



BANK OF FINLAND

Monthly Bulletin

Finland's foreign trade

The Finnish economy: trends, problems
and prospects

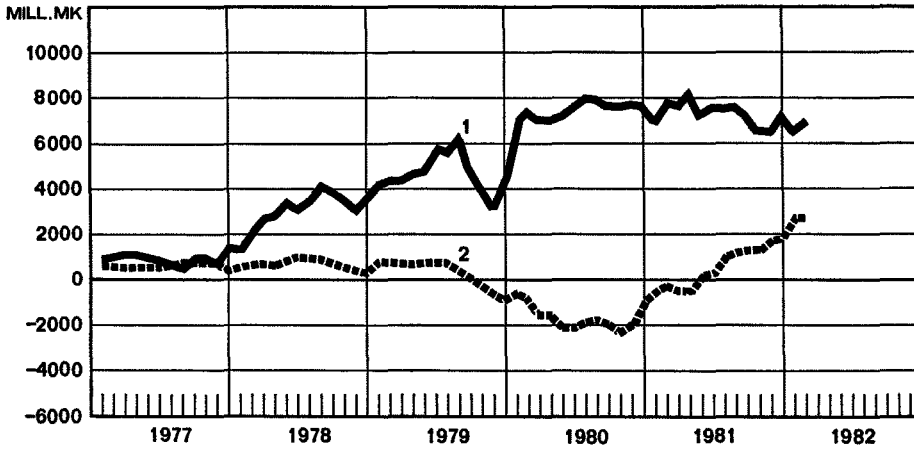
Establishment of foreign banks in Finland

New stamp

APRIL 1982

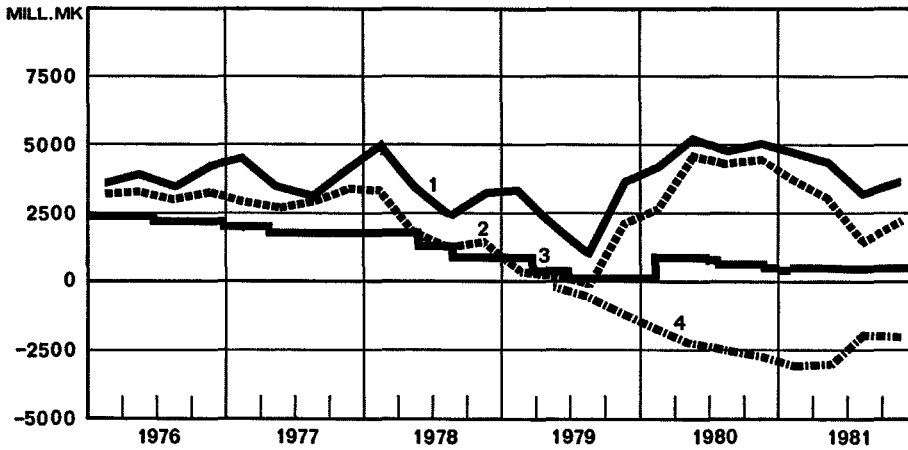
Vol. 56 No. 4

BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1977 - 1982



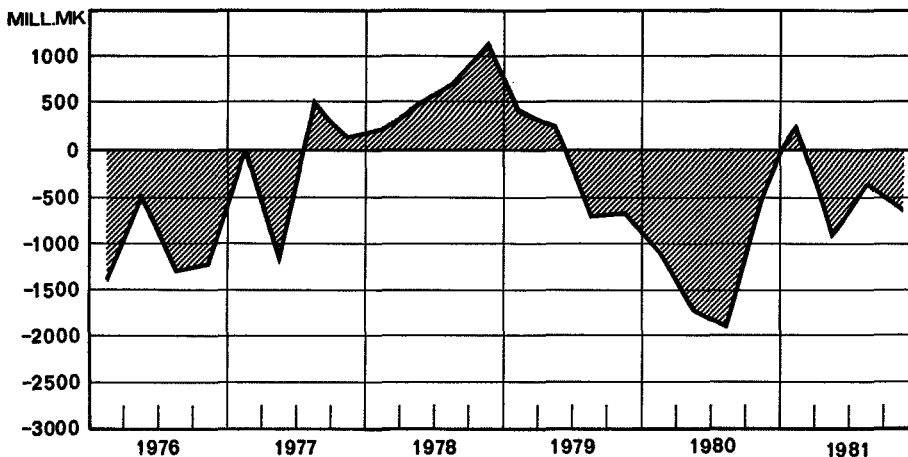
- 1. Gold and convertible currencies
- 2. Tied currencies

COMMERCIAL BANKS' CENTRAL BANK POSITION, 1976-81



- 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, 1976-81



Seasonally adjusted quarterly figures

FINLAND'S FOREIGN TRADE

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Board of Management
Bank of Finland

STRUCTURE AND TRENDS

Finland is a small open economy between East and West. The country lacks a varied natural resource base; there is an abundance of timber, but supplies of non-renewable raw materials and energy are relatively sparse. Foreign trade has traditionally played an important role in the country's economic development, and at present exports account for about one quarter of total demand.

Despite the limitations imposed by the natural resource endowment, the dominance of the forest industries has weakened in the course of time (Table 1), and Finland has gradually developed into a country with a diversified export sector whose products are renowned for their high quality.

Apart from the growth of the world economy, the diversification of Finland's export structure has to a large extent been due to the integration policy pursued by Finland, which together with expanding markets has enabled a growing number of export industries to avail themselves of the advantages of large-scale production.

TABLE 1. DISTRIBUTION OF FINNISH EXPORTS BY TYPE OF PRODUCT, PERCENTAGE SHARES OF TOTAL VALUE OF EXPORTS OF GOODS AND SERVICES

	1960	1970	1980	1981
Forest industry products	59	45	37	33
Metal industry products	13	20	24	26
Other industrial products	4	12	20	21
Other products	9	4	2	3
Services	15	19	17	17
Total	100	100	100	100

Such clear trends are not discernible in the structure of imports (Table 2), since increases in the prices of raw materials and energy have tended to have a greater effect on the distribution of imports than on that of exports. The expansion and diversification of domestic production have also contributed to the changes in the composition of imports.

TABLE 2. DISTRIBUTION OF FINNISH IMPORTS BY TYPE OF PRODUCT, PERCENTAGE SHARES OF TOTAL VALUE OF IMPORTS OF GOODS AND SERVICES

	1960	1970	1980	1981
Raw materials and semi-finished materials	43	39	41	38
Fuels and lubricants ¹	9	10	24	25
Investment goods	22	20	12	13
Consumer goods and other goods	15	18	13	12
Services	11	12	11	12
Total	100	100	100	100

¹ Including crude oil

Of Finland's total foreign trade, Western Europe (mainly the EEC and EFTA) accounts for about 60 per cent, while the share of the CMEA countries amounts to about 25 per cent.

International cyclical fluctuations normally reach the Finnish economy with a time-lag and cyclical variations tend to be more pronounced than in other countries. The forest industry, which is the first to benefit from an international upswing, operates with fairly small inputs of imported goods. Not until the effects on national income have spread to other sectors of the economy do imports pick up, resulting in a gradual weakening of the current account.

If prices of raw materials, which rise sharply during the upswing, are quickly passed through into domestic prices, the country's price competitiveness deteriorates and the problem of the foreign balance becomes structural in character. At the moment Finland's current account is particularly strong, distinctly stronger than in general during this phase of the business cycle. This is because the rise in energy and raw material prices in 1979—81 has resulted in rationalization of production and savings in imported inputs at the same time as the domestic price level has been kept in check by economic policy measures.

FOREIGN TRADE AGREEMENTS

Finnish trade policy has traditionally aimed at promoting free trade; for instance, Finland joined GATT in the early 1950s. Questions relating to economic integration have, however, occupied a central position in Finnish trade policy. In these Finland has sought ways of securing the expansion of trade in both the market economies and the Socialist countries.

Finland became an associate member of EFTA in 1961, and by a tariff agreement concluded with the Soviet Union, Soviet goods were granted the same import treatment as those originating from EFTA countries. Finland's trade with the Soviet Union is based on five-year framework agreements and annual supplementary protocols governing the exchange of goods for a year at a time. Bilateral trade payments are settled through clearing accounts.

The participation of Great Britain and Denmark in the EEC paved the way for Finland's free trade agreement with the Community in 1974. In the 1970s, Finland also concluded free trade agreements covering industrial products with five Socialist countries in Europe.

Finland's commitment to the free trade system is also evident from the country's decision to join the permanent OECD Trade Pledge in 1980. Several bilateral agreements on eco-

nomie, industrial and technical cooperation have been concluded with developing countries, while importation of their products has been promoted by a liberal application of the generalized system of preferences (GSP).

FOREIGN TRADE FINANCING

Foreign trade financing, which is crucial to the Finnish economy, accounts for a substantial, and growing, share of the domestic financial market. But, while flexible foreign financing is desirable, it is essential for the efficacy of domestic monetary policy that foreign capital flows be subject to surveillance.

In Finland the same basic principles apply to the surveillance of capital movements as in the other OECD countries with fairly immature financial markets. The surveillance of capital flows, which is governed by the Law of Foreign Exchange, has been delegated to the Bank of Finland. The general rule is that ordinary short-term credits relating to imports or exports can be taken up freely, whereas long-term import credits are subject to authorization by the Bank of Finland.

Since various arrangements for the financing of exports have become internationally important as competitive devices, they are also applied in Finland so as to ensure the competitiveness of Finnish exports. The Bank of Finland provides pre-shipment finance to meet the working capital needs of small and medium-sized industrial firms producing for export. Similarly, the Bank refinances export credits granted to foreign buyers of highly-processed goods.

Finnish Export Credit Ltd, founded jointly in 1963 by the public and private sectors, is responsible for granting medium-term and long-term export credits. The company concentrates on providing finance for investment goods, a considerable proportion of its capital requirements being obtained through long-term borrowing in the international capital market.

(continued on page 34)

	1981		1982				
	Mar. 31	Dec. 31	Mar. 8	Mar. 15	Mar. 23	Mar. 31	
Assets							
Gold and foreign exchange receivables	7 925	9 463	10 409	10 475	10 504	10 831	
Gold	1 073	1 382	1 382	1 382	1 382	1 382	
Special drawing rights	521	632	595	595	573	567	
IMF reserve tranche	380	394	394	394	394	394	
Foreign bonds	1 764	1 405	1 074	1 104	1 081	1 125	
Convertible currencies	4 135	3 686	4 123	4 357	4 501	4 645	
Tied currencies	52	1 064	2 841	2 643	2 573	2 718	
Other foreign receivables	1 540	1 606	1 606	1 606	1 606	1 606	
Mark subscription to Finland's IMF quota	1 540	1 606	1 606	1 606	1 606	1 606	
Receivables from financial institutions	6 887	3 690	3 794	5 311	4 462	3 891	
Banks' cheque accounts	621	495	363	402	444	380	
Call money market advances	4 978	1 796	1 924	3 448	2 579	2 032	
Till-money credits	688	768	840	782	770	756	
Bonds	553	594	631	639	639	693	
Other financial institution receivables	47	37	36	40	30	30	
Receivables from the public sector	1 112	1 236	968	969	970	971	
Government promissory notes	354	354	—	—	—	—	
Bonds	296	386	438	437	440	441	
Total coinage	447	483	517	518	519	520	
Other public sector receivables	15	13	13	14	11	10	
Receivables from corporations	3 559	4 549	4 612	4 625	4 648	4 701	
Financing of exports	1 526	1 754	1 675	1 689	1 714	1 734	
Financing of domestic deliveries	1 723	2 111	2 219	2 222	2 219	2 255	
Bonds	211	187	193	189	189	187	
Other corporate receivables	99	497	525	525	526	525	
Other assets	81	89	91	91	91	91	
	Total	21 104	20 633	21 480	23 077	22 281	22 091
Liabilities							
Foreign exchange liabilities	443	96	67	73	66	48	
Convertible accounts	28	41	64	69	65	48	
Tied accounts	415	55	3	4	1	0	
Other foreign liabilities	2 560	2 597	3 237	3 244	3 229	3 233	
IMF mark accounts	1 864	1 871	1 835	1 835	1 812	1 812	
Allocations of special drawing rights	696	726	726	726	726	726	
Term liabilities	—	—	676	683	691	695	
Notes and coins in circulation	4 960	5 595	5 218	5 168	5 118	5 175	
Notes	4 561	5 152	4 769	4 719	4 669	4 725	
Coins	399	443	449	449	449	450	
Deposit certificates in circulation	1 800	1 600	1 300	2 800	2 800	2 300	
Claims of financial institutions	5 183	3 797	4 699	4 779	4 028	4 553	
Banks' cheque accounts	1	0	6	1	1	1	
Call money market deposits	1 610	1 080	1 790	1 950	1 198	1 590	
Cash reserve deposits	3 472	2 492	2 638	2 622	2 622	2 644	
Capital import deposits	83	201	239	186	177	284	
Other financial institution claims	17	24	26	20	30	34	
Claims of the public sector	656	578	441	480	480	211	
Cheque accounts	1	1	1	1	1	1	
Counter-cyclical reserves	545	433	387	387	387	117	
Counter-cyclical deposits	88	143	3	3	3	3	
Capital import deposits	—	—	49	88	89	89	
Other public sector claims	22	1	1	1	0	1	
Claims of corporations	1 034	1 433	1 462	1 450	1 439	1 431	
Deposits for investment and ship purchase	813	1 425	1 263	1 253	1 245	1 239	
Capital import deposits	38	—	189	187	184	183	
Export deposits	176	0	—	—	—	—	
Other corporate claims	7	8	10	10	10	9	
Other liabilities	15	15	17	14	14	15	
Equalization accounts	2 126	609	702	728	760	772	
Capital accounts	2 327	4 313	4 337	4 341	4 347	4 353	
Primary capital	1 400	3 000	3 000	3 000	3 000	3 000	
Reserve fund	750	750	1 032	1 032	1 032	1 032	
Undisposed profits	113	—	281	281	281	281	
Net earnings	64	563	24	28	34	40	
	Total	21 104	20 633	21 480	23 077	22 281	22 091

