397	954	1 708	389	-660	1 437	447	1 133	686	-
1977	337	543	1 212	2 092	496	-2 031	557	391	328	- 63	200
1978	728	872	3 080	4 680	471	-1 099	4 052	633	114	-519	1 090
1979	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1979											
Aug.	853	1 865	5 644	8 362	504	-793	8 073	848	374	-474	3 378
Sept.	853	2 001	4 181	7 035	186	-793	6 428	859	364	-495	2 390
Oct.	858	1 860	3 316	6 034	-157	-793	5 084	866	388	-478	2 390
Nov.	855	1 783	2 582	5 220	-505	-793	3 922	867	381	-486	2 040
Dec.	1 728	1 749	2 964	6 441	-678	-764	4 999	884	387	-497	1 700
1980											
Jan.	1 861	1 829	3 463	7 153	-462	-897	5 794	1 254	68	-1 186	2 200
Feb.	1 864	2 020	3 670	7 554	-700	-897	5 957	1 265	60	-1 205	2 740
March	1 874	1 972	3 330	7 176	-1 316	-897	4 963	1 280	63	-1 217	3 340
April	1 874	1 976	3 325	7 175	-1 432	-897	4 846	1 267	53	-1 214	2 940
May	1 868	1 976	3 510	7 354	-1 946	-877	4 531	1 264	45	-1 219	2 490
June	1 868	2 017	3 912	7 797	-1 996	-877	4 924	1 257	43	-1 214	2 640
July	1 868	2 049	4 148	8 065	-1 787	-877	5 401	1 285	43	-1 242	1 940
Aug.	1 862	2 071	4 070	8 003	-1 656	-877	5 470	1 261	43	-1 218	2 100

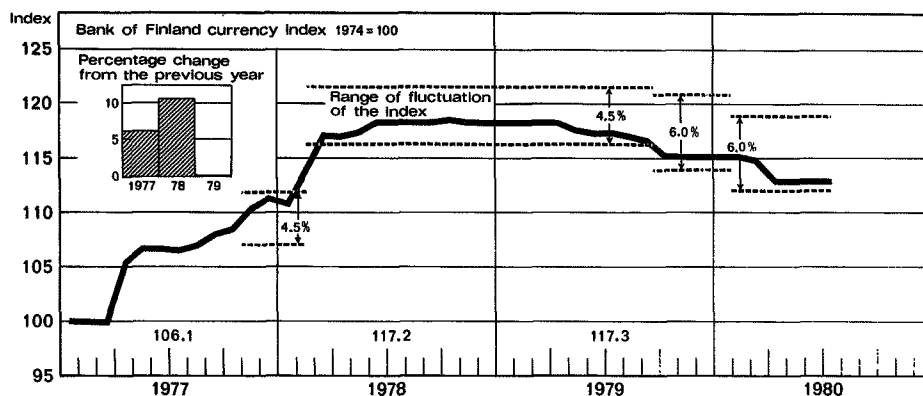
FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1979			Net holdings, July 31, 1980 ¹			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	July	Jan.-July
Gold ²	1 073	-	1 073	1 073	-	1 073	-	-
Special drawing rights	430	-	430	570	-	570	-	+140
IMF reserve tranche	225	-	225	225	-	225	-	-
Foreign bonds	-	-	-	2 049	-	2 049	+32	+299
Convertible currencies	2 964	-3 223	-259	4 148	-5 919	-1 771	-358	-1 512
Total	4 692	-3 223	1 469	8 065	-5 919	2 146	-326	-1 073
Tied currencies	-678	-30	-708	-1 787	- 72	-1 859	+178	-1 151
Grand total	4 014	-3 253	761	6 278	-5 991	287	-148	-2 224

¹ New series, see item Bulletin 2/1980. ² As of Dec. 31, 1979 gold is valued at Fmk 35 per gramme.

End of year or month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Discounted and redis-counted bills	Cheque account receivables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receivables (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net receivables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1974	3 034	110	—	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	—	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	—	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	—	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	—	69	1 175	1 948	356	1 592	3 822
1979	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1979											
Aug.	—	330	392	1 038	730	-276	-770	1 909	60	1 849	4 022
Sept.	—	119	1 919	1 334	989	-312	27	1 923	144	1 779	4 072
Oct.	—	232	2 894	1 058	1 232	-284	1 120	2 173	150	2 023	3 963
Nov.	—	192	3 735	836	1 496	-262	1 857	2 233	107	2 126	4 156
Dec.	—	229	3 870	1 131	1 764	-291	1 495	2 182	65	2 117	4 375
1980											
Jan.	—	375	2 989	1 376	2 095	-295	188	2 224	62	2 162	4 047
Feb.	—	910	3 005	1 370	2 123	-315	737	2 317	149	2 168	4 233
March	—	836	4 155	592	2 267	-307	2 439	2 305	234	2 071	4 163
April	—	1 032	3 950	519	2 396	-224	2 291	2 388	247	2 141	4 281
May	—	978	3 981	245	2 562	-272	2 424	2 333	273	2 060	4 389
June	—	876	4 433	502	2 591	-285	2 501	2 409	471	1 938	4 572
July	—	915	3 047	475	2 649	-145	983	2 661	538	2 123	4 466
Aug.	—	750	3 968	780	2 989	-247	1 196	2 640	516	2 124	4 449



MONETARY POLICY INDICATORS

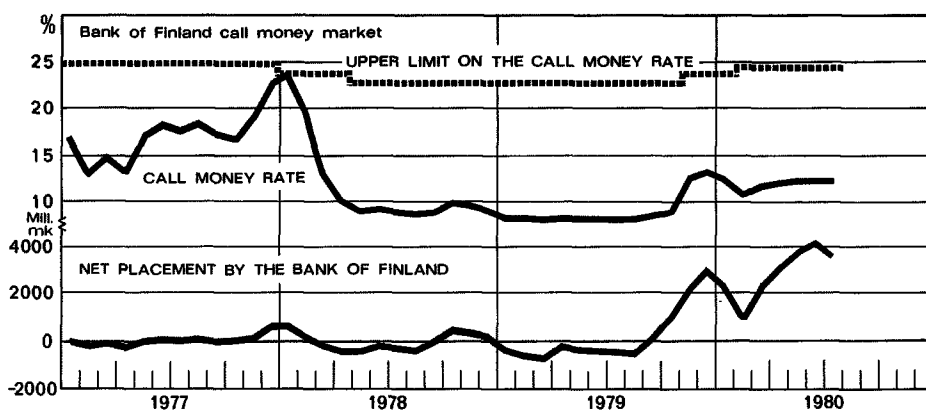
Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks ³ mill. mk	Cash reserve deposits of the commercial banks ³ mill. mk	Bank of Finland placements in the call money market, mill. mk	Basic discount rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9	10
1973	2 042	1 819	1 333	—	—	—	8.50	—	9.99	8.65
1974	3 204	2 840	2 494	—	—	—	9.25	—	10.57	9.52
1975	4 000	3 611	2 725	—	—	239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400	—	—	79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967	—	—	149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475	—	—	90	7.58	11.99	8.88	8.22
1979	2 629	820	475	447	389	321	7.46	9.74	8.99	8.03
1979										
Aug.	784	-208	200	490	427	-407	7.25	8.36	7.61	7.83
Sept.	1 427	395	200	756	658	198	7.25	8.68	8.03	7.85
Oct.	2 905	1 216	200	997	868	1 018	7.25	9.13	8.50	7.85
Nov.	3 760	2 512	200	1 241	1 078	2 298	8.50	12.87	11.94	8.98
Dec.	4 603	3 350	200	1 505	1 316	3 151	8.50	13.53	12.76	9.06
1980										
Jan.	4 471	2 627	200	1 775	1 553	2 399	8.50	12.70	11.79	9.08
Feb.	4 094	2 066	1 000	2 092	1 829	1 068	9.25	11.14	10.18	9.77
March	4 580	3 380	1 000	2 128	1 857	2 381	9.25	11.97	11.19	9.82
April	5 156	4 204	1 000	2 271	1 987	3 204	9.25	12.36	11.62	9.85
May	5 216	4 802	1 000	2 406	2 104	3 802	9.25	12.49	12.01	9.84
June	5 734	5 130	900	2 561	2 233	4 231	9.25	12.50	12.50	9.86
July	4 984	4 547	900	2 591	2 261	3 648	9.25	12.50	12.18	..
Aug.	4 456	3 880	700	2 682	2 333	3 181	9.25	12.50	..	..

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

³ See Bulletin April., 1979, page 1.

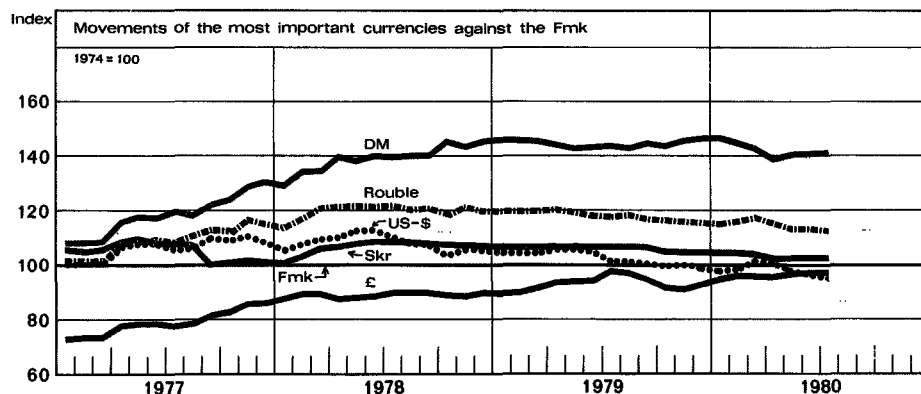


FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

Period	Average selling rates for foreign exchange, mk									Currency index 1974=100
	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2
1979	3.896	8.275	91.12	77.22	74.38	212.75	234.36	91.88	5.941	117.3
1979										
Aug.	3.845	8.620	91.34	76.71	73.25	210.34	232.22	90.59	5.942	117.2
Sept.	3.821	8.415	91.38	76.95	73.85	212.88	236.64	91.23	5.858	116.9
Oct.	3.780	8.132	90.09	76.39	72.57	211.60	232.68	90.46	5.845	115.4
Nov.	3.794	8.097	90.03	75.82	72.41	213.96	230.42	91.43	5.828	115.4
Dec.	3.735	8.233	89.67	75.39	69.89	215.60	233.65	92.22	5.798	115.4
1980										
Jan.	3.703	8.396	89.55	75.69	69.07	214.92	232.60	92.00	5.788	115.4
Feb.	3.724	8.546	89.58	76.56	68.59	213.33	227.68	91.24	5.818	115.4
March	3.858	8.533	89.13	76.75	67.23	209.01	219.46	89.87	5.896	115.0
April	3.828	8.482	87.85	75.78	65.85	204.42	218.11	88.39	5.791	113.1
May	3.699	8.541	88.07	75.65	66.35	206.72	222.71	88.80	5.689	113.1
June	3.653	8.553	87.92	75.54	66.83	206.83	223.78	89.13	5.675	113.1
July	3.620	8.603	87.98	75.43	67.20	207.36	225.50	89.59	5.654	113.1
Aug.	3.665	8.697	88.03	75.58	66.52	204.85	222.00	88.63	5.713	113.1

See explanations on page 22.



