

BANK OF FINLAND

Monthly Bulletin

**Finnish direct investment abroad and
foreign direct investment in Finland
in 1971—1981**

**Recent trends in monetary policy and
financial innovation**

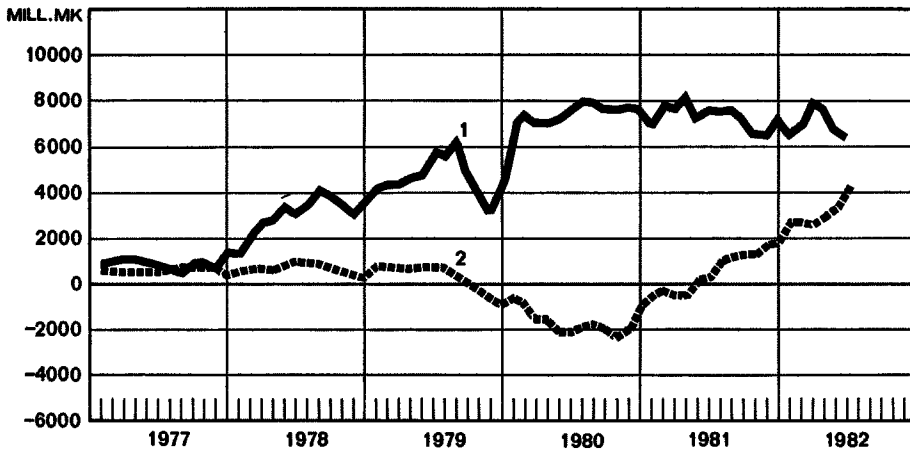
Supplementary budgets

**The Bank of Finland's investment inquiry
of June 1982**

AUGUST 1982

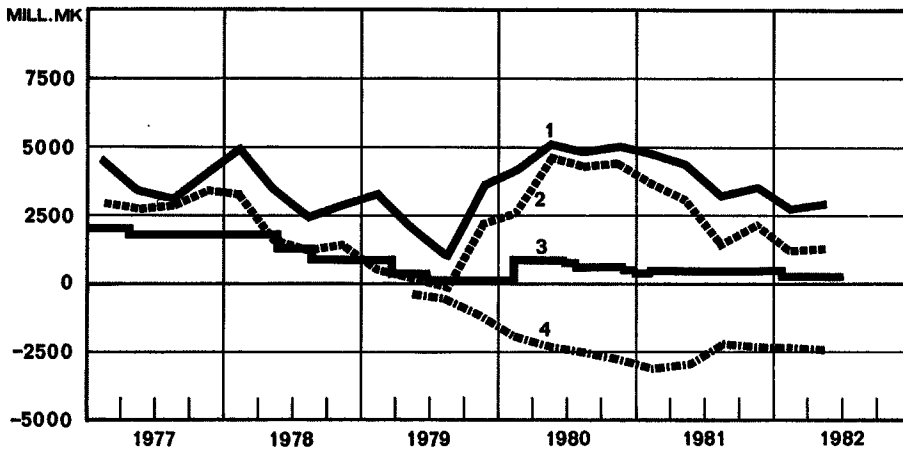
Vol. 56 No. 8

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



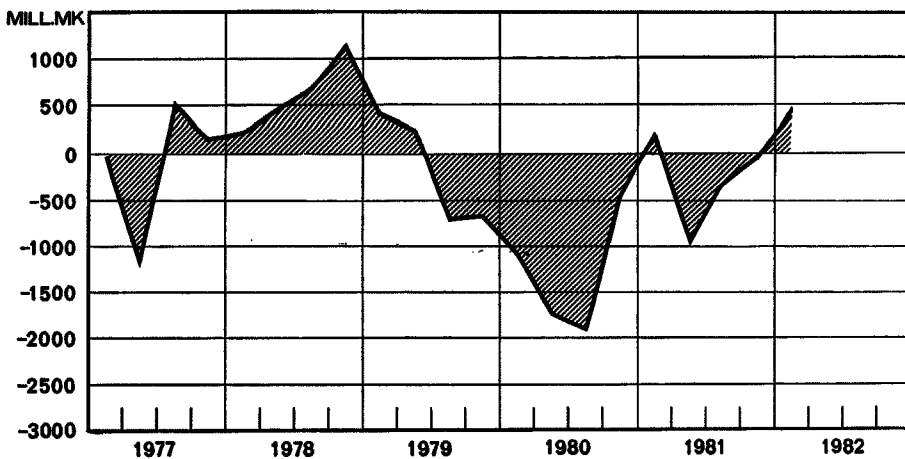
- 1. Gold and convertible currencies
- 2. Tied currencies

COMMERCIAL BANKS' CENTRAL BANK POSITION, 1977-1982



- 1. Total central bank debt
 - 2. Actual central bank debt
 - 3. The quotas
 - 4. Cash reserve deposits
- Quarterly average of daily amount (1, 2 and 4)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1977-82



Seasonally adjusted quarter figures

FINNISH DIRECT INVESTMENT ABROAD AND FOREIGN DIRECT INVESTMENT IN FINLAND IN 1971—1981

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FINNISH DIRECT INVESTMENT ABROAD

Finnish direct investment abroad increased significantly during 1971—1981. The growth was particularly vigorous after the mid-1970s: during 1975—1981, the nominal value of outward direct investment increased, in net terms, by 46 per cent per annum on average (Table 1). In 1981, the nominal value of the net outflow of investment capital, 612 million marks, was almost three times the annual average for the 1970s.

This trend shows the extent of the internationalization of Finnish industry in the 1970s. During the period examined, the number of Finnish-owned companies¹ abroad increased on average by 13 per cent annually.

¹ Companies in which foreign ownership accounts for more than 20 per cent of the nominal value of the share capital.

TABLE 1. FINNISH DIRECT INVESTMENT ABROAD IN 1971—1981, IN NET TERMS¹, MILL. MK

Year	Equity capital	Loans to associated companies	Total
1971	72	115	187
1972	156	117	237
1973	25	63	88
1974	50	32	82
1975	156	— 60	96
1976	99	19	118
1977	457	—164	293
1978	241	16	257
1979	439	48	487
1980	423	64	487
1981	600	12	612

¹ Equity capital, in net terms, includes the share capital, the co-operative capital or similar basic capital, and bonus issues less repatriations of capital. Loans to associated companies, in net terms, include loans granted by the parent company to subsidiaries or associated companies less redemptions of loans.

TABLE 2. FOREIGN DIRECT INVESTMENT IN FINLAND IN 1971—1981, IN NET TERMS¹, MILL. MK

Year	Equity capital	Loans to associated companies	Total
1971	96	7	103
1972	113	18	131
1973	—3	63	60
1974	101	55	156
1975	144	107	251
1976	153	70	223
1977	108	80	188
1978	126	15	141
1979	186	—80	106
1980	145	—41	104
1981	150	—75	75

¹ Equity capital, in net terms, includes the share capital, the co-operative capital or similar basic capital, and bonus issues less repatriations of capital. Loans to associated companies, in net terms, include loans granted by the parent company to subsidiaries or associated companies less redemptions of loans.

Finnish direct investment has focussed on the country's major export markets, EEC and EFTA countries and North America. In 1971—1981, on average 45 per cent of the net annual outflow of investment capital went to EEC countries, 18 per cent to EFTA countries and 29 per cent to North America.

The majority of Finnish-owned companies abroad are in Sweden. At the end of 1981, Finnish companies held shares in 255 Swedish companies. In all, Finns were shareholders in 1 095 companies abroad at the end of 1981 (Table 3).

In 1981, about 11 per cent of the Finnish-owned companies abroad were engaged in manufacturing, compared with about 15 per cent in the early 1970s.

TABLE 3. BREAKDOWN OF FINNISH-OWNED COMPANIES¹ ABROAD ON DECEMBER 31, 1981, BY ECONOMIC GROUPING AND TYPE OF ECONOMIC ACTIVITY

	Manu- facturing	Sales	Other activities	Total
EFTA countries	40	290	82	412
EEC countries	44	273	106	423
Developing countries	15	38	34	87
Other countries	24	102	47	173
Total	123	703	269	1 095

¹ Companies, owned directly or through holding companies, in which Finnish ownership accounts for more than 20 per cent of the nominal value of the share capital.

Investment in the developing countries started during the second half of the 1970s. At the end of 1981, Finnish companies held shares in 87 companies in developing countries; fifteen of these were manufacturing firms.

FOREIGN DIRECT INVESTMENT IN FINLAND

Foreign direct investment in Finland declined in 1971—1981, the decline being most marked after the mid-1970s. In 1975—1981, the nominal value of the net annual inflow of investment capital fell on average by 18 per cent (Table 2). The activities of foreign firms operating in Finland have been financed, to an increasing extent, from Finnish sources, which has been a contributory factor to the decline in the inflow of investment capital.

During the period examined, the number of foreign-owned companies¹ in Finland increased on average by only 6 per cent per

¹ Companies in which foreign ownership accounts for more than 20 per cent of the nominal value of the share capital.

annum. It would seem that the annual increase in the number of foreign-owned companies in Finland has stabilized at a certain level.

Most of the inflow of investment capital came from EEC or EFTA countries. On average, 30 per cent of the net annual inflow of investment capital in 1971—1981 originated from EEC countries and 42 per cent from EFTA countries.

Sweden has been the most important investor country. Throughout the period, Swedish-owned companies accounted for about half of all foreign-owned companies operating in Finland; of the total of 958 foreign-owned companies in Finland at the end of 1981, 500 were Swedish-owned (Table 4).