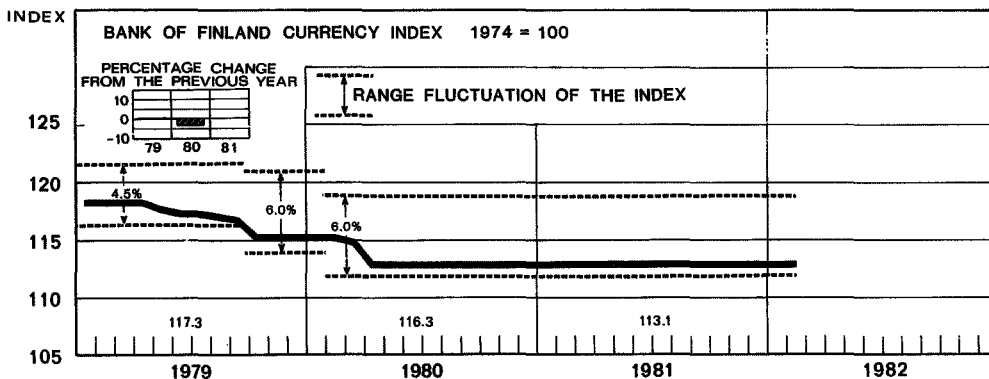
End of year or month	Foreign sector							Public sector				Deposit certificates in circulation
	Gold SDRs, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)		
	1	2	3	4	5	6	7	8	9	10	11	
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	
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	591	-634	1 900	
1981	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	578	-658	1 600	
1981												
March	1 974	1 764	4 107	7 845	-363	-1 020	6 462	1 112	656	-456	1 800	
April	1 974	1 726	4 698	8 398	-349	-1 020	7 029	1 116	667	-449	1 300	
May	1 974	1 708	3 777	7 459	315	-1 020	6 754	1 161	680	-481	300	
June	1 974	1 422	4 331	7 727	437	-1 020	7 144	1 155	696	-459	700	
July	2 150	1 400	4 109	7 659	1 166	-1 020	7 805	1 186	731	-455	600	
Aug.	2 142	1 420	4 154	7 716	1 362	-1 020	8 058	1 209	747	-462	450	
Sept.	2 129	1 582	3 687	7 398	1 435	-1 007	7 826	1 198	727	-471	450	
Oct.	2 131	1 597	2 908	6 636	1 472	-1 007	7 101	1 213	698	-515	750	
Nov.	2 090	1 498	3 065	6 653	1 878	-970	7 561	1 196	699	-497	1 550	
Dec.	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	578	-658	1 600	
1982												
Jan.	2 408	1 381	2 828	6 617	2 832	-991	8 458	1 262	434	-828	1 000	
Feb.	2 371	1 096	3 617	7 084	2 860	-1 638	8 306	970	435	-535	400	
March	2 343	1 125	4 597	8 065	2 718	-1 627	9 156	971	211	-760	2 300	

FOREIGN EXCHANGE POSITION

Mill. mk

	Net holdings, Dec. 31, 1981			Net holdings, Feb. 26, 1982			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Feb.	Jan.-Feb.
	Gold	1 382	—	1 382	1 382	—	1 382	—
Special drawing rights	632	—	632	595	—	595	-37	-37
IMF reserve tranche	394	—	394	394	—	394	—	—
Foreign bonds	1 405	—	1 405	1 096	—	1 096	-285	-309
Convertible currencies	3 646	-7 748	-4 102	3 617	-6 415	-2 798	+1 397	+1 304
Total	7 459	-7 748	-289	7 084	-6 415	669	+1 075	+ 958
Tied currencies	1 909	-122	1 787	2 860	-157	2 703	+46	+916
Grand total	9 368	-7 870	1 498	9 944	-6 572	3 372	+1 121	+1 874

End of year or month	Domestic financial sector							Corporate sector			Notes and coins in circulation
	Discounted and rediscounted 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
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
1980	—	480	3 674	290	3 317	-1 064	1 611	3 063	642	2 421	4 954
1981	—	495	1 796	1 080	2 492	-1 174	-107	3 865	749	3 116	5 595
1981											
March	—	620	4 978	1 610	3 472	-1 188	1 704	3 249	724	2 525	4 960
April	—	550	3 197	925	3 055	-1 141	908	3 290	782	2 508	5 033
May	—	576	2 717	1 340	2 783	-1 131	301	3 340	797	2 543	5 082
June	—	603	2 635	1 430	2 346	-1 303	765	3 441	1 167	2 274	5 212
July	—	610	1 876	1 240	2 396	-1 186	36	3 525	1 228	2 297	5 166
Aug.	—	610	1 916	1 770	2 429	-1 348	-325	3 517	1 263	2 254	5 089
Sept.	—	535	1 994	1 380	2 464	-1 155	-160	3 649	1 308	2 341	5 023
Oct.	—	561	2 443	780	2 469	-1 164	919	3 786	1 327	2 459	5 131
Nov.	—	607	3 218	1 430	2 476	-1 226	1 145	3 829	1 124	2 705	5 201
Dec.	—	495	1 796	1 080	2 492	-1 174	-107	3 865	749	3 116	5 595
1982											
Jan.	—	521	979	1 380	2 605	-1 119	-1 366	3 927	703	3 224	5 257
Feb.	—	388	1 972	2 020	2 638	-1 071	-1 227	3 928	868	3 060	5 272
March	—	379	2 032	1 590	2 644	-1 161	-662	3 989	719	3 270	5 175



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 mill. mk	Cash reserve deposits of the commercial banks mill. mk	Bank of Finland placements in the call money market, mill. mk	Base 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
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
1980	4 963	4 097	783	2 542	2 220	3 313	9.20	12.38	12.37	9.77
1981	4 087	2 754	595	2 795	2 442	2 161	9.25	11.48	11.61	9.84

1981

March	5 039	4 026	600	3 458	3 022	3 429	9.25	11.72	12.89	9.85
April	5 838	3 974	600	3 259	2 829	3 377	9.25	10.57	10.26	9.85
May	3 950	2 848	600	2 918	2 523	2 249	9.25	11.00	11.20	9.86
June	3 658	2 634	600	2 569	2 228	2 036	9.25	11.00	10.96	9.85
July	3 513	1 760	600	2 346	2 052	1 161	9.25	11.00	10.73	9.85
Aug.	3 115	1 678	600	2 393	2 099	1 080	9.25	11.45	10.58	9.85
Sept.	3 265	1 558	600	2 428	2 126	959	9.25	11.50	11.05	9.81
Oct.	3 544	2 032	600	2 459	2 151	1 434	9.25	11.50	11.37	9.81
Nov.	3 533	2 092	600	2 465	2 157	1 494	9.25	11.50	11.26	9.82
Dec.	3 941	2 850	600	2 473	2 164	2 253	9.25	11.30	11.74	9.84

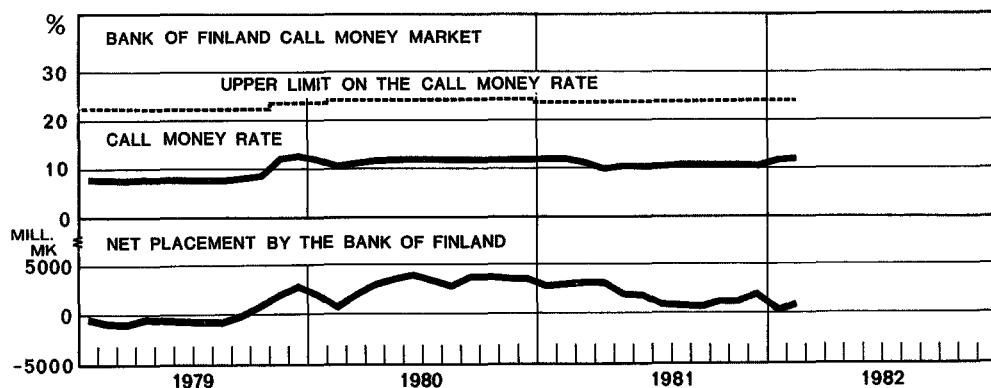
1982

Jan.	2 526	1 163	600	2 502	2 194	567	9.25	12.30	10.90	9.84
Feb.	2 760	1 518	400	2 603	2 286	1 121	9.25	12.45	11.95	..
March	3 059	1 305	400	2 630	2 290	906	9.25	11.56

See explanations on page 22.

¹ End of period.

² 1.9.—31.12.1975.



FOREIGN EXCHANGE RATES

Mill. mk

Average selling rates for foreign exchange, mk

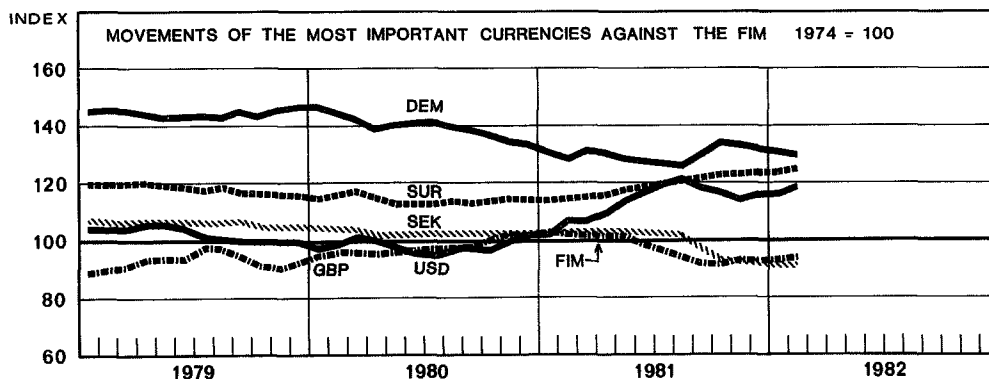
Period	New York	London	Stockholm	Oslo	Copenhagen	Frankfurt	Zurich	Paris	Moscow	Currency index 1974=100
	1 US \$ USD	1 £ GBP	100 Skr SEK	100 Nkr NOK	100 Dkr DKK	100 DM DEM	100 Sfr CHF	100 FF FRF	1 CI Rbl SUR	
	1	2	3	4	5	6	7	8	9	10
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	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
1980	3.730	8.691	88.43	75.81	66.53	205.58	222.87	88.65	5.741	113.6
1981	4.315	8.731	85.74	75.54	60.96	191.31	220.34	79.92	5.986	113.1

1981

March	4.072	9.098	88.65	75.78	61.78	193.33	211.94	82.26	5.810	113.1
April	4.151	9.061	88.76	76.20	61.37	192.38	210.91	81.66	5.825	113.1
May	4.321	9.047	88.51	76.52	60.18	188.58	209.60	79.04	5.922	113.1
June	4.448	8.805	88.34	75.62	59.90	187.41	214.73	78.97	5.951	113.1
July	4.543	8.546	87.97	74.82	59.78	186.54	217.10	78.75	6.028	113.1
Aug.	4.629	8.445	87.59	75.24	59.23	185.36	213.77	77.77	6.078	113.1
Sept.	4.504	8.197	83.48	75.79	61.25	191.31	222.42	80.18	6.127	113.1
Oct.	4.424	8.173	80.19	75.19	61.61	196.84	234.86	79.05	6.165	113.1
Nov.	4.354	8.301	79.70	75.18	61.11	195.91	244.06	79.98	6.188	113.1
Dec.	4.375	8.368	79.24	75.96	60.07	194.01	241.26	76.96	6.207	113.1

