



BANK OF FINLAND

Monthly Bulletin

The 1984 comprehensive incomes
policy agreement

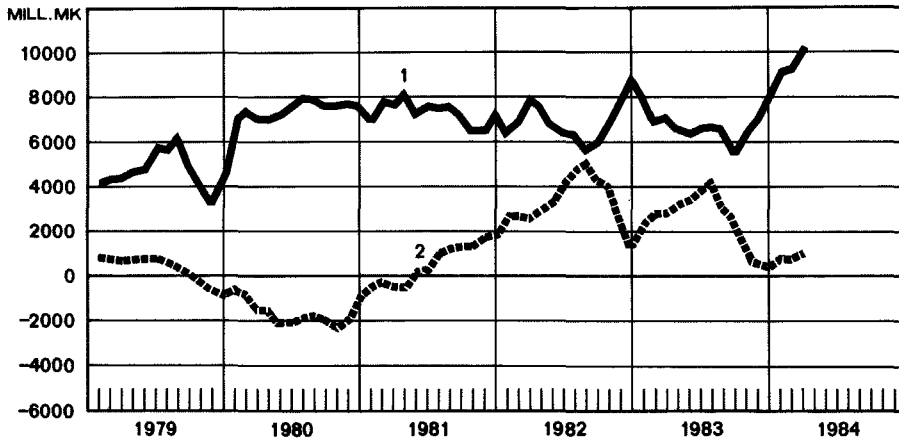
The Finnish economy in 1983 and
the current outlook

Monetary and foreign exchange policy
measures from May 1983
to April 1984

MAY 1984

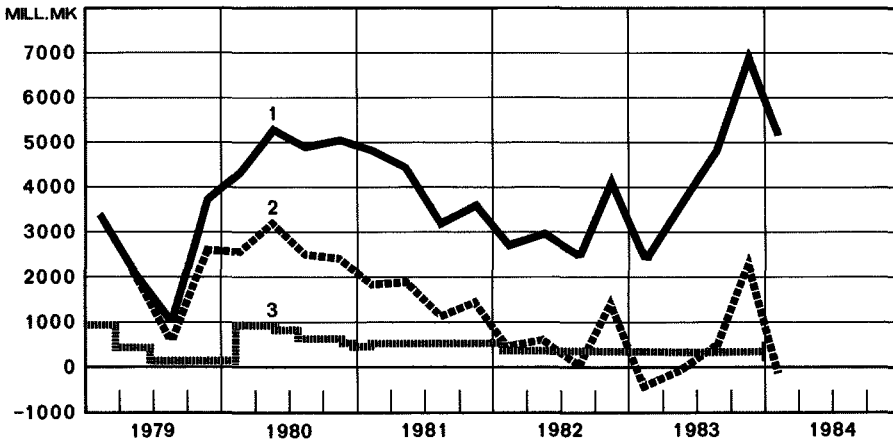
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BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1979 - 84



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

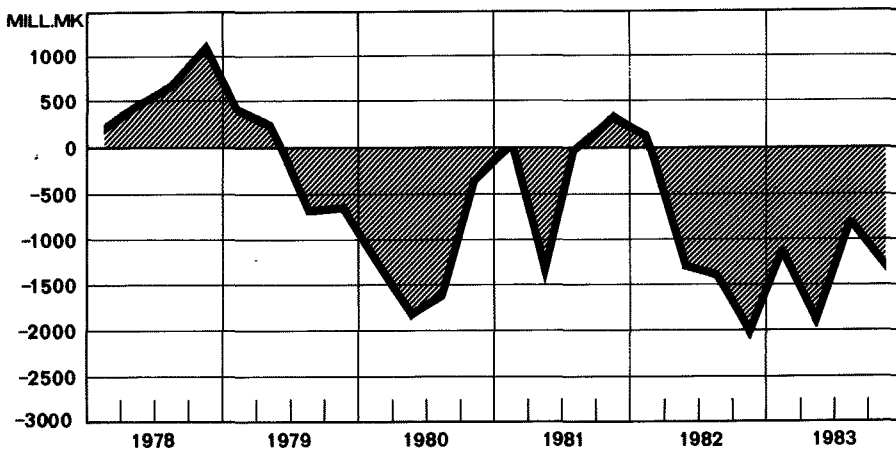
COMMERCIAL BANKS' CENTRAL BANK POSITION, 1979 - 84



- 1. Gross central bank debt
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BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1978 - 83



Seasonally adjusted quarterly figures

THE 1984 COMPREHENSIVE INCOMES POLICY AGREEMENT

by Harry Hendunen, Head of Bureau
Economics Department
of the Ministry of Finance

Efforts to achieve a centralized labour market agreement proved unsuccessful in 1983. Instead, settlements were reached at union level, mainly of one-year duration.¹ The agreements did not support the international price competitiveness of Finnish industry, which the devaluations of the markka in October 1982 had improved. In industry, contractual wages rose, on average, by a total of almost 6 per cent during the agreement period. This so-called general line was exceeded in the settlements of, for instance, the trade and public sectors because of adjustments for the lagging behind of wages, low wage drift and low pay levels. All in all, the contractual wage index rose by 8 per cent. With wage drift amounting to some two per cent, average earnings rose by more than 10 per cent.

