



# BANK OF FINLAND

*Monthly Bulletin*

**The budget proposal for 1981**

**Assets and liabilities of Finnish  
industry, 1961—1978**

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

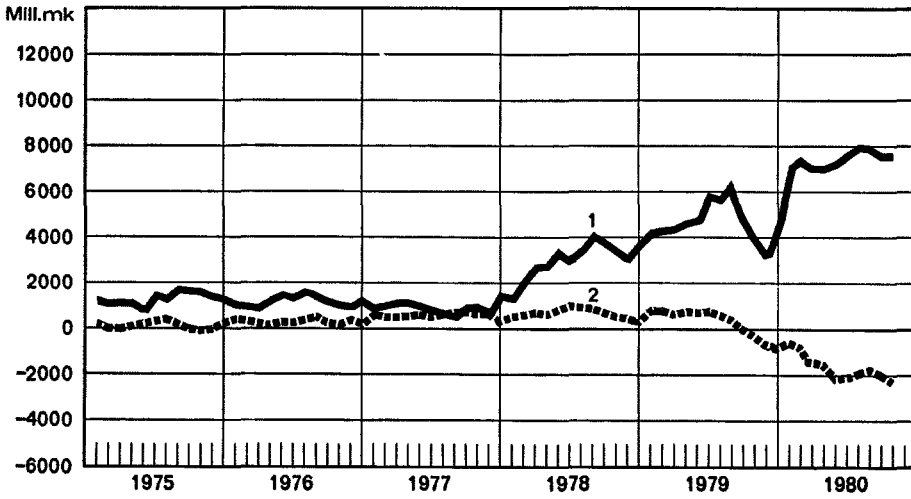
**Local elections**

**Introduction of new items into the Balance  
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**DECEMBER 1980**

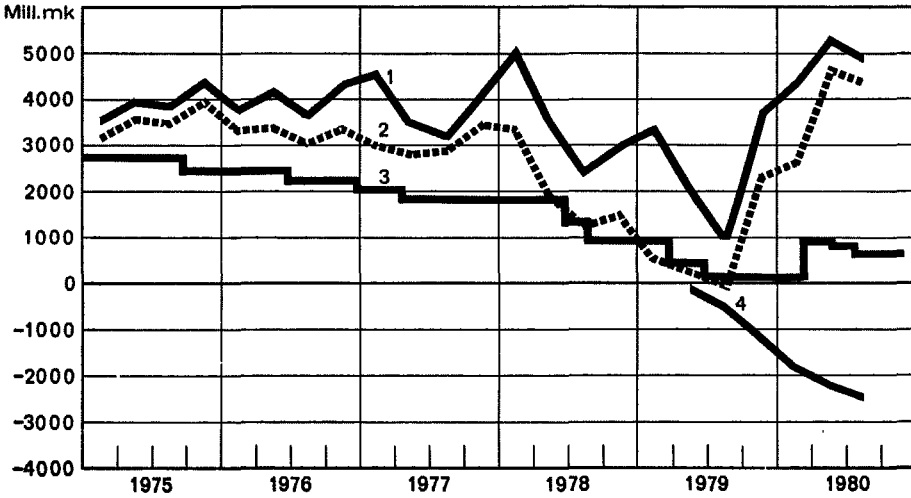
**Vol. 54 No. 12**

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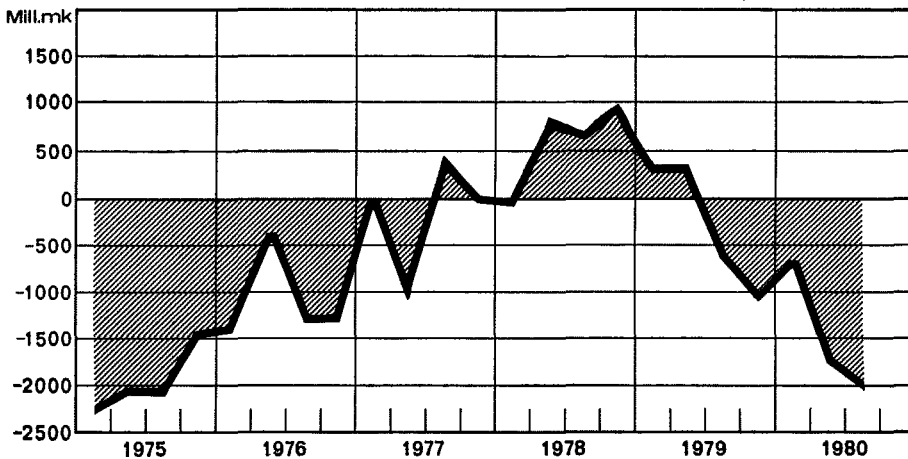
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# THE BUDGET PROPOSAL FOR 1981

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

Economics Department  
Bank of Finland

The Finnish economy has continued to expand vigorously during the current year, but there are signs that the business cycle is entering a new phase. This can be seen in the slowdown in the growth of exports to western markets. In 1981, as in the latter part of the current year, the growth of total demand will be sustained by private investment and consumption as well as an appreciable increase in exports to the Soviet Union. The briskness of domestic demand has accentuated inflationary pressures stemming from the earlier rises in foreign trade prices. The different cyclical position of Finland in relation to her trading partners and the deterioration in the terms of trade have led to a marked widening in the current account deficit. Although the steep fall in unemployment has levelled off, it is expected that the growth in domestic demand will be strong enough to maintain the favourable trend in employment during the first half of 1981.

In recent years, fiscal policy has aimed at improving overall growth and employment by enhancing the profitability of the corporate sector. The policy instruments used to achieve this goal have been the reduction of non-wage labour costs and the alleviation of indirect taxes on investments in manufacturing industry. Personal tax rates on income and wealth have been lowered in line with the rise in consumer prices so as to create conditions favouring the conclusion of moderate incomes agreements. Partly as a result of this the price competitiveness of Finnish firms improved during the period 1977—1979. Since a contributory factor towards unemployment has also been the sectoral, regional and demographical rigidities existing in the economy, a variety of

selective measures has been implemented to promote employment, especially among young people.

In the introduction to the Government's budget proposal for 1981 it is stated that the principal objective of fiscal policy in 1981 is the curbing of inflationary pressures. But it will also aim at sustaining the overall growth of the economy so that unemployment can be lowered from the level prevailing in 1980, notwithstanding the international recession. As the Finnish economy is forecast to be in recession in 1982, the budget proposal has been designed so that scope exists for the adoption of reflationary measures. Furthermore, it is also said that the fiscal policy stance will be re-examined during 1981, should the cyclical outturn prove worse than expected.

Budgeted state expenditure for 1981 totals 55 937 million marks, almost 15 per cent more than in the 1980 ordinary budget. Of this, consumption expenditures account for about 28 per cent, transfers 54 per cent and investment about 12 per cent. The investment expenditures include about 2 600 million marks in loans to the private sector and municipalities. The cost of servicing central government debt will reach 3 400 million marks. In volume terms, the cash outlays of the ordinary budget in 1981 are likely to be about half a per cent larger than this year's estimated cash expenditures. The borrowing needed to balance the budget will be 5 400 million marks, which is equivalent to 10.6 per cent of budgeted revenue.

The policy mix devised to alleviate cost pressures on firms has been retained unchanged in the 1981 budget proposal. To avoid inflationary

wage increases and also to preserve household purchasing power, the personal tax scales will again be adjusted for the estimated rise in consumer prices in 1980, that is, by 11 per cent. When additional tax allowances included in the budget proposal are taken into account, the aggregate effect rises to some 12 ½ per cent.

The budget proposal also includes the same selective measures for promoting employment as in 1980. According to the economic forecast published in connection with the budget, aggregate unemployment will continue to decline during early 1981. Within the limits set by the budget proposal, the emphasis of employment policies will be on efforts to improve the regional and occupational balance between the demand for and supply of labour.

The budget proposal has been described as restrained. The growth of outlays on real and financial investments amounts to only 6 per cent by value, which implies a decrease in volume terms. Weakening cyclical prospects have been taken into account by timing most of the real investments for the second half of 1981. However, the large social welfare programmes initiated during the 1970s have raised the overall growth of state expenditure. The national health scheme, children's day care and the development of vocational training

are increasing transfers to municipalities and households, the growth of consumption and transfer expenditures being 16 and 15 per cent, respectively.

The impact of the budget proposal on demand is relatively neutral owing to the fact that the gross tax burden will, at 34.5 per cent of GDP, remain the same as in 1980, and that the volume growth of expenditures is only marginal. In fiscal policy, efforts are being made to shift demand from the remainder of 1980 and from early 1981 to late 1981 and to 1982. In accordance with this policy, an investment tax of 40 per cent has been levied on building projects in southern parts of the country. This does not apply to buildings for productive, residential and agricultural purposes.

The budget proposal for 1981 represents a continuation of the trend started in 1979 towards more balanced state finances. The gross borrowing requirement of 5 400 million marks—1 900 million marks of which will go to redemptions of central government debt—is slightly less than that budgeted a year ago. According to the budget proposal, long-term central government debt will remain at the same relative level as this year, being about 10 per cent of GDP.