DEPOSITS BY THE PUBLIC

Mill. mk

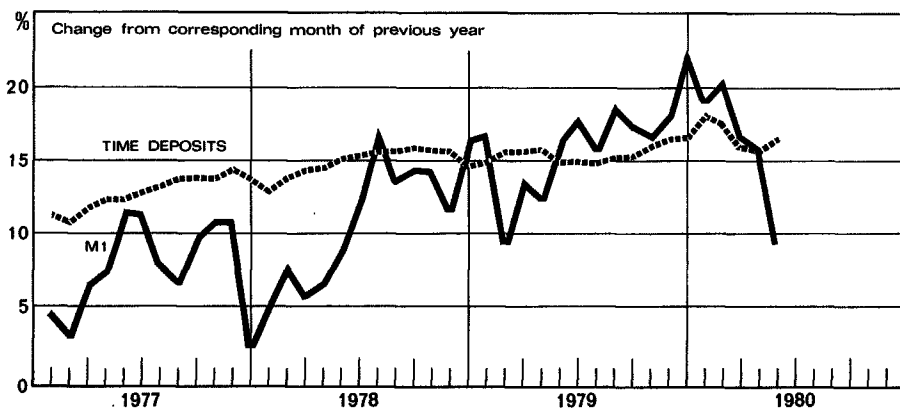
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	10
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 036	14 641	11 286	4 900	47 862	55 477
1979	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584

1979

March	3 717	1 589	2 108	7 414	17 521	15 231	11 803	5 085	49 640	57 054
April	3 837	1 670	1 995	7 502	17 816	15 405	11 966	5 112	50 299	57 801
May	4 244	1 777	2 271	8 292	17 692	15 584	12 140	5 140	50 556	58 848
June	4 373	1 842	2 678	8 893	17 978	15 932	12 330	5 176	51 416	60 309
July	4 160	1 944	2 700	8 804	18 189	16 153	12 481	5 253	52 076	60 880
Aug.	4 195	1 969	2 747	8 911	18 389	16 390	12 698	5 304	52 781	61 692
Sept.	3 900	2 053	2 818	8 771	18 441	16 447	12 716	5 350	52 954	61 725
Oct.	4 232	2 111	2 493	8 836	18 877	16 556	12 852	5 403	53 688	62 524
Nov.	4 316	2 078	2 486	8 880	19 315	16 832	13 059	5 469	54 675	63 555
Dec.	4 697	2 255	2 714	9 666	19 794	17 177	13 348	5 599	55 918	65 584

1980

Jan.	4 688	1 983	2 778	9 449	19 964	17 501	13 683	5 685	56 833	66 282
Feb.	4 009	1 903	2 697	8 609	20 150	17 787	13 983	5 772	57 692	66 301
March	4 187	1 930	2 767	8 884	20 061	17 789	13 874	5 910	57 634	66 518
April	4 173	1 975	2 977	9 125	20 335	18 039	14 137	5 722	58 233	67 358
May	4 190	2 094	2 865	9 149	20 500	18 277	14 289	5 935	59 001	68 150



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

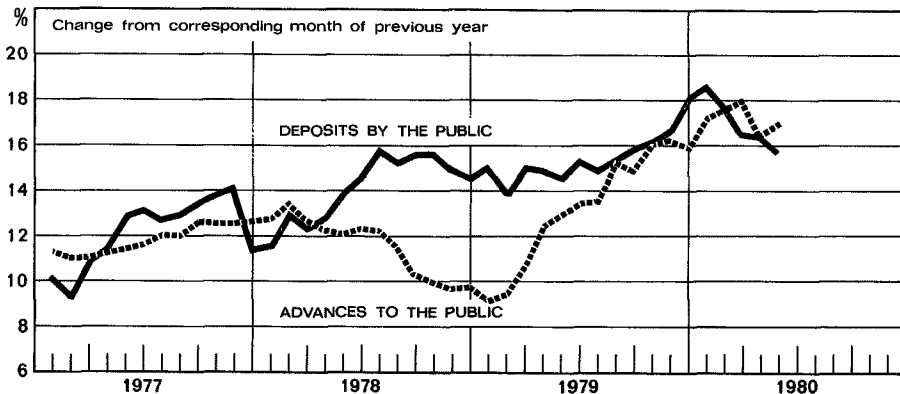
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ +Quasi- Money
	1	2	3	4	5	6	7		8	9	10
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157

1979

March	27 186	14 446	12 446	7 196	53 701	1 805	5 768	61 274	11 442	62 463
April	28 170	14 598	12 548	7 342	54 374	1 816	6 468	62 658	11 557	63 183
May	28 384	14 826	12 747	7 423	55 035	1 761	6 584	63 380	12 435	64 350
June	28 860	14 991	12 940	7 631	55 528	1 781	7 113	64 422	13 269	65 833
July	28 758	15 224	13 124	7 603	56 256	1 839	6 614	64 709	13 161	66 293
Aug.	29 072	15 489	13 372	7 803	57 002	1 798	6 936	65 736	13 274	67 140
Sept.	28 923	15 732	13 595	7 848	57 931	1 914	6 253	66 098	13 008	67 117
Oct.	29 456	16 040	13 796	7 987	59 330	1 928	6 021	67 279	13 003	67 919
Nov.	29 764	16 306	14 056	8 039	60 234	2 031	5 900	68 165	13 131	69 012
Dec.	29 844	16 535	14 258	8 299	60 971	1 955	6 010	68 936	14 087	71 157

1980

Jan.	30 524	16 754	14 395	8 399	61 745	2 158	6 169	70 072	13 767	71 810
Feb.	31 247	16 960	14 525	8 618	62 648	2 378	6 324	71 350	13 389	72 421
March	31 902	17 114	14 640	8 720	63 256	2 584	6 536	72 376	13 354	72 405
April	32 196	17 310	14 820	8 764	64 070	2 479	6 541	73 090	13 396	73 240
May	32 764	17 535	15 039	8 898	64 817	2 545	6 874	74 236	13 594	74 137



STATE FINANCES

Mill. mk

Revenue	Jan.-June		Expenditure	Jan.-June	
	1979	1980		1979	1980
Income and wealth tax (net)	4 091	5 344	Wages, salaries, pensions etc.	3 356	3 716
Gross receipts	(13 781)	(16 740)	Repair and maintenance	426	480
Refunds & local authorities	(-9 690)	(-11 396)	Other consumption expenditure	1 832	2 145
Other taxes on income and wealth	95	209	Total consumption expenditure	5 614	6 341
Employers' child allowance payments	301	37	State aid to local authorities	4 114	4 848
Sales tax	4 853	5 373	State aid to industries	2 934	3 417
Customs duties and import charges and levies	518	621	of which: agric. price subsidies	(1 425)	(1 360)
Excise duties	3 623	3 961	Child allowances	603	692
Excise duty on alcoholic beverages	1 128	1 204	Share in national pensions and sickness insurance schemes	165	251
Excise duty on tobacco	429	504	Other transfer expenditure	2 658	2 805
Excise duty on liquid fuel	1 120	1 265	Total transfer expenditure	10 474	12 013
Other excise duties	946	988	Machinery and equipment	710	674
Tax on autom. and motor-cycles	672	766	Construction of buildings	337	363
Stamp duties	414	507	Land and waterway construction	755	880
Special diesel etc. vehicles tax	72	80	Total real investment	1 802	1 917
Other taxes and similar revenue	393	479	Interest on State debt	427	588
Total taxes	15 032	17 377	Net deficit of State enterprises	-231	-167
Miscellaneous revenue	1 360	1 711	Other expenditure	26	3
Interest, dividends etc.	410	517	Total other expenditure	222	424
Redemptions of loans granted	314	249	Increase in inventories	-136	-129
Total revenue	17 116	19 854	Lending	1 197	1 507
Foreign borrowing	1 496	1 305	Other financial investment	241	253
Domestic borrowing	1 352	1 726	Total expenditure	19 414	22 326
Total borrowing	2 848	3 031	Redemption of foreign loans	139	151
Deficit (+) or surplus (-)	+222	+208	Redemption of domestic loans	633	616
Total	20 186	23 093	Total redemptions	772	767
			Total	20 186	23 093

State debt	1978	1979	1980			
	Dec.	Dec.	March	April	May	June
Foreign debt	7 360	8 964	9 514	9 522	9 511	9 711
Loans	4 607	6 050	6 408	6 499	6 647	6 768
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	161	133	25	167
Cash debt (net)	-735	-596	-970	-449	-346	-114
Domestic debt	4 132	5 658	5 599	6 183	6 326	6 821
Total State debt	11 492	14 622	15 113	15 705	15 837	16 532
Total debt mill \$	2 859	3 915	3 917	4 246	4 281	4 526

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223
1978	35 206	32 338	+2 868
1979	43 430	44 222	-792
1979			
June	3 494	3 333	+161
July	3 523	3 788	-265
Aug.	3 363	3 857	-494
Sept	3 355	3 865	-510
Oct.	4 375	4 298	+77
Nov.	4 382	4 398	-16
Dec.	3 845	4 749	-904

1980*

Jan.	4 245	4 940	-695
Feb.	3 795	4 232	-437
March	4 736	4 405	+331
April	3 789	4 481	-692
May	4 166	3 626	+540
June	4 508	5 717	-1 209

Jan.-June

1979*	20 587	19 266	+1 321
1980*	25 239	27 401	-2 162

Indices of exports and imports
1975 = 100

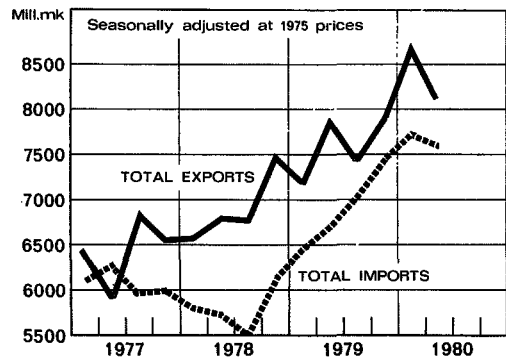
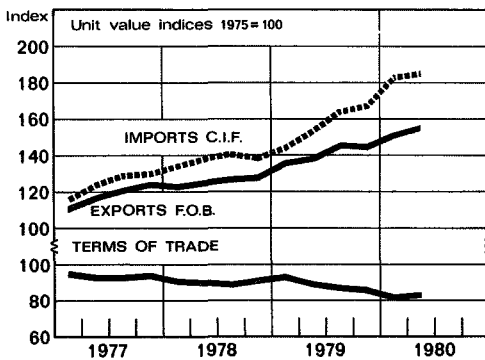
Period	Indices of exports and imports 1975 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1975	100	100	100	100	100
1976	117	96	103	107	96
1977	129	88	119	124	96
1978	138	84	126	138	91
1979	151	99	142	159	89
1978					
Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	139	91
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92

1979*

Jan.-March	140	90	137	145	94
Apr.-June	154	94	140	154	91
July-Sept.	138	100	147	164	90
Oct.-Dec.	171	113	146	170	86

1980 *

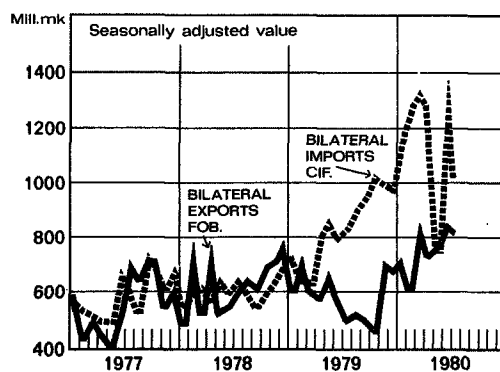
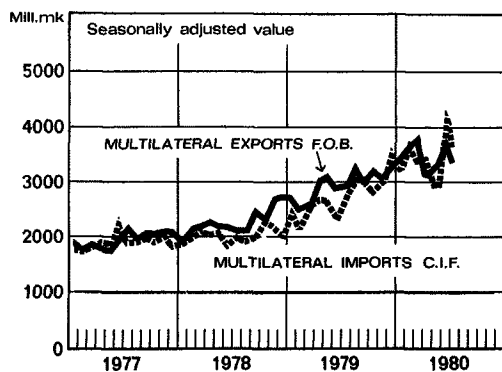
Jan.-March	166	105	152	184	83
Apr.-June	158	106	156	186	84