TABLE 4. BREAKDOWN OF FOREIGN-OWNED COMPANIES¹ IN FINLAND ON DECEMBER 31, 1981, BY ECONOMIC GROUPING AND TYPE OF ECONOMIC ACTIVITY

	Manu- facturing	Sales	Other activities	Total
EFTA countries	138	378	95	611
EEC countries	47	152	30	229
Other countries	17	78	23	118
Total	202	608	148	958

¹ Companies, owned directly or through holding companies, in which foreign ownership accounts for more than 20 per cent of the nominal value of the share capital.

About one-fifth of the foreign-owned companies operating in Finland were engaged in manufacturing. The share of manufacturing firms in the total number of foreign-owned companies in Finland declined slightly during the period examined; whereas their share was 24 per cent in the early 1970s, it had fallen to 21 per cent by the end of the decade.

July, 21, 1982

BANK OF FINLAND

Mill. mk

	1981		1982			
	July 31	Dec. 31	June 30	July 15	July 23	July 30
Assets						
Gold and foreign exchange receivables	8 925	9 463	10 870	11 305	11 580	11 423
Gold	1 073	1 382	1 382	1 382	1 382	1 382
Special drawing rights	697	632	507	507	507	507
IMF reserve tranche	380	394	397	397	397	397
Foreign bonds	1 400	1 405	910	891	963	899
Convertible currencies	4 129	3 686	3 359	3 558	3 736	3 317
Tied currencies	1 246	1 964	4 315	4 570	4 595	4 921
Other foreign receivables	1 632	1 606	1 615	1 615	1 615	1 615
Mark subscription to Finland's IMF quota	1 632	1 606	1 615	1 615	1 615	1 615
Receivables from financial institutions	3 806	3 690	4 164	5 122	4 287	3 122
Banks' cheque accounts	611	495	430	464	424	291
Call money market advances	1 876	1 796	2 006	2 981	2 237	1 223
Till-money credits	621	768	863	826	759	743
Bonds	638	594	814	821	839	838
Other financial institution receivables	60	37	51	30	28	27
Receivables from the public sector	1 186	1 236	977	980	978	987
Government promissory notes	354	354	—	—	—	—
Bonds	367	386	417	420	427	436
Total coinage	464	483	537	538	538	538
Other public sector receivables	1	13	23	22	13	13
Receivables from corporations	3 825	4 549	4 819	4 837	4 819	4 785
Financing of exports	1 583	1 754	1 734	1 741	1 717	1 681
Financing of domestic deliveries	1 942	2 111	2 384	2 395	2 403	2 403
Bonds	198	187	174	174	174	174
Other corporate receivables	102	497	527	527	525	527
Other assets	84	89	93	94	95	95
Total	19 458	20 633	22 538	23 953	23 374	22 027
Liabilities						
Foreign exchange liabilities	100	96	25	45	47	49
Convertible accounts	20	41	24	37	37	37
Tied accounts	80	55	1	8	10	12
Other foreign liabilities	2 652	2 597	3 198	3 204	3 187	3 198
IMF mark accounts	1 956	1 871	1 762	1 762	1 762	1 762
Allocations of special drawing rights	696	726	726	726	726	726
Term liabilities	—	—	710	716	699	710
Notes and coins in circulation	5 166	5 595	5 752	5 748	5 731	5 706
Notes	4 746	5 152	5 288	5 280	5 261	5 235
Coins	420	443	464	468	470	471
Deposit certificates in circulation	600	1 600	2 200	3 200	3 200	2 000
Claims of financial institutions	3 770	3 797	4 533	4 616	4 044	3 961
Banks' cheque accounts	1	0	1	10	23	1
Call money market deposits	1 240	1 080	1 640	1 720	1 140	1 042
Cash reserve deposits	2 396	2 492	2 732	2 724	2 724	2 777
Capital import deposits	120	201	134	128	122	122
Other financial institution claims	13	24	26	34	35	19
Claims of the public sector	731	578	143	131	165	163
Cheque accounts	1	1	1	0	1	0
Counter-cyclical reserves	545	433	64	64	64	64
Counter-cyclical deposits	145	143	—	—	—	—
Capital import deposits	23	—	78	67	100	99
Other public sector claims	17	1	0	0	0	0
Claims of corporations	1 528	1 433	1 630	1 904	1 909	1 837
Deposits for investment and ship purchase	1 315	1 425	1 436	1 490	1 487	1 490
Capital import deposits	—	—	184	405	405	337
Export deposits	204	0	—	—	—	—
Other corporate claims	9	8	10	9	17	10
Other liabilities	15	15	14	16	16	16
Equalization accounts	2 504	609	799	810	791	808
Capital accounts	2 392	4 313	4 244	4 279	4 284	4 289
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	—	—	—	—	—	—
Net earnings	242	563	212	247	252	257
Total	19 458	20 633	22 538	23 953	23 374	22 027

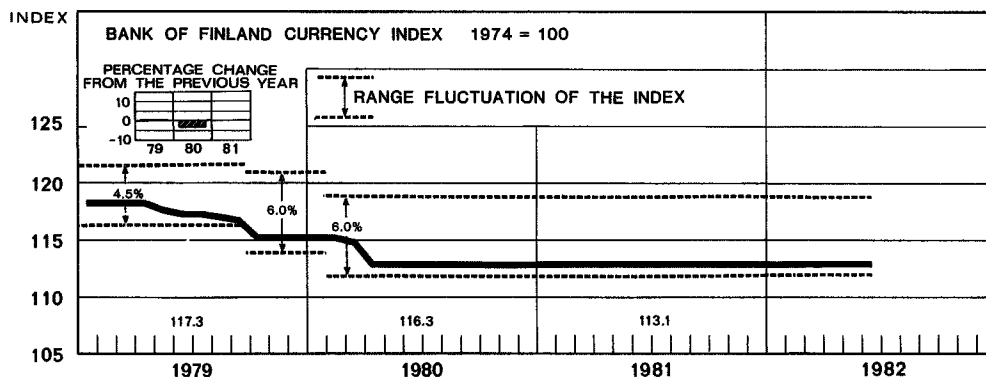
End of year or month	Foreign sector							Public sector			
	Gold SDRs, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1+2+3)	Tied currencies, net	Other receivables, net	Net receivables (4+5+6)	Receivables	Liabilities	Net liabilities (9-8)	Deposit certificates in circulation
	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											
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
April	2 343	1 117	4 267	7 727	3 084	-1 612	9 199	965	195	-770	2 150
May	2 305	1 064	3 498	6 867	3 456	-1 581	8 742	964	171	-793	2 000
June	2 286	910	3 335	6 531	4 314	-1 583	9 262	977	143	-834	2 200
July	2 286	899	3 280	6 465	4 909	-1 583	9 791	987	163	-824	2 000

FOREIGN EXCHANGE POSITION

Mill. mk

	Net holdings, Dec. 31, 1981			Net holdings, May 31, 1982			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	May	Jan.-May
Gold		1 382	—	1 382	1 382	—	1 382	—
Special drawing rights		632	—	632	526	—	526	-41
IMF reserve tranche		394	—	394	396	—	396	+2
Foreign bonds		1 405	—	1 405	1 064	—	1 064	-52
Convertible currencies		3 646	-7 748	-4 102	3 499	-5 659	-2 160	-408
Total		7 459	-7 748	-289	6 867	-5 659	1 208	-499
Tied currencies		1 909	-122	1 787	3 456	-197	3 259	+352
Grand total		9 368	-7 870	1 498	10 323	-5 856	4 467	-147

End of year or month	Domestic financial sector							Corporate sector			Notes and coins in circulation
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net receiv-ables (1+2+3-4-5-6)	Perma-nent special financing schemes	Liabili-ties, net	Net receiv-ables (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											
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
April	—	305	2 069	1 600	2 644	-1 360	-510	3 955	752	3 203	5 383
May	—	511	1 888	1 420	2 707	-1 510	-218	4 058	684	3 374	5 534
June	—	429	2 006	1 640	2 732	-1 568	-369	4 118	929	3 189	5 752
July	—	290	1 223	1 042	2 777	-1 467	-839	4 084	1 136	2 948	5 706



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

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

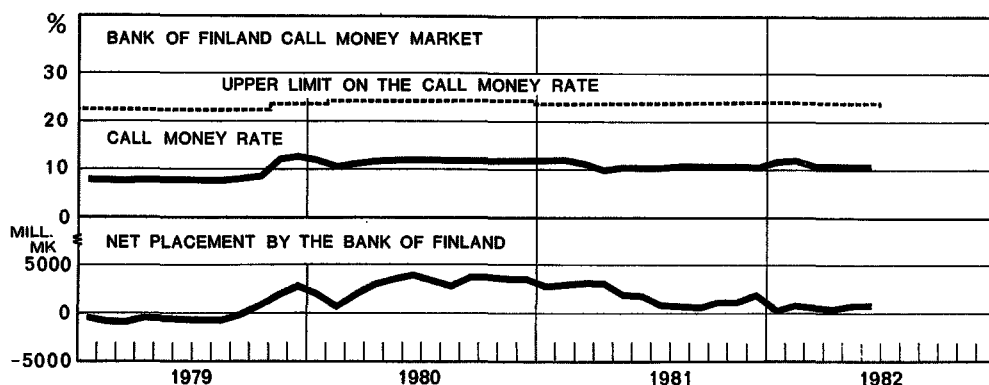
1982

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	9.84
March	3 059	1 305	400	2 630	2 290	906	9.25	11.56	11.72	9.79
April	3 049	1 062	400	2 637	2 299	664	9.25	11.50	11.51	9.78
May	2 908	1 429	400	2 645	2 313	1 034	9.25	11.50	11.64	9.77
June	3 090	1 528	400	2 706	2 356	1 134	8.50	11.50	11.42	9.06
July	2 684	1 213	400	2 731	2 386	814	8.50	11.50