November 21, 1980

## BANK OF FINLAND

Mill. mk

	1979		1980			
	Nov. 30	Dec. 31	Nov. 7	Nov. 14	Nov. 21	Nov. 28
<b>Assets</b>						
Gold and foreign exchange receivables	3 583	4 860	8 162	8 191	8 330	8 050
Gold <sup>1</sup>	169	1 073	1 073	1 073	1 073	1 073
Special drawing rights	450	430	557	557	557	557
IMF reserve tranche	236	225	215	215	215	215
Foreign bonds <sup>2</sup>	—	—	2 077	2 083	2 067	2 082
Convertible currencies	2 605	2 978	4 088	4 111	4 267	3 964
Tied currencies	123	154	152	152	151	159
Other foreign receivables	2 889	2 803	1 045	1 045	1 045	1 045
Foreign bonds <sup>2</sup>	1 783	1 749	—	—	—	—
Mark subscription to Finland's IMF quota	1 106	1 054	1 045	1 045	1 045	1 045
Receivables from financial institutions	4 358	4 538	5 335	6 366	5 512	5 585
Banks' cheque accounts	195	233	696	690	767	706
Call money market advances	3 735	3 870	4 112	5 152	3 762	3 861
Till-money credits	—	—	—	—	443	478
Bonds	393	408	492	492	507	507
Other financial institution receivables	30	27	35	32	33	33
Receivables from the public sector	867	884	1 183	1 184	1 186	1 185
Government promissory notes	346	346	512	512	512	512
Bonds	148	145	269	269	271	272
Total coinage	371	372	398	398	399	400
Other public sector receivables	2	21	4	5	4	1
Receivables from corporations	2 582	2 520	3 285	3 317	3 328	3 382
Financing of exports	1 282	1 230	1 474	1 475	1 489	1 528
Financing of domestic deliveries	951	952	1 475	1 504	1 504	1 518
Bonds	213	205	226	226	225	225
Other corporate receivables	136	133	110	112	110	111
Other assets	71	73	78	78	79	78
<b>Total</b>	<b>14 345</b>	<b>15 678</b>	<b>19 088</b>	<b>20 181</b>	<b>19 480</b>	<b>19 325</b>
<b>Liabilities</b>						
Foreign exchange liabilities	651	846	2 250	2 120	2 023	2 021
Convertible accounts	23	14	23	24	25	15
Tied accounts	628	832	2 227	2 096	1 998	2 006
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	4 156	4 375	4 403	4 425	4 486	4 614
Notes	3 812	4 020	4 039	4 060	4 120	4 247
Coins	344	355	364	365	366	367
Deposit certificates in circulation	2 040	1 700	1 850	2 850	2 850	2 600
Claims of financial institutions	2 496	3 043	3 843	4 020	3 320	3 304
Banks' cheque accounts	3	4	1	1	1	1
Call money market deposits	836	1 131	520	715	50	30
Cash reserve deposits	1 496	1 764	3 006	3 006	2 998	3 022
Capital import deposits	156	140	264	255	225	203
Other financial institution claims	5	4	52	43	46	48
Claims of the public sector	381	387	42	42	62	74
Cheque accounts	0	2	0	0	1	1
Counter-cyclical reserves	40	42	42	42	42	42
Counter-cyclical deposits	—	—	—	—	19	19
Capital import deposits	341	339	—	—	—	—
Other public sector claims	0	4	0	0	0	12
Claims of corporations	456	403	952	951	954	910
Deposits for investment and ship purchase	133	133	687	687	689	693
Capital import deposits	321	254	184	174	175	116
Export deposits	—	—	76	81	81	88
Import levy deposits	1	2	—	—	—	—
Other corporate claims	1	14	5	9	9	13
Other liabilities	13	13	16	14	14	14
Equalization accounts	322	1 252	1 693	1 707	1 709	1 718
Capital accounts	1 931	1 841	2 108	2 121	2 131	2 139
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	636	636	441	441	441	441
Net earnings	-105	-195	267	280	290	298
<b>Total</b>	<b>14 345</b>	<b>15 678</b>	<b>19 088</b>	<b>20 181</b>	<b>19 480</b>	<b>19 325</b>

<sup>1</sup> As of Dec. 31, 1979 gold is valued at Fmk 35 per gramme.<sup>2</sup> As of January 1, 1980 foreign bonds are included in Gold and foreign exchange receivables.

End of year or month	Foreign sector <sup>1</sup>							Public sector			Deposit certificates in circulation
	Gold <sup>2</sup> , 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											
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
Sept.	1 851	2 088	3 796	7 735	-1 847	-886	5 002	1 284	43	-1 241	2 250
Oct.	1 851	2 077	3 811	7 739	-2 146	-886	4 707	1 165	43	-1 122	1 850
Nov.	1 845	2 082	3 949	7 876	-1 847	-886	5 143	1 185	74 <sup>1</sup>	-1 111	2 600

<sup>1</sup> See item on page 31 and explanations on page 22.

## FOREIGN EXCHANGE SITUATION

Mill. mk

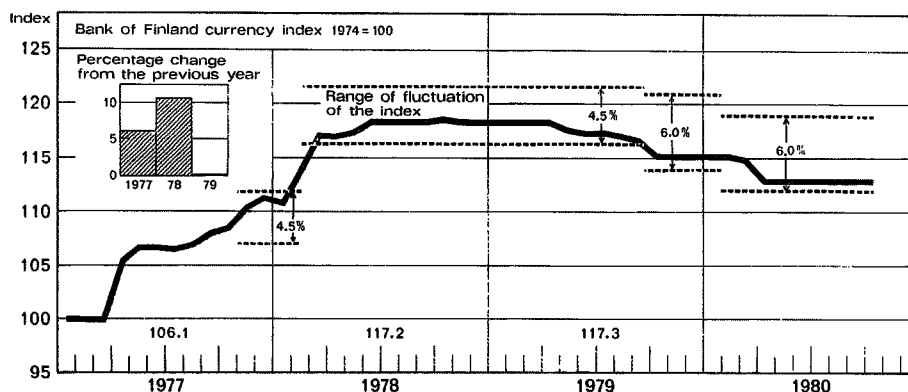
	Net holdings, Dec. 31, 1979			Net holdings, Oct. 31, 1980 <sup>1</sup>			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Oct.	Jan.-Oct.
Gold <sup>2</sup>	1 073	-	1 073	1 073	-	1 073	-	-
Special drawing rights	430	-	430	563	-	563	-	+133
IMF reserve tranche	225	-	225	215	-	215	-	-10
Foreign bonds	-	-	-	2 077	-	2 077	-11	+327
Convertible currencies	2 964	-3 223	-259	3 812	-6 849	-3 037	-272	-2 778
Total	4 692	-3 223	1 469	7 740	-6 849	891	-283	-2 328
Tied currencies	-678	-30	-708	-2 146	-72	-2 218	-308	-1 510
Grand total	4 014	-3 253	761	5 594	-6 921	-1 327	-591	-3 838

<sup>1</sup> New series, see item Bulletin 2/1980. <sup>2</sup> 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
	Dis-counted and redis-counted bills	Cheque account receiv-ables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receiv-ables (1+2+3-4-5-6)	Permanent special financing schemes	Liabili-ties, net	Net receiv-ables (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											
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
Sept.	—	722	4 307	525	2 982	-270	1 792	2 775	607	2 168	4 366
Oct.	—	762	4 410	595	3 006	-322	1 893	2 926	621	2 305	4 447
Nov.	—	705	3 861	30	3 022	-767 <sup>1</sup>	2 281	3 046	574	2 472	4 614

<sup>1</sup> See item on page 31 and explanations on page 22.



# MONETARY POLICY INDICATORS

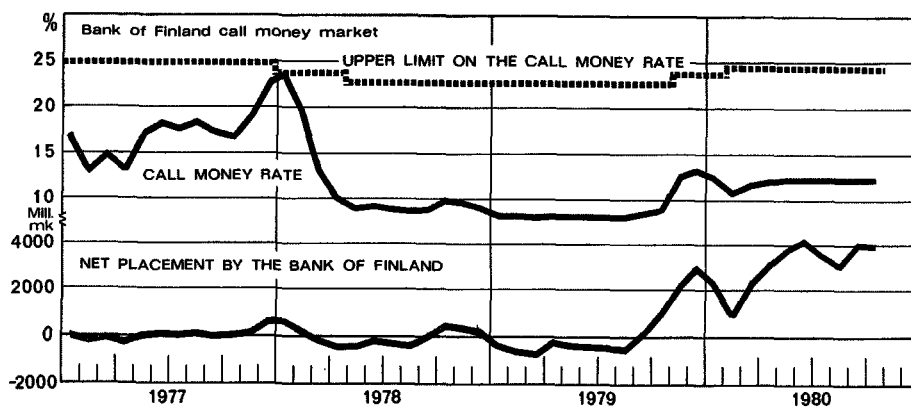
Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks <sup>3</sup> , mill. mk	Cash reserve deposits of the commercial banks <sup>3</sup> , 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 <sup>1</sup> %
	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 <sup>2</sup>	9.25	26.80 <sup>2</sup>	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
<b>1979</b>										
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
<b>1980</b>										
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	9.84
Aug.	4 456	3 880	700	2 682	2 333	3 181	9.25	12.50	13.06	9.83
Sept.	5 530	4 805	700	2 984	2 608	4 106	9.25	12.50	13.93	9.84
Oct.	5 500	4 709	700	2 980	2 599	4 010	9.25	12.50	13.31	..
Nov.	5 024	4 562	700	3 005	2 627	3 864	9.25	12.50	..	..

See explanations on page 22.

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

<sup>2</sup> 1. 9.—31. 12. 1975.

<sup>3</sup> See Bulletin April., 1979, page 1.