1982

Jan.	4.409	8.339	78.84	75.55	59.24	192.69	239.40	76.09	6.215	113.1
Feb.	4.515	8.352	78.49	75.76	58.03	191.08	239.02	75.25	6.265	113.1
March	4.574	8.275	78.51	76.02	57.01	192.48	242.70	74.70	6.307	113.1



DEPOSITS BY THE PUBLIC

Mill. mk

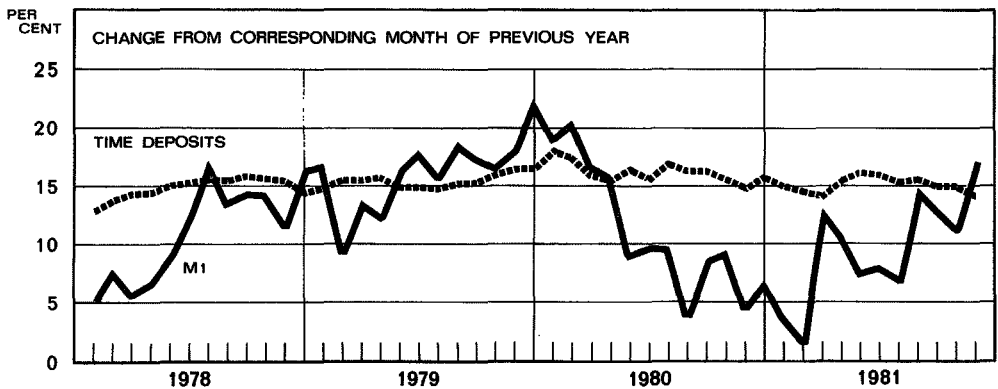
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All deposit banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	10
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	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
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180

1980

Nov.	4 410	2 155	2 669	9 234	21 658	19 618	15 416	6 256	62 948	72 182
Dec.	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	64 905	75 180

1981

Jan.	4 519	2 183	3 011	9 713	22 516	20 394	16 164	6 440	65 514	75 227
Feb.	3 999	2 123	2 848	8 970	22 492	20 683	16 485	6 578	66 238	75 208
March	4 522	2 036	3 913	10 471	22 405	20 581	16 420	6 652	66 058	76 529
April	4 552	2 189	3 366	10 107	23 119	20 851	16 673	6 732	67 375	77 482
May	4 334	2 391	3 035	9 760	23 800	21 177	16 919	6 769	68 665	78 425
June	5 424	2 434	2 956	10 814	23 803	21 451	17 094	6 863	69 211	80 025
July	4 728	2 577	3 102	10 407	24 316	21 818	17 485	6 957	70 576	80 983
Aug.	5 076	2 716	3 194	10 986	24 554	22 012	17 596	7 053	71 215	82 201
Sept.	5 070	2 804	3 226	11 100	24 239	22 056	17 723	7 058	71 076	82 176
Oct.	4 964	2 689	3 245	10 898	24 706	22 221	17 749	7 060	71 736	82 634
Nov.	5 386	2 689	3 115	11 190	24 732	22 280	17 892	7 080	71 984	83 174



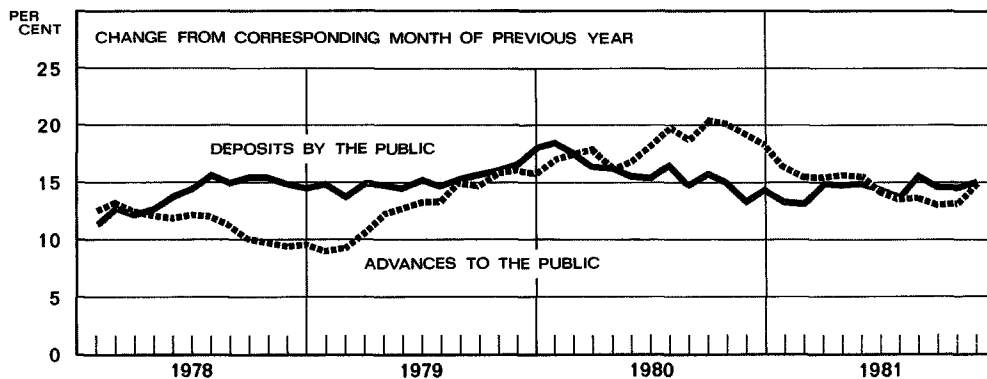
ADVANCES TO THE PUBLIC—MONEY SUPPLY

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
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
1980	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601

1980										
Nov.	35 789	18 920	16 491	10 166	69 911	2 543	8 912	81 366	13 757	78 488
Dec.	35 994	19 097	16 760	9 973	70 466	2 347	9 011	81 824	14 979	81 601

1981										
Jan.	35 612	19 269	16 849	10 004	70 763	2 564	8 407	81 734	14 307	81 615
Feb.	36 102	19 462	17 015	9 978	71 487	2 865	8 205	82 557	13 649	81 707
March	36 904	19 617	17 211	9 977	72 291	2 884	8 534	83 709	15 093	82 994
April	37 444	19 751	17 421	10 120	73 015	2 884	8 837	84 736	14 852	84 105
May	38 034	20 004	17 704	10 149	73 769	2 912	9 210	85 891	14 634	85 186
June	38 541	20 278	18 039	10 502	74 629	3 044	9 687	87 360	15 763	87 304
July	38 494	20 570	18 358	10 876	75 599	2 940	9 759	88 298	15 465	88 405
Aug.	39 011	20 845	18 686	10 474	76 295	2 948	9 773	89 016	15 856	89 507
Sept.	39 325	21 199	19 079	10 773	77 556	3 128	9 692	90 376	16 045	89 787
Oct.	40 172	21 466	19 363	10 797	78 871	3 168	9 759	91 798	15 876	90 234
Nov.	41 040	21 732	19 730	11 129	80 208	3 495	9 928	93 631	16 128	90 514



STATE FINANCES

Mill. mk

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1980	1981		1980	1981
Income and wealth tax (net)	12 784	16 134	Wages, salaries, pensions etc.	7 223	8 353
Gross receipts	(31 782)	(37 218)	Repair and maintenance	948	1 074
Refunds & local authorities	(-18 998)	(-21 084)	Other consumption expenditure	4 176	4 748
Other taxes on income and wealth	277	281	Total consumption expenditure	12 347	14 175
Employers' child allowance payments	98	58	State aid to local authorities	9 237	10 661
Sales tax	10 539	12 484	State aid to industries	6 622	7 477
of which: agric. price subsidies				(2 557)	(3 245)
Customs duties and import charges and levies	1 264	1 292	Child allowances	1 431	1 668
Excise duties	8 022	9 117	Share in national pensions and sickness insurance schemes	486	504
Excise duty on alcoholic beverages	2 405	2 743	Other transfer expenditure	5 315	6 420
Excise duty on tobacco	1 026	1 142	Total transfer expenditure	23 091	26 730
Excise duty on liquid fuel	2 596	2 761	Machinery and equipment	1 257	1 467
Other excise duties	1 995	2 471	Construction of buildings	701	703
Tax on autom. and motor-cycles	1 282	1 517	Land and waterway construction	1 714	1 841
Stamp duties	931	1 082	Total real investment	3 672	4 011
Special diesel etc. vehicles tax	151	174	Interest on State debt	973	1 284
Other taxes and similar revenue	967	1 155	Net deficit of State enterprises	-267	-128
Total taxes	36 315	43 294	Other expenditure	11	24
Miscellaneous revenue	2 828	3 105	Total other expenditure	717	1 180
Interest, dividends etc.	865	977	Increase in inventories	227	-122
Redemptions of loans granted	610	776	Lending	3 047	3 003
Total revenue	40 618	48 152	Other financial investment	421	497
Foreign borrowing	1 790	2 635	Total expenditure	43 522	49 474
Domestic borrowing	2 892	2 409	Redemption of foreign loans	186	352
Total borrowing	4 682	5 044	Redemption of domestic loans	1 206	1 349
Deficit (+) or surplus (-)	-386	-2 021	Total redemptions	1 392	1 701
Total	44 914	51 175	Total	44 914	51 175

State debt	1978	1979	1980	1981		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
Foreign debt	7 360	8 964	10 341	12 427	12 713	13 485
Loans	4 607	6 050	7 585	8 338	8 414	8 516
Compensatory obligations	1	—	—	—	—	—
Short-term credit	259	204	17	113	13	19
Cash debt (net)	-735	-596	-823	-1 214	-893	-961
Domestic debt	4 132	5 658	6 779	7 237	7 534	7 574
Total State debt	11 492	14 622	17 120	19 664	20 247	21 059
Total debt mill. \$	2 859	3 915	4 422	4 366	4 581	4 837

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
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
1980	52 795	58 250	-5 455
1981	60 308	61 269	-961

Indices of exports and imports
1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1976	117	96	103	
1977	129	88	119	124	96
1978	138	84	126	138	91
1979	151	99	142	159	89
1980	165	112	158	186	85
1981	170	105	175	208	84

1981

Jan.	4 998	4 496	+502
Feb.	4 433	4 403	+30
March	5 041	4 617	+424
April	4 657	4 918	-261
May	5 538	5 908	-370
June	5 306	4 858	+448
July	4 246	4 413	-167
Aug.	4 777	5 941	-1 164
Sept.	5 097	5 282	-185
Oct.	5 626	5 217	+409
Nov.	5 645	5 504	+141
Dec.	4 944	5 712	-768

1980

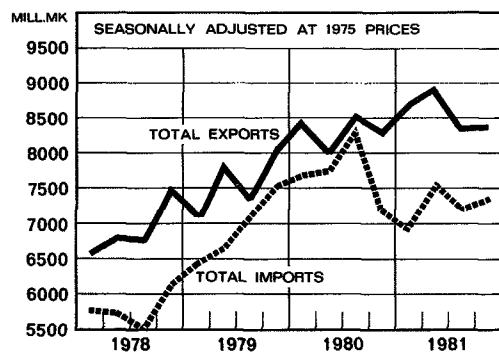
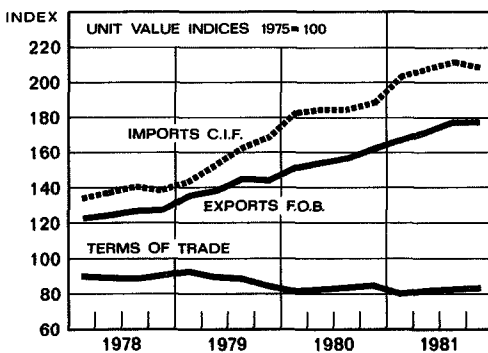
Jan.-March	166	105	152	184	83
Apr.-June	158	106	156	186	84
July-Sept.	160	120	159	186	85
Oct.-Dec.	177	112	164	190	86

1981

Jan.-March	169	94	169	206	82
Apr.-June	177	107	173	209	83
July-Sept.	156	105	179	214	84
Oct.-Dec.	179	112	179	210	85

1982*

Jan.	5 245	4 994	+251
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FOREIGN TRADE BY MAIN GROUPS

Mill. mk

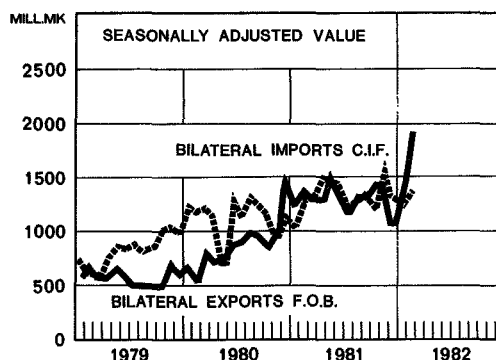
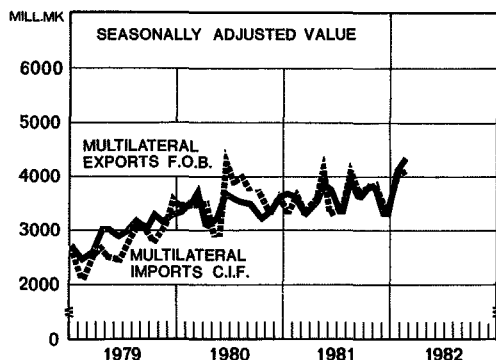
Period	Exports, f. o. b.					Imports, c. i. f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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
1980	1 403	7 742	15 751	11 546	16 353	38 622	4 088	7 989	7 440	111
1981	2 036	6 852	17 127	14 858	19 435	39 156	5 115	8 877	8 015	106