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

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 producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52
1979	1 366	6 073	12 992	10 342	12 657	28 878	3 401	5 719	6 133	91
1979										
June	47	599	1 010	815	1 023	2 205	319	366	433	10
July	59	557	1 034	891	982	2 319	523	463	467	16
Aug.	58	514	1 151	639	1 001	2 529	429	424	471	4
Sept.	52	495	949	833	1 026	2 469	385	472	497	42
Oct.	56	577	1 308	1 093	1 341	2 910	364	474	548	2
Nov.	151	624	1 191	1 115	1 301	2 896	338	592	568	4
Dec.	199	554	1 158	821	1 113	3 427	276	526	516	4
1980*										
Jan.	285	601	1 203	751	1 405	3 157	431	652	681	19
Feb.	40	566	1 170	829	1 190	2 809	200	534	632	57
March	247	554	1 270	1 087	1 578	2 918	191	593	702	1
April	39	542	1 007	966	1 235	2 959	150	619	751	2
May	168	660	1 357	770	1 211	2 395	196	514	518	3
June	53	806	1 334	928	1 387	4 177	430	574	529	7
Jan.-June										
1979*	791	2 752	6 201	4 950	5 893	12 325	1 086	2 768	3 067	20
1980*	832	3 729	7 341	5 331	8 006	18 415	1 598	3 486	3 813	89



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January—June				January—June			
	1979		1980*		1979		1980*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	66.1	13 601	67.3	16 993	60.6	11 672	53.8	14 739
Austria	0.6	131	0.7	188	1.4	264	1.2	328
Belgium and Luxembourg	1.5	307	1.5	378	2.0	386	1.9	509
Denmark	3.9	798	3.6	897	2.6	511	2.4	649
France	4.7	973	5.0	1 262	3.8	726	3.3	895
Federal Republic of Germany	11.4	2 340	11.5	2 905	14.1	2 715	12.8	3 498
Italy	2.2	450	2.5	641	2.6	494	2.5	692
Netherlands	4.0	831	4.9	1 242	2.9	552	2.6	719
Norway	4.7	969	4.0	1 021	2.5	491	2.0	563
Portugal	0.2	39	0.4	99	0.5	98	0.5	148
Spain	0.9	190	0.9	216	1.0	188	1.0	267
Sweden	15.6	3 204	17.3	4 355	15.4	2 969	12.3	3 365
Switzerland	1.9	395	1.8	461	2.0	392	1.6	432
United Kingdom	12.6	2 584	11.8	2 967	9.2	1 777	9.2	2 527
Other	1.9	390	1.4	361	0.6	109	0.5	147
OECD countries outside Europe	7.5	1 545	5.6	1 401	9.2	1 776	10.2	2 792
Canada	0.6	118	0.6	146	0.7	127	0.8	223
Japan	1.3	271	0.7	185	3.2	619	3.2	891
United States	4.7	973	3.3	815	5.1	990	6.0	1 634
Other	0.9	183	1.0	255	0.2	40	0.2	44
CMEA countries	17.1	3 530	16.7	4 227	21.3	4 108	24.0	6 583
Czechoslovakia	0.3	59	0.3	69	0.5	103	0.6	151
German Democratic Republic	0.7	146	0.6	159	0.6	115	0.5	148
Poland	0.4	91	0.7	181	1.4	265	1.7	472
Soviet Union	14.8	3 039	14.2	3 584	18.0	3 463	20.4	5 602
Other	0.9	195	0.9	234	0.8	162	0.8	210
Latin America	1.4	297	1.6	407	3.6	683	3.3	903
Argentina	0.2	43	0.4	110	0.3	52	0.2	45
Brazil	0.4	88	0.4	106	0.9	179	0.9	259
Colombia	0.1	29	0.2	38	1.0	183	1.0	260
Other	0.7	137	0.6	153	1.4	269	1.2	339
Other	7.9	1 614	8.8	2 211	5.3	1 027	8.7	2 384
GRAND TOTAL	100.0	20 587	100.0	25 239	100.0	19 266	100.0	27 401
of which								
EFTA countries	23.1	4 765	24.5	6 171	22.0	4 241	17.8	4 884
EEC countries	41.0	8 434	41.4	10 461	37.4	7 203	34.8	9 546
OECD countries	73.6	15 146	72.9	18 394	69.8	13 448	64.0	17 531

¹ New series. See explanations on page 22.

BALANCE OF PAYMENTS ¹

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Un- required transfers, net	Other, net	Current account
1976	24 417	28 727	-4 310	+1 490	+ 7	+387	-2 426	-1 749	-172	-108	-4 455
1977	30 805	30 961	- 156	+1 747	- 23	+526	+2 094	-2 434	-198	- 42	- 580
1978	35 068	32 600	+2 468	+2 024	+141	+803	+5 436	-2 713	-211	+ 94	+2 606
1979*	43 302	44 523	-1 221	+2 963	+157	+312	+2 211	-2 986	-430	+270	- 935

1977

Jan.-March	6 966	6 835	+ 131	+ 415	- 85	+128	+ 589	- 506	- 65	- 17	+ 1
Apr.-June	6 825	7 761	- 936	+ 379	+ 5	+ 67	- 485	- 726	- 32	- 5	-1 248
July-Sept.	7 943	7 761	+ 182	+ 470	+112	+217	+ 981	- 532	- 50	- 14	+ 385
Oct.-Dec.	9 071	8 604	+ 467	+ 483	- 55	+114	+1 009	- 670	- 51	- 6	+ 282

1978

Jan.-March	7 753	7 445	+ 308	+ 457	- 72	+185	+ 878	- 569	- 80	+ 4	+ 233
Apr.-June	8 625	8 086	+ 539	+ 479	+ 4	+205	+1 227	- 781	- 40	+ 28	+ 434
July-Sept.	8 284	7 906	+ 378	+ 500	+217	+140	+1 235	- 617	- 42	+ 31	+ 607
Oct.-Dec.	10 406	9 163	+1 243	+ 588	- 8	+273	+2 096	- 746	- 49	+ 31	+1 332

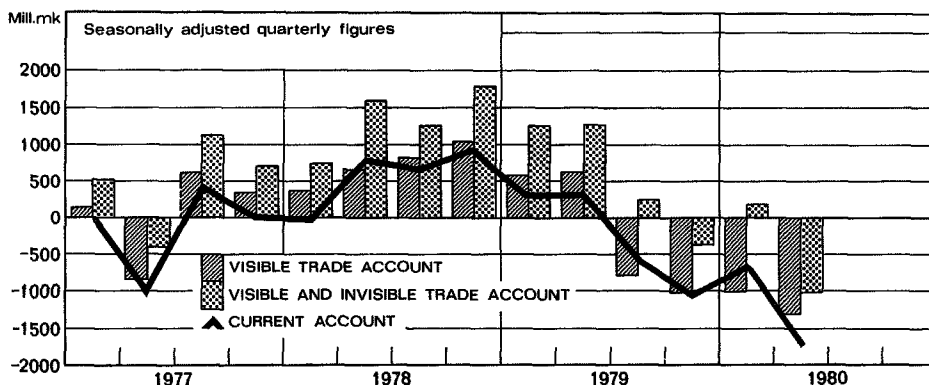
1979*

Jan.-March	9 683	9 195	+ 488	+ 667	-112	+300	+1 343	- 686	-204	+ 58	+ 511
Apr.-June	10 847	10 213	+ 634	+ 730	+ 13	- 76	+1 301	-1 003	- 91	+ 69	+ 276
July-Sept.	10 210	11 585	-1 375	+ 733	+251	+ 75	- 316	- 711	- 51	+ 75	-1 003
Oct.-Dec.	12 562	13 530	- 968	+ 833	+ 5	+ 13	-117	- 586	- 84	+ 68	- 719

1980*

Jan.-March	12 737	13 631	- 894	+ 784	-108	+324	+ 106	- 787	-152	+ 1	- 832
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¹ Revised figures. See item on page 30 and explanations on page 22.

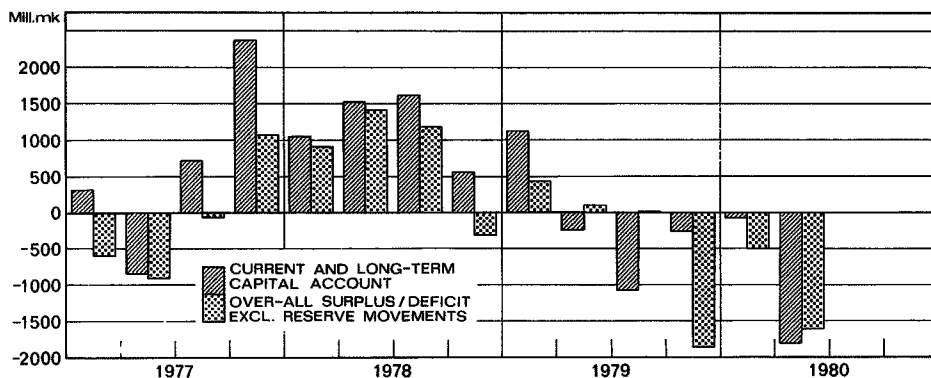


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 130	-1 785	-191	+ 48	+4 202	- 253	+ 138	-1 288	+1 468	+ 65	- 115	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 659	-1 547	- 470	-1 085	- 443	- 216	+ 659
+9 007	-5 743	-774	-229	+2 261	+4 867	+ 130	-2 188	+ 481	+3 290	-2 589	- 701
+6 230	-4 843	-541	-416	+ 430	- 505	+ 831	- 834	- 793 ²	-1 301	- 122	+1 423
+1 022	- 550	-127	- 24	+ 321	+ 322	- 799	+ 149	- 256	- 584	- 161	+ 745
+1 273	- 857	+ 35	- 37	+ 414	- 834	- 333	+ 149	+ 155	- 863	+ 315	+ 548
+1 252	- 647	-156	- 89	+ 360	+ 745	+ 227	- 384	- 660	- 72	- 302	+ 374
+2 907	- 691	+ 7	- 79	+2 144	+2 426	- 642	- 384	- 324	+1 076	- 68	-1 008
+1 876	- 854	-166	- 17	+ 839	+1 072	- 479	- 402	+ 799	+ 990	-1 622	+ 632
+2 900	-1 733	- 1	- 51	+1 115	+1 549	+ 328	- 402	- 40	+1 435	- 722	- 713
+2 265	-1 089	- 96	- 39	+1 041	+1 648	+ 20	- 692	+ 202	+1 178	- 641	- 537
+1 966	-2 067	-511	-122	- 734	+ 598	+ 261	- 692	- 480	- 313	+ 396	- 83
+2 202	-1 626	- 8	+ 50	+ 618	+1 129	- 19	- 63	- 601 ²	+ 446	-1 232	+ 786
+1 267	-1 453	-218	-174	- 578	- 302	+ 39	- 62	+ 429	+ 104	-2 100	+1 996
+1 258	- 892	-336	-105	- 75	-1 078	+ 422	- 354	+1 024	+ 14	+ 985	- 999
+1 503	- 872	+ 21	-187	+ 465	- 254	+ 389	- 355	-1 645	-1 865	+2 225	- 360
+2 108	-1 113	-171	- 70	+ 754	- 78	- 619	- 355	+ 549 ²	- 503	- 83	+ 586

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

¹ Including Direct investment, net.