The slowdown in inflation came to a halt in 1983 and in December the year-on-year rise in the consumer price index was still running at 8.6 per cent. The government had set a target of bringing inflation down to 6 per cent by the end of 1984. This presupposed far more moderate and preferably longer-term income agreements than those actually reached in 1983. Moreover, the economic outlook had improved, which normally increases the pressures for raising incomes.

Because of its increased budget deficit, the central government's possibilities of promoting the conclusion of moderate income agreements were limited. Nevertheless, the customary inflation adjustment (7.4 per cent on average) was made to personal income taxes, child allowances were increased, employers' and employees' social security contribution rates were together raised by a modest

0.5 percentage point and public charges were increased by less than the rate of inflation.

The unions, in particular, were willing to conclude a comprehensive agreement, since this would have also facilitated the acceptance of concessions on, inter alia, shorter working hours. However, the achievement of a common approach in the negotiations was hampered by the emergence in certain sectors of substantial claims for adjustments to restore relative pay levels.

The previous agreements expired at the end of February 1984, although 10 per cent of wage and salary earners are covered by longer-term settlements. With the breakdown of the negotiations on a comprehensive labour market agreement and the threat of widespread strikes, the Prime Minister appointed an incomes policy mediator to draw up a proposal for a comprehensive settlement embracing the *central labour market organizations*, the *agricultural income agreement* and steps to be taken by the central government. All except one of the central organizations accepted the mediator's proposal and the first collective agreement based on it was concluded in the metal industry in mid-March. However, the approval or rejection of the comprehensive agreement by a *central organization* has no binding force on its member unions.

The comprehensive incomes policy agreement covers the two-year period up to the end of February 1986. It provides for a pay increase of 3.2 per cent at the beginning of the period and a further 3.6 per cent at the beginning of March 1985. The unions are free to decide in their collective agreements how these amounts will be divided between general increases and adjustments for wage distortions, various extra

¹ See the front article, "The 1983 income agreements", in the May 1983 issue of the Bulletin.

increases etc. Similarly, they can decide whether general increases are to be implemented in the form of flat-rate or percentage increases or some mixture of both. They have tended to be flat-rate increases among manual workers and percentage rises among white-collar employees.

In addition, a low-pay increase will be paid at the beginning of the agreement period, varying in size from branch to branch and averaging 0.4 per cent. Hence, over the entire two-year period, contractual wages and salaries will be raised by a total of 7.4 per cent under the comprehensive incomes policy agreement.

The comprehensive agreement includes an index clause, which is similar to that provided for in the 1981 agreement. The wage revision index is the consumer price index adjusted for one-third of the change in the terms of trade. A deterioration in the terms of trade reduces the size of the rise indicated by the consumer price index, whereas an improvement increases it. The change in the terms of trade is calculated on the basis of the price indices of commodity exports and imports. If the wage revision index rises by more than 5.8 per cent between February and December 1984 and by more than 5.8 per cent between December 1984 and December 1985, compensation will be paid in full for any increase in excess of these thresholds in March 1985 and in connection with the first pay increase in 1986.

Because the use of index clauses in agreements is restricted by law, the law was amended so that the index clause described above could be incorporated in collective agreements in keeping with the comprehensive income agreement.

The comprehensive agreement does not include an earnings-guarantee clause providing for pay increases at branch level to compensate for overall wage drift. In certain branches where there is hardly any wage drift additional pay increases have been agreed upon in collective agreements, which in most cases will

be implemented at the middle and end of the agreement period.

No mention is made in the comprehensive agreement of price control or a price freeze, so that the permanent regulations governing the control of prices and rents will be in force during the agreement period.

Working hours will be shortened as from 1986 without any lowering in the level of earnings. The reduction will apply to wage and salary earners whose regular working hours are 40 hours a week and who have annual holidays of not more than 30 working days. In the private sector, the reduction will be 32 hours per year. The method of implementing the reduction is to be agreed upon at branch level.

The agreement also provides for improvements in unemployment benefits. The development of the system of collective agreements is to be examined and, where necessary, existing legislation will be revised. Efforts will be made to adjust income tax brackets during the agreement period to correspond to the rise in consumer prices.

In connection with the comprehensive agreement, the government announced that child day care facilities would be increased by more than previously agreed. It also announced the number of housing starts to be cofinanced by the State in the following two years. In addition, a parliamentary bill was issued concerning the raising of the maximum penalties for unofficial stoppages; fines have remained unchanged since 1946.