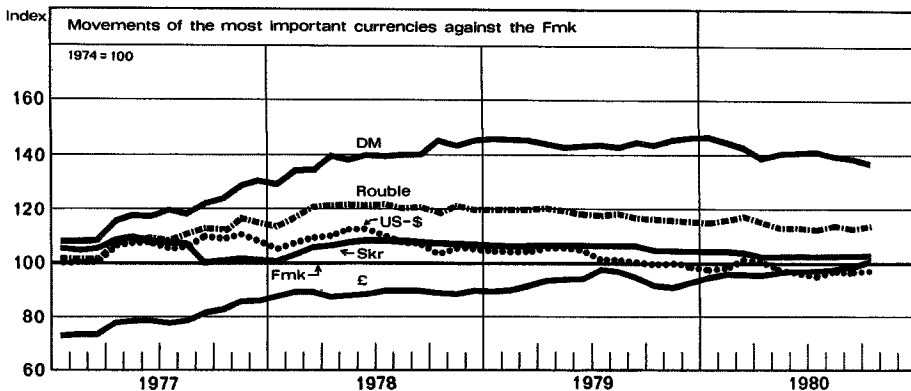


# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

Period	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	Currency index 1974=100
	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										
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
Sept.	3.655	8.796	88.22	75.83	66.32	204.40	223.05	88.19	5.669	113.1
Oct.	3.695	8.942	88.40	75.75	65.53	200.98	222.77	87.18	5.706	113.1
Nov.	3.791	9.104	88.36	75.90	64.59	197.66	219.78	85.66	5.750	113.1

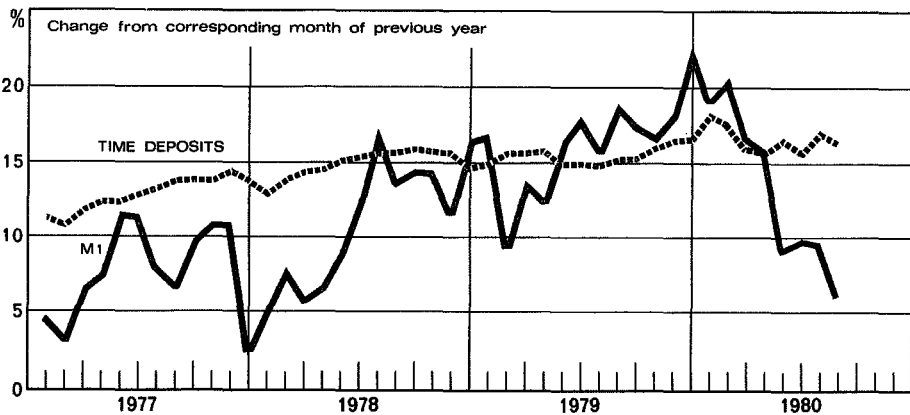
See explanations on page 22.



# DEPOSITS BY THE PUBLIC

Mill. mk

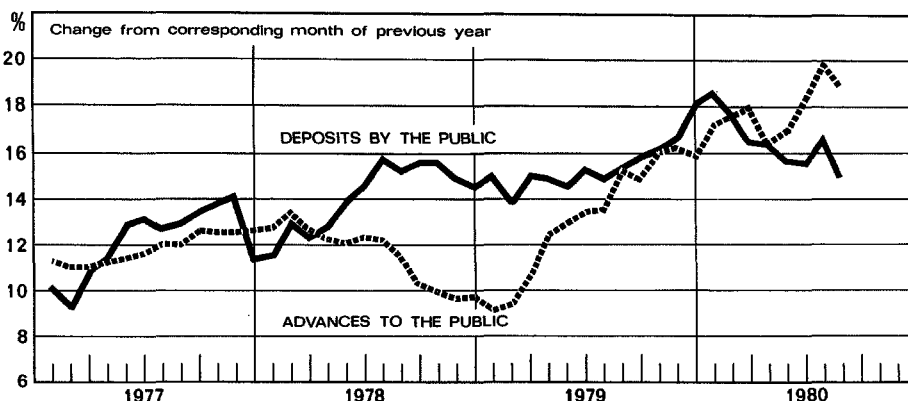
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	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	17 035	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										
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
June	4 826	2 133	3 275	10 234	20 656	18 588	14 479	5 847	59 570	69 804
July	4 741	2 332	3 001	10 074	21 209	18 993	14 861	5 976	61 039	71 113
Aug.	4 205	2 275	2 996	9 476	21 273	19 195	14 948	6 082	61 498	70 974



# 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 <sub>1</sub>	M <sub>1</sub> +Quasi- Money
	1	2	3	4	5	6	7		8	9
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										
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
June	34 065	17 733	15 243	9 317	65 980	2 765	7 613	76 358	14 588	75 749
July	34 707	17 932	15 497	9 528	66 753	2 607	8 304	77 664	14 438	77 325
Aug.	34 814	18 177	15 715	9 528	67 215	2 531	8 488	78 234	13 825	77 066



# STATE FINANCES

Mill. mk

Revenue	Jan.-Sept.		Expenditure	Jan.-Sept.	
	1979	1980		1979	1980
Income and wealth tax (net)	7 605	9 174	Wages, salaries, pensions etc.	5 244	5 887
Gross receipts	(21 936)	(25 856)	Repair and maintenance	690	793
Refunds & local authorities	(-14 331)	(-16 682)	Other consumption expenditure	2 764	3 264
Other taxes on income and wealth	197	233	<b>Total consumption expenditure</b>	<b>8 698</b>	<b>9 944</b>
Employers' child allowance payments	411	72	State aid to local authorities	6 310	7 420
Sales tax	7 416	8 586	State aid to industries	4 621	5 214
Customs duties and import charges and levies	781	1 026	of which: agric. price subsidies	(2 176)	(2 097)
Excise duties	5 814	6 384	Child allowances	921	1 037
Excise duty on alcoholic beverages	1 790	1 919	Share in national pensions and sickness insurance schemes	249	390
Excise duty on tobacco	686	824	Other transfer expenditure	3 897	4 223
Excise duty on liquid fuel	1 804	2 066	<b>Total transfer expenditure</b>	<b>15 998</b>	<b>18 284</b>
Other excise duties	1 534	1 575	Machinery and equipment	1 036	1 012
Tax on autom. and motor-cycles	961	1 073	Construction of buildings	546	541
Stamp duties	637	758	Land and waterway construction	1 171	1 357
Special diesel etc. vehicles tax	114	124	<b>Total real investment</b>	<b>2 753</b>	<b>2 910</b>
Other taxes and similar revenue	688	768	Interest on State debt	598	861
<b>Total taxes</b>	<b>24 624</b>	<b>28 198</b>	Net deficit of State enterprises	-285	-211
Miscellaneous revenue	1 845	2 470	Other expenditure	40	5
Interest, dividends etc.	603	695	<b>Total other expenditure</b>	<b>353</b>	<b>655</b>
Redemptions of loans granted	423	497	Increase in inventories	-34	96
<b>Total revenue</b>	<b>27 495</b>	<b>31 860</b>	Lending	2 163	2 459
Foreign borrowing	2 155	1 672	Other financial investment	387	350
Domestic borrowing	1 740	2 494	<b>Total expenditure</b>	<b>30 318</b>	<b>34 698</b>
<b>Total borrowing</b>	<b>3 895</b>	<b>4 166</b>	Redemption of foreign loans	185	164
<b>Deficit (+) or surplus (-)</b>	<b>-119</b>	<b>-179</b>	Redemption of domestic loans	768	985
			<b>Total redemptions</b>	<b>953</b>	<b>1 149</b>
	<b>Total</b>	<b>31 271</b>	<b>Total</b>	<b>31 271</b>	<b>35 847</b>

State debt	1978	1979	1980			
	Dec.	Dec.	June	July	August	Sept.
<b>Foreign debt</b>	7 360	8 964	9 711	9 707	9 964	10 037
Loans	4 607	6 050	6 768	6 764	7 088	7 187
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	167	25	21	21
Cash debt (net)	-735	-596	+ 28	- 805	- 272	-366
<b>Domestic debt</b>	<b>4 132</b>	<b>5 658</b>	<b>6 963</b>	<b>5 984</b>	<b>6 837</b>	<b>6 842</b>
<b>Total State debt</b>	<b>11 492</b>	<b>14 622</b>	<b>16 674</b>	<b>15 691</b>	<b>16 801</b>	<b>16 879</b>
Total debt mill \$	2 859	3 915	4 564	4 281	4 584	4 618

# 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			
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	4 943	- 698
Feb.	3 795	4 231	- 436
March	4 735	4 406	+ 329
April	3 788	4 494	- 706
May	4 166	3 787	+ 379
June	4 501	5 743	-1 242
July	4 354	5 028	- 674
Aug.	3 923	5 481	-1 558
Sept.	4 579	5 127	- 548

Jan.-Sept.			
1979*	30 827	30 777	+ 50
1980*	38 086	43 240	-5 154

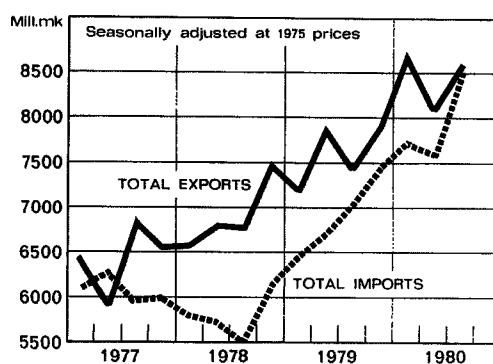
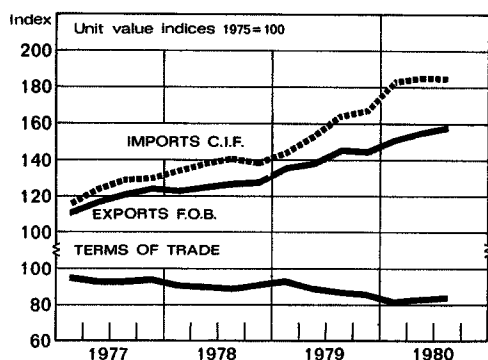
Indices of exports and imports  
1975 = 100

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					
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

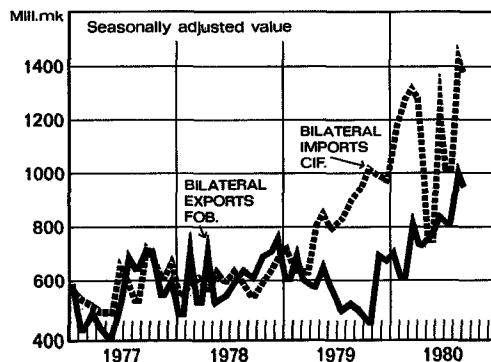
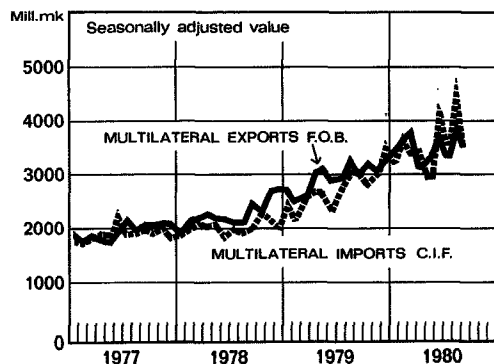
1980*					
Jan.-March	166	105	152	184	83
Apr.-June	158	106	156	186	84
July-Sept.	160	120	159	186	85