² Including Allocations of Special drawing rights 139 million in 1979 and 133 million in 1980.



FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities				Net long-term liabilities (9-4)	
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other		Total (5 to 8)
	1	2	3	4	5	6	7	8	9	10
1976	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1979*	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675

1977

March	2 094	1 312	489	3 895	17 598	4 974	1 632	163	24 367	20 472
June	2 175	1 404	508	4 087	19 150	5 483	1 708	156	26 497	22 410
Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741

1978

March	2 499	1 673	840	5 012	25 107	6 068	1 774	159	33 108	28 096
June	2 517	1 759	862	5 138	26 769	6 134	1 865	159	34 927	29 789
Sept.	2 548	1 785	885	5 218	28 212	5 812	1 885	187	36 096	30 878
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660

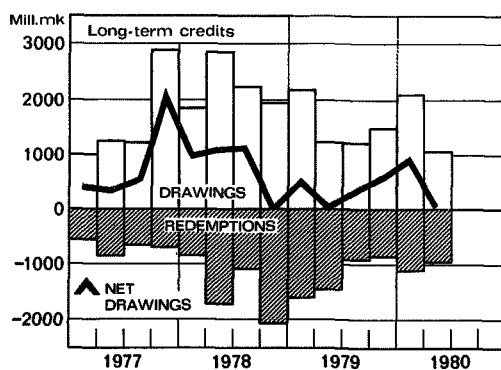
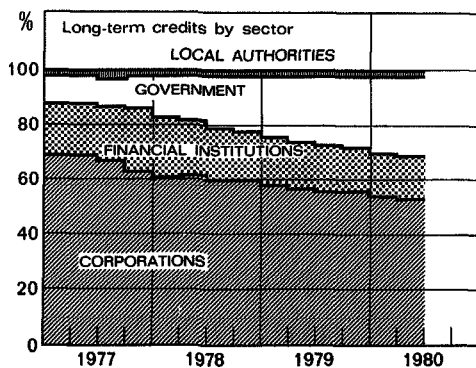
1979*

March	3 001	1 972	1 008	5 981	28 214	5 584	1 924	221	35 943	29 962
June	3 179	2 089	1 029	6 297	27 763	5 172	1 923	226	35 084	28 787
Sept.	3 419	2 226	1 066	6 711	27 724	4 956	1 930	232	34 842	28 131
Dec.	3 389	2 324	983	6 696	28 194	4 898	1 979	300	35 371	28 675

1980*

March	3 625	2 456	932	7 013	29 122	4 692	1 971	288	36 073	29 060
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See explanations on page 22.

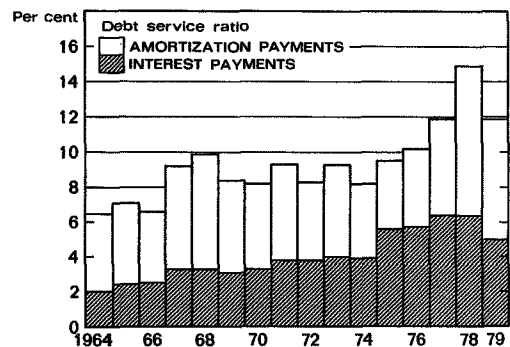
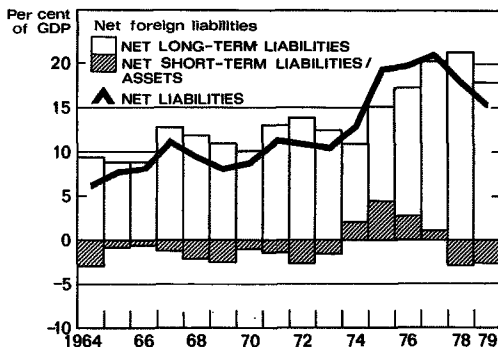


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	6 622	3 769
7 918	6 504	9 129	23 551	2 340	9 333	7 566	19 239	-4 312	24 363	6 457	3 472
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
5 491	3 409	7 233	16 133	1 293	6 594	7 559	15 446	-687	27 409	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 751	16 133	-2 168	27 621	1 493	673
7 003	4 412	7 779	19 194	1 483	6 264	7 419	15 166	-4 028	26 850	1 628	984
6 545	4 617	8 170	19 332	1 478	6 379	7 302	15 159	-4 173	25 487	2 109	1 333
7 804	4 072	8 289	20 165	1 611	6 692	7 332	15 635	-4 530	25 432	1 970	1 284
9 871	3 939	8 482	22 292	1 604	8 404	7 476	17 484	-4 808	23 979	2 085	1 082
8 601	4 141	8 787	21 529	1 579	7 620	7 808	17 007	-4 522	23 609	1 315	604
7 918	6 504	9 166	23 588	2 340	9 333	7 816	19 489	-4 099	24 576	1 087	502
8 707	6 862	9 402	24 971	3 113	10 175	6 746	20 034	-4 937	24 123	1 757	937

See explanations on page 22.



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100 ¹						Building costs 1973 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1978	727	125.8	124.1	131.8	119.2	140.3	129.5	180.8	161.0	186.0
1979	791	138.0	135.0	148.7	133.1	150.7	139.2	198.8	177.6	204.1
1979										
Oct.	822	143.6	139.9	156.8	139.8	155.5	142.9	205.0	179.1	212.4
Nov.	829	145.0	141.2	158.3	141.5	156.1	143.9	206.0	179.1	214.0
Dec.	834	145.7	141.8	159.6	142.4	156.4	144.7	208.3	181.0	216.2
1980										
Jan.	849	148.3	144.3	162.4	145.6	158.4	146.2	212.0	182.1	220.0
Feb.	859	150.2	146.3	163.8	147.3	161.0	148.2	214.0	182.1	222.9
March	882	154.1	150.1	168.1	153.1	161.5	150.1	216.1	182.6	225.8
April	899	157.2	152.4	173.9	157.6	162.7	151.3	218.8	182.6	229.0
May	912	159.4	154.9	175.3	159.9	165.5	153.1	224.6	194.5	232.1
June	919	160.7	156.0	177.0	160.6	167.1	155.5	226.3	194.5	234.2
July	934	163.2	158.5	179.5	163.3	169.3	157.6	226.6	194.9	234.5

¹ New series, see item Bulletin 10/1979.

Period	Consumer prices 1977 = 100 ¹										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1979											
Oct.	118.4	111.2	129.5	120.8	115.1	121.0	118.9	124.7	123.2	117.0	120.6
Nov.	119.3	112.3	129.4	122.8	115.6	121.4	119.4	126.9	123.3	117.8	123.0
Dec.	119.9	112.1	129.6	123.0	115.6	124.1	119.7	126.9	126.0	118.0	123.4
1980											
Jan.	121.3	113.3	138.6	121.1	115.6	124.7	122.2	131.1	126.3	118.8	125.6
Feb.	123.1	114.4	138.6	123.8	116.0	130.5	122.9	133.2	130.6	119.2	127.8
March	124.3	115.4	138.6	126.0	116.0	133.6	123.6	133.4	134.3	119.3	128.6
April	126.7	120.3	139.2	131.4	116.0	133.9	125.8	134.7	135.7	122.7	129.8
May	128.1	122.4	139.3	131.9	118.1	142.7	126.1	134.8	136.9	123.3	130.1
June	128.6	122.6	139.4	131.8	118.1	143.3	127.0	136.3	137.4	123.6	132.3
July	129.4	124.4	139.4	130.1	118.1	143.8	127.7	136.4	138.9	124.0	133.3

¹ New series.

WAGES

Index of wage and salary earnings 1975 = 100¹

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							
1978	146.3	137.0	123.2	131.8	131.5	128.0	135.1	132.9	134.4	133.6
1979*	162.1	151.6	134.1	149.0	145.6	141.7	150.8	148.4	149.2	148.8
1978										
Oct.-Dec.	152.4	143.1	127.8	138.2	137.1	133.6	140.8	138.7	139.9	139.3
1979*										
Jan.-March	155.8	147.3	130.6	144.8	142.1	138.8	146.2	144.9	144.3	144.6
Apr.-June	159.8	153.1	135.0	148.4	145.8	142.0	150.9	147.8	150.1	148.9
July-Sept.	162.6	151.3	133.4	149.2	145.9	141.7	151.3	148.9	149.4	149.1
Oct.-Dec.	163.8	154.6	137.5	153.5	148.5	144.3	154.9	152.1	152.9	152.5
1980*										
Jan.-March	172.3	159.9	139.2	157.6	152.4	148.1	158.8	156.0	156.9	156.4

¹ New series, see item Bulletin 1/1980.

PRODUCTION

Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1978*										
Jan.-March	100	106	70	122	77	87	91	83	115	104
Apr.-June	102	107	80	110	79	90	101	92	115	108
July-Sept.	97	90	148	62	99	86	102	91	115	104
Oct.-Dec.	109	111	71	149	104	88	112	101	117	109
1979*										
Jan.-March	106	116	74	148	72	85	99	88	118	107
Apr.-June	109	113	80	175	72	90	111	100	118	112
July-Sept.	104	100	145	75	95	87	113	99	118	107
Oct.-Dec.	117	120	68	162	115	91	126	108	120	113
1980*										
Jan.-March	111	124	69	152	78	87	109	95	121	110

PRODUCTION

Index of industrial production 1975 = 100¹

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1976	101.2	100.9	101.6	100.3	96.6	112.1	105.5	103.7	93.2	99.9	101.3
1977	101.8	93.6	104.4	100.9	96.3	119.0	104.6	101.0	94.7	98.7	101.9
1978	105.3	90.1	109.8	104.2	102.4	127.4	114.4	108.0	93.2	97.2	105.4
1979*	113.8	94.9	119.6	111.7	109.2	146.2	129.4	118.5	102.2	103.0	114.0

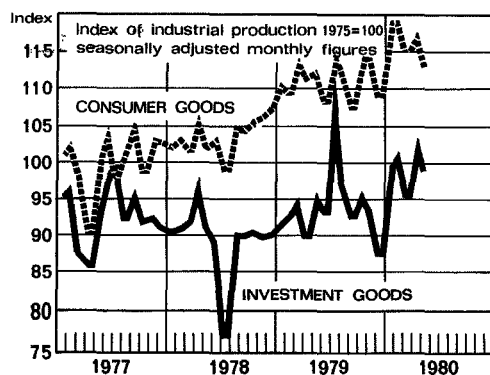
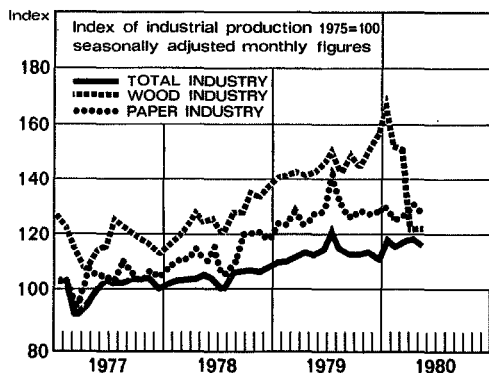
1979*

April	110.3	88.8	115.7	110.7	104.5	154.1	117.0	117.2	96.9	98.5	114.1
May	124.0	105.3	130.6	119.9	115.4	187.7	136.2	134.3	113.9	115.7	113.5
June	107.4	94.1	111.8	105.2	105.2	163.1	103.5	108.8	110.4	101.6	115.3
July	70.2	45.0	79.5	64.2	98.9	73.2	118.0	71.8	68.3	46.0	123.1
Aug.	118.6	99.7	123.8	117.8	117.7	134.8	137.1	127.6	116.2	108.0	114.9
Sept.	115.1	97.2	121.3	111.8	110.1	149.6	136.8	116.3	111.4	105.2	113.4
Oct.	129.4	113.3	134.5	127.3	132.6	165.2	144.9	129.5	125.3	121.2	113.4
Nov.	129.3	112.3	134.1	128.5	128.1	162.8	139.6	134.1	118.3	119.8	114.2
Dec.	108.3	86.8	114.1	108.0	99.2	132.1	121.4	101.3	82.2	95.7	112.0

1980*

Jan.	127.1	108.4	132.6	125.9	105.0	156.7	138.9	133.6	105.2	115.4	119.4
Feb.	120.1	101.4	125.7	118.5	100.1	149.5	130.5	130.8	102.7	109.5	116.3
March	126.2	105.2	132.8	123.6	105.8	167.7	139.2	144.0	105.9	113.6	118.2
April	118.5	102.7	123.3	116.9	109.5	141.9	123.7	137.4	108.4	110.6	119.1
May	121.7	108.5	125.7	120.4	119.7	153.2	125.9	139.2	112.2	116.1	116.2

¹ New series.