The comprehensive agreement provides for cash increases in farm incomes which will raise agricultural income by about 6 per cent in April 1984 and by an equivalent amount in March 1985. In addition, farmers will receive compensation for increases in agricultural costs. These decisions will be implemented mainly by raising the prices of agricultural products.

The comprehensive agreement does not include an agreement between forest-owners

BANK OF FINLAND

Mill. mk

	1983		1984			
	April 29	Dec. 31	April 6	April 13	April 19	April 30
Assets						
Gold and foreign currency claims	10 156	8 779	13 546	14 601	14 825	14 852
Gold	1 382	1 383	1 383	1 383	1 383	1 383
Special drawing rights	569	226	275	531	687	695
IMF reserve tranche	456	751	730	731	733	741
Foreign bonds	232	685	1 049	1 427	1 655	1 920
Convertible currencies	4 122	5 184	8 826	9 257	9 254	9 086
Tied currencies	3 395	550	1 283	1 272	1 113	1 027
Other foreign claims	3 979	4 876	4 481	4 478	4 484	4 480
Mark subscription to Finland's IMF quota	1 843	2 762	2 762	2 762	2 762	2 762
Term credits	2 136	2 114	1 719	1 716	1 722	1 718
Claims on financial institutions	4 990	8 788	5 287	4 504	4 338	4 683
Banks' cheque accounts	355	445	42	64	15	241
Call money market advances	2 510	5 785	2 566	1 795	1 587	1 573
Till-money credits	801	942	953	919	1 008	1 123
Bonds	1 290	1 546	1 682	1 682	1 672	1 673
Other claims on financial institutions	34	70	44	44	56	73
Claims on the public sector	1 477	2 178	2 250	2 229	2 173	2 175
Government promissory notes	210	1 000	1 000	1 000	1 000	1 000
Bonds	639	449	496	475	423	420
Total coinage	602	710	731	732	734	737
Other claims on the public sector	26	19	23	22	16	18
Claims on corporations	5 053	5 079	4 882	4 910	4 891	4 862
Financing of exports	1 769	1 867	1 854	1 884	1 870	1 823
Financing of domestic deliveries	2 705	2 662	2 773	2 773	2 769	2 777
Bonds	152	134	128	128	127	137
Other claims on corporations	427	416	127	125	125	125
Other assets	103	105	107	107	109	109
Total	25 758	29 805	30 553	30 829	30 820	31 161
Liabilities						
Foreign currency liabilities	69	34	51	44	44	45
Convertible accounts	54	34	50	44	44	45
Tied accounts	15	0	1	0	0	0
Other foreign liabilities	4 633	5 670	3 610	3 610	3 612	3 622
IMF mark accounts	1 890	2 762	2 762	2 762	2 762	2 762
Allocations of special drawing rights	839	872	848	848	850	860
Term liabilities	1 904	2 036	-	-	-	-
Notes and coin in circulation	5 984	6 574	6 324	6 369	6 564	6 602
Notes	5 497	6 029	5 783	5 826	6 012	6 044
Coin	487	545	541	543	552	558
Certificates of deposit in circulation	1 650	-	-	-	-	-
Liabilities to financial institutions	4 971	5 712	9 395	8 828	8 785	11 169
Banks' cheque accounts	0	2	49	36	121	50
Call money market deposits	740	610	3 519	2 969	2 843	4 836
Cash reserve deposits	4 128	5 039	5 710	5 710	5 703	6 142
Capital import deposits	56	35	96	95	96	98
Other liabilities to financial institutions	47	26	21	18	22	43
Liabilities to the public sector	1	3 000	2 115	3 014	3 014	617
Cheque accounts	1	0	1	0	0	0
Government deposit account	-	3 000	2 100	3 000	3 000	600
Export deposits	-	-	-	-	-	5
Other liabilities to the public sector	0	0	14	14	14	12
Liabilities to corporations	1 687	1 832	2 570	2 565	2 346	2 482
Deposits for investment and ship purchase	1 271	1 290	1 268	1 264	1 267	1 288
Capital import deposits	409	531	1 295	1 291	1 071	1 186
Other liabilities to corporations	7	11	7	10	8	8
Other liabilities	17	15	19	15	14	15
Equalization accounts	1 902	2 057	1 537	1 452	1 509	1 677
Capital accounts	4 844	4 911	4 932	4 932	4 932	4 932
Primary capital	3 000	3 000	3 000	3 000	3 000	3 000
Reserve fund	1 365	1 365	1 638	1 638	1 638	1 638
Undisposed profits	334	-	273	273	273	273
Net earnings	145	546	21	21	21	21
Total	25 758	29 805	30 553	30 829	30 820	31 161