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

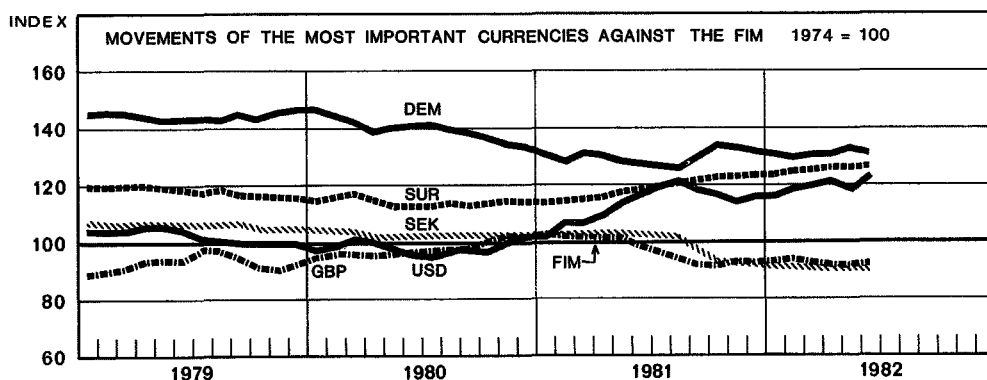


FOREIGN EXCHANGE RATES

Mill. mk

Average selling rates for foreign exchange, mk

Period	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 CI Rbl SUR	Currency index 1974 = 100
	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										
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
April	4.613	8.179	78.12	75.94	56.66	192.74	235.81	74.09	6.378	113.1
May	4.512	8.180	78.12	75.72	57.60	195.56	231.86	75.17	6.353	113.1
June	4.678	8.237	77.88	75.76	56.23	193.17	225.93	71.66	6.397	113.1
July	4.735	8.224	77.56	74.65	55.57	192.36	226.29	69.30	6.458	113.1



DEPOSITS BY THE PUBLIC

Mill. mk

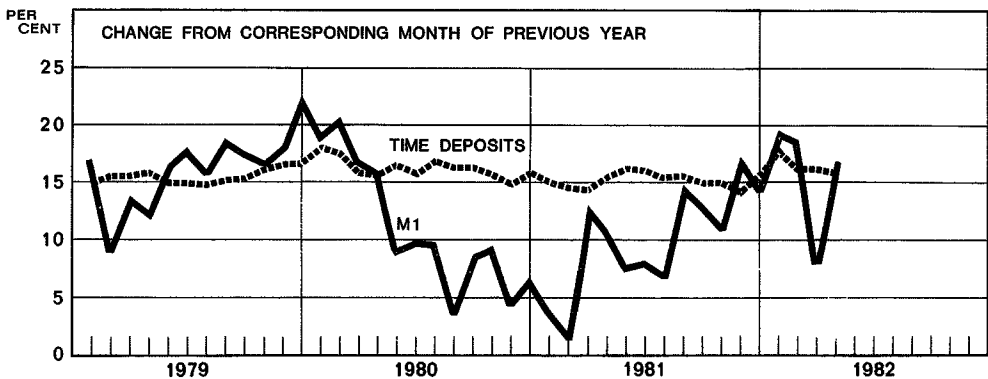
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	10
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	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
1981	5 791	2 879	2 952	11 622	26 094	22 937	18 598	7 448	75 077	86 699

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
Dec.	5 791	2 879	2 952	11 622	26 094	22 937	18 598	7 448	75 077	86 699

1982*

Jan.	5 103	2 641	3 734	11 478	26 143	24 721	18 870	7 651	77 385	88 863
Feb.	4 614	2 544	3 527	10 685	26 472	23 673	19 275	7 779	77 199	87 884
March	5 156	2 617	3 443	11 216	26 601	23 537	19 176	7 604	76 918	88 134
April	5 098	2 768	4 001	11 867	27 175	23 891	19 511	7 678	78 255	90 122



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

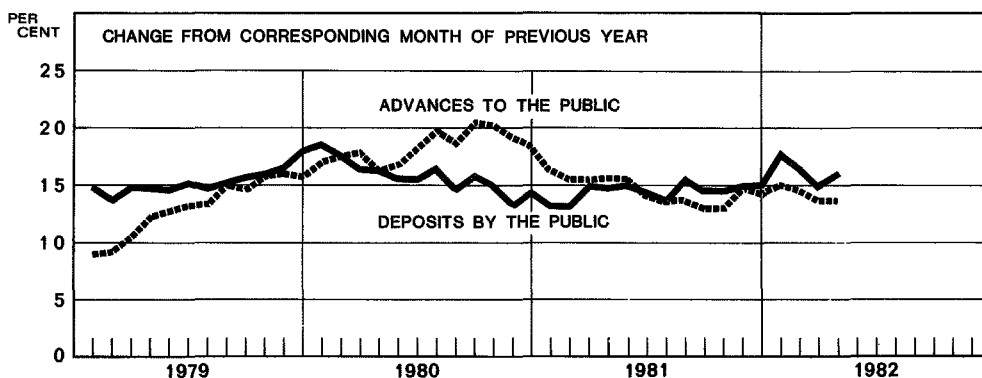
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ +Quasi-Money
	1	2	3	4	5	6	7		8	9
1978	26 324	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
1981	40 462	22 009	20 059	11 135	80 817	2 877	9 971	93 665	17 186	94 577

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
Dec.	40 462	22 009	20 059	11 135	80 817	2 877	9 971	93 665	17 186	94 577

1982*

Jan.	40 501	22 278	20 279	11 064	81 630	3 140	9 352	94 122	17 144	95 468
Feb.	40 908	22 451	20 436	10 966	82 174	3 483	9 104	94 761	16 205	95 993
March	41 214	22 698	20 636	10 761	82 807	3 762	8 740	95 309	16 353	95 919
April	41 818	22 974	20 916	10 835	83 816	3 821	8 906	96 543	17 340	98 004



STATE FINANCES

Mill. mk

Revenue	Jan.-April		Expenditure	Jan.-April	
	1981	1982		1981	1982
Income and wealth tax (net)	5 641	4 461	Wages, salaries, pensions etc.	2 779	3 206
Gross receipts	(13 811)	(14 064)	Repair and maintenance	341	342
Refunds & local authorities	(-8 170)	(-9 603)	Other consumption expenditure	1 718	2 240
Other taxes on income and wealth	108	140	Total consumption expenditure	4 838	5 788
Employers' child allowance payments	57	1	State aid to local authorities	3 590	4 093
Sales tax	4 268	4 530	State aid to industries	2 609	3 274
Customs duties and import charges and levies	456	572	of which: agric. price subsidies	(1 270)	(1 675)
Excise duties	2 977	3 297	Child allowances	398	440
Excise duty on alcoholic beverages	857	964	Share in national pensions and sickness insurance schemes	178	259
Excise duty on tobacco	359	417	Other transfer expenditure	2 451	2 801
Excise duty on liquid fuel	925	971	Total transfer expenditure	9 226	10 867
Other excise duties	836	945	Machinery and equipment	498	528
Tax on autom. and motor-cycles	529	611	Construction of buildings	221	236
Stamp duties	347	431	Land and waterway construction	596	646
Special diesel etc. vehicles tax	76	77	Total real investment	1 315	1 410
Other taxes and similar revenue	325	367	Interest on State debt	541	801
Total taxes	14 784	14 487	Net deficit of State enterprises	-149	-123
Miscellaneous revenue	1 257	1 418	Other expenditure	4	2
Interest, dividends etc.	262	347	Total other expenditure	396	680
Redemptions of loans granted	146	157	Increase in inventories	-64	-210
Total revenue	16 449	16 409	Lending	989	1 093
Foreign borrowing	592	2 155	Other financial investment	177	128
Domestic borrowing	1 001	1 212	Total expenditure	16 877	19 756
Total borrowing	1 593	3 367	Redemption of foreign loans	112	322
Deficit (+) or surplus (-)	-350	1 304	Redemption of domestic loans	703	1 002
Total	17 692	21 080	Total redemptions	815	1 324
			Total	17 692	21 080

State debt	1979	1980	1981 ¹	1982		
	Dec.	Dec.	Dec.	Feb.	March	April
Foreign debt	8 964	10 341	13 331	13 819	14 925	15 421
Long-term debt	6 051	7 585	8 762	8 556	8 814	8 856
Short-term credit	174	40	9	21	22	43
Domestic debt	6 225	7 625	8 771	8 577	8 836	8 899
Total State debt	15 189	17 966	22 102	22 396	23 761	24 320
Total debt mill. \$	4 061	4 642	5 052	4 960	5 195	5 272

¹ Since December 1981 State debt has been expressed in gross terms. As a result cash assets are no longer deducted from domestic debt; foreign debt is unaffected by the change. The short-term debt of the State Granary is excluded from the figures.