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and 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										
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.	286	601	1 203	751	1 404	3 159	431	652	682	19
Feb.	39	566	1 170	829	1 191	2 808	200	534	632	57
March	247	554	1 269	1 087	1 578	2 918	191	593	703	1
April	39	542	1 007	965	1 235	2 973	150	621	748	2
May	168	660	1 357	770	1 211	2 557	195	514	518	3
June	53	806	1 327	928	1 387	4 198	435	574	530	6
July	73	703	1 546	895	1 137	3 194	539	722	571	2
Aug.	47	582	1 389	684	1 221	3 572	459	841	602	7
Sept.	76	690	1 374	931	1 508	3 396	385	706	637	3
Jan.-Sept.										
1979*	960	4 318	9 335	7 310	8 904	19 644	2 422	4 129	4 501	81
1980*	1 028	5 704	11 642	7 840	11 872	28 775	2 985	5 757	5 623	100





FOREIGN TRADE BY COUNTRIES<sup>1</sup>

Mill. mk

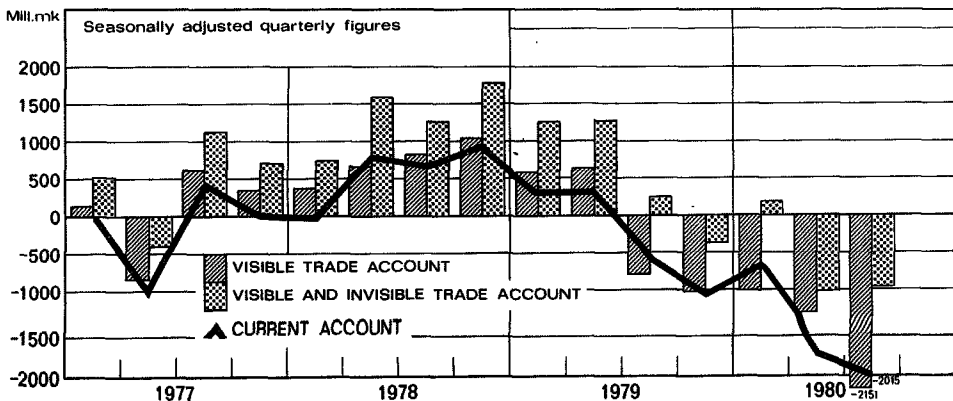
Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—September				January—September			
	1979		1980*		1979		1980*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	67.1	20 693	65.9	25 110	57.7	17 758	51.9	22 450
Austria	0.7	205	0.7	280	1.3	398	1.2	503
Belgium and Luxembourg	1.5	457	1.5	564	1.9	580	1.7	738
Denmark	4.0	1 229	3.7	1 396	2.6	811	2.4	1 023
France	4.5	1 391	4.7	1 802	3.5	1 075	3.1	1 336
Federal Republic of Germany	11.1	3 433	11.1	4 234	13.4	4 121	12.7	5 512
Italy	2.1	658	2.4	931	2.5	766	2.4	1 045
Netherlands	4.2	1 295	4.6	1 745	2.8	864	2.5	1 077
Norway	5.1	1 589	4.2	1 601	2.5	760	2.0	875
Portugal	0.2	57	0.4	136	0.5	164	0.5	229
Spain	1.0	325	0.9	332	0.8	259	0.8	358
Sweden	15.1	4 643	16.9	6 424	14.3	4 397	11.8	5 089
Switzerland	1.8	544	1.7	641	1.9	589	1.6	694
United Kingdom	13.5	4 150	11.7	4 462	9.1	2 797	8.7	3 756
Other	2.3	717	1.4	562	0.6	177	0.5	215
<b>OECD countries outside Europe</b>	7.3	2 245	5.4	2 061	8.9	2 731	9.8	4 222
Canada	0.6	168	0.5	193	0.7	213	0.8	338
Japan	1.2	374	0.7	279	2.9	884	3.2	1 395
United States	4.6	1 428	3.1	1 171	5.1	1 565	5.6	2 418
Other	0.9	275	1.1	418	0.2	69	0.2	71
<b>CMEA countries</b>	16.1	4 966	17.9	6 802	23.3	7 171	25.7	11 106
Czechoslovakia	0.3	90	0.3	110	0.5	160	0.5	232
German Democratic Republic	0.9	272	0.6	231	0.6	185	0.6	240
Poland	0.4	141	0.5	206	1.9	582	1.9	813
Soviet Union	13.6	4 179	15.5	5 895	19.5	5 995	21.7	9 390
Other	0.9	284	1.0	360	0.8	249	1.0	431
<b>Latin America</b>	1.6	495	1.9	714	3.4	1 044	2.8	1 227
Argentina	0.3	75	0.5	182	0.3	97	0.1	55
Brazil	0.4	134	0.4	162	0.7	224	0.8	335
Colombia	0.1	42	0.1	47	0.9	274	0.9	375
Other	0.8	244	0.9	323	1.5	449	1.0	462
<b>Other</b>	7.9	2 428	8.9	3 399	6.7	2 073	9.8	4 235
<b>GRAND TOTAL</b>	100.0	30 827	100.0	38 086	100.0	30 777	100.0	43 240
of which								
<b>EFTA countries</b>	23.0	7 084	24.0	9 151	20.6	6 351	17.2	7 448
<b>EEC countries</b>	41.7	12 855	40.4	15 387	36.1	11 083	33.7	14 575
<b>OECD countries</b>	74.4	22 938	71.3	27 171	66.7	20 489	61.7	26 672

<sup>1</sup> New series. See explanations on page 22.

# BALANCE OF PAYMENTS<sup>1</sup>

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	Invest- ment income, net	Un- requited 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
<b>1977</b>											
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
<b>1978</b>											
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
<b>1979*</b>											
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
<b>1980*</b>											
Jan.-March	12 737	13 631	- 894	+ 784	-108	+324	+ 106	- 787	-152	+ 1	832

<sup>1</sup> Revised figures. See item on page 30 and explanations on page 22.

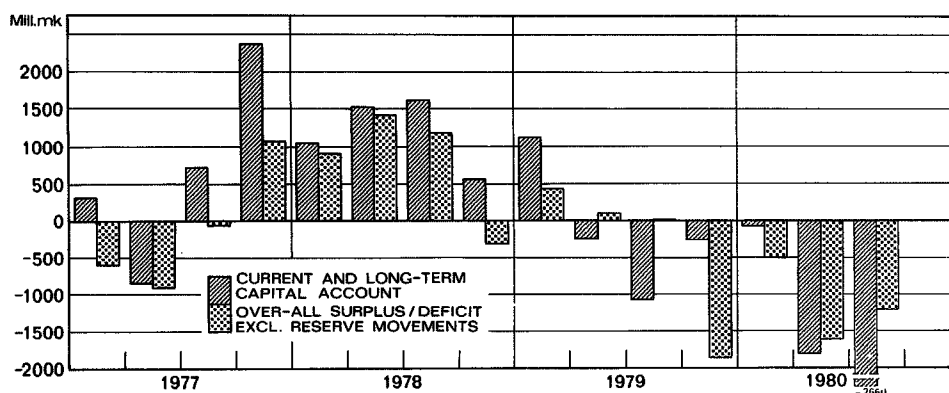


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, 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 <sup>2</sup>	-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 <sup>2</sup>	+ 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 <sup>2</sup>	- 503	- 83	+ 586

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

<sup>1</sup> Including Direct investment, net.

<sup>2</sup> Including Allocations of Special drawing rights 139 million in 1979 and 133 million in 1980.

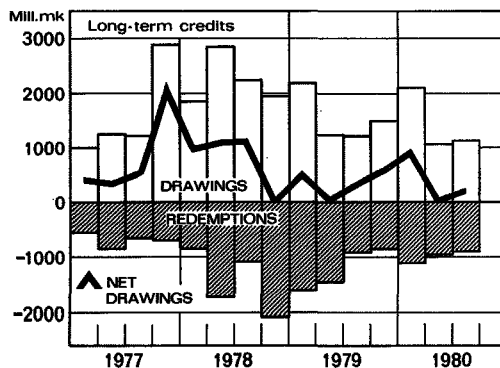
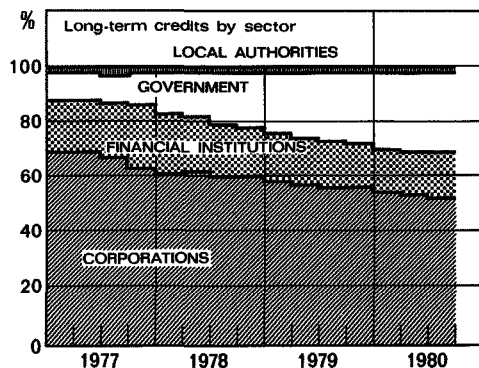


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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	
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

See explanations on page 22.