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 claims, net	Net claims (4+5+6)	Claims	Certificates of deposit and deposit account	Other liabilities	Net liabilities (9-8+10)
	1	2	3	4	5	6	7	8	9	10	11
1980	1 850	2 125	3 823	7 798	-757	-890	6 151	1 225	1 900	591	1 266
1981	2 408	1 405	3 645	7 458	1 909	-991	8 376	1 236	1 600	578	942
1982	2 444	765	5 796	9 005	1 525	-1 447	9 083	1 040	1 700	50	710
1983	2 360	685	5 150	8 195	550	-794	7 951	2 178	3 000	0	822
1983											
April	2 407	232	4 068	6 707	3 380	-654	9 433	1 477	1 650	1	174
May	2 368	379	3 842	6 589	3 575	-618	9 546	1 401	950	1	-450
June	2 362	181	4 166	6 709	3 927	-636	10 000	1 663	750	1	-912
July	2 368	214	4 206	6 788	4 330	-668	10 450	1 662	1 400	1	-261
Aug.	2 376	232	4 090	6 698	3 193	-722	9 169	1 697	800	1	-896
Sept.	2 374	268	3 000	5 642	2 762	-701	7 703	1 905	800	1	-1 104
Oct.	2 377	302	3 913	6 592	1 546	-726	7 412	1 839	950	0	-889
Nov.	2 393	425	4 341	7 159	681	-772	7 068	1 880	2 500	1	621
Dec.	2 360	685	5 150	8 195	550	-794	7 951	2 178	3 000	0	822
1984											
Jan.	2 366	924	5 931	9 221	926	-846	9 301	2 136	500	12	-1 624
Feb.	2 333	1 143	5 923	9 399	841	88	10 328	2 094	800	12	-1 282
March	2 323	1 095	6 863	10 281	1 153	870	12 304	2 273	1 300	13	-960
April	2 819	1 920	9 041	13 780	1 027	858	15 665	2 175	600	17	-1 558

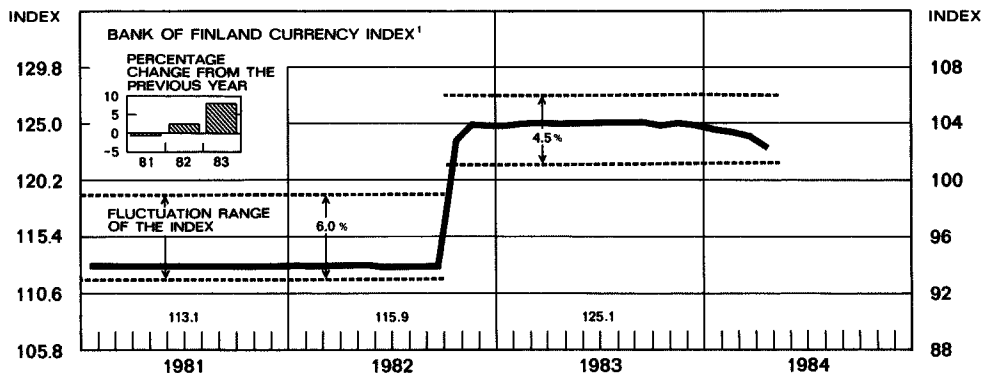
FOREIGN EXCHANGE POSITION

Mill. mk

	Net holdings, Dec. 31, 1983			Net holdings March 30, 1984			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	March	Jan.-March
	Gold	1 383		1 383	1 383	-	1 383	-
Special drawing rights	226		226	214	-	214	-2	-12
IMF reserve tranche	751		751	727	-	727	-7	-24
Foreign bonds	685		685	1 095	-	1 095	-48	+410
Convertible currencies	5 150	-13 558	-8 408	6 862	-15 735	-8 873	-66	-465
Total	8 195	-13 558	-5 363	10 281	-15 735	-5 454	-123	-91
Tied currencies	550	-250	300	1 153	-312	841	+304	+541
Grand total	8 745	-13 808	-5 063	11 434	-16 047	-4 613	+181	+450