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 1972 = 100	Wholesale volume index 1972 = 100
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978	3 578	2 253	2 084	169	7.5	29 021	110	120
1979	3 593	2 223	2 134	139	6.1	37 986	117	135
1979*								
July	3 594	2 441	2 300	141	5.8	984	119	117
Aug.	3 592	2 347	2 227	120	5.1	1 368	122	146
Sept.	3 594	2 250	2 140	110	4.9	2 054	113	141
Oct.	3 597	2 247	2 131	116	5.2	3 007	120	154
Nov.	3 596	2 227	2 121	106	4.8	3 421	118	152
Dec.	3 598	2 250	2 119	131	5.8	3 373	145	139
1980*								
Jan.	3 601	2 232	2 098	134	6.0	3 644	107	133
Feb.	3 603	2 228	2 110	118	5.3	4 579	105	130
March	3 602	2 240	2 113	127	5.6	3 735	111	142
April	3 603	2 229	2 114	115	5.2	2 541	116	134
May	3 606	2 288	2 190	98	4.3	4 140	..	..
June	3 603	2 486	2 373	113	4.5	..	..	..

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											
1977	41.88	18.86	4.22	12.11	3.71	43.70	18.10	3.07	16.80	3.33	48.12
1978	41.98	17.90	4.97	12.72	3.68	42.56	18.21	3.77	13.59	4.21	42.78
1979*	48.64	18.71	6.34	16.57	3.99	38.29	16.70	4.39	11.88	3.25	47.62
1979*											
Jan.-March	7.75	3.32	1.23	1.95	0.77	7.93	3.47	0.71	2.84	0.62	38.86
Apr.-June	19.16	7.45	2.77	7.22	0.68	6.99	3.24	0.45	2.16	0.79	47.04
July-Sept.	11.74	4.47	1.32	3.79	1.16	7.92	3.18	1.15	2.06	0.87	52.84
Oct.-Dec.	9.99	3.46	1.02	3.59	1.38	14.13	6.39	1.91	4.26	0.89	47.62
1980*											
Jan.-March	8.55	3.38	1.04	3.13	0.55	8.18	3.69	0.73	2.72	0.73	44.40

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. *Public sector*: Receivables = Government promissory notes + Bonds + Total coinage + Other public sector receivables. Liabilities = Cheque accounts + Counter-cyclical reserves + Capital import deposits + Other public sector claims. Deposit certificates are interest bearing, freely transferable, term liabilities of the Bank of Finland. Their maturities range from one week to one year.

Page 5. *Domestic financial sector*: Other liabilities, net = Capital import deposits + Other financial institution claims — Bonds — Other financial institution receivables.

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 corporate claims — Bonds — Other corporate receivables.

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 end of the month lending rates weighted by credit outstanding.

Total central bank debt of the commercial banks = Discounted and rediscounted bills (until 30. 6. 1979, subsequently the banks have not been allowed to discount or rediscount bills) + net cheque account receivables from the commercial banks + call money debt + bond transactions with repurchase obligation — call money deposits by the commercial banks.

Actual central bank debt of the commercial banks = Total central bank debt — Postipankki's call money placements (or + Postipankki's call money overdrafts). Postipankki accounts for the bulk of the supply of call money from the deposit banks (supply of call money, see column 4 on page 5).

Credit quotas of the commercial banks at the Bank of Finland are the sum of individual quotas specifying the amount each bank eligible for central bank credit can borrow at the discount rate. Before July 1979, a progressively rising interest rate was charged on credit in excess of the quota up to an absolute ceiling on quota-related debt. From July 1979, no bank may exceed its quota on average over the month. On any given day quota-related borrowing may not exceed 2.5 times the quota. The interest on this borrowing is the basic discount rate.

Bank of Finland placements in the call money market = Demand for call money by the deposit banks — Supply of call money by the deposit banks. Average cost of the total central bank debt of the commercial banks: Net costs paid to the Bank of Finland by the commercial banks, as a percentage of their total central bank debt, per annum.

FOREIGN EXCHANGE RATES

Page 7. *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.

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

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

Page 8. *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 9. *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_1 = 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 10. Official figures computed by the Economic Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to Postipankki less cash holdings (net) of State departments and funds.

FOREIGN TRADE

Pages 11—13. Figures supplied by the Board of Customs. *Indices* (p. 11): 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. 13): from January 1980 imports by countries of origin exports by countries of consignment.

BALANCE OF PAYMENTS

Pages 14—15. Figures are calculated by the Bank of Finland. In the current account, the figures for visible and invisible trade have been revised from 1970 so that they are in accordance with the revised System of National Accounts. In addition to the Board of Customs figures, exports include fuel for carriers but exclude stevedoring expenses and imports include seamen's duty-free imports, fuel for carriers and adjusted allowance for smuggling. On Jan. 1, 1980, foreign bonds were included in the convertible foreign exchange reserves of the Bank of Finland and not in the short-term capital account as earlier. The figures for other years have also been revised accordingly.

FOREIGN ASSETS AND LIABILITIES

Pages 16—17. Figures calculated by the Bank of Finland. Long-term assets: Other = financial loans + Finland's subscriptions to international financial institutions. Long-term liabilities: Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds. Short-term assets: From 1978 the Bank of Finland's foreign bills are included in financing of exports and reclassified under the corporate sector.

Column 21 Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payments of long-term foreign assets and liabilities.

Columns 21 and 22 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings. 1978 Debt service does not include amortisation of the Bank of Finland credit facilities.

PRICE INDICES

Page 18. All indices calculated by the Central Statistical Office.

WAGES — PRODUCTION

Pages 19—20. Figures supplied by the Central Statistical Office. Page 20. *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. Commodities according to use: Investment goods weight 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 311-2) 8.0, manufacture of paper and paper products (SIC 341) 15.2, manufacture of industrial chemicals (SIC 361-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.6, and metal industry (SIC 37—38) 25.9.

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

Page 21. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Ministry of Labour. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 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. Mr. Urho Kekkonen has been President since 1956 and he was re-elected for the period March 1, 1978, to March 1, 1984.

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 1979 is as follows: Social Democratic Party of Finland 52, National Coalition Party 47, Centre Party 36, Democratic League of the People of Finland 35, Swedish Party 10, Christian League of Finland 10, Finnish Rural Party 6 and Liberal Party 4.

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, and IDB 1977.

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1970) 2.7 mill. ha (9.6%) are cultivated and 19.1 mill. ha (68.4%) are covered by forests.

OWNERSHIP OF LAND (1970): The total land area was distributed among different classes of owners approximately as follows: private 60.7%, State 29.4%, joint stock companies etc. 8.0%, municipalities and parishes 1.9%.

POPULATION

NUMBER OF INHABITANTS (1978): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1978): In South Finland 46.5, in East and Central Finland 14.0, in North Finland 4.0 and in the whole country an average of 15.6 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1978): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 484 879 inhabitants Tampere (Tammerfors) 165 519 Turku (Åbo) 164 586.

EMPLOYMENT (1978): Agriculture and forestry 12%, industry and construction 34%, commerce 15%, transport and communication 8%, services 31%.

LANGUAGE (1978): Finnish speaking 93.5%, Swedish speaking 6.4%, others 0.1%.

EDUCATION (1979): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 16 colleges of university standard.

CHANGE OF POPULATION (1978): births 13.5‰, deaths 9.4‰, change + 2.3‰, net emigration - 1.9‰. Deaths in France 10.3‰ and Great Britain 11.7‰ (1977).

TRADE AND TRANSPORT

NATIONAL INCOME (1978, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 272 (5%), forestry and fishing 5 409 (4%), manufacturing 35 784 (31%), construction 10 300 (9%), transport and communication 12 683 (11%), commerce, banking and insurance 15 956 (14%), public administration 6 578 (6%), ownership of dwellings 4 401 (4%), services 19 164 (16%), total 116 547 index of real domestic product 166 (1964 = 100).

FOREST RESOURCES (1978). The growing stock comprised of 1 553 million m³ (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 668 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 59.9 million m³ and the total removal, calculated on the basis of roundwood consumption was 42.5 million m³.

AGRICULTURE (1978): Cultivated land 2.3 million hectares. Number of holdings 232 800 of which 159 600 are of more than 5 ha. Measure of self-sufficiency in bread cereals 44%.

INDUSTRY (1978). Gross value of industrial production 115 120 mill. marks, number of workers 388 322, salaried employees 132 712, motive power (1978) 7.6 mill. kW. Index of industrial production 105 for 1978 (1975 = 100).

STATE RAILWAYS (Dec. 31. 1979): Length 6 080 km.

MERCHANT FLEET (June 30, 1980): Passenger vessels 141 (210 435 gross reg. tons), tankers 41 (1 194 372 gross reg. tons), dry cargo vessels 212 (1 026 177 gross reg. tons), other vessels 87 (11 549 gross reg. tons), total 481 (2 442 533 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1979): Passenger cars 1 169 501 lorries and vans 143 095, buses 8 826, others 8 136, total 1 329 558.

FINNISH AIRLINES (July 1, 1980): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9 10/14/15, 8 DC-9-51, 2 DC-10-30, 2 Fokker F-27 and 1 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 37 airports and to 20 domestic airports.

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 mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 18.7, Skr 17.8, £ 14.0, DM 13.3, \$ 9.6, other currencies 26.6. The permissible range of fluctuation is about 3 per cent on either side of the arithmetic mean. The fluctuation limits are 119.0 and 112.0.

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, 1979). There are two big and five small commercial banks with in all 863 offices, 278 savings banks, 373 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 fifty-six private insurance companies also grant credits.

RATES OF INTEREST (Feb. 1, 1980). The base rate applied by the Bank of Finland on credit extended to the banks in the context of the quota facility is 9 ¼%. The range of rates for other credits granted by the Bank of Finland is between 7 ½% and 10 ½%. Other credit institutions time deposits 5%; 6 month deposits 6 ¼%; 12 month deposits 7 ¾%; 24 month deposits 9% 36 month deposits 9 ¾% + savings premium; 36 month deposits 9 ¾% + tax concession and sight deposits 2%. The highest lending rate 12 ½%.

THE TERMS OF TRADE

by Timo Taivalaho, M.Pol.Sc.