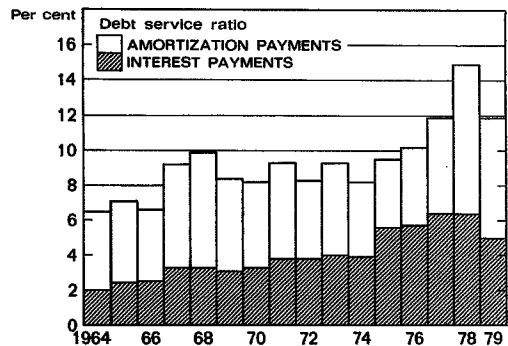
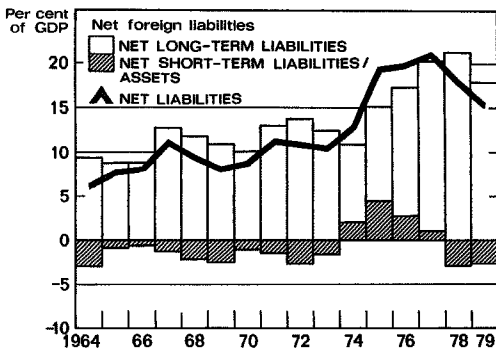


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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 <sup>1</sup>						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
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
Aug.	939	164.0	159.9	178.7	163.3	171.6	159.4	228.1	194.9	236.4
Sept.	947	165.6	162.0	178.2	165.5	172.6	159.9	231.1	194.9	241.4
Oct.	957	167.3	163.9	179.2	167.3	173.9	161.7	234.9	201.0	244.3

<sup>1</sup> New series, see item Bulletin 10/1979.

Period	Consumer prices 1977 = 100 <sup>1</sup>										
	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
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
Aug.	131.1	124.8	139.4	131.6	126.6	144.0	128.3	140.3	138.6	125.0	133.4
Sept.	132.9	127.8	139.4	135.3	130.6	145.0	129.7	141.3	138.7	125.4	134.2
Oct.	134.2	130.4	139.4	138.7	130.6	149.6	131.4	142.6	138.7	125.5	135.8

<sup>1</sup> New series.

# WAGES

Index of wage and salary earnings 1975 = 100<sup>1</sup>

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
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.	168.1	154.6	137.5	153.5	148.5	144.3	154.9	152.1	152.9	152.5
1980*										
Jan.-March	168.8	160.2	141.1	157.6	152.2	148.1	159.3	156.1	157.5	156.8
Apr.-June	178.0	171.5	150.2	166.1	160.9	155.6	169.8	165.0	168.3	166.6

<sup>1</sup> New series, see item Bulletin 1/1980.

# PRODUCTION

Volume indices of production 1975 = 100

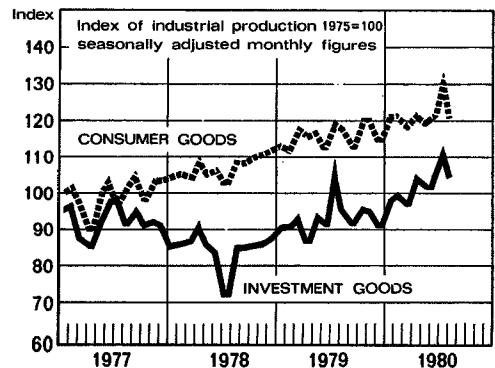
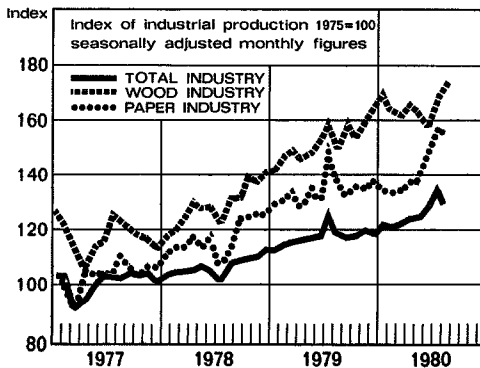
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1978*										
Jan.-March	100	106	72	122	77	86	91	84	115	105
Apr.-June	102	108	84	110	79	89	101	94	114	109
July-Sept.	98	91	159	62	99	85	102	95	115	104
Oct.-Dec.	110	114	78	147	104	87	112	106	116	108
1979*										
Jan.-March	107	118	78	145	73	85	99	90	119	107
Apr.-June	110	117	86	169	73	89	111	103	118	112
July-Sept.	106	104	158	72	96	87	113	103	119	108
Oct.-Dec.	119	126	75	153	116	91	127	112	120	114
1980*										
Jan.-March	112	126	72	149	79	87	109	97	121	111
Apr.-June	113	125	81	145	78	89	111	104	120	116

# PRODUCTION

Index of industrial production 1975 = 100<sup>1</sup>

Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1976	101.2	100.9	100.3	101.6	96.6	112.1	105.5	103.7	93.2	99.9	101.3
1977	101.8	93.6	100.9	104.4	96.3	199.0	104.6	101.0	94.7	98.7	101.9
1978	107.0	85.6	108.1	111.9	103.9	130.3	118.2	109.6	93.5	99.6	107.0
1979*	118.2	94.4	116.9	125.0	110.4	153.2	136.0	123.7	102.3	110.8	118.4
1979*											
July	72.6	44.7	66.6	82.8	100.0	76.7	125.1	73.8	68.1	49.5	121.9
Aug.	123.3	99.1	124.0	129.4	118.9	141.3	142.9	132.5	116.6	116.2	121.8
Sept.	119.8	96.6	117.2	126.7	111.2	156.9	143.3	121.4	111.9	113.1	117.9
Oct.	134.5	112.6	133.5	140.6	134.0	173.2	152.3	135.1	125.7	130.3	118.8
Nov.	134.2	111.5	134.6	139.9	129.5	170.6	146.5	139.5	118.6	128.7	120.4
Dec.	112.2	86.3	112.3	119.0	100.2	138.5	127.8	105.3	82.5	102.8	119.0
1980*											
Jan.	131.9	108.9	130.9	138.3	106.1	167.1	146.1	137.9	108.3	124.6	121.4
Feb.	124.3	101.7	122.5	131.0	101.1	160.9	137.3	136.0	105.4	117.5	120.6
March	131.6	106.3	128.9	139.5	106.6	175.7	149.3	150.0	106.4	124.0	122.3
April	124.6	103.0	122.2	131.4	110.7	188.6	130.1	142.1	109.1	119.7	124.2
May	129.0	110.7	126.8	134.8	121.0	203.3	132.5	144.5	114.7	128.3	125.1
June	121.0	102.9	116.6	127.7	109.9	170.5	129.3	133.5	112.7	117.3	128.6
July	88.3	54.5	77.9	101.9	109.7	87.7	150.6	88.2	82.3	64.2	137.6
Aug.	125.5	99.2	123.4	133.4	110.0	147.5	154.2	140.3	119.6	117.2	133.3

<sup>1</sup> 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
<b>1979*</b>								
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
<b>1980*</b>								
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	120	146
June	3 603	2 486	2 373	113	4.5	3 125	119	137
July	3 605	2 490	2 371	119	4.8	1 640	123	126
Aug.	3 606	2 408	2 302	106	4.4	1 881	120	140
Sept.	3 609	2 295	2 204	91	4.0	2 568	..	..

## 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
<b>1979*</b>											
Apr.-June	19.16	7.45	2.77	7.22	0.68	7.84	3.51	0.53	2.56	0.86	47.27
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
<b>1980*</b>											
Jan.-March	8.55	3.38	1.04	3.13	0.55	8.18	3.69	0.73	2.72	0.73	44.40
Apr.-June	18.92	8.21	2.64	5.69	1.24	7.84	3.35	0.72	2.74	0.61	52.72

# 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 + Counter-cyclical deposits + 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 — Till-money credits — 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) 16.2, manufacture of industrial chemicals (SIC 351-2) 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 (1979, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 191 (4%), forestry and fishing 7 198 (5%), manufacturing 46 699 (32%), construction 10 478 (7%), trade, restaurants and hotels 16 307 (11%), transport and communication 12 375 (9%), banking and insurance 5 145 (4%), ownership of dwellings 10 217 (7%), other services 29 808 (21%), total 144 418. Index of real domestic product 112 (1975 = 100).

FOREST RESOURCES (1978). The growing stock comprised of 1 553 million m<sup>3</sup> (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 668 million m<sup>3</sup> was up to the standard required for logs, 56% of these being pine. The annual growth was 59.9 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption was 42.5 million m<sup>3</sup>.

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 (Oct. 31, 1980): Passenger vessels 144 (249 335 gross reg. tons), tankers 40 (1 182 678 gross reg. tons), dry cargo vessels 212 (995 360 gross reg. tons), other vessels 91 (12 023 gross reg. tons), total 487 (2 439 396 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 (Dec. 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, 9 DC-9-51, 2 DC-10-30, 2 Fokker F-27 and 1 Empraer Bandeirante. 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 18.8, Skr 17.4, £ 13.9, DM 13.3, \$ 10.0, 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, Posti-pankki 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%.

# ASSETS AND LIABILITIES OF FINNISH INDUSTRY, 1961—1978

by Seppo Kostiainen, M. Pol.Sc.

Economics Department  
Bank of Finland

Industry has played a prominent role in the growth of the Finnish economy in the period following the Second World War. Since the authorities have considered a strong industrial sector an essential prerequisite for the successful adaptation of the economy to the international division of labour, economic policy has attempted to create conditions conducive to industrial expansion.

For example, fiscal policy has favoured growing firms by providing quite flexible allowances for depreciation and liberal undervaluation rules for inventories. Similarly, monetary policy has ensured that there has been an adequate supply of finance for industrial investments, even in the conditions of credit rationing typical of Finnish financial markets. On the demand side, the low level of real interest rates and the fact that interest payments are deductible for tax purposes has meant that the rate-of-return requirement on capital has remained low and the inducement to invest strong. From time to time, foreign exchange policy has also helped to maintain the competitiveness of Finnish industry.

These features, together with double taxation of distributed profits, explain to a great extent why the supply of risk capital has been so small and thus the role of debt financing greater and the financial structure of Finnish industry weaker than in most other western industrial countries.

As a consequence of the growth-oriented economic policy, the share of industry in both total production and employment has risen steadily. However, at approximately 30 per cent and 25 per cent, respectively, these

shares still fall short of the corresponding levels attained in many other open economies.