End of year or month	Domestic financial sector						Corporate sector					Notes and coin in circulation
	Till-money credits	Claims on cheque accounts, net	Demand for call money by deposit banks	Supply of call money by deposit banks	Cash reserve deposits	Other liabilities, net	Net claims (1+2+3-4-5-6)	Permanent special financing schemes	Liabilities, net	Net claims (8-9)		
	1	2	3	4	5	6	7	8	9	10	11	
1980	643	480	3 674	290	3 317	-421	1 611	3 063	642	2 421	4 954	
1981	768	495	1 796	1 080	2 492	-406	-107	3 865	749	3 116	5 595	
1982	889	163	3 126	1 470	3 132	-1 042	618	4 302	999	3 303	6 062	
1983	942	443	5 785	610	5 039	-1 555	3 076	4 529	1 282	3 247	6 574	
1983												
April	801	355	2 510	740	4 128	-1 221	19	4 474	1 108	3 366	5 984	
May	953	356	2 919	1 071	4 772	-1 068	-547	4 452	1 086	3 366	6 042	
June	998	451	2 853	1 432	4 889	-1 153	-866	4 374	1 249	3 125	6 353	
July	879	317	2 984	1 383	4 948	-1 282	-869	4 369	1 337	3 032	6 301	
Aug.	956	297	3 227	1 205	4 948	-1 427	-246	4 314	1 383	2 931	6 085	
Sept.	852	274	5 812	2 294	4 994	-1 482	1 132	4 334	1 389	2 945	6 209	
Oct.	1 032	298	5 876	2 226	5 015	-1 461	1 426	4 535	1 382	3 153	6 159	
Nov.	953	322	6 565	997	5 053	-1 507	3 297	4 610	1 361	3 249	6 179	
Dec.	942	443	5 785	610	5 039	-1 555	3 076	4 529	1 282	3 247	6 574	
1984												
Jan.	1 038	62	4 087	2 907	5 250	-1 619	-1 351	4 572	1 106	3 466	6 195	
Feb.	1 024	58	3 659	2 607	5 327	-1 605	-1 588	4 592	1 746	2 846	6 232	
March	924	14	2 916	3 105	5 710	-1 612	-3 349	4 596	1 763	2 833	6 308	
April	1 123	191	1 573	4 836	6 142	-1 605	-6 486	4 600	2 220	2 380	6 602	

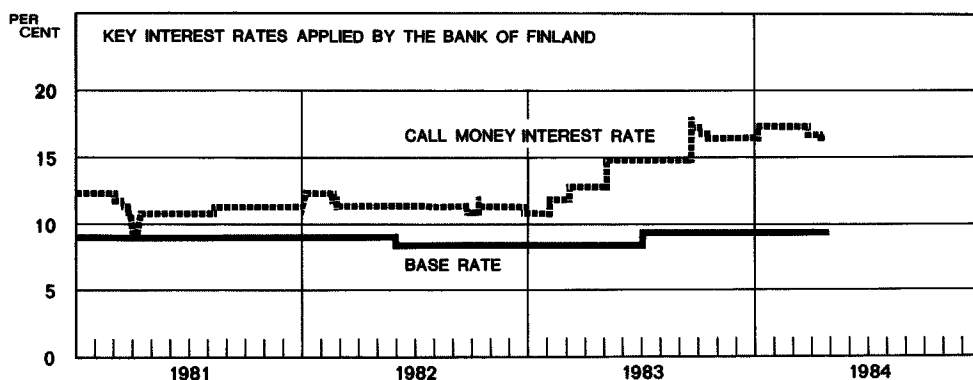
¹ The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



MONETARY POLICY INDICATORS

Average for period	Gross central bank debt of the deposit banks mill. mk	Net central bank debt of the deposit banks mill. mk	Cash reserve deposits of the deposit banks mill. mk	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks %
	1	2	3	4	5	6	7	8	9
1979	2 769	372	447	1.0	321	9.74	9.11	7.46	8.03
1980	4 971	1 560	2 542	3.8	3 313	12.38	12.37	9.20	9.77
1981	4 095	-33	2 795	3.5	2 161	11.48	11.61	9.25	9.84
1982	3 201	-783	2 777	3.1	1 571	11.64	11.98	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	15.13	9.00	9.56
1983									
Feb.	1 879	-2 360	3 240	3.3	475	12.00	11.71	8.50	8.97
March	2 741	-1 492	3 308	3.7	1 408	13.00	13.60	8.50	8.95
April	3 271	-1 678	3 753	4.1	1 666	13.00	13.69	8.50	8.97
May	4 019	-1 473	4 149	4.7	2 271	15.00	14.54	8.50	9.00
June	3 873	-2 053	4 770	4.7	2 308	15.00	14.32	8.50	9.07
July	4 477	-1 856	4 889	4.7	2 627	15.00	14.67	9.50	10.09
Aug.	4 634	-1 972	4 920	4.7	2 541	15.00	14.68	9.50	10.10
Sept.	5 523	- 912	4 945	4.7	3 627	16.67	16.13	9.50	10.16
Oct.	6 972	74	4 984	4.7	4 651	16.95	16.74	9.50	10.14
Nov.	7 075	238	5 008	4.7	4 837	16.70	16.27	9.50	10.15
Dec.	7 007	646	5 039	4.7	5 269	16.70	16.49	9.50	10.18
1984									
Jan.	6 794	-458	5 045	4.7	4 588	17.50	17.50	9.50	10.30
Feb.	5 327	-2 921	5 242	4.7	2 323	17.50	17.50	9.50	10.36
March	3 460	-4 482	5 351	5.0	869	17.50	17.50	9.50	10.38
April	2 051	-7 207	5 721	5.4	-1 487	16.77	16.82	9.50	..