1981

Jan.	392	592	1 341	1 295	1 378	2 728	283	818	665	2
Feb.	104	526	1 324	1 044	1 435	2 831	238	619	701	14
March	299	557	1 387	1 069	1 729	2 933	209	799	669	7
April	72	570	1 502	1 050	1 463	3 126	273	750	767	2
May	318	644	1 378	1 678	1 520	4 210	344	682	668	4
June	89	717	1 363	1 371	1 766	2 993	621	665	565	14
July	87	504	1 453	1 164	1 038	2 641	588	614	537	33
Aug.	95	515	1 316	918	1 933	3 584	644	1 035	671	7
Sept.	103	536	1 560	1 028	1 870	3 455	561	588	674	4
Oct.	82	574	1 589	1 511	1 870	3 223	454	777	759	4
Nov.	70	579	1 514	1 513	1 969	3 614	474	705	707	4
Dec.	325	538	1 400	1 217	1 464	3 818	426	825	632	11

1982*

Jan.	59	460	1 461	1 427	1 838	3 143	224	991	630	6
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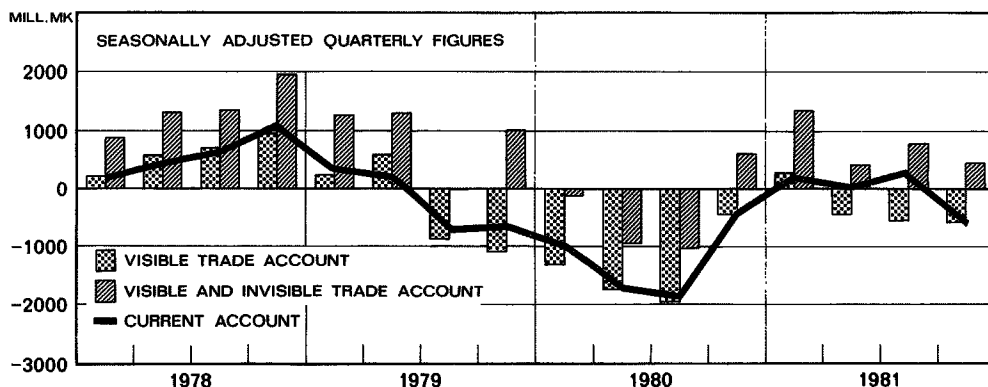
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f. o. b.				Imports, c. i. f.			
	January				January			
	1981*		1982*		1981*		1982*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	62.2	3 108	60.0	3 148	55.8	2 507	53.5	2 672
Austria	0.5	26	0.7	35	1.2	53	1.1	53
Belgium and Luxembourg	1.3	63	1.2	62	1.7	78	1.7	84
Denmark	2.7	134	5.3	276	2.2	99	1.8	90
France	5.1	253	5.9	311	4.1	186	3.1	157
Federal Republic of Germany	10.7	534	11.1	582	12.9	578	11.5	575
Italy	2.3	113	2.4	124	2.5	111	2.3	112
Netherlands	3.3	166	2.9	155	2.7	123	2.5	123
Norway	9.1	453	3.7	192	3.1	138	2.3	116
Portugal	0.3	16	0.2	10	0.5	21	0.4	22
Spain	0.8	40	0.7	38	0.8	36	0.6	30
Sweden	12.0	601	11.7	614	12.2	551	18.1	905
Switzerland	2.2	112	1.0	52	1.8	79	1.5	74
United Kingdom	10.6	532	10.0	525	9.0	405	6.1	305
Other	1.3	65	3.2	172	1.1	49	0.5	26
OECD countries outside Europe	6.5	327	6.0	313	14.9	668	12.5	624
Canada	0.5	28	0.8	43	0.6	29	1.5	73
Japan	1.7	83	0.8	39	4.6	206	4.9	245
United States	3.8	190	2.9	151	9.6	429	6.1	304
Other	0.5	26	1.5	80	0.1	4	0.0	2
CMEA countries	23.5	1 174	23.4	1 226	23.5	1 058	23.7	1 182
Czechoslovakia	0.2	10	0.1	7	0.7	32	0.6	29
German Democratic Republic	0.6	28	0.7	34	1.0	45	0.5	26
Poland	0.2	9	0.1	6	0.7	30	0.2	11
Soviet Union	22.0	1 100	21.6	1 133	20.1	903	20.8	1 039
Other	0.5	27	0.9	46	1.0	48	1.6	77
Latin America	1.0	50	1.1	62	1.7	78	1.0	50
Argentina	0.4	22	0.1	7	0.1	4	0.0	2
Brazil	0.2	9	0.2	12	0.6	27	0.3	15
Colombia	0.0	1	0.0	2	0.4	18	0.2	10
Other	0.4	18	0.8	41	0.6	29	0.5	23
Other	6.8	339	9.5	496	4.1	185	9.3	466
GRAND TOTAL	100.0	4 998	100.0	5 245	100.0	4 496	100.0	4 994
of which								
EFTA countries	24.3	1 212	17.3	908	19.3	867	23.6	1 176
EEC countries	36.8	1 837	41.6	2 180	35.4	1 593	29.3	1 463
OECD countries	68.7	3 435	66.0	3 461	70.6	3 175	66.0	3 296

BALANCE OF PAYMENTS

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- required transfers net	Other, net	Current account
1978	35 068	32 600	+2 468	+2 024	+141	+803	+5 436	-2 713	-211	+94	+2 606
1979	43 302	44 430	-1 128	+3 010	+157	+359	+2 398	-2 840	-430	+111	-761
1980*	52 860	58 315	-5 455	+3 029	+324	+605	-1 497	-3 308	-451	+70	-5 186
1981*	60 280	61 600	-1 320	+3 450	+400	+420	+2 950	-4 300	-400	+50	-1 700
1978											
Oct.-Dec.	10 406	9 163	+1 243	+588	-8	+273	+2 096	-746	-49	+31	+1 332
1979											
Jan.-March	9 683	9 168	+515	+652	-112	+318	+1 373	-656	-204	+24	+537
Apr.-June	10 847	10 193	+654	+745	+13	-71	+1 341	-963	-91	+25	+312
July-Sept.	10 210	11 573	-1 363	+792	+251	+76	-244	-671	-51	+33	-933
Oct.-Dec.	12 562	13 496	-934	+821	+5	+36	-72	-550	-84	+29	-677
1980*											
Jan.-March	12 787	13 608	-821	+870	-102	+326	+273	-787	-168	+6	-676
Apr.-June	12 470	14 027	-1 557	+557	+81	+103	-816	-723	-99	+34	-1 604
July-Sept.	12 865	15 641	-2 776	+845	+299	+119	-1 513	-765	-101	+12	-2 367
Oct.-Dec.	14 738	15 039	-301	+757	+46	+57	+559	-1 033	-83	+18	-539
1981*											
Jan.-March	14 472	13 613	+859	+904	-79	+78	+1 762	-998	-109	-7	+648
Apr.-June	15 495	15 764	-269	+916	+85	-154	+578	-1 259	-105	+6	-780
July-Sept.	14 103	15 711	-1 608	+887	+445	+382	+106	-1 015	-104	+10	-1 003
Oct.-Dec.	16 210	16 512	-302	+743	-51	+114	+504	-1 028	-82	+41	-565



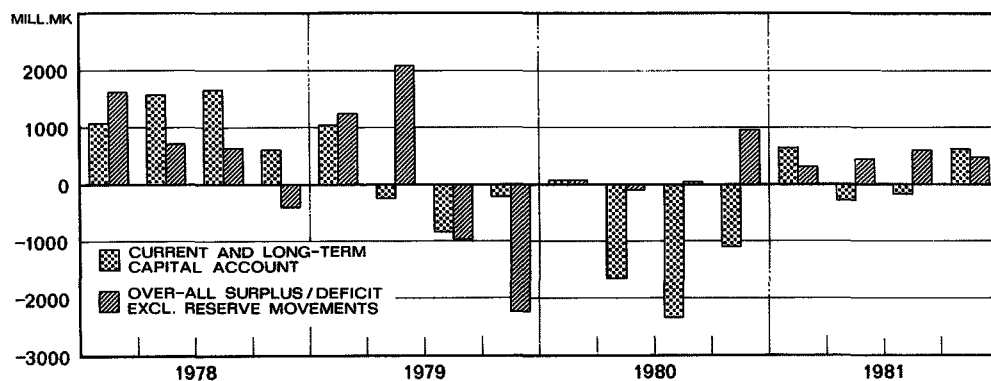
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term capital of authorized banks, net ²	Miscellaneous, short-term capital terms, incl. errors and omissions ²	Over-all surplus deficit excl. reserve movements ²	Bank of Finland foreign exchange reserves
+9 007	-5 743	-774	-225	+2 265	+4 871	+130	-2 188	-703	+479	+2 589	-2 589
+6 230	-4 843	-541	-337	+509	-252	+831	-834	+1 211	-834	+122	-122
+5 183	-4 140	-433	-428	+182	-5 004	+3 255	-967	+3 930	-219	+995	-995
+8 312	-4 643	-518	-651	+2 500	+800	-860	+1 820	+100	-57	+1 803	-1 803
+1 966	-2 067	-511	-119	-731	+601	+261	-692	-17	-549	-396	+396
+2 202	-1 626	-8	-46	+522	+1 059	-19	-63	+819	-564 ³	+1 232	-1 232
+1 267	-1 453	-218	-174	-578	-266	+39	-62	+1 966	+423	+2 100	-2 100
+1 258	-892	-336	+70	+100	-833	+422	-354	-1 100	+880	-985	+985
+1 503	-872	+21	-187	+465	-212	+389	-355	-474	-1 573	-2 225	+2 225
+2 108	-1 113	-171	-65	+759	+83	+302	-31	+518	-789 ³	+83	-83
+1 076	-997	-39	-86	-46	-1 650	+1 498	-32	+1 666	-1 577	-95	+95
+1 126	-913	-36	-146	+31	-2 336	+711	-452	+1 189	+942	+54	-54
+873	-1 117	-187	-131	-562	-1 101	+744	-452	+557	+1 205	+953	-953
+1 404	-955	-227	-232	-10	+638	-526	+789	+143	-735 ³	+309	-309
+1 948	-1 213	+11	-248	+498	-282	+788	+790	+70	-936	+430	-430
+1 932	-797	-91	-209	+835	-168	+51	-137	-582	+1 423	+587	-587
+3 028	-1 678	-211	+38	+1 177	+612	-1 173	+378	+469	+191	+477	-477

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

¹ Including direct investment, net.

² Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

³ Including allocations of special drawing rights: 139 million in 1979, 133 million in 1980 and 131 million in 1981.



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
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
1980*	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793
1981*	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138

1978

Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
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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

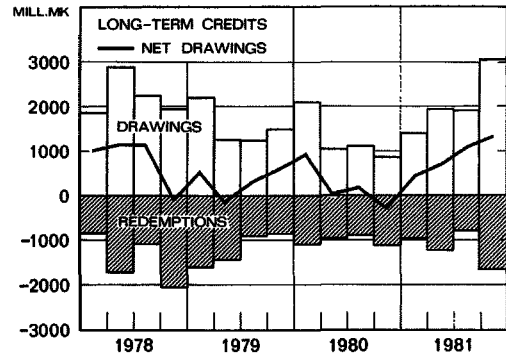
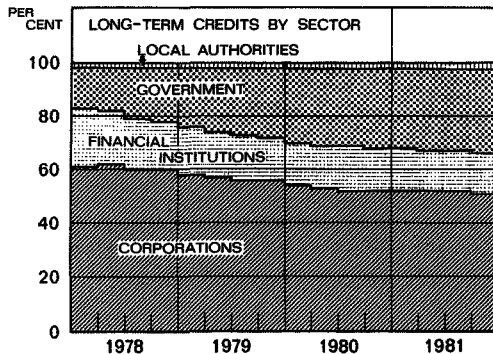
1980*

March	3 625	2 456	932	7 013	29 122	4 692	1 971	288	36 073	29 060
June	3 534	2 539	967	7 040	28 887	4 517	1 990	268	35 662	28 622
Sept.	3 594	2 649	972	7 215	29 251	4 482	2 029	278	36 040	28 825
Dec.	3 872	2 806	1 051	7 729	29 730	4 377	2 075	340	36 522	28 793

1981*

March	4 254	2 945	1 229	8 428	30 523	4 455	2 138	442	37 558	29 130
June	4 473	3 161	1 278	8 912	32 814	4 467	2 180	406	39 867	30 955
Sept.	4 559	3 329	1 282	9 170	34 414	4 377	2 168	392	41 351	32 181
Dec.	4 673	3 426	1 317	9 416	35 536	4 444	2 183	391	42 554	33 138

See explanations on page 22.