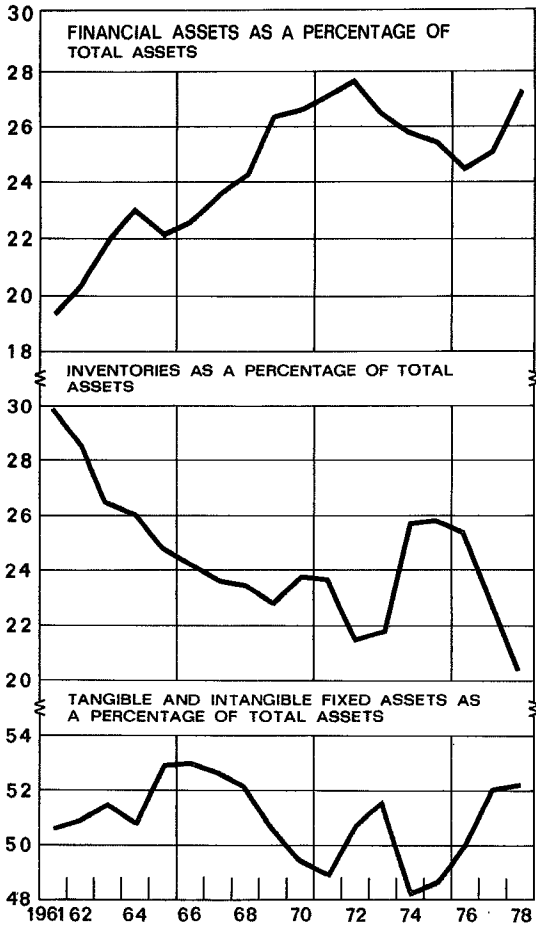
The purpose of this article is to describe the trends and variations in the structure of the balance sheets of Finnish industrial companies in the period 1961—1978. The analysis concentrates on the composition of assets and liabilities and on the sources of debt finance. Up to 1973, the analysis draws on data from industrial companies' financial statements, while from 1974 onwards it is based on Industrial Enterprise Statistics. Some adjustments for the value of inventories and fixed assets have been made in order to obtain a more authentic picture of the balance sheet structure of industry than would otherwise be forthcoming from companies' official balance sheets.<sup>1</sup> In addition, the balance sheet data has been supplemented by credit market statistics so as to complete the picture with respect to lenders to industry.

## COMPOSITION OF ASSETS

Chart I illustrates the shares of financial assets, inventories and fixed capital in the portfolio of industry. The share of financial

<sup>1</sup> The information in these statistics is based on a sample which has included from 1 000 to 1 200 industrial enterprises covering about 70—80 per cent of industry's total sales. Depreciations shown in official accounts usually exceed the real obsolescence of fixed assets and the value of inventories is too low because of liberal undervaluation rules. For this reason, in computing the actual value of fixed assets, the depreciation corresponding to the actual economic and technical obsolescence—5.4 per cent per annum—was taken from the study, »The Definition and Measurement of Capital and Its Role in the Investment Function», Heikki Koskenkylä, Bank of Finland Research Department, Research Paper 4/79. The time series for the corrected balance sheet inventories was taken from the study »The Inventories of Finnish Industry in 1960—1975», by Sinikka Salo, The Research Institute of the Finnish Economy, B:15. The estimated changes in the undervaluation of inventories and depreciations exceeding or falling short of the real wearing out of fixed investments have also been taken into account when calculating industry's own capital and profits. The tax debt implicitly included in these reserves has not been taken into account in this study.

**CHART 1. THE PERCENTAGE SHARES OF VARIOUS ASSETS IN TOTAL ASSETS OF INDUSTRY, 1961—1978**



in 1961—1978. A special feature of the Finnish economy is that cash and bank deposits account for less than 10 per cent of total financial assets. In part, this is due to a low or even negative rate of return on cash and bank deposits as well as to the ease with which companies can acquire short-term bank loans automatically up to a certain agreed limit.

Short-run changes in the share of financial assets in company portfolios are strongly correlated with changes in internal income, which in turn are closely related to cyclical developments; trade credit, for instance, tends to expand during cyclical upswings. However, the period 1972—1974 was anomalous in this respect, for the share of financial assets actually decreased in spite of an acceleration in the growth of profits. This was undoubtedly associated with companies' inventory behaviour at a time when the prices of both oil and other raw materials were soaring.

The share of inventories in the asset portfolio decreased throughout the 1960s up to 1973, after which it temporarily rose above trend owing to the increased profitability of inventories in relation to other portfolio assets. Towards the end of the period, the falling trend in the share of inventories resumed. One possible explanation for this development might be the relative stability of raw material prices up to 1972, which made the expected return on inventories low compared with that on other assets. The short-run deviations around trend have followed the changes in international raw material prices reasonably well with a one-year lag. Thus, the raw material boom explains the jump of 4 percentage points in the relative share of inventories in 1974. Also, firms have undoubtedly attempted to improve the efficiency of their inventory management to counter the effects of the high costs involved in holding inventories.

In contrast to the shares of financial assets and inventories, no trend is easily discernible in the share of tangible and intangible fixed assets. The share of fixed assets in the portfolios of Finnish industrial companies has been about

assets in the total assets of industry exhibited a rising trend throughout the 1960s. During the first half of 1970s, this share diminished for four successive years, but then gradually returned to its previous level. In 1978, the share of financial assets in total assets amounted to 27 per cent.

The upward trend of financial assets in total assets is primarily attributable to institutional changes. With the continued tightening of competition, trade credit has assumed an increasingly important role in markets for industrial products and a growing proportion of companies' assets has had to be tied up in financial assets. Accounts receivable averaged as much as 65 per cent of total financial assets

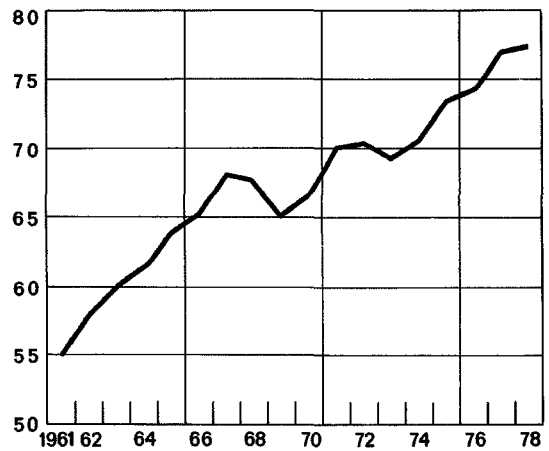
50 per cent on average, but large cyclical fluctuations have occurred. Several competing explanations for these cyclical changes could be cited, but in the context of portfolio analysis the appropriate one is the expected rate of return on fixed assets. However, as the components of asset portfolios are also related to each other through the balance sheet identity, the rate of return on investments cannot account for all the short-run changes in fixed assets. For instance, during the recession years of 1976 and 1977 the expected rate of return on fixed investments must have been low but the share of fixed assets in portfolios nevertheless rose. For an explanation, one must point to both the decrease in financial assets and to the rundown in inventories which came later in connection with the liquidity crisis of the recession.

### COMPOSITION OF LIABILITIES

Accompanying the downward trend in profitability, there was a sharp deterioration in the capital structure of industrial companies from 1961 to 1967, i.e., the share of debt capital in total liabilities increased (Chart 2). The substantial devaluation of the Finnish markka in 1967, together with the successful stabilization policy that followed it, and the international cyclical upswing improved the profitability of industry and led to a temporary reversal of this trend. But in 1974, despite rapidly growing profits, the capital structure began to worsen again on account of the exceptionally vigorous expansion in fixed and inventory investment. After this there was a substantial fall in the profits of Finnish companies in the wake of the international recession and the capital structure continued to weaken, even though in 1976—1978 investment activity slumped and the devaluations of the markka increased export earnings.

According to the adjusted balance sheet data used in this article, the share of external capital in total capital grew from 55 per cent in 1961 to 77 per cent in 1978. The cyclical changes in