¹ End of period.



FORWARD EXCHANGE MARKETS IN FINLAND

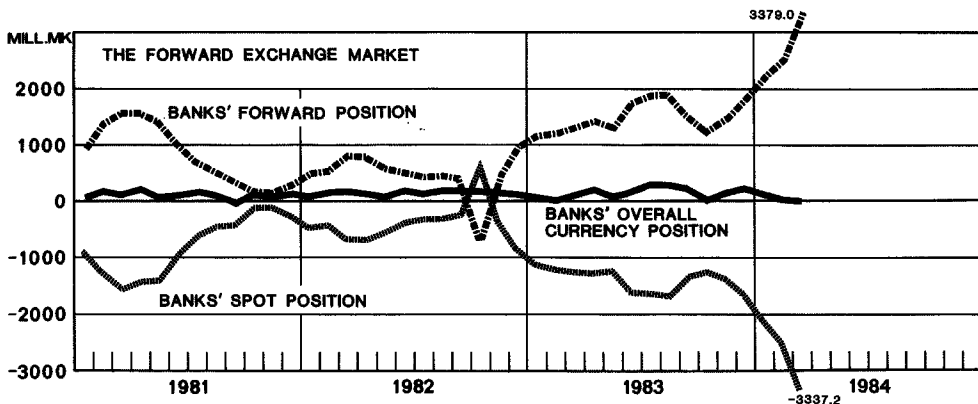
Period	Banks' forward positions in mill. mk with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1982	11 128.0	2 116.7	9 011.4	-865.1	-6 827.2	1 104.0	3.9	3.8	3.4
1983	7 434.6	1 333.4	6 101.2	-1 483.0	-2 063.1	2 390.5	5.6	5.3	4.8

1983

Jan.	11 278.4	2 201.3	9 077.1	-732.6	-6 643.3	1 544.4	3.8	3.9	3.7
Feb.	10 442.1	2 156.4	8 285.8	-947.4	-6 006.7	1 232.6	3.7	3.8	3.4
March	10 556.9	2 088.0	8 468.9	-713.5	-5 915.7	1 761.7	5.4	5.4	5.0
April	10 064.2	2 007.9	8 056.3	-718.9	-5 591.5	1 573.1	4.3	4.4	4.3
May	9 943.9	1 993.5	7 950.4	-677.3	-5 378.1	1 782.3	4.9	4.8	4.7
June	9 466.8	1 811.0	7 655.8	-1 048.1	-4 590.2	1 744.6	4.3	4.1	3.5
July	9 149.7	1 808.8	7 341.0	-1 156.7	-3 938.6	1 813.6	3.7	3.6	2.9
Aug.	8 487.6	1 913.7	6 573.9	-996.4	-3 511.9	1 500.6	3.6	3.3	2.8
Sept.	7 697.4	2 072.6	5 624.8	-1 231.8	-3 084.1	941.0	6.5	6.1	5.7
Oct.	7 964.3	2 064.2	5 900.1	-1 291.5	-2 540.6	1 715.5	5.5	5.2	4.8
Nov.	7 398.6	2 001.9	5 396.6	-1 201.3	-2 186.5	1 670.0	5.4	5.3	4.8
Dec.	7 434.6	1 333.4	6 101.2	-1 483.0	-2 063.1	2 390.5	5.6	5.3	4.8

1984

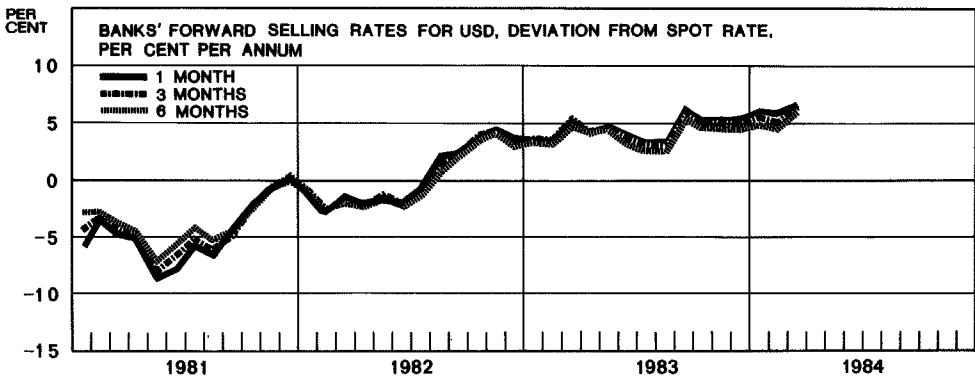
Jan.	7 144.5	1 808.4	5 336.1	-1 794.1	-1 008.4	2 275.1	6.3	5.3	5.1
Feb.	8 105.5	1 865.6	6 239.9	-1 850.6	-1 437.7	2 635.0	6.1	5.3	4.8
March	9 855.8	1 807.0	8 048.8	-2 078.3	-1 725.6	3 453.0	6.7	6.6	6.2