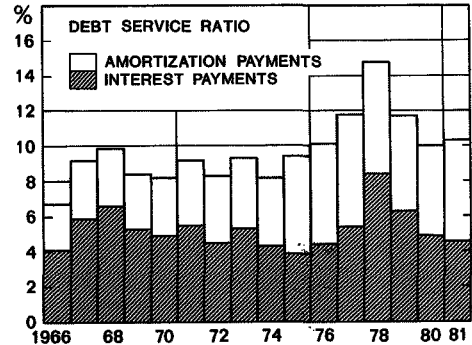
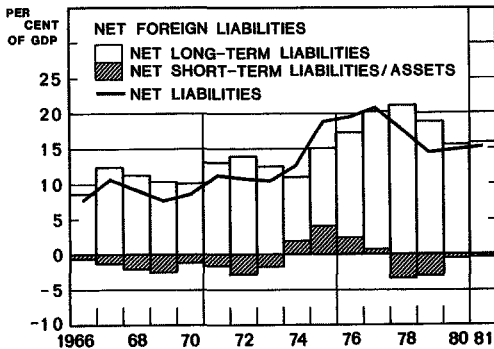


FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
6 545	4 731	8 698	19 974	1 478	6 379	7 309	15 166	-4 808	24 852	6 623	3 769
7 918	6 579	9 970	24 467	2 340	9 333	7 816	19 489	-4 978	23 697	6 457	3 472
9 895	9 560	12 532	31 987	3 089	16 240	11 849	31 178	-809	27 984	6 716	3 274
11 362	12 560	12 278	36 200	2 427	19 800	13 173	35 400	-800	32 338	7 864	3 494
6 545	4 731	8 698	19 974	1 478	6 379	7 309	15 166	-4 808	24 852	2 109	1 333
7 804	4 187	8 845	20 836	1 611	6 692	7 332	15 635	-5 201	24 761	1 970	1 284
9 871	4 053	9 131	23 055	1 604	8 404	7 476	17 484	-5 571	23 216	2 085	1 082
8 601	4 205	9 508	22 314	1 579	7 620	7 808	17 007	-5 307	22 824	1 315	604
7 918	6 579	9 970	24 467	2 340	9 333	7 816	19 489	-4 978	23 697	1 087	502
8 708	6 936	10 224	25 868	3 113	10 179	7 865	21 157	-4 711	24 349	1 756	937
9 279	7 133	10 509	26 921	3 727	11 970	9 545	25 242	-1 679	26 943	1 518	730
9 250	7 478	11 469	28 197	3 605	13 539	10 567	27 711	-486	28 339	1 554	761
9 895	9 560	12 532	31 987	3 089	16 240	11 849	31 178	-809	27 984	1 888	846
9 701	9 629	12 357	31 687	2 680	16 542	12 332	31 554	-133	28 997	1 749	732
10 125	10 853	12 299	33 277	2 437	18 080	14 037	34 554	1 277	32 232	2 170	897
10 817	11 776	12 288	34 881	2 403	18 487	14 227	35 117	236	32 417	1 631	595
11 362	12 560	12 278	36 200	2 427	19 800	13 173	35 400	-800	32 338	2 314	1 270

See explanations on page 22.



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1975 = 100						Building costs 1980 = 100 ¹		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1979	791	138.0	135.0	148.7	133.1	150.7	139.2			
1980	919	160.7	156.6	175.0	160.1	167.7	155.9	100.0	100.0	100.0
1981	1 044	182.4	178.6	196.0	185.3	185.3	173.3	110.1	109.6	110.0
1981										
June	1 042	182.1	177.7	197.7	185.2	184.8	172.4	109.7	109.6	109.5
July	1 048	183.1	179.0	197.5	185.7	187.0	173.8	110.3	109.6	110.4
Aug.	1 057	184.7	180.5	199.5	187.5	187.9	175.3	110.4	109.6	110.6
Sept.	1 064	185.9	181.9	200.2	189.0	189.8	175.3	112.2	112.8	111.8
Oct.	1 070	187.0	183.6	199.0	189.4	191.7	177.5	113.0	112.8	112.9
Nov.	1 085	189.6	187.2	197.7	193.0	192.2	179.1	113.1	112.8	112.8
Dec.	1 087	190.0	187.6	198.5	193.6	192.6	179.3	113.3	112.8	113.1
1982										
Jan.	1 095	191.4	189.3	198.7	195.3	194.2	179.8	113.9	113.0	113.8
Feb.	1 103	192.8	190.7	200.2	196.8	195.4	181.1	114.1	113.0	114.0

¹ New series.

Period	Consumer prices 1977 = 100										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1979	115.9	108.8	129.4	116.3	113.1	114.4	114.4	124.1	120.2	115.5	118.4
1980	129.3	122.8	140.9	131.9	122.4	141.1	127.4	137.6	136.4	123.4	132.6
1981	144.8	138.9	157.4	146.6	140.4	168.1	138.0	150.1	148.9	136.3	150.8
1981											
June	145.3	138.4	157.8	146.4	142.1	168.3	137.4	150.3	149.7	137.1	151.0
July	145.7	140.1	157.9	144.4	142.1	168.6	137.9	152.5	150.2	137.0	151.7
Aug.	146.2	139.8	157.9	146.7	142.1	171.5	138.6	152.6	150.0	139.2	152.2
Sept.	148.1	144.7	158.0	149.5	142.1	172.6	139.9	152.6	152.3	139.7	153.0
Oct.	149.4	146.4	158.0	150.6	146.7	172.8	141.1	154.2	151.3	140.2	154.4
Nov.	149.4	146.0	158.0	151.4	146.7	173.7	141.3	154.3	151.1	140.9	154.7
Dec.	149.9	145.6	158.0	151.9	147.2	177.9	141.7	154.9	152.4	141.1	154.9
1982											
Jan.	152.4	146.2	176.4	148.4	147.2	181.6	142.3	159.4	155.7	141.6	158.8
Feb.	153.1	147.5	176.4	151.1	147.2	182.7	142.9	161.2	156.2	141.8	159.5

WAGES

Index of wage and salary earnings 1975 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
1980*	178.6	170.4	146.3	165.8	161.9	156.1	169.8	166.1	167.3	166.7
1981*	201.4	192.0	164.6	185.9	182.8	174.1	191.9	187.2	188.9	188.0
1980*										
Oct.-Dec.	189.3	178.9	153.9	173.7	169.8	162.8	178.8	174.6	175.9	175.3
1981*										
Jan.-March	191.0	183.1	158.1	179.0	176.9	168.9	182.9	179.7	180.3	180.0
Apr.-June	199.6	194.1	163.7	184.9	182.4	173.4	192.2	186.7	189.6	188.1
July-Sept.	201.1	193.5	166.9	187.6	184.0	175.4	194.1	189.1	190.9	190.0
Oct.-Dec.	211.0	197.2	169.8	192.1	187.7	178.7	198.2	193.3	194.8	194.0

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
1979										
July-Sept.	106	105	161	70	97	86	113	103	120	109
Oct.-Dec.	119	126	77	148	119	90	127	111	122	115
1980*										
Jan.-March	112	126	73	145	79	87	110	96	124	112
Apr.-June	114	126	83	139	79	89	112	104	124	117
July-Sept.	115	116	187	89	111	86	123	106	125	113
Oct.-Dec.	124	135	80	152	121	86	131	114	127	119
1981*										
Jan.-March	113	128	71	137	79	85	112	96	128	115
Apr.-June	117	129	87	144	76	88	121	106	128	120
July-Sept.	115	117	150	73	106	84	127	105	130	116

PRODUCTION

Index of industrial production 1975 = 100

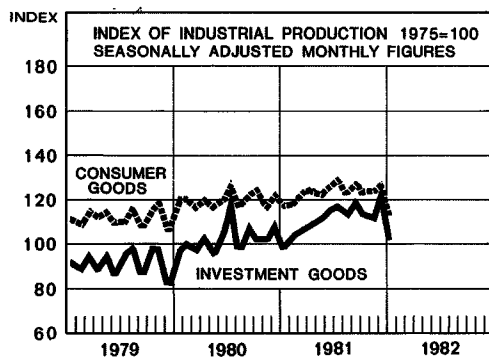
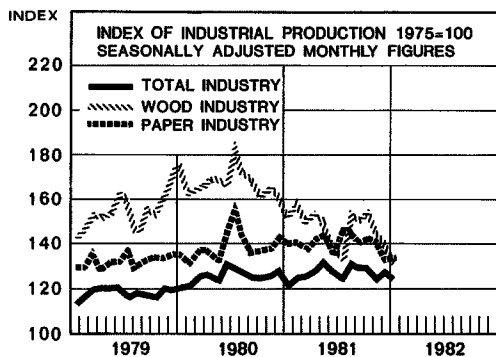
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1978	107.0	85.6	108.1	111.9	103.9	130.3	118.2	109.6	93.5	99.6	108.2
1979*	118.3	93.7	113.7	127.0	110.8	155.6	134.0	123.7	102.3	110.3	119.0
1980*	127.2	104.8	121.8	135.9	118.0	169.1	141.1	137.2	112.9	122.4	126.7
1981*	129.0	113.6	125.1	135.1	120.5	148.7	142.5	148.2	104.2	128.9	129.3

1981*

Jan.	130.3	106.8	126.2	138.7	107.0	146.5	150.3	151.0	104.4	124.4	123.2
Feb.	125.0	108.6	118.6	132.5	100.0	154.2	137.6	142.8	105.5	124.4	126.6
March	136.9	117.0	134.6	143.5	115.6	172.2	148.9	170.1	109.0	131.6	126.5
April	128.4	107.2	127.1	134.8	117.5	176.1	130.0	157.9	106.8	125.7	128.8
May	135.6	120.9	129.3	142.7	121.7	178.4	148.2	157.6	110.6	139.1	133.6
June	123.2	118.1	121.6	125.3	118.9	148.1	111.5	153.3	108.4	135.3	128.6
July	87.9	60.6	80.1	99.0	113.0	67.8	146.6	103.3	71.5	67.7	126.0
Aug.	129.5	112.5	125.9	135.9	118.0	138.2	156.6	156.8	102.2	123.7	132.5
Sept.	138.6	127.5	132.7	144.3	130.8	166.0	144.4	152.0	115.4	144.0	130.7
Oct.	143.6	127.7	140.8	149.3	145.6	160.1	156.8	149.5	112.5	144.2	130.4
Nov.	136.5	123.5	133.6	141.4	135.5	145.8	150.0	157.7	108.2	141.0	125.9
Dec.	131.8	130.0	130.5	133.0	123.0	127.8	129.0	125.9	96.3	143.2	129.7

1982*

Jan.	126.6	108.7	120.3	134.4	105.7	115.8	143.9	135.4	86.6	128.6	125.1
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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
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
1980	3 606	2 315	2 203	112	4.8	38 283	119	141
1981*	3 629	2 369	2 244	125	5.3	39 488	122	140
1981*								
April	3 623	2 272	2 158	114	5.0	4 564	120	132
May	3 624	2 333	2 215	118	5.1	3 588	123	143
June	3 623	2 542	2 415	127	5.0	2 184	122	136
July	3 625	2 556	2 422	134	5.2	1 600	128	125
Aug.	3 627	2 454	2 330	124	5.1	1 732	122	138
Sept.	3 639	2 363	2 245	118	5.0	2 793	123	156
Oct.	3 641	2 352	2 230	122	5.2	3 440	128	156
Nov.	3 642	2 349	2 223	126	5.4	3 679	116	138
Dec.	3 644	2 337	2 205	132	5.6	4 370	160	159
1982*								
Jan.	3 648	2 376	2 204	172	7.2	3 278

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											
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
1980*	50.53	19.66	5.43	18.41	3.99	42.34	17.05	4.73	14.56	3.81	50.82
1980*											
July-Sept.	11.97	4.69	1.01	4.49	0.91	11.71	3.80	1.48	4.33	1.23	53.72
Oct.-Dec.	11.09	3.38	0.74	5.10	1.29	13.49	5.80	1.65	4.37	1.15	50.82
1981*											
Jan.-March	7.17	2.85	0.90	2.47	0.49	7.91	3.50	0.54	2.81	0.80	45.82
Apr.-June	16.83	7.54	2.79	4.56	0.80	6.99	3.34	0.52	2.29	0.49	51.97
July-Sept.	10.88	4.42	1.15	3.45	0.98	8.47	3.00	1.16	2.64	0.95	54.60

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 overdrafts.