Economics Department
Bank of Finland

INTRODUCTION

The concept and measurement of the terms of trade have attracted increasing attention during the past decade. This revival in interest is due largely to the higher import prices for energy and other raw materials, which have given cause for concern in nearly all industrial countries as well as in the greater part of the developing world. This article reviews movements in foreign trade prices in Finland and also tries to evaluate the Finnish experience in relation to developments in other industrial countries.

The terms of trade are usually expressed as the ratio of the export price index to the import price index. When movements in foreign trade prices differ, a given volume of domestic output may be exchanged for a varying amount of foreign production. Thus, if import prices rise faster than export prices, a greater quantity of domestically produced commodities is needed in order to pay for a given volume of imports. Conversely, if export prices rise faster it is possible to acquire a larger volume of imports for the same volume of exports. When this happens, it is customary to speak of an »improvement» in the terms of trade, while the former case is referred to as a »deterioration». These words are not, however, without ambiguity; an »improvement» in the terms of trade may also be a sign of reduced competitiveness, often with quite undesirable consequences for the external balance.

THE IMPACT OF CHANGES IN THE TERMS OF TRADE ON NATIONAL INCOME

From what has been said above, it is evident that variations in the terms of trade affect the development of real national income. Despite the existence of a considerable body of literature on different ways of quantifying these effects, it appears that no universally approved and applicable method has so far been constructed. The introduction of terms-of-trade effects into national accounts is made difficult by the fact that changes in relative prices are excluded from national accounting, where the price relationships of a given base year are used.

However, in order to provide some idea of the order of the magnitudes involved in the case of Finland, a simple calculation which relates the terms-of-trade effects to the GDP of the previous year has been carried out here.¹

¹ The following formula is employed:

$$T = \frac{X-M}{P} - \left(\frac{X}{P(X)} - \frac{M}{P(M)} \right)$$

T = Terms-of-trade effect

X = Exports of goods and services at current prices

M = Imports of goods and services at current prices

P = Common deflator $\left(= \frac{P(M)+P(X)}{2} \right)$

P(X) = Export prices, change from previous year

P(M) = Import prices, change from previous year

The various methods of computation for the quantification of the terms-of-trade effects differ mainly with respect to the definition of the common deflator. Here the mean of the indices for export and import unit values is used; other alternatives might have included the export price index, the import price index, the GDP price index, etc. The calculation of time series in constant prices is another possibility, but has the drawback that it is crucially dependent on the base year chosen.

TABLE 1. TERMS-OF-TRADE EFFECTS IN FINLAND, 1970—1979

	FIM million at current prices	Per cent of GDP of previous year
1970	+ 110	+0.3
1971	— 230	—0.5
1972	— 170	—0.3
1973	+ 280	+0.5
1974	— 550	—0.8
1975	+1 440	+1.6
1976	— 700	—0.7
1977	— 550	—0.5
1978	—1 230	—1.0
1979	— 970	—0.7

The above calculation for 1970—1979 shows that over the decade there has been an overall loss in the nation's purchasing power. Recent forecasts indicate that for the current year the terms-of-trade loss could amount to some 1½ per cent of GDP. Even so, the terms-of-trade effects do not appear large in comparison with other industrialized countries. Furthermore, the deterioration in the terms of trade has reduced real national income by far less than have net outflows of investment income. These are quite an important item in Finland's balance of payments, mainly as a result of the servicing of external debt.²

² Cf. balance of payments statistics on pp. 14—15.

THE EVOLUTION OF FINLAND'S TERMS OF TRADE³

A review of the historical development of the terms of trade can be quite interesting even if the interpretation of time series over the long term is subject to a host of reservations. Foreign trade indices in Finland go back to the latter half of the 19th century and Chart 1 portrays the development of the terms of trade for the past century.

In the 1970s, Finland's terms of trade were estimated to be nearly twice as high as they were a hundred years ago. Following some im-

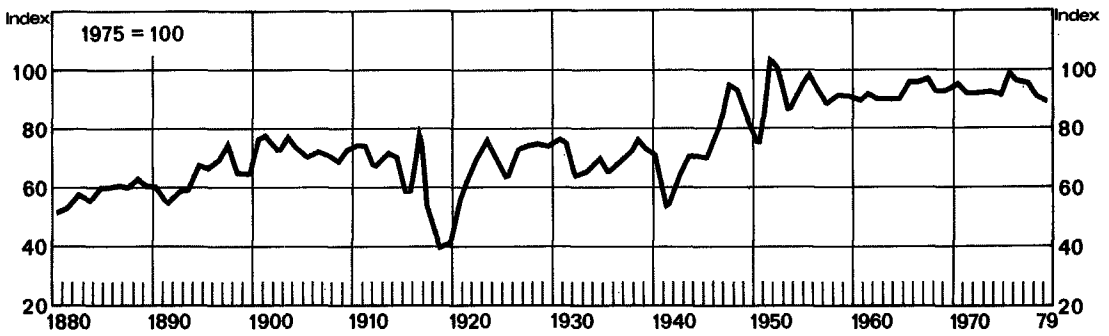
provement in the last two decades of the last century and a deterioration during World War I, they remained remarkably stable for several decades, only to shift to a higher level after World War II. During the last three decades, however, there does not appear to have been any secular trend.

The upward drift of the terms of trade over time is largely a reflection of the significant changes that have taken place in the structure of foreign trade, especially as regards exports. Roundwood and sawngoods dominated the country's exports up to the 1920s, when pulp and paper increasingly gained ground. Since World War II, metal and engineering products, textiles and clothing, chemicals and other products have reduced the share of forest products to less than a half of total exports. This shift in exports towards products involving a higher degree of processing has had rather favourable consequences for export prices. Surprisingly smaller shifts have taken place in the structure of imports, which throughout the past century have been dominated by raw materials and production accessories. Imports of investment goods have grown at the expense of consumer goods, but the share of finished goods has always accounted for less than a half of total commodity imports.

Apart from the longer-term trends, there have been noticeable cyclical fluctuations in Finland's terms of trade. In more recent times, the Korean boom of the early 1950s generated a remarkable boost in the demand for and prices of Finnish exports. Again, in the early 1970s, higher prices for forest products and basic metals meant that by the end of 1974 Finland's terms of trade were actually higher than before the oil price rise of 1973. The devaluations of the Finnish mark in 1957, 1967 and 1977—1978 and the subsequent deterioration in the terms of trade illustrate the fact that there is a trade-off between the external competitiveness of the economy and its terms of trade. The past few years may also mark a downward trend, due primarily to higher energy costs.

³ In contrast to the numerical example discussed in the previous section, all charts and discussion from now on refer to commodity trade only. The most recent developments are also illustrated on p. 11 on a quarterly basis.

CHART 1. FINLAND'S TERMS OF TRADE, 1880—1979



FINLAND AND OTHER INDUSTRIAL COUNTRIES

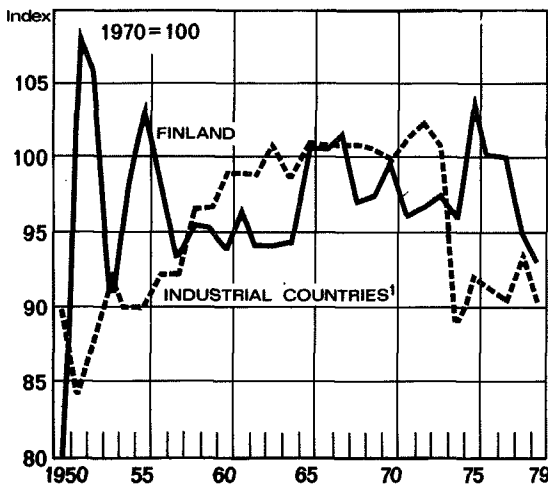
In general, however, one can say that during the past three decades Finland's terms of trade have not fluctuated markedly more than those of the industrial countries viewed as a whole (Chart 2).⁴ Even so there seems at times to have been some distinct differences in the movements in underlying trend. While no clear trends are discernible in the case of Finland, the terms of trade for other industrial

countries appear to have been on a steady upward trend up to the mid-1960s. They subsequently levelled off and remained fairly stable until the oil price rise and the raw material boom in 1973 when there was a sharp drop to a new level some 10 per cent below the previous one.

⁴ It should be noted that the combination of many countries into one single index tends to even out fluctuations if the timing of the variations has not been synchronized in all the countries included. As a result, this comparison probably exaggerates the fluctuations in Finnish terms of trade as compared with other countries.

The differences in trend reflect to a large extent the differences in the composition of exports. Owing to the relatively large share of raw material exports, Finland was unable to benefit from the favourable developments in the terms of trade of industrial products in the 1950s and early 1960s. But by the same token Finland did not suffer any lasting deterioration after the first oil shock in the mid-1970s. The structural differences are also clearly visible in the fluctuations, and it is interesting to note that movements in Finland's terms of trade have largely run counter to those of other industrial countries.

CHART 2. COMPARISON OF TERMS OF TRADE, 1950—1979



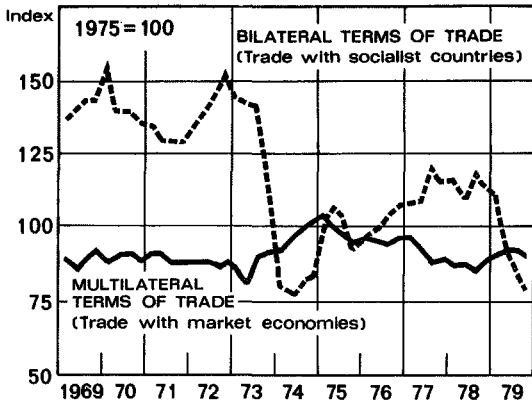
REGIONAL DEVELOPMENTS

Structural factors also lie behind the different trends in the movements of the terms of trade in Finland's eastern and western trade. As illustrated in Chart 3, prices in Finland's trade with market economies have developed much more evenly than those in the trade with socialist countries⁵. This is a consequence of the greater diversity of commodities entering into the trade with the West, and, more im-

¹ Source: IMF, International Financial Statistics (14 countries included).

⁵ Statistics on a regional basis are available only from 1969.

CHART 3. MULTILATERAL AND BILATERAL TERMS OF TRADE, 1969—1979



portantly, it reflects the fact that a major part of Finland's oil imports is supplied by the Soviet Union. On the export side, most of the forest-based products are shipped to the West, while exports to the CMEA rely predominantly on ships and heavy machinery.⁶ As a result of these structural differences, in the 1970s the terms of trade in Finland's trade with market economies have frequently fluctuated in the opposite direction to those in the trade with socialist countries. Thus at the time of the first oil price shock in 1973—74, the rise in the prices of forest-based products and basic metals exported to western countries easily compensated for the oil price increases. The same pattern, though less pronounced, was discernible during 1979 in the wake of the second large jump in oil prices.

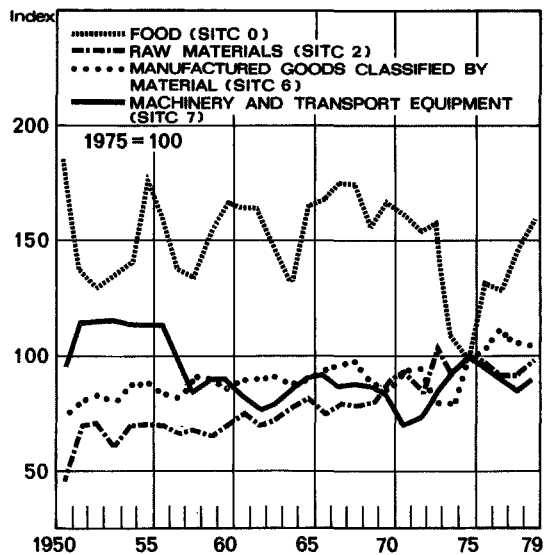
However, it is important in this context to note that Finland's trade with the socialist countries, which during the 1970s accounted for roughly a fifth of total trade, is carried out within the framework of bilateral payments agreements. In consequence, to the extent that the terms of trade deteriorate, Finland's living standards will be negatively affected, but the loss in total output will be almost automatically made up by increased export deliveries to the CMEA. Therefore, the oil price increases have not had the same immediate deflationary impact as they have had in other industrialized countries.