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

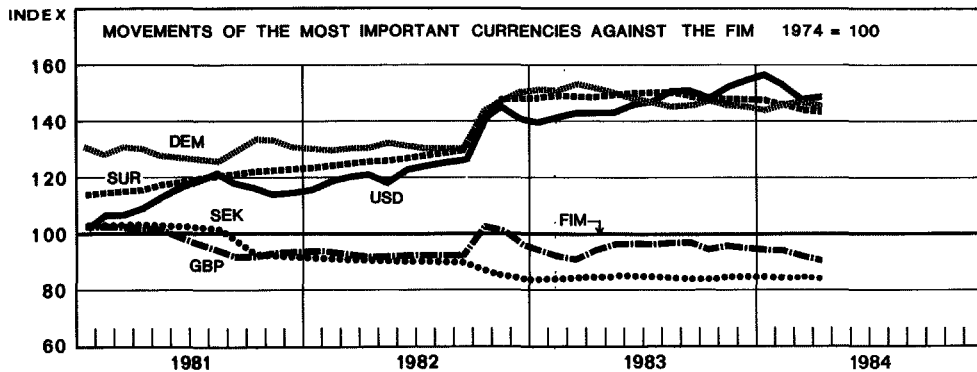
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC BEL	
	1	2	3	4	5	6	7	8	9	10	11
1979	3.896	3.330	8.275		91.12	77.22	74.38	212.75	194.43	13.338	12.979
1980	3.730	3.194	8.691	7.689	88.43	75.81	66.53	205.58	188.02	12.818	12.635
1981	4.315	3.602	8.731	6.976	85.74	75.54	60.96	191.31	173.43	11.688	11.095
1982	4.820	3.913	8.423	6.854	77.03	74.84	57.93	198.76	180.66	10.584	9.859
1983	5.570	4.524	8.456	6.957	72.75	76.44	61.07	218.61	195.66	10.934	10.742
1983											
March	5.429	4.433	8.112	7.362	72.75	75.80	63.08	225.76	202.86	11.475	10.886
April	5.436	4.417	8.389	7.061	72.74	76.28	62.87	223.29	198.24	11.212	11.103
May	5.445	4.433	8.579	6.985	72.74	76.65	61.92	220.91	196.45	11.070	11.041
June	5.546	4.503	8.608	6.878	72.72	76.46	60.84	217.76	194.30	10.902	10.866
July	5.592	4.544	8.558	6.840	72.80	76.47	60.25	216.44	193.48	10.816	10.762
Aug.	5.714	4.637	8.590	6.753	72.82	76.70	59.45	213.97	191.29	10.678	10.631
Sept.	5.713	4.642	8.575	6.727	72.65	77.04	59.64	214.38	191.70	10.632	10.513
Oct.	5.646	4.589	8.465	6.742	72.68	77.24	60.06	217.30	193.69	10.670	10.509
Nov.	5.754	4.661	8.511	6.686	72.83	77.19	59.56	214.73	191.61	10.574	10.474
Dec.	5.860	4.706	8.414	6.639	72.84	76.01	58.99	213.55	190.33	10.500	10.357
1984											
Jan.	5.940	4.764	8.389	6.579	72.85	75.65	58.56	211.96	188.64	10.395	10.225
Feb.	5.803	4.655	8.355	6.626	72.56	75.47	58.89	214.81	190.35	10.495	10.182
March	5.618	4.432	8.201	6.645	72.79	75.04	59.16	216.76	192.02	10.596	10.260
April	5.650	4.422	8.054	6.569	72.27	74.54	58.32	214.29	189.99	10.491	10.209