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

1981

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

1982*

Jan.	5 243	5 003	+240
Feb.	5 472	4 785	+687
March	5 297	4 982	+315
April	5 077	5 379	-302
May	5 125	4 905	+220

Jan.-May

1981	24 668	24 341	+327
1982*	26 214	25 054	+1 160

Indices of exports and imports
1980 = 100¹

Period	Indices of exports and imports 1980 = 100 ¹				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1976	71	86	65	57	114
1977	78	79	75	67	113
1978	84	75	80	74	108
1979	92	89	90	86	105
1980	100	100	100	100	100
1981	103	94	111	112	99

1980

Jan.-March	101	94	96	99	97
Apr.-June	95	96	99	100	99
July-Sept.	97	107	100	100	100
Oct.-Dec.	107	101	104	102	102

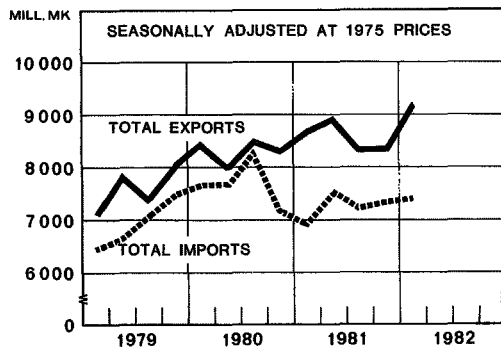
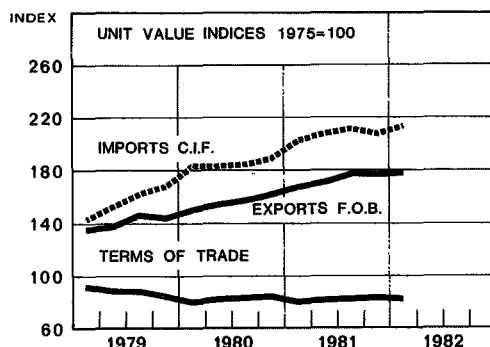
1981

Jan.-March	102	84	107	110	97
Apr.-June	106	95	110	113	98
July-Sept.	95	94	113	115	99
Oct.-Dec.	108	100	114	113	100

1982*

Jan.-March	106	88	114	115	99
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¹ New series.



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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

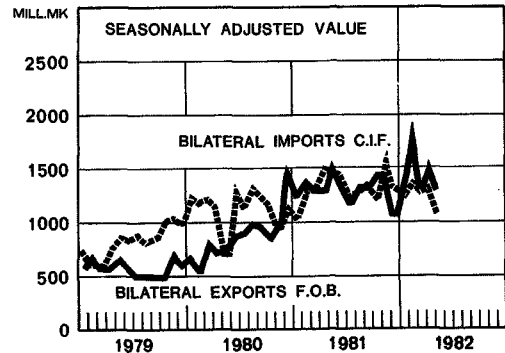
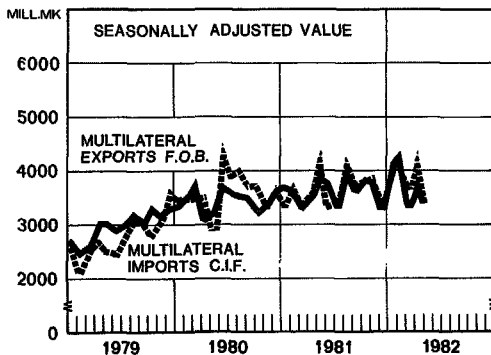
July	87	504	1 453	1 164	1 038	2 641	588	614	537	33
Aug.	95	515	1 316	918	1 933	3 584	644	1 035	671	7
Sept.	103	536	1 560	1 028	1 870	3 455	561	588	674	4
Oct.	82	574	1 589	1 511	1 870	3 223	454	777	759	4
Nov.	70	579	1 514	1 513	1 969	3 614	474	705	707	4
Dec.	325	538	1 400	1 217	1 464	3 818	426	825	632	11

1982*

Jan.	59	460	1 461	1 427	1 836	3 152	224	991	631	5
Feb.	352	457	1 438	1 398	1 827	3 089	267	648	778	3
March	356	461	1 622	1 240	1 618	3 190	230	736	823	3
April	57	569	1 453	1 264	1 734	3 491	265	778	843	2
May	220	537	1 469	1 286	1 613	3 236	274	696	680	19

Jan.-May

1981	1 185	2 889	6 932	6 136	7 526	15 827	1 347	3 668	3 470	29
1982*	1 044	2 484	7 443	6 615	8 628	16 158	1 260	3 849	3 755	32



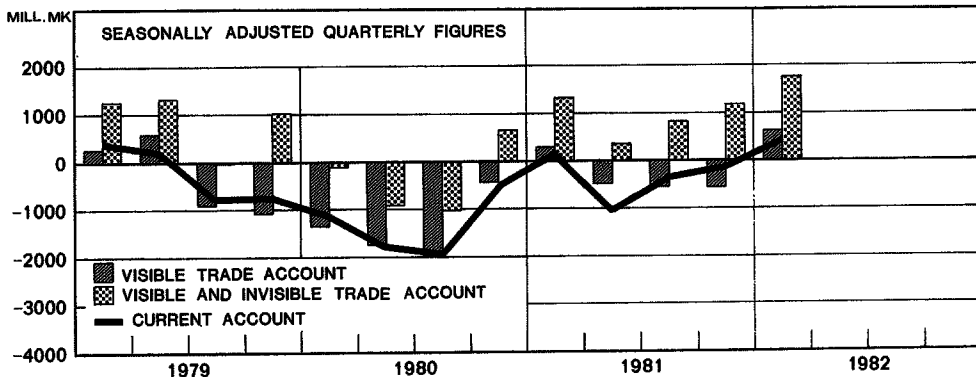
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January — May				January — May			
	1981*		1982*		1981*		1982*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	56.8	14 020	57.4	15 057	52.5	12 747	55.9	13 997
Austria	0.5	126	0.7	178	1.3	305	1.4	337
Belgium and Luxembourg	1.4	339	1.5	383	1.8	447	1.8	460
Denmark	2.8	705	4.5	1 172	2.2	543	2.3	588
France	4.3	1 062	4.7	1 241	3.5	853	3.5	880
Federal Republic of Germany	9.5	2 344	10.1	2 640	12.5	3 036	13.8	3 447
Italy	2.1	515	2.2	570	2.4	583	2.7	673
Netherlands	3.6	885	3.1	811	2.6	638	2.7	679
Norway	4.9	1 220	3.6	936	2.3	558	2.3	569
Portugal	0.3	65	0.2	55	0.5	121	0.6	151
Spain	0.8	188	0.8	208	0.7	161	0.7	172
Sweden	12.8	3 156	12.3	3 240	11.6	2 821	14.2	3 554
Switzerland	1.6	404	1.5	408	1.7	422	1.8	449
United Kingdom	10.6	2 612	10.4	2 728	8.7	2 077	7.5	1 887
Other	1.6	399	1.8	487	0.7	182	0.6	151
OECD countries outside Europe	6.1	1 499	5.9	1 537	12.5	3 034	11.8	2 958
Canada	0.8	193	1.0	252	0.6	153	1.0	248
Japan	1.0	244	1.2	316	4.1	1 002	4.4	1 094
United States	3.5	861	2.7	718	7.6	1 845	6.2	1 568
Other	0.8	201	1.0	251	0.2	34	0.2	48
CMEA countries	26.3	6 481	27.4	7 176	25.4	6 175	23.5	5 888
Czechoslovakia	0.2	50	0.3	67	0.7	157	0.6	157
German Democratic Republic	0.6	147	0.5	135	0.6	152	0.6	156
Poland	0.1	33	0.1	30	1.1	266	1.3	324
Soviet Union	24.6	6 056	25.5	6 692	22.0	5 348	19.9	4 982
Other	0.8	195	1.0	252	1.0	252	1.1	269
Latin America	2.1	525	1.0	275	2.2	528	2.8	717
Argentina	0.5	123	0.1	41	0.2	40	0.2	55
Brazil	0.3	77	0.3	71	0.5	127	1.0	256
Colombia	0.1	26	0.1	26	0.5	118	0.5	125
Other	1.2	299	0.5	137	1.0	243	1.1	281
Other	8.7	2 143	8.3	2 169	7.4	1 857	6.0	1 494
GRAND TOTAL	100.0	24 668	100.0	26 214	100.0	24 341	100.0	25 054
of which								
EFTA countries	20.3	5 001	18.5	4 859	17.6	4 286	20.4	5 109
EEC countries	35.6	8 777	37.9	9 945	34.0	8 274	34.7	8 705
OECD countries	62.9	15 519	63.3	16 594	65.0	15 781	67.7	16 955

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	Investment 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	+3 064	+320	+587	-1 484	-3 308	-454	+91	-5 155
1981*	60 275	61 615	-1 340	+3 481	+436	+1 102	+3 679	-4 400	-453	+8	-1 166
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	12 788	13 608	-820	+878	-103	+338	+293	-787	-169	-5	-668
Apr.-June	12 470	14 029	-1 559	+567	+80	+83	-829	-723	-100	+55	-1 597
July-Sept.	12 864	15 643	-2 779	+855	+298	+100	-1 526	-765	-102	+34	-2 359
Oct.-Dec.	14 738	15 035	-297	+764	+45	+66	+578	-1 033	-83	+7	-531
1981*											
Jan.-March	14 472	13 617	+855	+924	-79	+88	+1 788	-993	-119	-6	+670
Apr.-June	15 495	15 767	-272	+874	+85	-143	+544	-1 260	-116	+7	-825
July-Sept.	14 105	15 724	-1 619	+904	+451	+443	+179	-1 031	-97	+9	-940
Oct.-Dec.	16 203	16 507	-304	+779	-21	+714	+1 168	-1 116	-121	-2	-71
1982*											
Jan.-March	16 005	14 878	+1 127	+1 009	-151	+255	+2 240	-1 133	-164	-3	+940