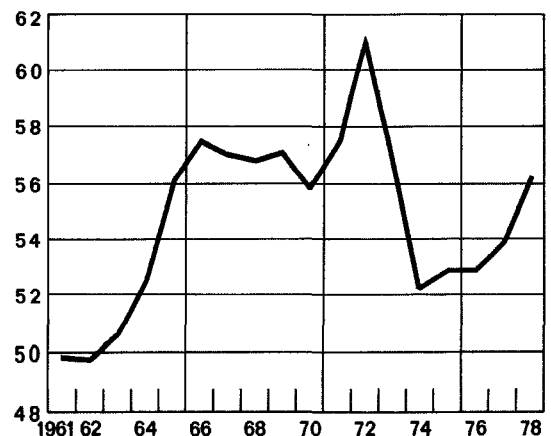
**CHART 2. DEBT CAPITAL AS A PERCENTAGE OF TOTAL CAPITAL, 1961—1978**



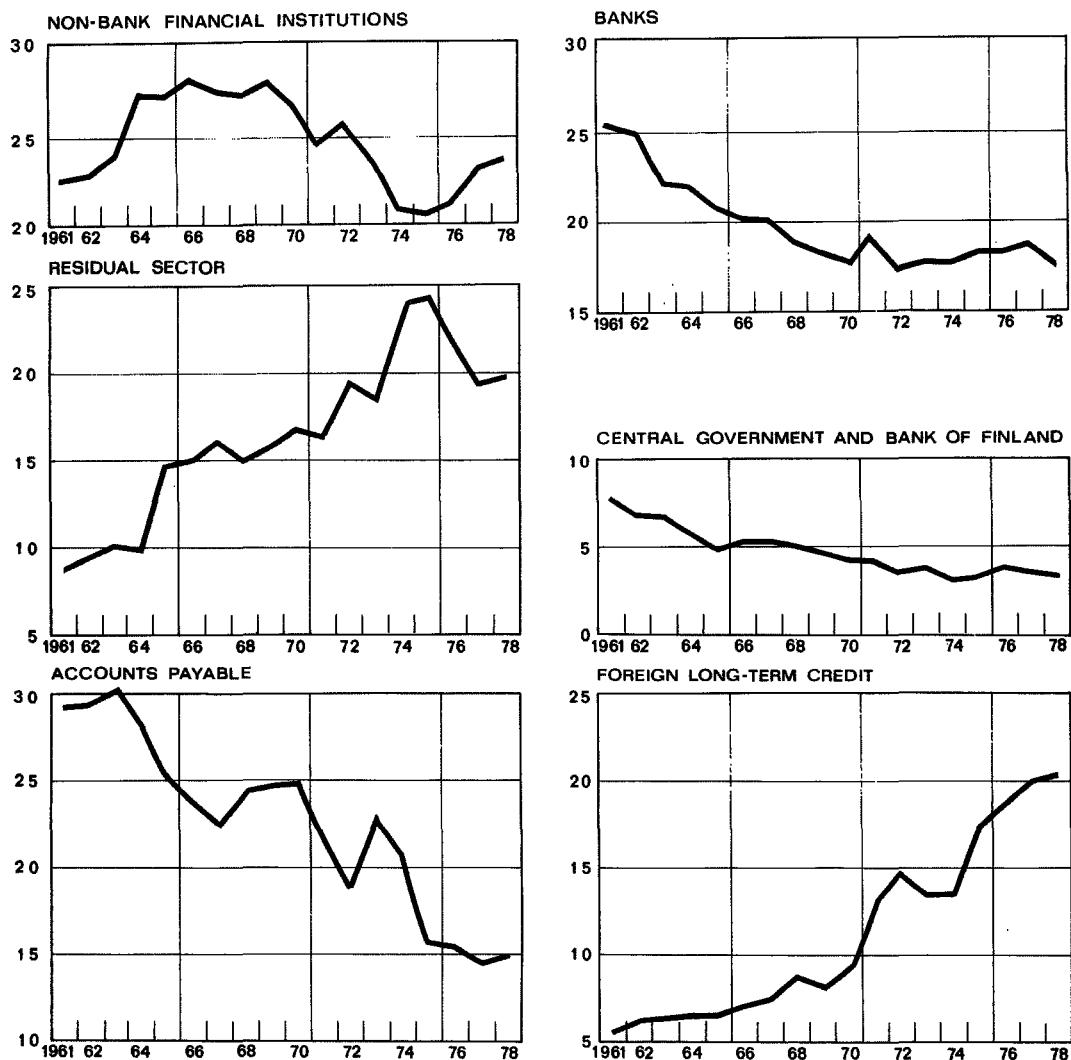
capital structure can largely be attributed to variations in both the profitability of industry and the propensity of industry to invest. Usually the structure improves, or at least ceases to worsen, during the early phase of an upswing, and then weakens gradually with the acceleration of inventory, and later fixed, investment.

However, as the share of external capital has increased, its structure has simultaneously shifted in favour of long-term capital. The share of long-term debt in total debt capital rose

**CHART 3. LONG-TERM DEBT AS A PERCENTAGE OF TOTAL DEBT CAPITAL, 1961—1978**



**CHART 4. DEBT STRUCTURE: PERCENTAGE SHARES OF THE VARIOUS SOURCES OF DEBT FINANCE IN TOTAL DEBT CAPITAL, 1961–1978**



from 48 per cent in 1961 to 61 per cent in 1972. In the subsequent two years, the share of long-term capital diminished on account of the strong upsurge in investment activity, but thereafter rose again somewhat so that it stood at 56 per cent in 1978 (Chart 3).

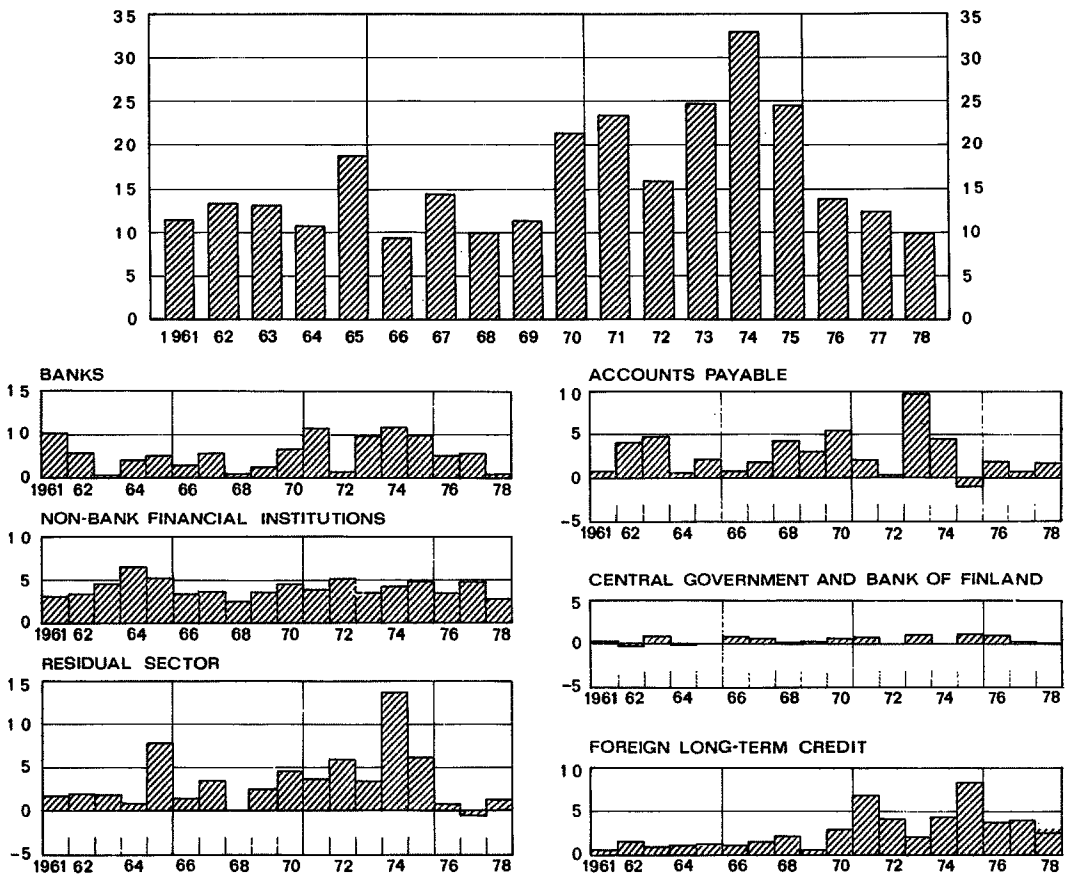
With debt financing representing such a sizeable proportion of total liabilities, interest payments have been large in relation to gross profits. From 1961 to 1974, interest payments as a percentage of gross profits, that is, of retained earnings plus depreciations, rose quite steadily from 25 per cent to about 60 per cent, then rose sharply to 80 per cent in 1975,

and in 1977 and 1978 even exceeded gross profits. Apart from the growth of debt, higher domestic and international interest rates have also increased the debt service burden.

#### SOURCES OF DEBT FINANCE

At the beginning of the 1960s, short-term trade credit was the most important source of debt finance. In 1961, its share in total outstanding debt was 30 per cent, with the shares of bank finance and credits from other domestic financial institutions accounting for roughly a quarter and a fifth, respectively (Chart 4).

**CHART 5. ANNUAL PERCENTAGE GROWTH OF TOTAL DEBT CAPITAL AND THE CONTRIBUTIONS OF ITS VARIOUS COMPONENTS, 1961—1978**



Together these three sources of funds constituted almost 80 per cent of the external capital of Finnish industry, the remainder being provided by the Bank of Finland, the central government, the residual sector, and long-term credits from abroad.<sup>1</sup>

During the period under examination, pronounced changes occurred in the composition of debt capital. The most important of these was the progressive decrease in the share of bank finance up to the early 1970s and the sharp increase and subsequent decline in the share of credit from domestic non-bank financial intermediaries. Also, the share of long-term foreign credits quadrupled and that of the residual sector almost trebled from 1961 to 1978

(Chart 5). Thus, by the end of the period the five most important sources of debt capital were bank finance, nonbank financial institutions, foreign long-term credit, the residual sector and accounts payable.

The continued downward trend in the share of bank finance in total debt outstanding up to the early 1970s could perhaps be attributed to the increased risk accruing to creditors because of the weakening capital structure. As bank lending rates in Finland are regulated, Finnish banks have not been able to raise interest rates for individual borrowers to the levels needed to compensate for the increased risk and this perhaps explains why the banks' share in total financing has decreased. However, a more important reason for the diminished share of bank finance may have been the increase in the number of non-bank financial

<sup>1</sup> The residual sector includes credits from local government, miscellaneous organisations and firms as well as short-term foreign credits other than accounts payable plus the statistical error term arising when credit market statistics are used in conjunction with balance-sheet data.



intermediaries as well as the strengthening of their financial base. In addition, the significance of foreign credits has increased as a natural consequence of the gradual opening up of international financial markets to Finnish firms and the establishment and rapid growth of eurocurrency markets. The liberalization of short-term capital flows has also contributed to this development.

According to cross-section data for 1967—1973, the share of short-term foreign credits in total credits granted by the residual sector varied between 50 and 60 per cent. The other large creditors in this group were organisations and private persons, whose combined share of the total stock of credits varied between 25 and 35 per cent in 1967—1973. It seems clear that much of the expansion in the share of the residual sector can be ascribed to the increased role of short-term foreign credits, but to some extent it may also reflect the growing importance of the so-called 'grey credit markets'.

#### FACTORS CONTRIBUTING TO THE GROWTH OF DEBT CAPITAL

The growth of the nominal stock of industrial companies' debt has accelerated in the period under review, but this has been entirely due to the increase in inflation. In fact, the growth rate of the deflated stock of debt decreased slightly between 1961 and 1978. The average annual growth of the nominal stock of debt was 16 per cent, whereas that of the real stock was only about 6 per cent (Chart 5).