⁶ It should be noted that the highly specialized nature of these goods makes the interpretation of unit values hazardous.

THE TERMS OF TRADE BY MAIN COMMODITY GROUPS

While the foregoing suggests that Finland's terms of trade up to the late 1970s can on the whole be described as relatively favourable, there have nevertheless been divergent, and often considerable, fluctuations in the performance of individual categories of commodities. For this reason, it is worth taking a brief glance at the terms of trade by main commodity groups (Chart 4). Using the SITC classification and foreign trade price indices, it can be seen that during the past three decades food prices (SITC 0) have fluctuated considerably without any clearly discernible trend. Imports in this category are dominated by tropical beverages and fruit and vegetables, while Finland's exports consist largely of dairy products. The prices of exported raw materials (SITC 2, chiefly woodpulp and sawn timber) have risen faster than the prices of imported raw materials, which consist of commodities such as textile fibres, crude minerals, ores, rubber, etc. There has also been a slowly rising trend over time in the terms of trade of manufactured goods

CHART 4. TERMS OF TRADE BY MAIN COMMODITY GROUPS, 1950—1979



classified chiefly by material (SITC 6). For Finland this group comprises the important paper and board sector on the export side, whereas typical imports are textiles and various metals and metal manufactures. In the case of machinery and transport equipment (SITC 7), there was a distinct decline in the terms of trade following the 1957 devaluation, but only recurrent fluctuations thereafter with no clearly visible trend.

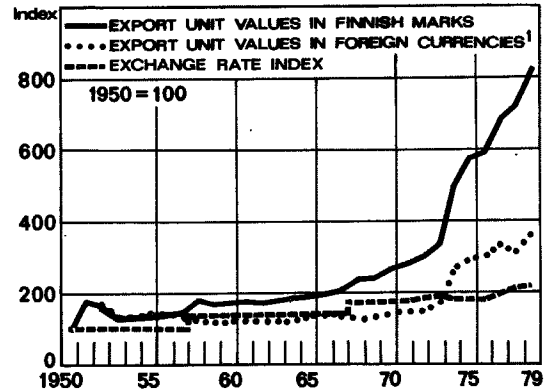
All in all Chart 4, which does not include oil, shows that over the past twenty or thirty years Finland's terms of trade in the major traded commodity groups have tended to improve rather than deteriorate.

FOREIGN TRADE PRICES MEASURED IN FOREIGN CURRENCIES

Given the at times large changes in the external value of the Finnish mark, some additional light is shed on the movements in the terms of trade by looking at foreign trade prices measured in foreign currency. Charts 5 and 6 view the development of foreign trade prices in both Finnish marks and in foreign currencies, i.e., the Finnmark indices are deflated by the index of selling rates for foreign exchange, also shown in the graphs.

Chart 5 portrays export unit values, and it is readily seen that roughly half the eightfold increase in Finnmark prices since 1950 has been due to exchange rate adjustments, the other half being the result of increases in foreign currency prices. Especially the large devaluations of 1957 (28 per cent) and 1967 (24 per cent), but also the smaller ones in 1977—1978 (totalling 16 per cent), restrained export price movements in foreign currencies, when not actually lowering prices in absolute terms. But an exact estimate of the impact of the devaluations on price setting by exporters is rendered difficult by the fact that demand in international markets was quite weak on these occasions, and that the prices of several commodities were declining.

CHART 5. EXPORT PRICES, 1950—1979

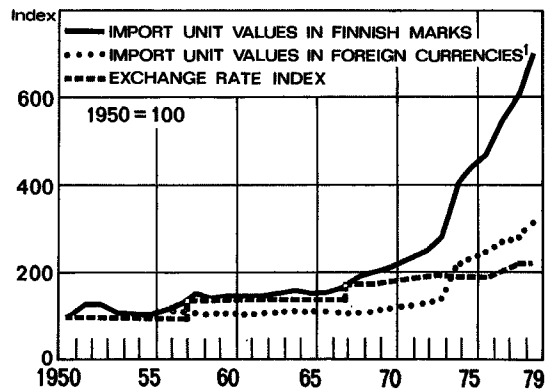


¹ Prices in foreign currencies are obtained by deflating the unit value index in Finnish marks by the exchange rate index, which is a trade-weighted (moving weights) average of selling rates of the currencies of Finland's 18 most important trading partners.

This coincident weakness of the markets is also evident in import prices denominated in foreign currencies (Chart 6). While devaluations in small countries can be expected to have little effect on foreign price setters, foreign currency prices declined both in 1957 and 1967. With higher overall inflation rates this phenomenon did not occur in 1977—1978.

After the 1957 devaluation, export prices denominated in foreign currencies declined by less than import prices, and the terms of trade actually improved slightly. But on the

CHART 6. IMPORT PRICES, 1950—1979



¹ Prices in foreign currencies are obtained by deflating the unit value index in Finnish marks by the exchange rate index, which is a trade-weighted (moving weights) average of selling rates of the currencies of Finland's 18 most important trading partners.

later occasions export prices fell more than import prices, and referring to Chart 1 again we can see to what extent terms-of-trade »deterioration« served to improve or restore Finland's international competitiveness.

CONCLUSION

Summing up, we may conclude that over the very long term Finland's terms of trade have improved quite dramatically. In the post-war period, however, changes of a large magnitude have been fewer, so that until recently the terms of trade have exerted only a marginal influence on the development of national income. In this respect, the Finnish experience compares quite well with that in other industrialized countries.

But the escalation of energy prices has thoroughly upset previous relationships. First, higher export prices have compensated for a large part of the terms-of-trade loss attributable to higher oil prices; indeed the impact of the

first oil price shock was more than offset. In the last two years, the rise in export prices has been more modest, but even so the terms-of-trade effect has been much smaller than that experienced by most other industrialized countries. Secondly, the deterioration that has taken place has been confined to countries with which Finland maintains bilateral payments agreements and is thus being compensated for by additional exports.

As to future developments, much will depend on the movements of relative prices in international markets. Further increases in oil prices will exert downward pressure on the terms of trade, but the final outcome will also depend on price developments for other basic commodities. An increase in the relative prices of these goods will strengthen Finnish export prices, since forest-based goods and basic metals continue to play a significant role in Finnish exports. Consequently, future terms-of-trade trends in Finland will very much depend on relative price movements within the raw material sector.

ITEMS

Finland's balance of payments January—March 1980. According to the Bank of Finland's preliminary figures, the current account showed a deficit of 832 million marks for the first quarter of this year, as against a surplus of 511 million marks in the corresponding period of 1979. The net inflow of long-term capital amounted to 754 million marks and the outflow of short-term foreign capital to 558 million marks. The convertible foreign exchange reserves of the Bank of Finland increased by 700 million marks.

The visible trade account registered a deficit of 894 million marks for January—March, as compared with a surplus of 488 million marks in the corresponding period of 1979. The volume of both visible exports and visible imports increased appreciably, with the former up 19 per cent and the latter 17 per cent on the corresponding period of 1979. Export prices rose by 11 per cent, while import prices increased by 27 per cent due to a sharp rise in the prices of raw materials and producer goods.

The surplus on the invisible trade account amounted to 1 000 million marks, an increase of 145 million marks on January—March 1979. The surpluses on the transport account and the »other services» account increased noticeably. The travel account showed a deficit of 108 million marks, the same as in the corresponding period of 1979.

Interest expenses on borrowing abroad increased appreciably owing to a rise in interest rates, and although interest earnings from foreign receivables grew at the same time, the investment income deficit was 101 million

marks more than in the previous year, totalling 787 million marks. The deficit on the unrequited transfers account declined by 52 million marks to 152 million marks.

The net inflow of long-term capital amounted to 754 million marks, as against 618 million marks in January—March 1979. Drawings of long-term loans totalled 2 108 million marks, of which the central government accounted for a half, or 1 146 million marks. Redemptions were 513 million marks less than in the same period last year, reaching 1 113 million marks. This decline was due to the fact that in 1979 a great number of outstanding loans were repaid and converted into new loans with more favourable terms. Export credits granted to foreign customers amounted to 311 million marks, while redemptions of outstanding export credits totalled 140 million marks. Finnish direct investment abroad amounted to 137 million marks, or slightly more than in the corresponding period of last year.

The outflow of short-term foreign capital (incl. errors and omissions) amounted to 558 million marks; this outflow of short-term capital was particularly attributable to the high level of interest rates prevailing abroad.

The overall balance showed a deficit of 503 million marks for January—March. The convertible foreign exchange reserves of the Bank of Finland increased by 700 million marks, while the tied foreign exchange debt grew by 617 million marks; changes in the mark value of the reserves caused by changes in exchange rates have not been taken into account in these figures. The net foreign exchange debt of other foreign exchange holders increased

**MAJOR BALANCE OF PAYMENTS ITEMS,
JANUARY—MARCH 1980, MILL. MK¹**

	Receipts	Expendi- ture	Net
Visible trade (exports f.o.b., imports c.i.f.)	12 776	13 550	—774
Adjustment items	—39	81	—120
Visible trade account	12 737	13 631	—894
Transport (c.i.f.)	1 180	396	784
Travel	382	490	—108
Other services	1 072	748	324
Invisible trade account	2 634	1 634	1 000
VISIBLE AND INVISIBLE TRADE ACCOUNT	15 371	15 265	106
Investment income, net	398	1 185	—787
Unrequited transfers	41	193	—152
Other	342	341	1
A. CURRENT ACCOUNT	16 152	16 984	—832
	Change in receiv- ables	Change in liabilities	Net
Long-term financial loans and suppliers' credits:			
drawings	—311	2 108	1 797
redemptions	140	—1 113	—973
Direct investment	—137	0	—137
Other long-term capital	67	0	67
B. LONG-TERM CAPITAL ACCOUNT	—241	995	754
BASIC BALANCE (A+B)			— 78
Prepayments and liabilities related to imports			—619
Prepayments and receiv- ables related to exports			—355
Errors and omissions			1 003
Other short-term capital			—587
C. SHORT-TERM CAPITAL ACCOUNT			—558
D. Allocations of SDRs			133
OVERALL BALANCE (A+B+C+D)			—503
Change in the foreign exchange reserves of the Bank of Finland			— 83
Change in the net short- term foreign receivables of other foreign ex- change holders			586

Receivables: increase —, decrease +

Liabilities: increase +, decrease —
¹ Preliminary figures

by 586 million marks. The convertible foreign exchange reserves of the Bank of Finland amounted to 7 176 million marks and the tied foreign exchange debt to 1 316 million marks at the end of March.

In the current account, the figures for visible and invisible trade account have been revised from 1970 so that they are in accordance with the revised System of National Accounts.

On January 1, 1980, foreign bonds were included in the convertible foreign exchange reserves of the Bank of Finland and not in the short-term capital account as earlier. The 1979 figures have also been revised accordingly.

Finland's gross long-term foreign debt in January—June 1980. At the end of June 1980, Finland's gross long-term foreign debt amounted to the equivalent of 35 662 million marks. The net inflow of long-term capital in January—June totalled 1 074 million marks, as against 434 million marks in the corresponding period last year.