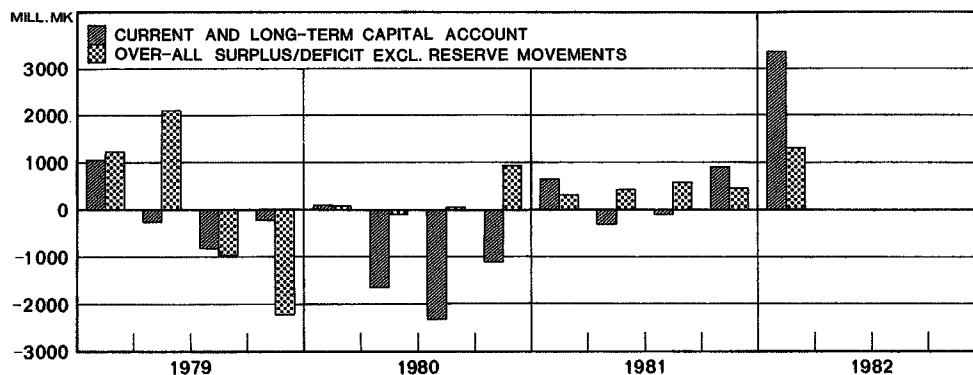
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Short-term 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	-4 973	+3 255	-967	+3 930	-250	+995	-995
+8 312	-4 643	-518	-826	+2 325	+1 159	-1 040	+437	-406	+1 653	+1 803	-1 803
+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	+91	+302	-31	+518	-797 ³	+83	-83
+1 076	-997	-39	-86	-46	-1 643	+1 498	-32	+1 666	-1 584	-95	+95
+1 126	-913	-36	-146	+31	-2 328	+711	-452	+1 189	+934	+54	-54
+873	-1 117	-187	-131	-562	-1 093	+744	-452	+557	+1 197	+953	-953
+1 404	-955	-227	-235	-13	+657	-473	+789	-163	-501 ³	+309	-309
+1 948	-1 213	+11	-233	+513	-312	+867	+790	-21	-894	+430	-430
+1 932	-797	-91	-200	+844	-96	+95	-571	-822	+1 981	+587	-587
+3 028	-1 678	-211	-158	+981	+910	-1 529	-571	+600	+1 067	+477	-477
+3 637	-866	-169	-163	+2 439	+3 379	-996	+216	-1 520	+233	+1 312	-1 312

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

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

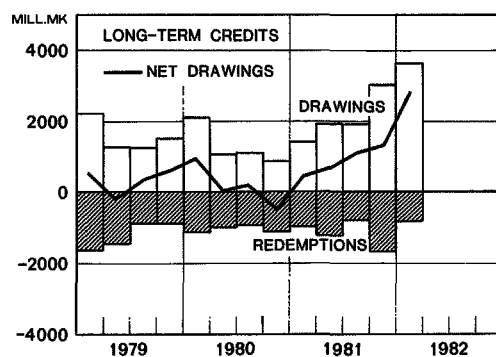
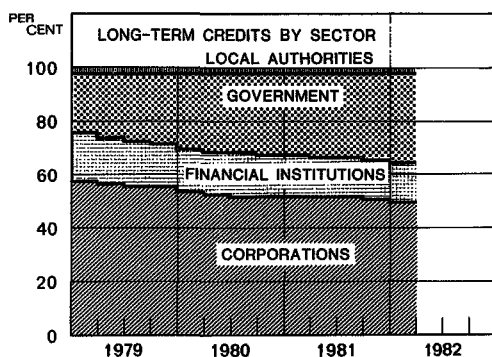
1981*

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

1982*

March	4 960	3 616	1 415	9 991	38 669	4 623	2 263	709	46 264	36 273
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See explanations on page 22.

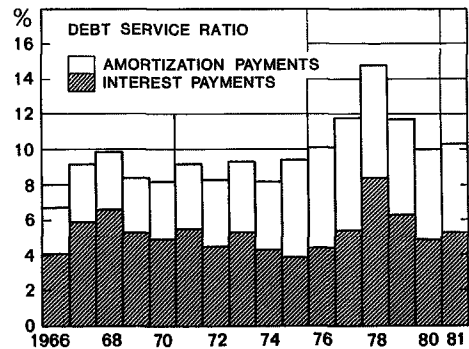
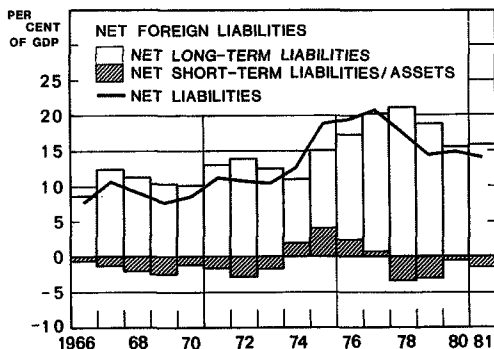


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10+19)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
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	6 467	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	13 732	14 176	39 270	2 427	20 218	13 565	36 210	-3 060	30 078	7 971	3 494
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	10 149	12 357	32 207	2 680	16 543	12 409	31 632	-575	28 555	1 744	732
10 125	11 464	12 299	33 888	2 437	18 080	14 102	34 619	731	31 686	2 178	897
10 817	12 627	13 152	36 596	2 403	18 487	14 690	35 580	-1 016	31 165	1 646	595
11 362	13 732	14 176	39 270	2 427	20 218	13 565	36 210	-3 060	30 078	2 403	1 270
12 795	13 550	14 060	40 405	3 074	18 532	12 354	33 960	-6 445	29 828	1 810	600

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		
		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										
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
Márch	1 103	192.8	192.0	195.7	195.4	198.0	182.2	115.7	116.8	115.0
April	1 106	193.3	192.5	195.9	194.7	200.3	184.0	116.8	117.1	116.4
May	1 110	193.9	193.4	195.7	194.8	201.2	185.9	117.0	116.1	117.0
June	1 120	195.6	194.4	199.9	197.5	201.9	186.1	117.5	116.1	117.5

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											
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
March	155.0	152.4	176.5	152.9	148.5	183.3	143.4	163.0	157.8	141.8	160.6
April	156.1	155.3	176.5	154.8	148.5	178.2	145.5	163.1	156.6	144.8	164.0
May	158.6	156.7	176.5	155.3	159.2	178.4	146.0	165.5	157.9	145.4	164.8
June	158.9	157.3	176.4	156.0	159.2	178.4	146.4	167.1	157.6	145.8	164.9

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			State employees	Municipal employees	Employees in private sector				
	Agriculture	Industry	Construction							Employees in services
1980	179.3	170.4	146.3	166.0	161.9	156.8	169.8	166.3	167.5	166.8
1981*	201.3	192.4	165.6	186.1	182.2	174.9	191.8	187.4	188.7	188.0
1981*										
Jan.-March	191.1	183.2	158.1	179.3	176.5	170.2	182.7	180.0	180.1	180.0
Apr.-June	199.5	194.3	163.7	185.1	182.0	174.1	192.0	186.9	189.2	188.0
July-Sept.	201.0	193.7	166.9	187.7	183.6	175.8	193.9	189.3	190.5	189.9
Oct.-Dec.	210.9	198.5	173.6	192.3	186.7	179.3	198.5	193.5	195.8	194.1
1982*										
Jan.-March	215.3	205.9	177.7	196.7	191.3	183.9	204.0	198.1	200.5	199.2

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
1980*										
Jan.-March	112	126	73	144	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	95	128	116
Apr.-June	117	129	87	144	76	88	121	107	128	120
July-Sept.	114	117	151	73	100	84	127	107	130	116
Oct.-Dec.	126	137	75	135	120	88	138	115	132	122
1982*										
Jan.-March	113	127	68	129	74	84	114	96	133	119

PRODUCTION

Index of industrial production 1975 = 100

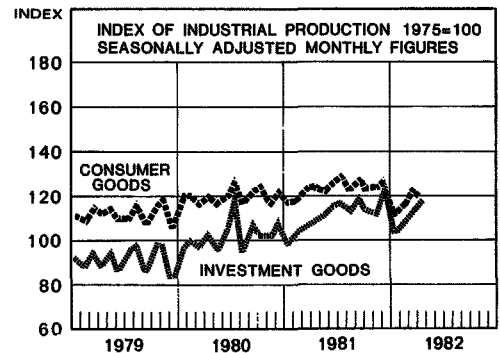
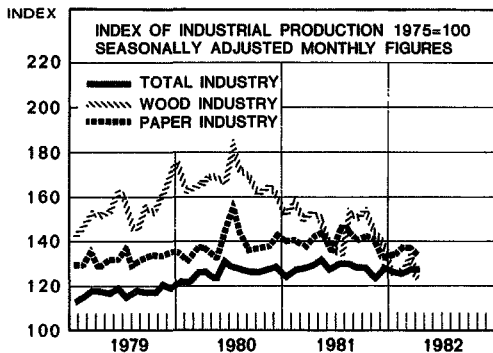
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1978	107.0	85.6	108.1	111.9	103.9	130.3	118.2	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*

May	135.6	120.9	129.3	142.7	121.7	178.4	148.2	157.6	110.6	139.1	133.2
June	123.2	118.1	121.6	125.3	118.9	148.1	111.5	153.3	108.4	135.3	129.4
July	87.9	60.6	80.1	99.0	113.0	67.8	146.6	103.3	71.5	67.7	131.0
Aug.	129.5	112.5	125.9	135.9	118.0	138.2	156.6	156.8	102.2	123.7	131.3
Sept.	138.6	127.5	132.7	144.3	130.8	166.0	144.4	152.0	115.4	144.0	129.3
Oct.	143.6	127.7	140.8	149.3	145.6	160.1	156.8	149.5	112.5	144.2	129.5
Nov.	136.5	123.5	133.6	141.4	135.5	145.8	150.0	157.7	108.2	141.0	125.2
Dec.	131.8	130.0	130.5	133.0	123.0	127.8	129.0	125.9	96.3	143.2	129.2

1982*

Jan.	127.5	112.2	121.3	134.6	105.7	115.8	143.9	135.4	86.6	130.8	127.4
Feb.	123.1	113.6	118.5	127.9	98.6	124.1	133.4	131.8	85.4	129.5	126.5
March	140.0	124.7	135.1	146.6	120.0	160.7	148.4	157.7	104.4	143.1	129.1
April	125.4	113.9	121.6	130.4	110.5	141.0	119.0	148.8	97.2	132.5	128.4
May	131.8	119.4	125.5	138.1	116.9	157.9	137.8	151.8	104.2	137.6	127.4