As was implied in the analysis of the structure of debt capital, the largest contribution to the nominal growth rate of debt capital stemmed from the non-bank financial institutions. The contribution of this source to the average annual growth of total debt was some 4.4 percentage points. The contribution of the residual sector was 3.2 percentage points,

while that of the banks, the long-term foreign creditors and accounts payable ranged from 2.8 to 2.6 percentage points.

The contributions of the residual sector and banks show the strongest correlation with the percentage growth of total debt, the correlation coefficients being 0.83 and 0.75, respectively. The correlation between long-term foreign debt and the nominal percentage change in total debt is also high. Correlation coefficients suggest that the annual changes in industry's debt capital can be attributed mainly to bank finance as well as short- and long-term foreign credits. Thus, when examining the financing of industry in different phases of the business cycles, these sources seem to be the most flexible.

#### SUMMARY AND CONCLUSIONS

Debt capital is the most important source of finance for Finnish industry and its relative share has grown steadily. Consequently, under Finnish conditions where loan agreements are made on the basis of variable interest rates, the importance of interest as a cost factor has increased. However, the debt structure has become healthier with the rise in the relative share of long-term capital, although the greater role of short-term foreign capital seems to have reversed this trend in recent years.

Industry's room for manoeuvre in selecting individual sources of debt finance has broadened during the last two decades. Especially important has been the increased role of foreign long-term finance. The use of short-term foreign credits and bank finance has also become more flexible. The greater part played by foreign finance has increased the significance of international interest rates and foreign exchange rate expectations in industry's decision-making.

## ITEMS

**Finland's gross long-term foreign debt in January-September 1980.** At the end of September 1980, Finland's gross long-term foreign debt amounted to the equivalent of 36 040 million marks. The net inflow of long-term capital in January-September totalled 1 339 million marks, as against 809 million marks in the corresponding period last year.

Gross drawings of long-term foreign capital amounted to 4 457 million marks, which was 9 per cent less than in the corresponding period last year. Redemptions of long-term foreign liabilities totalled 3 118 million marks, while redemptions in January-September last year reached 4 080 million marks.

In the breakdown of drawings by type of credit, financial loans accounted for 89 per cent, import credits for 8 per cent and direct investments for 3 per cent.

Drawings by enterprises amounted to 1 853 million marks or 43 per cent of total drawings of foreign credits, while those by the central and local government totalled 1 764 million marks or 41 per cent, and those by financial institutions 693 million marks or 16 per cent.

Six Finnish bond issues, together worth 1 391 million marks, were floated abroad in January-September 1980.

### FINLAND'S GROSS LONG-TERM FOREIGN DEBT IN JANUARY—SEPTEMBER 1980, BY TYPE OF CREDIT, MILLION MARKS<sup>1</sup>

	Debt Dec. 31, 1979	Drawings	Redemptions	Net drawings	Impact of exchange rates	Debt Sept. 30, 1980
<b>Financial loans</b>	28 194	3 951	2 357	+1 594	—537	29 251
Individual financial loans	12 608	2 057	1 282	+ 775	—221	13 162
Bonds and debentures	15 586	1 894	1 075	+ 819	—316	16 089
<b>Import credits</b>	4 898	359	651	— 292	—124	4 482
<b>Leasing credits</b>	116	—	15	—15	—	101
<b>LONG-TERM CREDITS</b>	<b>33 208</b>	<b>4 310</b>	<b>3 023</b>	<b>+1 287</b>	<b>—661</b>	<b>33 834</b>
<b>Direct investments</b>	1 979	122	63	+ 59	— 9	2 029
<b>Subscriptions</b>	184	25	32	— 7	—	177
<b>GROSS LONG-TERM DEBT</b>	<b>35 371</b>	<b>4 457</b>	<b>3 118</b>	<b>+1 339</b>	<b>—670</b>	<b>36 040</b>

<sup>1</sup> 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.

**Local elections.** Local government elections were held on October 19th and 20th, 1980. Of the 3 530 897 eligible to vote, 77.7 per cent cast ballots. At the last local elections in 1976, 3 429 664 persons were entitled to vote and 78.5 per cent of them chose to do so. The following table shows the percentage distribution of votes in 1976 and 1980.

	1976 Per cent	1980 Per cent
Social Democratic Party of Finland	24.8	25.6
National Coalition Party	20.9	23.1
Centre Party	18.4	18.7
Democratic League of the People of Finland	18.5	16.7
Swedish Party	4.7	4.7
Christian League of Finland	3.2	3.7
Liberal Party	4.8	3.2
Finnish Rural Party	2.1	3.0
Others	2.6	1.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### **Introduction of new items into the Balance Sheet of the Bank of Finland.**

Two new balance-sheet items have been included in the Balance Sheet of the Bank of Finland as from November 21, 1980. The first of these, 'Till-money credits', refers to a type of credit granted to banking institutions under a new credit system related to the technical rationalization of the country's monetary flows and maintenance of money supply.

The reason for the introduction of these credit arrangements is that banks have endeavoured to minimize their use of central bank financing because of its high cost. This has meant that money has been dispatched backwards and forwards between the Bank of Finland, post offices and banks, quite unnecessarily from the point of view of the maintenance of money supply. This has caused much wasted work in the sorting, counting, packing and transport of till

money. In order to reduce unnecessary money dispatches, the Bank of Finland and the banks have agreed upon arrangements under which the banks are entitled to obtain special credit from the Bank of Finland to finance their holdings of till money.

The other new item introduced into the Balance Sheet on the same date is called 'Counter-cyclical deposits'. The collection of these is based on a decision made by the Council of State in June according to which the period of collection of counter-cyclical deposits was to start on October 1, 1980 and last for 12 months. Since the central government collects these deposits from enterprises and re-deposits them in the Bank of Finland, they appear under the heading 'Claims of the public sector' in the Balance Sheet of the Bank of Finland.

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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor, absent as Prime Minister*

Ahti Karjalainen

*Deputy Governor, Acting Governor*

Pentti Uusivirta

Rolf Kullberg

*Deputy Governor, ad int.*

Ele Alenius

Harri Holkeri

Seppo Lindblom

*ad int.*

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## Directors

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

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## Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Ralf Pauli

*Monetary Policy*

Raimo Hyvärinen

*Domestic Financing*

Kari Pekonen

*Exchange Policy*

M. Vanhala

*Foreign Exchange*

Kari Holopainen

*Bilateral Trade*

Pekka Tukiainen

*Foreign Financing*

J. Ojala

*Exchange Control*

Sirkka Hämäläinen

*Deputy, Economics Dept.*

Juhani Hirvonen

*Deputy, Research Dept.*

Markku Pietinen

*Information*

H. T. Hämäläinen

*Administration*

Timo Männistö

*Internal Audit*

U. Levo

*International Legal Affairs*

Erkki Vehkamäki

*Data Processing*

Anton Mäkelä

*Personnel*

Stig G Björklund

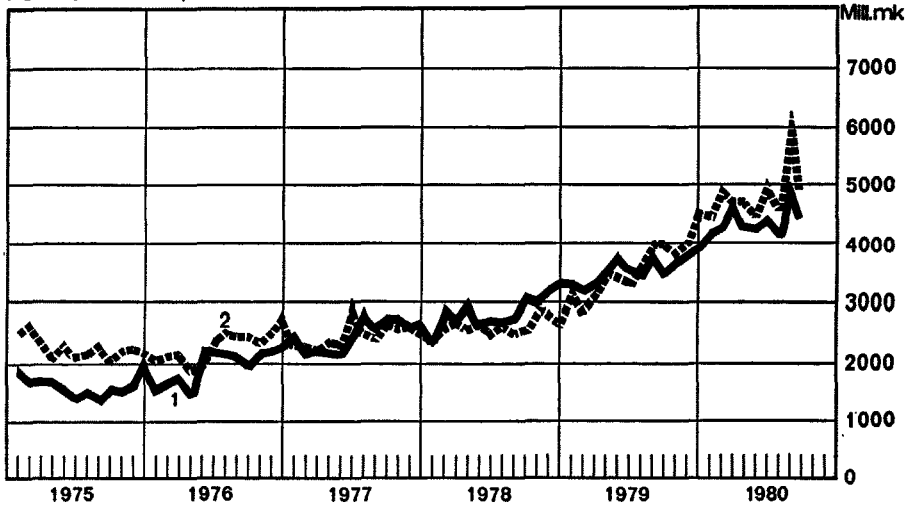
*Payments*

Reijo Mäkinen

*Cash*

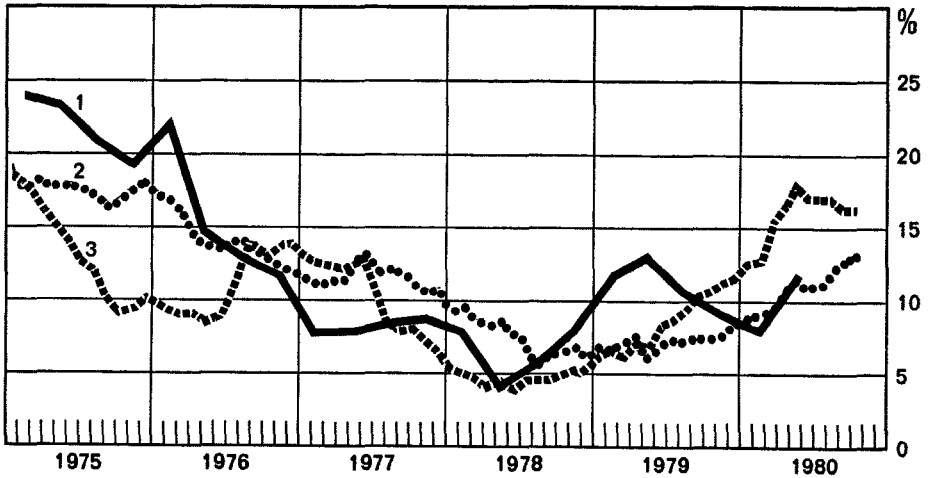
**FOREIGN TRADE, 1975-80**

- 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