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 base 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 base 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 Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. 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 development credits + 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, excl. amortisation payments of the Bank of Finland's reserves and oil credits.

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 and 1979 debt service does not include amortisation of the Bank of Finland's reserve and oil credits.

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: Investments goods weight 15.2, other producer goods weight 58.2, and consumer goods weight 26.6. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.7, manufacture of wood, and wood and cork products (SIC 331-2) 5.1, manufacture of paper and paper products (SIC 341) 12.3, manufacture of industrial chemicals (SIC 351-2) 5.3, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.9, and metal industry (SIC 37—38) 31.9.

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — CONSTRUCTION OF BUILDINGS

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 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. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 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%) area 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 (1979): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1979): In South Finland 46.6, 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 (1979): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital, 483 743 inhabitants, Tampere (Tammerfors) 165 883, Turku (Åbo) 163 903.

EMPLOYMENT (1979): Agriculture and forestry 12%, industry and construction 34%, commerce 14%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 26%.

LANGUAGE (1979): Finnish speaking 93.6% Swedish speaking 6.3%, others 0.1%.

EDUCATION (1980): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 15 colleges of university standard.

CHANGE OF POPULATION (1979): births 13.3‰, deaths 9.2‰, change + 2.3‰, net immigration - 1.9‰. Deaths in France 10.1‰ and Great Britain 11.9‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1980), in million marks: Gross domestic product at factor cost by industrial origin; agriculture 6 863 (4%), forestry and fishing 8 330 (5%), manufacturing 54 285 (33%), construction 12 102 (7%), trade, restaurants and hotels 19 169 (11%), transport and communication 13 557 (8%), banking and insurance 6 613 (4%), ownership of dwellings 11 048 (7%) other services 34 146 (21%), total 166 113. Index of real domestic product 118 (1975 = 100).

FOREST RESOURCES (1980). The growing stock comprised of 1 631 million m³ (solid volume with bark) of which 44% was pine and 38% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 690 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 65 million m³ and the total drain calculated on the basis of roundwood consumption was 59 million m³.

AGRICULTURE (1980). Cultivated land 2.3 million hectares. Number of holdings 224 721 of which 155 277 are of more than 5 ha. Measure of self-sufficiency in bread cereals 70%.

INDUSTRY (1980). Gross value of industrial production 170 869 mill. marks, number of workers 419 404, salaried employees 140 613, motive power (1979) 7.7 mill. kW. Index of industrial production 127 for 1980 (1975 = 100).

STATE RAILWAYS (Dec. 31, 1981): Length 6 976 km.

MERCHANT FLEET (Dec. 31, 1981): Passenger vessels 148 (263 673 gross reg. tons), tankers 45 (1 281 984 gross reg. tons), dry cargo vessels 193 (918 246 gross reg. tons), other vessels 97 (15 035 gross reg. tons), total 483 (2 478 938 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1980): Passenger cars 1 225 931 lorries and vans 149 151, buses 8 963, others 8 782, total 1 392 827.

FINNISH AIRLINES (April 1, 1982): Finnair and Kar-Air have in use 2 DC-8, 1 DC-6-ST, 3 Super Caravelles, 9 DC-9-14/15, 5 DC-9-41, 12 DC-9-51, 3 DC-10-30, 2 Fokker F-27 and 2 Empraer Bandeirante. Companies have scheduled traffic outside of Finland to 38 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 22.6, Skr 16.4, £ 13.3, DM 12.4, \$ 10.4, other currencies 24.9. 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, 1981). There are two big and five small commercial banks with in all 891 offices, 274 savings banks, 371 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-five 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 ¼%. Other credit institutions: time deposits 5%; 6 month deposits 6 ¼%; 12 month deposits 7 ¾%; 24 month deposits 9% and sight deposits 2%. The highest lending rate 12 ½%.

THE FINNISH ECONOMY: TRENDS, PROBLEMS AND PROSPECTS

by Dr. Ahti Karjalainen
Chairman of the Board of Management
of the Bank of Finland

INTRODUCTION

The period from the Second World War to the early 1970s stands out in Finnish economic history as one of rapid growth and large structural changes. In its speed and extent, this process was one of the fastest and most thoroughgoing in the OECD area. In the latter half of the 1970s, however, Finland, like industrialized countries in general, witnessed a slowing down of economic growth. Since 1973 GDP growth has averaged only 2.5 per cent per annum. The limits to growth posed by the world economy have thus come to be felt to an increasing extent in Finland.

The rapid and relatively stable growth of the world economy offered a favourable environment for the development of Finland into the services-dominated welfare society of today. Between 1950 and 1980 real national income per capita tripled, and is now at the average level for the OECD countries. Over the same period the share of exports in gross domestic product increased from 18 per cent to 34 per cent. Success in international competition required fundamental changes in the structure of the economy. At the beginning of the 1950s the degree of industrialization was clearly below the average for European countries. Internationally, the only export sector of any significance was the forest industry, the share of wood and wood-based products in total commodity exports at that time being almost 90 per cent.

During this period the equilibrium of the economy was subjected to persistent pressures. Investment almost invariably exceeded domestic saving, so that there was a structural

deficit in the current account. Despite rapid growth, the creation of new jobs in industry, construction and services was insufficient to offset the sharp decline in the demand for labour in the primary sector, and the 1950s and 1960s, in particular, saw fairly heavy emigration. The Finnish economy has also been quite prone to cyclical variations and inflation. Both export volumes and prices have fluctuated greatly and variations in export income have been reflected in business investment as well as in wage and other income claims.

Consequently, the main emphasis in Finnish stabilization policy has, by necessity, been on price competitiveness and restoration of ex-

TABLE 1 A. PERCENTAGE DISTRIBUTION OF LABOUR FORCE BY MAIN INDUSTRY GROUPS IN 1950, 1960, 1970 AND 1980,

	1950	1960	1970	1980
Primary production	46	36	20	11
Secondary production	27	30	34	35
Tertiary production	27	34	46	54
Total (1 000 persons)	1 984	2 038	2 118	2 201

TABLE 1 B. PERCENTAGE DISTRIBUTION OF GROSS DOMESTIC PRODUCT BY INDUSTRIES IN 1950, 1960, 1970 AND 1980

	1950	1960	1970	1980
Primary production	25.9	18.5	12.8	9.2
Secondary production	40.3	38.3	39.6	40.0
Manufacturing	27.8	25.2	27.1	28.8
Forest industry	7.3	6.5	7.1	7.2
Metal and engineering industry	6.5	7.4	8.3	9.3
Other branches	14.0	11.3	11.7	12.3
Tertiary production	33.8	43.2	47.6	50.8
Private services	25.0	33.8	35.1	35.7
Public services	8.8	9.4	12.5	15.1
Total (FIM 1 000 million, at current prices)	4.8	14.4	40.2	166.1

TABLE 2. AVERAGE ANNUAL GROWTH RATES OF THE MAIN COMPONENTS OF DEMAND AND SUPPLY IN SELECTED PERIODS, PER CENT

	1950— 69	1960— 69	1970— 79	1950— 81
Exports	6.9	7.1	5.6	6.3
Total domestic demand	5.1	5.0	3.5	4.4
Private consumption	4.3	5.2	3.4	4.1
Private fixed investment	5.6	5.0	2.3	4.3
Public demand	5.4	4.6	4.4	4.7
Imports	10.0	8.0	4.4	7.2
GDP	4.7	5.4	3.8	4.4

ternal balance. There have been several occasions during the past decades when stabilization has proved very successful in enhancing the prerequisites for growth. By contrast, there has been less success in evening out cyclical fluctuations in output and employment.

DEVELOPMENT INTO AN INDUSTRIALIZED ECONOMY

THE PERIOD OF REGULATED FOREIGN TRADE

The postwar period of global reconstruction was a favourable one for Finnish exports, and during the Korean War boom prices of forest industry products rose in line with those of other raw materials. Foreign trade was nevertheless regulated until the late 1950s. Under these circumstances, the current account had to be kept in balance within the limits set by export earnings, since foreign finance was not available for financing investment. However, the problem of balancing foreign trade was eased by the brisk trade with the Soviet Union, which has traditionally been conducted on a bilateral basis. When in 1957 the liberalization of foreign trade was finally completed, a substantial devaluation of the mark was carried out at the same time with the aim of improving the international competitiveness of Finnish goods.

THE PERIOD OF ECONOMIC INTEGRATION AND BUOYANT GROWTH

Efforts to reduce trade barriers in Europe and to bring about a more efficient utilization of productive resources took concrete form in 1957 with the establishment of the European Economic Community. Most of the western European countries that had remained outside the Community responded by forming their own free trade area. Among Finland's important trade partners joining the new customs union EFTA were the United Kingdom and the Scandinavian countries. To secure her position, Finland reached an agreement with EFTA in 1961 on tariff concessions corresponding to those granted to ordinary members. Similarly, Finland concluded an agreement with the Soviet Union on the reduction of trade barriers.

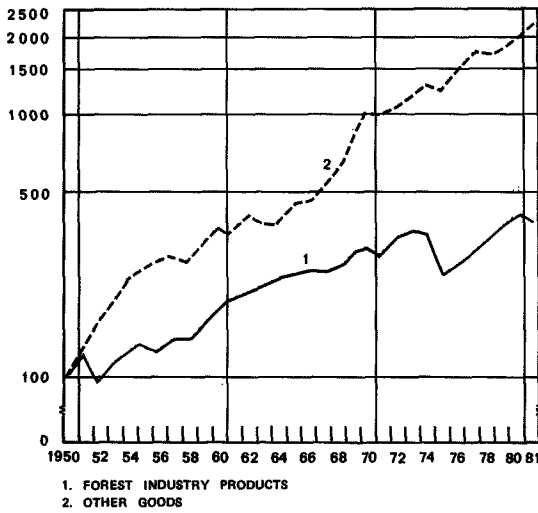
As early as the mid-1950s Finland had concluded an agreement with the other Nordic countries on the free mobility of labour within the Nordic area. The opening up of the economy, in so far as the labour market and foreign trade were concerned, posed a strong growth challenge for Finland, as income levels in Finland lagged far behind those in competitor countries. Competition for labour left economic policy with few options other than the pursuit of rapid growth. Employment for new entrants to the labour market and for the labour released from the primary sector would have to be found by rapidly expanding other sectors, especially as high income levels in Sweden offered a further inducement to emigration.

With the liberalization of foreign trade, the Finnish economy entered a period of exceptionally rapid growth, which lasted until the first energy crisis. Between 1958 and 1973 annual GDP growth amounted to 5 per cent on average. The increasing openness of the economy was seen in the expansion of both exports and imports as well as in the diversification of the commodity structure and of markets.¹

Notwithstanding these developments the forest industry has remained a key source of foreign

¹ See front article.

CHART 1. VOLUME INDEX OF COMMODITY EXPORTS IN 1950—1981, 1950 = 100



exchange earnings. Furthermore, it has enabled Finland to become one of the world's leading nations in the development, manufacture and export of production technology for the forest industry. The fact that forest industry products still account for about 40 per cent of Finland's total commodity exports tends to sustain the view that Finnish exports lack diversity. Seldom is due recognition given to the very rapid expansion of other exports and their growing share in total exports.

In line with fluctuations in the growth rate of exports, the economy as a whole was characterized by sharp cyclical variations. In the first half of the 1960s, Finnish industry experienced a vigorous investment boom and investment activity was also brisk in other sectors of the economy. Starting in the early 1960s capital imports became quite an important source of finance for investment.

After the mid-1960s the demand for forest industry products was fairly weak and their prices declined in relative terms. Moreover, an inflation rate higher than the European average weakened firms' profitability and their scope for investment. Together, these factors led to a severe recession in Finland. To restore external competitiveness, Finland had to resort to a substantial devaluation of the mark in

1967. At the same time a strict stabilization policy was adopted in which incomes policy was assigned an important role. Inflation was kept in check for a few years and price competitiveness improved appreciably.

Economic growth was at its fastest in 1969—1973 and was accompanied by the rapid diversification of the production structure. During the long upswing of the early 1970s, labour shortages began to appear in certain branches. The fact that productive capacity was being utilized to the full together with favourable prospects induced a new wave of investment in industry. At the same time, extensive investment projects in infrastructure were in progress, principally in energy production. Facilitating the brisk growth of investment was the fact that Finnish firms had become established as borrowers in international capital markets.