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	88 283	119	141
1981	3 629	2 369	2 244	125	5.3	39 488	125	141
1981								
Aug.	3 627	2 454	2 330	124	5.1	1 732	124	143
Sept.	3 639	2 363	2 245	118	5.0	2 793	122	153
Oct.	3 641	2 352	2 230	122	5.2	3 440	127	153
Nov.	3 642	2 349	2 223	126	5.4	3 679	122	142
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	108	115
Feb.	3 649	2 378	2 219	159	6.9	4 260	107	126
March	3 654	2 335	2 175	160	6.9	5 781	120	148
April	3 656	2 363	2 201	162	6.8	5 243
May	3 655	2 406	2 276	130	5.4	3 564

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											
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	42.78	17.24	4.82	14.66	3.84	49.83
1981*	44.73	17.96	5.72	14.56	3.47	40.10	16.11	4.26	13.86	3.76	48.89
1981*											
Jan.-March	7.17	2.85	0.90	2.47	0.49	8.67	3.77	0.58	3.18	0.85	44.47
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	9.54	3.37	1.39	2.93	1.01	53.75
Oct.-Dec.	9.84	3.16	0.87	4.07	1.19	13.80	5.18	1.70	5.03	1.32	48.89
1982*											
Jan.-March	8.71	3.08	1.25	3.15	0.73	7.33	3.41	0.65	2.72	0.35	44.46

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

MONETARY POLICY INDICATORS

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

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

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

Credit quotas of the commercial banks at the Bank of Finland are the sum of individual quotas specifying the amount each bank eligible for central bank credit can borrow at the 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.

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 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1980) 2.5 mill. ha (8.2%) are cultivated and 19.7 mill. ha (64.5%) are covered by forests.

OWNERSHIP OF LAND (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 (1980): 4.8 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1980): In South Finland 46.8, in East and Central Finland 14.0, in North Finland 4.1 and in the whole country an average of 15.7 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1980): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital, 483 036 inhabitants, Tampere (Tammerfors) 166 228, Turku (Åbo) 163 680.

EMPLOYMENT (1981): Agriculture and forestry 11%, industry and construction 35%, commerce 14%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 26%.

LANGUAGE (1980): Finnish speaking 93.5% Swedish speaking 6.3%, others 0.2%.

EDUCATION (1981): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1980): births 13.2‰, deaths 9.3‰, change + 2.8‰, net immigration - 0.3‰. Deaths in France 10.1‰ and Great Britain 11.8‰.

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 (1976 = 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 her 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 (June 30, 1982): Passenger vessels 151 (261 238 gross reg. tons), tankers 44 (1 075 693 gross reg. tons), dry cargo vessels 190 (888 216 gross reg. tons), other vessels 97 (15 101 gross reg. tons), total 482 (2 240 248 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1981): Passenger cars 1 279 192 lorries and vans 155 001, buses 9 384, others 9 384, total 1 452 631.

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 Emprær 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 Bbl 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 (June 1, 1982). The base rate applied by the Bank of Finland on credit extended to the banks in the context of the quota facility is 8 ½%. The range of rates for other credits granted by the Bank of Finland is between 6% and 11%. Other credit institutions: time deposits 4 ¼%; 6 month deposits 5 ½%; 12 month deposits 7%; 24 month deposits 8 ¼% and sight deposits 1 ¼%. The highest lending rate 12 ¼%.

RECENT TRENDS IN MONETARY POLICY AND FINANCIAL INNOVATION

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Monetary policy has not played a very dominant role in Finnish economic policy in the recent past. This is largely attributable to the present cyclical situation. On the other hand, some important developments in the structure of the country's financial market have come to the forefront. This article will, therefore, after having briefly surveyed recent monetary developments and policy, examine some of the innovations and consider their impact on the conduct of monetary policy.

RECENT MONETARY POLICY

TARGETS AND PROBLEMS

Internationally compared, the Finnish economy has fared reasonably well during the last couple of years.¹ By and large, major imbalances have been avoided, and the problems that have emerged are very much the ones that were foreseen. Growth has slowed down and unemployment has started to rise. Although inflation has decelerated, it has proven somewhat more resilient than in many other countries, so that international price competitiveness has tended to decline marginally. However, the current account has strengthened gradually and has been in surplus since late 1981.

In this situation, monetary policy has been subject to different and partly conflicting pressures. On one hand, the retardation of growth has called for a shift in the monetary

stance in a more expansive direction. The stronger external position has also clearly made such a move possible. On the other hand, the need to avoid serious erosion of competitiveness and the awareness of the longer-term risks related to persistent inflationary expectations have called for caution.

It is widely acknowledged that monetary policy is not particularly effective in stimulating the economy. As a consequence, monetary policy has at the present juncture been assigned a comparatively minor role. It has aimed at prudence and tried to strike a balance between countercyclical and inflationary considerations. The target has been to allow the financing of healthy investment projects but at the same time to prevent the build-up of excess domestic liquidity in order to reduce the scope for disturbances and the emergence of serious imbalances.

Several factors have increased liquidity in the economy. The Government has resorted to foreign borrowing on a large scale. In 1981 State borrowing from abroad amounted to Fmk 2.5 billion, while only Fmk 2 billion came from the domestic market. In 1982 the proportions will remain roughly the same, but the amounts are higher. The domestic financing of the public sector cannot easily be increased rapidly despite surpluses of savings in the private sector. There are rigidities affecting the re-adjustment of private portfolios stemming in part from a low degree of liquidity caused by the narrowness of the secondary financial market. Moreover banks are under no compulsion to finance the public deficit.

¹ For a more detailed presentation of economic developments, see the May issue of this Bulletin.

Second, as oil prices have faltered at the same time as previous increases have boosted exports within the bilateral trade framework with the Soviet Union¹, the trade balance with this country has strengthened markedly. Given the pattern of payments on Finnish exports, a substantial surplus has emerged on the clearing account, and this has added to liquidity in the economy. Third, the Government has as part of its stimulative policy gradually released different kinds of corporate funds held by the central bank.

POLICY MEASURES

In these circumstances, different kinds of measures have been implemented in order to maintain the policy of relative ease adopted in early 1981 and to mop up excess liquidity. Although apparently harmless in the short run if demand is sluggish, excess liquidity can make the economy sensitive to unexpected disturbances and small shocks. Large corrective policy measures may then be necessary, which can increase fluctuations and make the inflationary problems more difficult.

With this in mind, the Bank of Finland has implemented a number of measures to reduce

¹ See this Bulletin September 1981, April 1982.

CHART 1. BANK OF FINLAND CREDIT QUOTAS

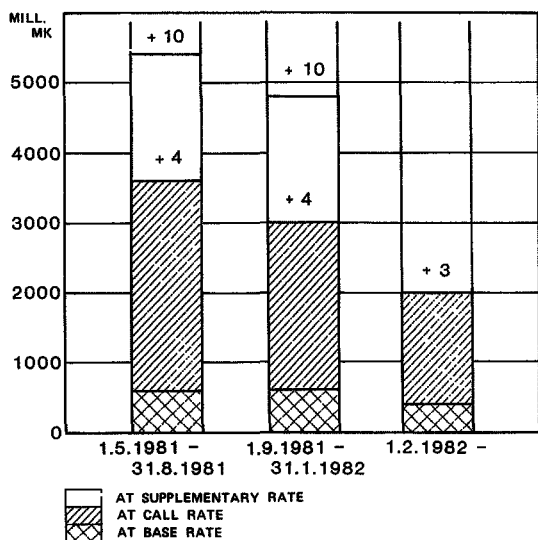
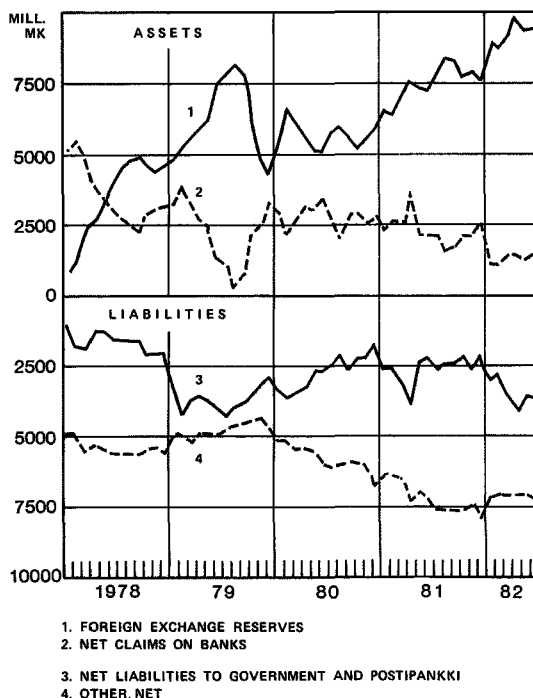


CHART 2. KEY ITEMS IN CENTRAL BANK BALANCE SHEET, MONTHLY AVERAGES



liquidity during the last twelve months. From September 1, 1981, the limit up to which banks can borrow at the call money rate was reduced from five times the basic quota for commercial banks' borrowing from the central bank to four times (Chart 1).¹ In February 1982 the basic quotas were lowered from Fmk 600 million to Fmk 400 million. At the same time, however, the supplementary rate charged on the top of the call money rate for borrowing in excess of the limits applied to the call money market was reduced from 4 to 3 per cent, while the second tranche, bearing a supplementary charge of 10 per cent, was abolished altogether.

In addition, central government liquidity has been neutralized by the sale to the government of certificates of deposit issued by the central bank. As a result, Bank of Finland liabilities to the central government and Postipankki, which previously hovered above Fmk 2 billion, rose to around Fmk 4 billion during this year (Chart 2).