Gross drawings of long-term foreign capital amounted to 3 248 million marks or 10 per cent less than for the first half of 1979. Redemptions of long-term foreign liabilities totalled 2 174 million marks, whereas redemptions in the same period last year reached 3 159 million marks.

In a breakdown of drawings by type of credit, financial loans accounted for 93 per cent, import loans for 5 per cent and direct investments for 2 per cent.

Central and local government drawings amounted to 1 408 million marks or 44 per cent of total drawings, while those by enterprises totalled 1 300 million marks or 41 per cent, and those by financial institutions accounted for 476 million marks or 15 per cent.

Four Finnish bond issues, together worth 1 033 million marks, were floated abroad in January—June 1980.

**FINLAND'S GROSS LONG-TERM FOREIGN DEBT BY TYPE OF CREDIT IN JANUARY—JUNE 1980,
MILLION MARKS¹**

	Debt Dec. 31, 1979	Drawings	Redemp- tions	Net drawings	Impact of exchange rates	Debt June 30, 1980
Financial loans	28 194	3 007	1 665	+1 342	—649	28 887
Individual financial loans	12 608	1 507	906	+ 601	—301	12 908
Bonds and debentures	15 586	1 500	759	+ 741	—348	15 979
Import credits	4 898	177	434	— 257	—124	4 517
Leasing credits	116	—	11	— 11	— 1	104
LONG-TERM CREDITS	33 208	3 184	2 110	+1 074	—774	33 508
Direct investments	1 979	63	43	+ 20	— 9	1 990
Subscriptions	184	1	21	— 20	—	164
LONG-TERM GROSS DEBT	35 371	3 248	2 174	+1 074	—783	35 662

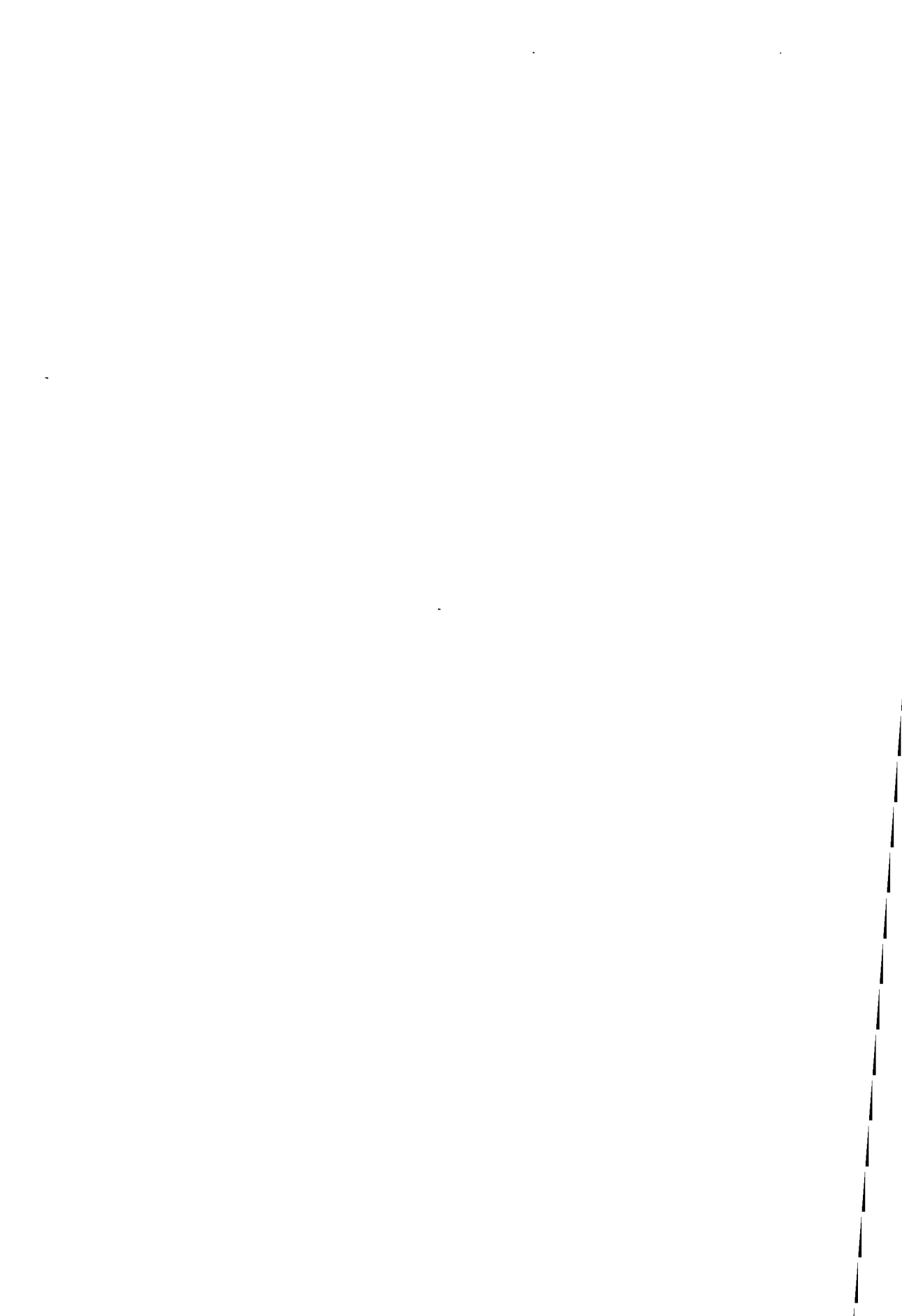
¹ The mark values of debt outstanding have been calculated by using the selling rates of the same date, drawings and redemptions by using the average monthly selling rates.

Publications of the Bank of Finland. The Bank of Finland Year Book for 1979 has been published. The first section reviews the Finnish economy in 1979, and the subsequent three sections examine the Central Bank's monetary and foreign exchange policy, the Bank of Finland's balance sheet and income statement and its relations with international organizations. The statements of the bank and various banking transactions during the year under review are included in a statistical appendix. Helsinki 1980, 74 pp. ISSN 0081-9468.

Finnish Bond Issues 1979 has been published in an edition with text and explanatory notes in Finnish, Swedish and English. It gives a detailed description of the 56 loans issued in

1979, including the 11 denominated in foreign currency and floated abroad. In addition the introduction includes statistics on domestic and foreign bonds outstanding at the end of the 1969—1979 period, and on sales of domestic bonds in 1969—1979. Helsinki 1980, 54 pp. ISBN 951-686-061-3, ISSN 0585-9581.

In Series A, the following publication has appeared: 51, Alpo Willman, Julkiset menot vuosina 1950—1977; Kasvu- ja rakennepoliittinen tarkastelu (Public Expenditure in Finland, 1950—1977: A Growth and Structural Policy Survey), in Finnish with an English summary. Helsinki 1980, 125 pp. ISBN 951-686-062-1, ISSN 0355-6034.



BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor, absent as Prime Minister

Ahti Karjalainen Pentti Uusivirta
Deputy Governor, Acting Governor

Rolf Kullberg Ele Alenius
Deputy Governor, ad int.

Harri Holkeri Seppo Lindblom
ad int.

Directors

Markku Puntila Seppo Lindblom

Eino Helenius Pentti Koivikko

Kari Nars Antti Lehtinen

Senior officials

Pertti Kukkonen Reino Airikkala
Director, ADP-planning *Monetary Policy*

Raimo Hyvärinen Kari Pekonen
Domestic Financing *Exchange Policy*

Osmo Soikkeli Kari Holopainen
Deputy, Foreign Exchange *Bilateral Trade*

Antti Saarlo Pekka Tukiainen
Special Bilateral Affairs *Foreign Financing*

J. Ojala Sirikka Hämäläinen
Exchange Control *Deputy, Economics Dept.*

Heikki Koskenkylä Markku Pietinen
Research Dept. *Information*

H. T. Hämäläinen Timo Männistö
Administration *Internal Audit*

U. Levo Erkki Vehkamäki
International Legal Affairs *Data Processing*

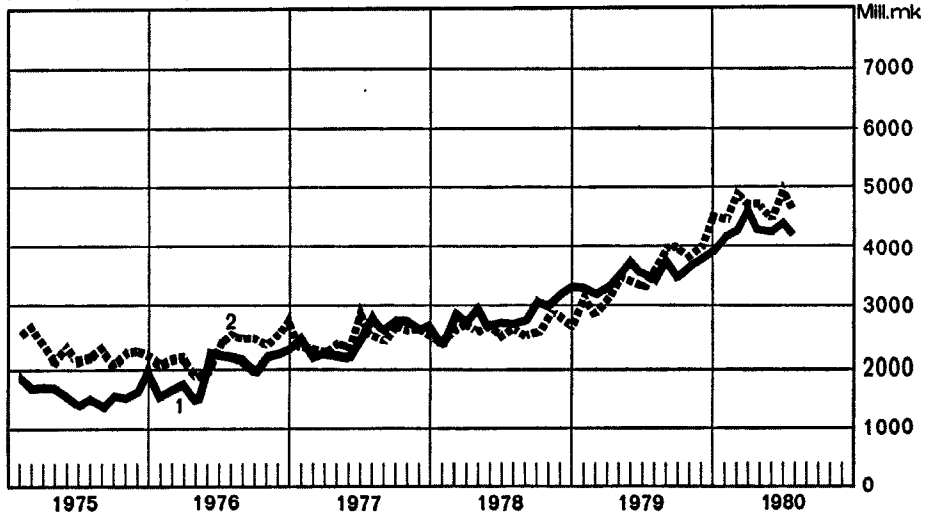
Anton Mäkelä Stig G Björklund
Personnel *Payments*

Reijo Mäkinen

Cash

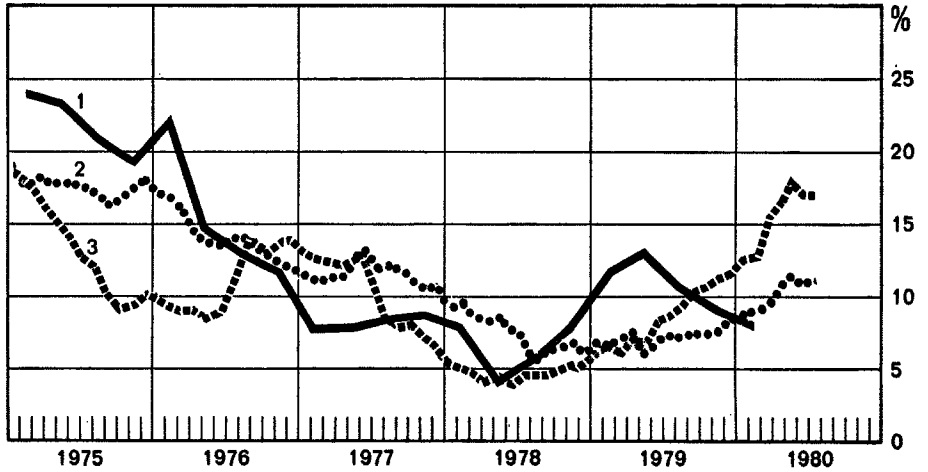
FOREIGN TRADE, 1975 - 80

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



PRICES AND WAGES, 1975 - 80

- 1. Index of wage and salary earnings 1975 = 100, quarterly figures
 - 2. Consumer price index 1977 = 100, monthly figures
 - 3. Wholesale price index 1949=100, monthly figures
- Percentage change over previous year



PRODUCTION, 1975-80

- 1. Total index of industrial production 1975 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1975 = 100, seasonally adjusted quarterly figures