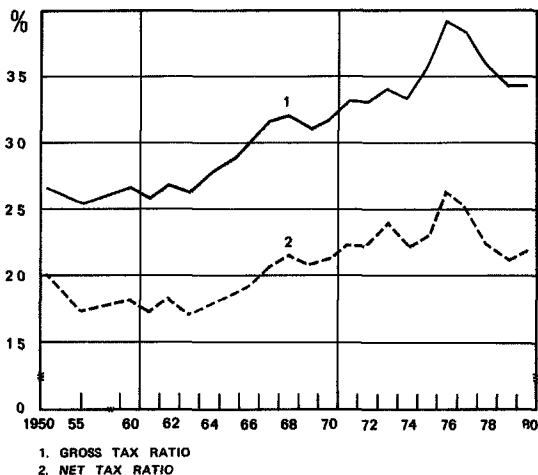
Optimism was further enhanced by the continuation of economic integration in Europe. It was in this context that Finland concluded an agreement with the EEC on the gradual removal of customs duties. In addition, Finland concluded similar agreements with the Soviet Union and other CMEA countries on the removal of trade barriers.

THE DEVELOPMENT AND SIGNIFICANCE OF THE PUBLIC SECTOR

The brisk growth of income eased the financial position of the public sector, and about a decade ago a wideranging programme of reforms got under way in public services. Especially in education and health care the growth of public services has been rapid. At present the public sector covers most of the costs of these activities. In both quantitative and qualitative terms, the provision of public services compares favourably with that in leading developed economies. There has also been intensive development of various public schemes providing security of income.

The growth of the public sector as measured by the ratio of taxes to GDP or by the share of

CHART 2. RATIO OF GROSS AND NET TAXES TO GDP, 1950—1980, PER CENT



reached 40 per cent in the mid-1970s. In recent years, however, it has been possible to lower the ratio somewhat.

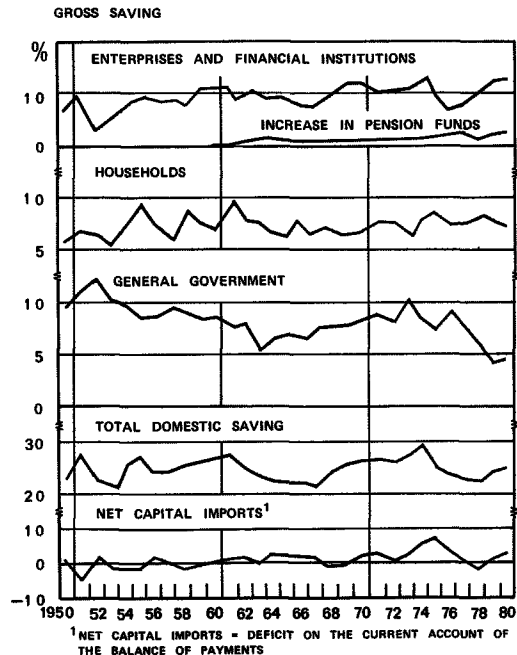
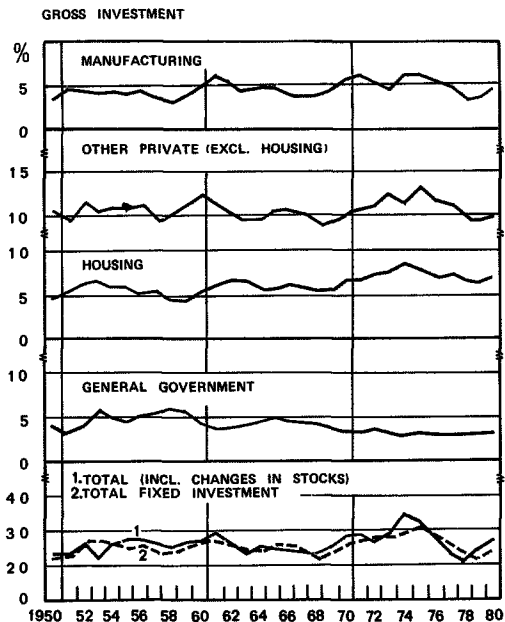
As in many other industrial countries, state-owned industrial enterprises have been established in branches of large scale capital-intensive production such as energy supply, chemical and metal industries. Even so, the share of the private enterprises in industrial production amounts to approximately 80 per cent. In the finance of investment the central government is an important source of credit for residential investment and to some extent also for agriculture, forestry and manufacturing.

public expenditure in GDP has shown the same upward trend in Finland as in other western industrial countries. However, the public sector's share in GDP is markedly lower in Finland than in, for instance, the other Nordic countries. From the 1950s to the mid-1960s the gross tax ratio rose from 26 per cent to 30 per cent, but thereafter the rate of increase accelerated so that the ratio

THE EQUILIBRIUM OF THE ECONOMY UNDER STRAIN

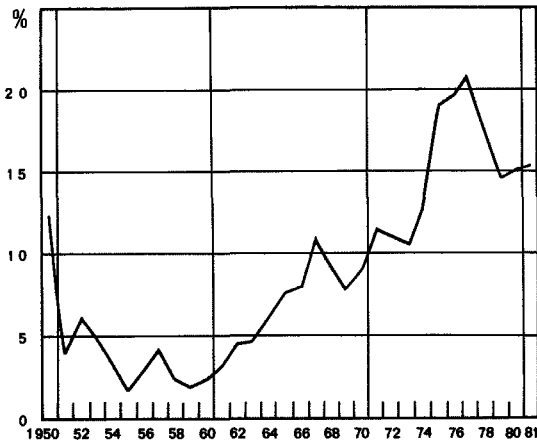
The rapid growth and diversification of production has required a fairly high rate of investment. The expansion of forest and metal industries utilizing domestic raw materials as well as of industries substituting imports of certain essential production inputs meant that

CHART 3. MAJOR COMPONENTS OF INVESTMENT AND FINANCING IN 1950—1980, PER CENT OF GDP



¹ NET CAPITAL IMPORTS = DEFICIT ON THE CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS

CHART 4. NET FOREIGN DEBT AS PER CENT OF GDP, 1950—1981



the emphasis in investment has been on capital-intensive sectors. In addition to industrial investment, substantial investment was required for developing the economic infrastructure, notably energy supply, communications, dwellings and public services.

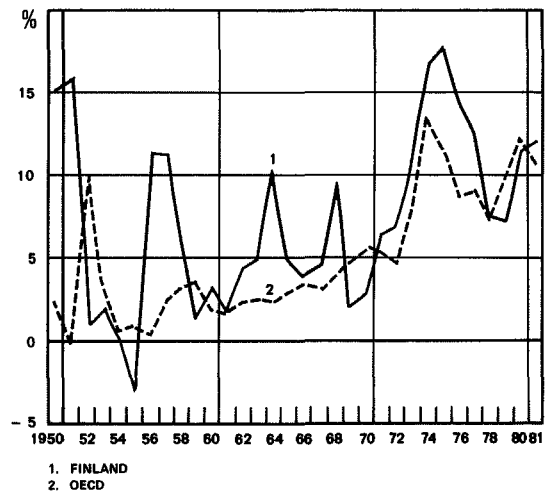
Especially in the 1950s public sector saving played a central role in securing financial equilibrium in the economy. When the employment pensions system was introduced in the 1960s, pension insurance funds also became a notable source of finance for investment. Despite the relatively high level of domestic savings the rapid expansion of investment sustained pressures for borrowing from abroad. The use of foreign credits has made it possible to carry out the desired structural changes faster than domestic saving alone would have allowed and increased the room of manoeuvre for cyclical policy.

The rate of inflation has constantly tended to be somewhat higher in Finland than in her main competitor countries. Because of the structure of foreign trade, strong inflationary impulses have on occasions been emitted by foreign trade prices. Furthermore, various institutions in the economy have contributed to the spreading of inflationary pressures. Income agreements have often been centralized, covering all wage and salary earners and even

other forms of income. This has resulted in comparatively uniform income developments, often following developments in the most profitable sector and thus creating inflationary pressures elsewhere in the economy. The problem is not peculiar to Finland, but it is one which has also been observed in some other countries where labour market institutions and the structure of the economy resemble those in Finland.

Although the initial impetus to migration came from structural changes, it became a partly self-sustaining force, independent of developments in the total economy, since changes in the population base began to have important consequences for development prospects in different parts of the country. Migration pressures also led to emigration, and during the 1950s and 1960s Finland lost approximately 200 000 persons through emigration to Sweden. Stemming this flow became one of the central aims of economic policy. The first regional policy laws were enacted in 1966. Especially in the 1970s regional policy measures succeeded in curbing the worsening of regional disparities in development, and in some cases even reduced them.

CHART 5. CONSUMER PRICES IN FINLAND AND THE TOTAL OECD AREA IN 1950—1981, AVERAGE PERCENTAGE CHANGE FROM PREVIOUS YEAR



FROM A STABLE INTERNATIONAL ENVIRONMENT TO ENERGY CRISES

At the beginning of the 1970s, there was considerable optimism in both Finland and the world in general that rapid economic growth could continue, particularly as the western industrial countries were then experiencing a vigorous boom. However, changes were beginning to take place in the international environment, the true significance of which was not immediately recognized. The Bretton Woods system of fixed exchange rates disintegrated in 1971, ushering in a period of floating exchange rates. Although in principle the new arrangements allowed more flexibility for a single country, rapidly changing exchange rates were a factor giving rise to considerable uncertainty in the world economy. The prolonged boom caused a generalized rise in raw material prices in 1972 and 1973. The period of more than 20 years during which natural resources had been wastefully exploited and in which raw material and energy prices had declined in real terms came to an end with the first oil crisis.

The impact of the first oil crisis on the Finnish economy proved somewhat contrary to expectations. The international raw materials boom strengthened the demand for forest industry products with the result that prices soared. In 1974, foreign trade prices rose over 40 per cent in Finland and the terms of trade even improved in 1974—75. The increase in the oil bill largely occurred in the bilateral trade with the Soviet Union, thus providing scope for expanding exports. This was also a factor alleviating the recessionary impact of the oil crisis on output and employment.

Following in the wake of sharply higher export prices, nominal incomes rose rapidly in the domestic economy and there was serious overheating in demand. Investments were implemented at a fast pace, so that the investment rate rose to a record level of 35 per cent in 1974 and was only marginally lower the following year. However, the high level of export prices proved to be transitory and as

export demand weakened so, too, did prices. In 1975, the current account deficit amounted to as much as 8 per cent of gross domestic product. The employment situation began to deteriorate towards the end of 1975. Firms were hit by a profitability crisis and this led to an unexpectedly sharp rise in unemployment. Exacerbating the unemployment situation was the fact that as the recession grew longer firms began shedding labour hoarded during the boom.

RESTORATION OF BASIC EQUILIBRIUM

From late 1975 onwards, the restoration of external balance and the curbing of inflation became the main objectives of economic policy in Finland, with the result that very little scope remained for supporting domestic demand and employment. By means of a tight financial policy it proved possible to reduce the current account deficit to about 4 per cent of gross domestic product in 1976, that is, to one half of what it had been the previous year. Furthermore, inflation slowed down, but was still relatively high by international standards. The employment situation weakened continually, and especially in the winter of 1977 unemployment increased sharply.

The improvement of the external balance of the economy continued in 1977 and this, coupled with some success in curbing inflation, meant that there was now more room for measures designed to support demand and employment. The policy pursued since then can be described as one of positive adjustment, in which some features of supply-side policy are discernible. The primary aim of recovery policy was to improve firms' competitiveness and profitability and to enhance the efficiency of market forces.

An immediate improvement in external competitiveness was achieved by devaluing the mark twice in 1977 and again in early 1978, in all by approximately 17 per cent. Operating conditions for firms in the private sector were further improved by reducing indirect labour

costs, which were particularly burdensome in labour-intensive production. To boost industrial investment, indirect taxation of investment goods was alleviated. Direct assistance to firms was minimal, primarily taking the form of temporary employment assistance for the reduction of unemployment among young people.