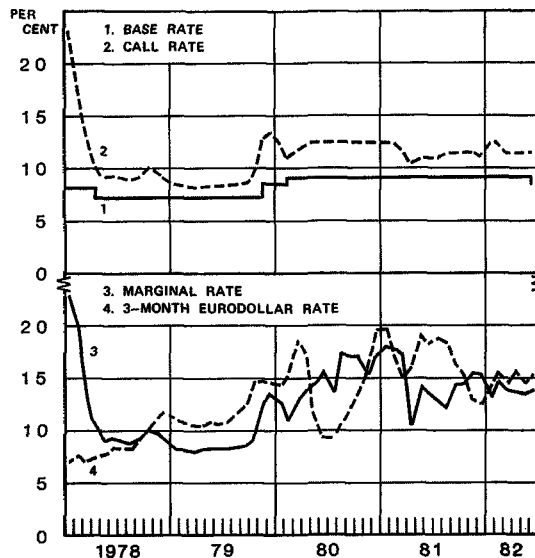
¹ For a description of the system, see the July 1980 issue of this Bulletin.

These measures have been considered effective enough, and the cash reserve requirements have been kept at 3 per cent since mid-1981. But in order to improve the Bank of Finland's arsenal of policy weapons, the cash reserve agreement was revised in May 1982.¹ The ceiling on cash reserve deposits was raised from 5 to 8 per cent of the deposits subject to cash reserves, and the maximum monthly increase in the requirements was raised from 0.4 to 0.6 percentage points. At the same time, the interest rate paid on cash reserves held with the Bank of Finland was increased by ½ percentage point to ¼ below the base rate.

The guidelines concerning bank lending issued in May, 1981 have not been changed. Top priority is to be given to productive investment and to working capital in corporations suffering from temporary cyclical problems. Financing of municipal investments is also to be shifted into 1982. On the other hand, banks are asked to continue to be strict with credit for housing.

To support demand and to reduce inflationary expectations, the base rate was cut by ¾ percentage points as from June 1, 1982 (Chart 3). Because a major part of the loan contracts are made at variable rates, the first round cost and price effects of interest rate changes are large. Costs in housing and industry are markedly affected by changes in the general interest rate level, and it is hoped that the reduction will help moderate price increases and expectations. On the other hand, unregulated markets have grown in importance; the rates in these markets are not directly affected by changes in regulated rates, but rather by the call money rate and the marginal costs at which the banks can obtain funds from the central bank. These rates, which are more important in influencing short-term capital flows, have not changed recently and, as is evident from Chart 3, are more closely related to international rates than the base rate.

CHART 3. KEY INTEREST RATES



MONETARY DEVELOPMENTS

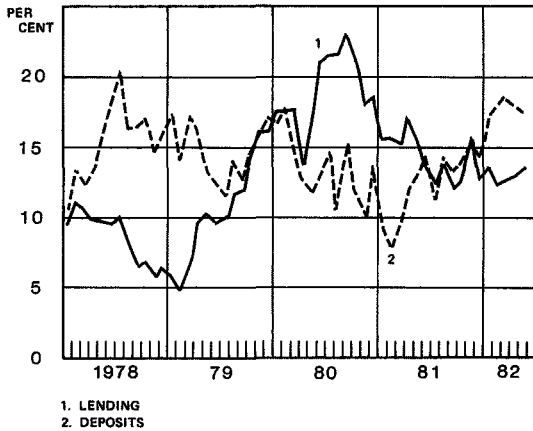
Monetary conditions have eased markedly during the last twelve months or so. It is true that the marginal rate has fluctuated around 14 per cent (Chart 3). But at the same time the average cost of bank borrowing with the central bank has fallen from 13—14 per cent to 11—12 per cent, mainly as the call money rate has dropped below levels prevailing in early 1981. Furthermore with reduced borrowing from the Bank of Finland, actual interest costs borne by the banks have fallen even more markedly (Chart 2).

The relatively easy conditions have been reflected in monetary expansion. The annualized growth of commercial bank credit has remained around 13 per cent during the past twelve months, while the growth of deposits accelerated to some 18 per cent during the first part of this year (Chart 4).¹ Moreover, liquid assets may have increased even more rapidly as deposits at market rates are to a large extent excluded from these figures. But with the uncertain outlook for demand and increased scope for earning interest on financial investments, the liquidity preference of the corporate sector is likely to have grown. In

¹ For a presentation of the original agreement, see the April 1979 issue of this Bulletin.

¹ See also chart on page 8 of this Bulletin.

CHART 4. COMMERCIAL BANKS' DEPOSITS AND LENDING, PERCENTAGE CHANGE OVER PREVIOUS YEAR



conditions of relative ease in the domestic financial market, short-term capital outflows have offset both the inflow of capital borrowed by the State and the current account surplus. As a result, the Bank of Finland foreign reserves have increased only moderately (Chart 2).

TRENDS IN THE DEVELOPMENT OF THE FINANCIAL MARKET

As was already indicated, there have recently been some new developments in Finland's financial markets. As in many other countries, economic agents have become more sensitive to interest rates and are now more apt than in the past to modify their behaviour and to adjust their portfolios in response to interest rate changes and differentials.

Traditionally the great bulk of domestic finance in Finland has been intermediated through channels in which interest rates are regulated. The major source of unregulated rate finance has been the foreign sector. Recently, the proportion coming from domestic unregulated rate sources has, however, increased rapidly in significance and diversity. Statistics on unregulated rate domestic finance are not comprehensive, but it has been estimated that unregulated finance intermediated through domestic channels does not exceed ten per cent of regulated rate bank lending.

CAUSES

There are a number of reasons why unregulated markets have begun to expand. First, slower economic growth, which reduces the incentive to invest, and higher average costs of external finance arising mainly from the upward drift in international interest rates from the mid-1970s on may have moved the economy closer to financial equilibrium. Previously, firms were more willing to leave short-term liquid funds on accounts paying low nominal rates of interest because this was essential for gaining access to regulated rate investment finance.

A second reason is to be found in the foreign exchange market. The experience companies gained in managing the exchange risk arising from more volatile international exchange rates since 1973 could be translated into domestic liquidity management strategies. The covered Eurorate provides a touchstone for the domestic short-term rate as does the marginal rate of interest in the call money market established in 1975. The high real level of foreign interest rates and the example of foreign firms which engage in active cash management may also have prompted Finnish firms to follow similar practices on the domestic market.

Third, the control of lending rates may be one factor behind the growth of unregulated rate channels. The Bank of Finland has long monitored or regulated average bank lending rates, but it is probably more than pure co-incidence that unregulated financial channels began to grow in importance when stricter regulation of bank lending rates was initiated to counteract their upward drift. The introduction of the cash reserve system in 1979 presumably had a similar impact. Funds in most unregulated channels are not subject to reserve requirements and therefore can earn a higher rate of return than normal bank deposits.

The establishment of foreign-owned bank subsidiaries in the current year has indirectly promoted this development by augmenting competition. Although foreign-owned banks

are subject to the same rules and regulations as domestic banks and thus face the same limitation on average lending rates, these institutions concentrate on the wholesale market.

The great bulk of the innovations have been related to management of corporate liquid funds but modification of household taxation may also have marginally contributed to the growth of the unregulated market. Interest earnings on funds held by households in normal bank accounts and bonds attract no income tax irrespective of their size. With high marginal tax rates, this arrangement has made it difficult for other financial intermediaries to enter the market; the nominal return on competing paper must be very much higher than the tax-free return on bank accounts or bonds. The amount of tax-free investment income that households can receive from other than regulated rate sources has recently been raised, and this may have increased potential demand for unregulated rate paper. On the other hand, the minimum size of most unregulated rate contracts excludes the bulk of households from this market.

NATURE

The forms of unregulated rate financing are diverse. Bilateral transactions between firms, leasing and factoring, and bond repurchase transactions are the main traditional forms. More recently, banks have sought and obtained the right to issue unregulated rate certificates of deposit, and special corporate deposit accounts outside the interbank agreement on deposit rates are being introduced.

The banks have participated in the creation of new financial channels in the wholesale financial market. However, to avoid the spread of unregulated rate transactions to the retail sector, which would raise the costs of their funds, the banks have been careful to keep minimum denominations high. Moreover since they are constrained by the limitations on lending rates from meeting demand for un-

regulated rate finance directly, they have facilitated the gradual emergence of off-balance sheet channels. They own most of the finance companies which provide unregulated rate finance. Furthermore, they exercise a brokerage function in marrying corporate customers with excess and deficient liquidity.

The authorities have not taken active steps to encourage the growth of the market, but nor have they attempted to block the emergence of various unregulated rate channels by denying permits or extending administrative restrictions. The justification for this approach has been that the existence of a market-oriented segment may help to encourage more efficient resource allocation by eliminating short-term differences in liquidity between banks and other economic agents and by providing a more explicit marginal interest rate against which investment decisions can be judged. Such changes have occurred elsewhere and are felt to be inevitable in Finland in the longer run, and it has been thought desirable to allow their gradual occurrence.

IMPLICATIONS

The evolution and growth of the financial market cannot fail to influence the way monetary policy measures are transmitted through the economy and therefore also gradually the design of policy instruments. Traditionally, monetary policy has operated very much through the banks, in particular through bank profitability. As the banks' average lending rates are subject to control, a rise in the cost of marginal finance to the banking system has tended to reduce the expansion of bank credit. And as there have been few alternative sources of finance, it has been felt that the level of activity has been affected. With the growth of the unregulated rate market, availability of finance has become less important and its cost more important. Since economic agents can be expected to react differently to the transmission of policy through prices and quantities, the impact of monetary policy measures will tend to change.

During most of the post-war period, the basic monetary policy instrument has been a set of bank-by-bank quotas for central bank finance and schedules of supplementary charges. In the absence of an interbank market and of channels for evening out liquidity differences, banks — and also different groups of bank customers — found themselves in different liquidity positions and facing different marginal interest rates. The growth of domestic and foreign unregulated rate channels has contributed to a convergence of marginal interest rates. Although monetary policy can still be implemented in the traditional manner, what is increasingly relevant is the marginal rate of interest for the entire system, not the bank-by-bank marginal rates or the quantity of marginal finance extended.

The evolution of the financial system is also bound to influence policy planning procedures. In the past when demand for credit was seen to exceed the supply, attention was focussed more on credit aggregates. With the emergence of an active and uninhibited financial market, interest rates have assumed new

importance. In addition, liquidity indicators may be of more relevance than in the past.

Moreover, the evolution of the financial market has implications for the relative role of monetary policy. The emergence of new financial channels, the increased interest-rate awareness of economic agents and greater international financial interpenetration can be expected to affect monetary autonomy. It may be increasingly difficult to use monetary policy to influence domestic activity and increasingly easy to use it to influence the balance of payments or exchange rate.

Although these considerations are important in the long-run and will ultimately have a bearing on monetary policy, the process of change in the financial system has been gradual. There is at present no reason to expect a change in the pace of financial evolution, and it should be possible to continue the present policy of cautious adjustment and flexible adaptation. This should allow time for the evaluation of the costs and benefits of different financial market constellations.

ITEMS

Supplementary budgets. The first and second supplementary budgets for 1982 were approved by Parliament in February and June, respectively. The first supplementary budget consists of outlays of 308 million marks in the form of compensation and interest subsidies to farmers for the bad harvest in 1981.

The additional expenditure of 1 636 million marks in the second supplementary budget includes outlays intended for the maintenance of employment, increased purchases from the Soviet Union to balance the bilateral trade account, which currently shows a surplus in Finland's favour, and for the conclusion of the agreement on agricultural income. Together the two supplementary budgets involve an increase in expenditure of 1 944 million marks, representing 3 per cent of the expenditure of the ordinary budget. Part of these outlays will be covered by revenue from import duties on increased grain imports and by bringing forward the collection of some excise taxes. However, most of the additional expenditure is to be financed by borrowing, mainly on domestic markets. At 66 456 million marks, or approximately 28 per cent of GDP, budgeted state expenditure so far this year exceeds budgeted revenue by 7 800 million marks.

The Bank of Finland's investment inquiry of June 1982. Despite the recession industrial investment activity has remained fairly stable. Although growth came to a halt in 1981 in line with the weakening of western export demand, companies' plans suggest that the volume of investment in 1982 will nevertheless be slightly larger than last year. However, companies expect their investment to decline in 1983.

It would appear that the implementation of countercyclical measures has affected the timing of investment and that a cutback in investment is unlikely to occur in 1982. Actual investment last year was a little less than forecast in the investment inquiry of November 1981, whereas planned investment for this year has increased to some extent.

Industrial investment in 1981. The volume of industrial investment ceased to grow in 1981, while the value of investment amounted to 12 800 million marks. A comparison of investment in the main sectors of manufacturing with activity in 1980 shows that investment increased in the metal industry, was virtually unchanged in the forest industries and fell on average in other manufacturing.

Actual industrial investment fell a little short of the levels envisaged in the companies' plans in the inquiries of June and November 1981. Only in the paper industry were the estimated outlays exceeded; in other manufacturing, especially the chemical industries, the value of investment was clearly lower than forecast. The main emphasis in investment growth centred on machinery and equipment, whereas building investment decreased.

Planned investment for 1982. Companies' plans suggest that the volume of industrial investment will grow in 1982. The increase is expected to be quite small in manufacturing, but the boom in energy sector investment will make the growth figures for total industrial volume¹ appreciably higher. Both building investment and investment in machinery and equipment are expected to expand. Of the main industrial sectors, only the forest indus-

¹ Includes manufacturing industries, mining, and electricity, gas and water works.

TABLE 1. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1981, AND PLANNED CHANGES FOR 1982 AND 1983 BY INDUSTRIAL SECTOR, PER CENT

	1981	1982	1983
Forest industries	1	-4	-18
Metal industry	9	6	-13
Other manufacturing ¹	-11	13	-11
Total manufacturing	-2	5	-14
Electricity, gas and water	9	32	-18

TABLE 2. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1981, AND PLANNED CHANGES FOR 1982 AND 1983 BY TYPE OF INVESTMENT, PER CENT

	1981	1982	1983
Building investment	-9	12	-18
Investment in machinery and equipment	4	8	-13
Total industrial investment	-1	9	-15

¹ The exceptionally large investment carried out in 1982 by the smaller companies in the sample may, owing to the statistical method used, result in overestimates for the figures in some sectors.

tries forecast a cutback in their investment. Since the inquiry in November, investment plans have been revised upwards especially in the metal industry, the chemical industries and the mechanical forest industry.

Planned investment for 1983. Companies' plans indicate that investment in fixed capital

will fall in 1983. A decline is anticipated in all sectors, the sharpest occurring in the forest industries. Experience with previous investment inquiries suggests that plans made this far in advance tend to underestimate actual investment, but the reduction is now much more marked than normal underestimation would demand. However, implementation of planned investment will also depend on the extent to which cyclical developments differ from those expected by firms.

Capacity utilization. The level of industrial capacity utilization began to fall in 1981 as new production capacity was introduced, even though output continued to grow. The level of utilization is expected to drop even further this year, but will nevertheless remain distinctly higher than in the previous recession. Industry estimates that average capacity utilization will reach 84 per cent in 1982 as against 87 per cent in 1981.

The majority of industrial firms forecast their capacity utilization levels to be higher in 1983 than this year. Growth expectations are strongest in the forest industries, where the fall in capacity utilization in 1982 has been the sharpest. In the metal industry, the downward trend in capacity utilization levels is expected to continue during the first half of 1983, but an upturn is forecast for the latter part of the year.

BANK OF FINLAND

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Chairman

Rolf Kullberg
Vice Chairman

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom

Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Kari Nars

Antti Lehtinen

Sirkka Hämäläinen

Senior officials

Timo Männistö
Internal Audit

Ralf Pauli
Monetary Policy

Raimo Hyvärinen
Domestic Financing

Stig G Björklund
Payments

H. T. Hämäläinen
Administration

U. Levo
International Legal Affairs

Ossi Leppänen
Accounting

Anton Mäkelä
Personnel

Reijo Mäkinen
Cash

Heikki Koskenkylä
Research Dept.

Kari Pekonen
Exchange Policy

M. Vanhala
Foreign Exchange

Kari Holopainen
Bilateral Trade

Pekka Tukiainen
Foreign Financing

J. Ojala
Exchange Control

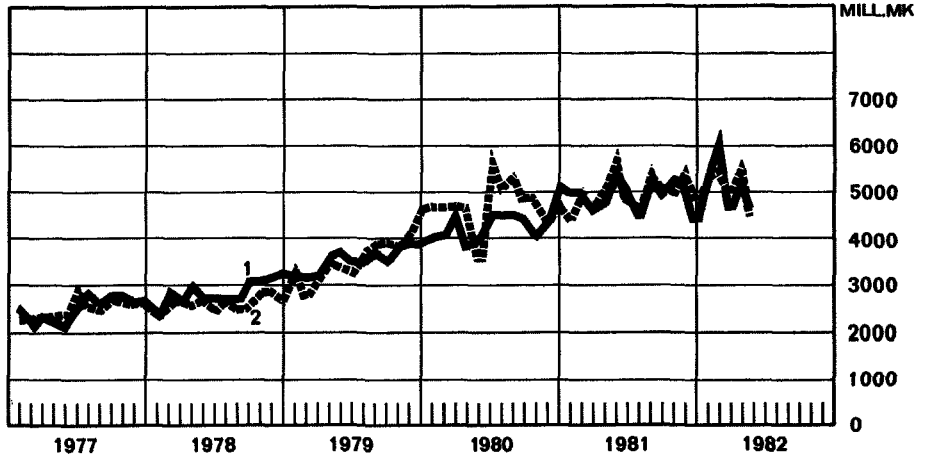
Seppo Kostainen
Deputy, Economics Dept.

Markku Pietinen
Information

Erkki Vehkamäki
Data Processing

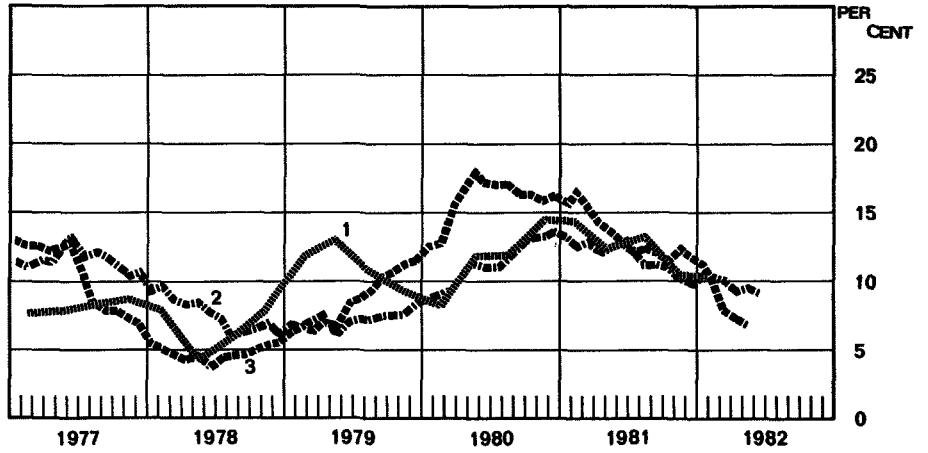
FOREIGN TRADE, 1977-82

- 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