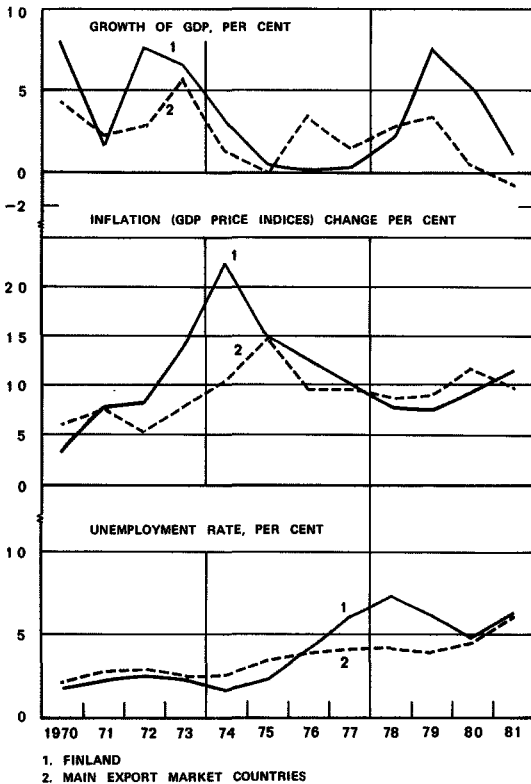
Household income formation was supported by measures which aimed at reducing the pressures for higher nominal incomes and at breaking inflationary expectations. Since 1977 progressive income tax scales have been adjusted to prevent the tightening of taxation due to inflation. A rather exceptional development in Finland as compared with other countries was a downward trend in the gross tax burden during the second half of the 1970s. Another policy aim has been to restrict the growth of public expenditure. The central government and the municipalities have con-

cluded several agreements which set quite narrow limits on the expansion of public demand.

One result of the recovery policy was that central government deficits increased also in Finland. The gross long-term debt of the central government is, however, only a little more than 10 per cent of GDP, which is still fairly low when compared internationally.

The first fruits of stabilization and recovery began to be borne in 1979—80 when economic growth rate figures were among the highest for the industrial countries. Moreover, rapid growth was not accompanied by the current account problems which typically followed booms in earlier cycles. Finland's external indebtedness measured as the ratio of net foreign debt to GDP fell from 21 per cent in 1977 to 15 per cent in 1981. Efforts were made to ward off the inflationary impact of the second oil crisis by raising the external value of the mark in 1979 and 1980. Although Finland did experience a clear acceleration of inflation, external competitiveness remained satisfactory throughout the boom. As regards unemployment, however, the results were less satisfactory, and the unemployment rate was still almost 5 per cent at the end of the boom. The unemployment situation was exacerbated by the fact that the supply of labour increased substantially.

CHART 6. FINLAND'S ECONOMIC PERFORMANCE COMPARED WITH COUNTRIES MOST IMPORTANT FOR FINNISH EXPORTS. 1970—1981



PROSPECTS

The performance of the international economy in the early 1980s has been disappointing. One encouraging aspect in Finland's case has been the fairly flexible adjustment to changes engendered by the second oil crisis, and the lack of major imbalances in the economy over the past couple of years. However, since 1981 the economy has been in recession, the depth and duration of which are essentially dependent on international cyclical developments.

Even over a longer time span the future prospects of the Finnish economy cannot be viewed separately from developments in the

world at large. Given the high — and most likely increasing — degree of openness of the economy, it is virtually impossible for a small country like Finland to detach itself totally from international developments. Various forecasts of international demand seem to point to a permanent slowing down of growth in Finland's traditional export markets and in the world as a whole.

At present there are several factors serving to perpetuate uncertainty in the world economy. The past energy crises and the possibility of new shocks are one example of problems constraining growth. International interest rates and foreign exchange rates are continually subject to large fluctuations and slow growth has revived protectionist sentiments in economic policy. This gives all the more reason to hope that the stabilization objectives of economic policy will gradually be achieved and that instability can be reduced in this area.

The experience of the 1970s clearly indicates that forecasting the future cannot be based on the extrapolation of earlier trends. Over any longer time horizon, the future has to be studied more from the viewpoint of prerequisites, prospects and risks rather than as forecasts of the most likely development.

As to the international environment in which the Finnish economy operates, an essential precondition for success will be the preservation of free trade. Restrictions on free trade are always more harmful to small economies, where the scope offered by domestic markets is often too narrow for the maintenance of competitive production.

Given the qualitative properties of the available productive resources and the fairly good record so far in adjusting to changes in the international economy, there is reason for being moderately optimistic as regards Finland's prospects over the longer term. In one fundamental respect — labour — the position is, generally speaking, quite good. An adequate general education means that the labour force is more

readily able to adjust to changing tasks and to the learning of new ones. This is what is also required by the continued rapid changes in the production structure. However, such a favourable situation is not likely to endure in the longer run unless permanently high youth unemployment can be avoided.

The adaptability of productive capacity and real competitiveness can only be maintained by investment. The centre of growth in Finland is shifting away from the most capital-intensive sectors, relieving pressures on external indebtedness and improving employment prospects in the process. On the other hand, to meet the challenges emanating from international competition requires extensive outlays on the development of production technology and products alike.

The availability of energy and its efficient use are an essential requirement for growth and competitiveness. Finland's production structure will remain fairly energy-intensive for a long time to come. Self-sufficiency in energy is relatively low, although wood and peat offer some scope for increasing indigenous energy supplies. Traditionally, Finland has sought to base her energy supply on the use of the most economical sources. Finland's trade policies have been successful in securing adequate supplies of imported energy, and there is no reason for assuming that Finland's position will be any weaker in this respect in the future.

A final, and no less important, requirement for economic growth is that economic policy should be allowed adequate room for manoeuvre in creating an environment for the functioning of the economy. Economic policy must seek, on the one hand, to facilitate the adjustment of production to changes in market conditions, and, on the other, to remove uncertainties by evening out cyclical fluctuations and inducing stability in international competitiveness. The ability to adjust is required both of the business sector and of economic policy.

ITEMS

Establishment of foreign banks in Finland.

New bank legislation which came into force in 1979 increased the scope for participation by foreign banks in Finland's financial markets. Prior to that date, foreign banks could only operate from representative offices which could not conduct banking business in their own names. Since then, foreign banks have been able to set up subsidiaries in Finland which can engage in the full range of bank business. Some foreign banks have explored the possibility of establishing subsidiaries in Finland primarily in order to service corporate customers, and the first such subsidiary was opened in March 1982.

The 1979 legislation gives foreigners the general right, subject to approval by the Ministry of Finance, to own shares in Finnish banks as long as total share ownership by foreigners does not exceed 20 per cent of the bank's equity. In addition foreign credit institutions can be authorized to acquire more than a twenty per cent stake in a Finnish commercial bank, mortgage bank or credit company and to establish subsidiaries in Finland. In this case, they must obtain the permission of the Council of State and a license from the Bank of Finland for importing capital into the country for the purpose of purchasing the shares. The Ministry of Finance is also empowered to lay down rules relating to the operations of the subsidiary.

The policy in Finland with respect to the establishment of banks partly or fully owned by foreigners is based on the principle of equality

of treatment. Taking into account special features arising from differences in orientation or the nature of operations, subsidiaries of foreign banks are given the same rights, and made subject to the same obligations, as Finnish banks.

The liberalization of the right of foreign banks to engage in business in Finland is very much in keeping with general trends in banking. The international business of both Finnish and foreign banks has increased considerably in the past decade. The expansion of foreign trade, the growth of international financial centres and the increase in the use of foreign funds to cover financial deficits have all boosted demand for international bank services. Apart from diversifying sources of finance these trends should increase competition between banks, which for its part can be expected to raise the efficiency of financial intermediation.

New stamp. The Interim Committee of the International Monetary Fund and the joint Development Committee of the Monetary Fund and the World Bank will be holding their Meetings in Helsinki from May 12 to May 14, 1982. These Committees are the highest advisory organs of the above-mentioned worldwide financing organizations. Their duty is to supervise the operation of the international monetary system and the financial positions of developing countries. About 800 participants are expected to attend the Meetings, among

them ministers of finance and governors of central banks from many member countries as well as the managements of the International Monetary Fund, the World Bank, OECD, UNCTAD and the Bank for International Settlements.

To honour the occasion, the General Directorate of Posts and Telecommunications will be issuing a special stamp in the denomination of FIM 1.60.

The motif of the stamp together with its figures and colours symbolizes money and the management of monetary affairs. The emblems of the World Bank and the International Monetary Fund are included in the pictorial motif. The legend of the stamp shows the official name of the Meetings: IMF—IBRD HELSINKI — HELSINGFORS 1982.

The stamp was designed by the artist Paavo Huovinen and the issue is five million.

(continued from page 2)

FUTURE PROSPECTS

Even though the diversification of Finnish exports is likely to continue, forest and metal industry products will still constitute the bulk of exports in the future. The diversification will occur chiefly in small and medium-sized industry, which has proved capable of adjusting quickly to changes in international demand. Output in the various sectors is likely to centre on high-quality products designed to meet the special requirements of customers rather than for mass production.

The outlook for service exports also seems favourable, especially as regards construction

and know-how relating to planning and production techniques. Service exports have tended to concentrate in new market areas, such as the oil-producing countries and developing countries in general. The export of know-how to these markets is also likely to lead to an increase in exports of visible goods.

The structure of Finnish exports is not expected to undergo any radical changes as long as there are no new oil shocks. The maintenance of balance on the current account will remain a central economic policy goal in the future. To achieve this, it will be necessary to continue efforts to curb inflation and sustain price competitiveness. In addition, trade policy will endeavour to promote the further liberalization of international trade.

March 22, 1982

BANK OF FINLAND

Board of Management

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Chairman

Rolf Kullberg
Vice Chairman

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom

Directors

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Senior officials

Pertti Kukkonen
Senior adviser

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

Seppo Kostainen
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

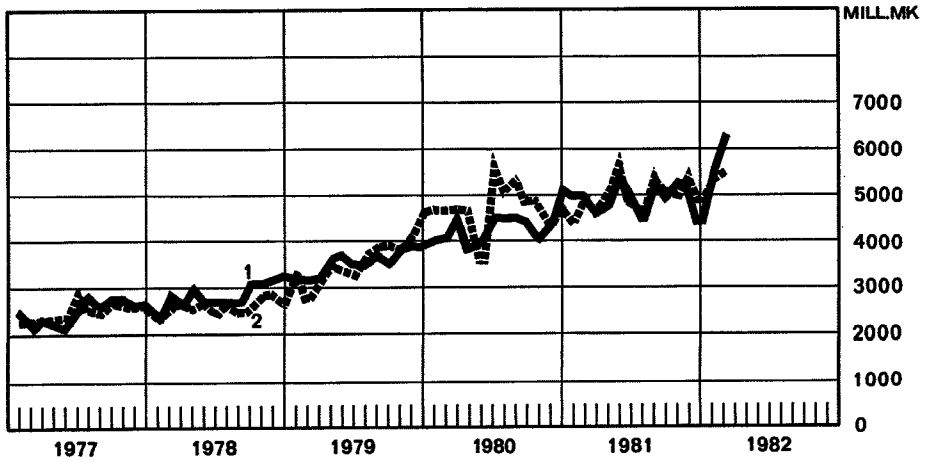
Anton Mäkelä
Personnel

Stig G Björklund
Payments

Reijo Mäkinen
Cash

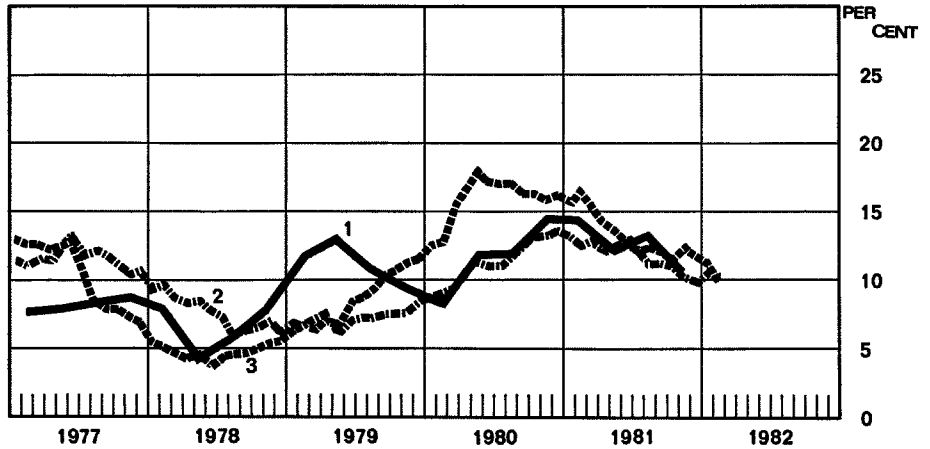
FOREIGN TRADE, 1977-82

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



PRICES AND WAGES, 1977 - 1982

- 1. Index of wage and salary earnings 1975 = 100, quarterly figures
 - 2. Consumer price index 1977 = 100, monthly figures
 - 3. Basic price index for domestic supply 1975 = 100, monthly figures
- Percentage change on previous year



PRODUCTION, 1977-82

- 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