Average selling rates for foreign exchange, mk

Zurich 100 Sfr CHF	Paris 100 FF FRF	Rome 100 Lit ITL	Vienna 100 OS ATS	Lisbon 100 Esc PTE	Reykjavik 100 Ikr ISK	Madrid 100 Ptas ESP	Tokyo 100 Y JPY	Moscow 1 CI Rbl SUR	I special drawing right SDR	Currency index ¹
12	13	14	15	16	17	18	19	20	21	22
234.36	91.88	0.473	29.19	8.13	1.14	5.84	1.797	5.941	5.016 78	117.3
222.87	88.65	0.440	28.90	7.60	0.81	5.25	1.662	5.741	4.842 55	113.6
220.34	79.92	0.385	27.17	7.17	60.35	4.72	1.967	5.986	5.071 40	113.1
237.79	73.65	0.358	28.31	6.13	40.79	4.41	1.943	6.624	5.305 63	115.9
265.70	73.53	0.369	31.11	5.14	23.25	3.91	2.351	7.491	5.943 25	125.1
263.75	77.75	0.383	32.13	5.82	26.65	4.09	2.287	7.498	5.884 85	125.2
264.97	74.60	0.376	31.78	5.59	25.76	4.02	2.294	7.489	5.876 34	125.2
264.63	73.58	0.373	31.41	5.56	24.71	3.97	2.321	7.496	5.885 82	125.2
262.74	72.53	0.368	30.93	5.29	20.55	3.89	2.313	7.529	5.915 65	125.2
264.53	72.13	0.367	30.80	4.76	20.49	3.80	2.331	7.550	5.934 78	125.3
264.52	71.24	0.361	30.47	4.69	20.67	3.79	2.342	7.559	5.991 35	125.2
264.40	71.10	0.358	30.53	4.64	20.63	3.77	2.359	7.507	5.995 33	125.2
267.91	71.25	0.359	30.93	4.59	20.49	3.75	2.430	7.439	5.989 58	125.0
265.52	70.72	0.355	30.53	4.55	20.72	3.74	2.452	7.438	6.043 58	125.1
267.20	70.15	0.353	30.33	4.49	20.76	3.73	2.506	7.439	6.101 77	125.0
266.26	69.47	0.350	30.10	4.41	20.58	3.74	2.547	7.425	6.145 38	103.8
263.17	69.92	0.349	30.48	4.35	20.05	3.78	2.488	7.343	6.065 12	103.6
262.10	70.46	0.350	30.80	4.32	19.63	3.77	2.498	7.252	5.969 10	103.3
258.71	69.79	0.347	30.48	4.25	19.66	3.78	2.515	7.239	5.965 91	102.5

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



DEPOSITS BY THE PUBLIC

Mill. mk

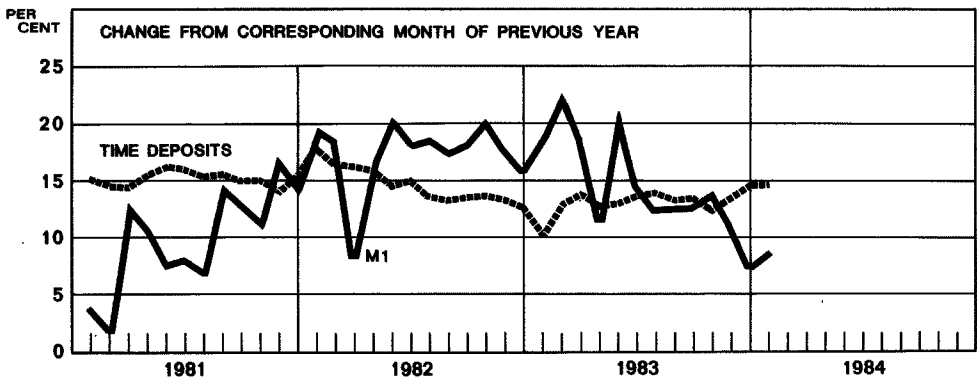
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	10
1980	5 459	2 285	2 531	10 275	22 591	20 009	15 950	6 355	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
1982*	7 155	3 874	3 049	14 078	29 465	25 883	21 040	8 666	85 054	99 132
1983*	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1983*

Jan.	7 121	3 749	3 919	14 789	29 342	26 185	21 402	8 707	85 636	100 425
Feb.	6 395	3 700	3 914	14 009	30 065	26 624	21 920	8 781	87 390	101 399
March	6 336	3 695	3 384	13 415	30 466	26 684	22 029	8 865	88 044	101 459
April	5 919	3 788	3 916	13 623	30 857	26 944	22 163	8 841	88 805	102 428
May	7 321	4 088	4 037	15 446	31 159	27 181	22 264	8 985	89 589	105 035
June	7 127	3 998	4 150	15 275	31 513	27 685	22 650	9 071	90 919	106 194
July	6 198	4 084	4 346	14 628	31 476	27 999	22 899	9 304	91 678	106 306
Aug.	6 978	4 128	4 331	15 437	31 309	28 135	23 013	9 293	91 750	107 187
Sept.	6 964	4 185	4 324	15 473	31 364	28 230	23 194	9 388	92 176	107 649
Oct.	7 271	4 269	4 529	16 069	31 414	28 298	23 285	9 365	92 362	108 431
Nov.	7 521	4 182	3 625	15 328	31 702	28 447	23 424	9 492	93 065	108 393
Dec.	7 057	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 688	112 988

1984*

Jan.	7 438	4 163	4 442	16 043	33 658	29 724	24 641	10 241	98 264	114 307
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ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. mk

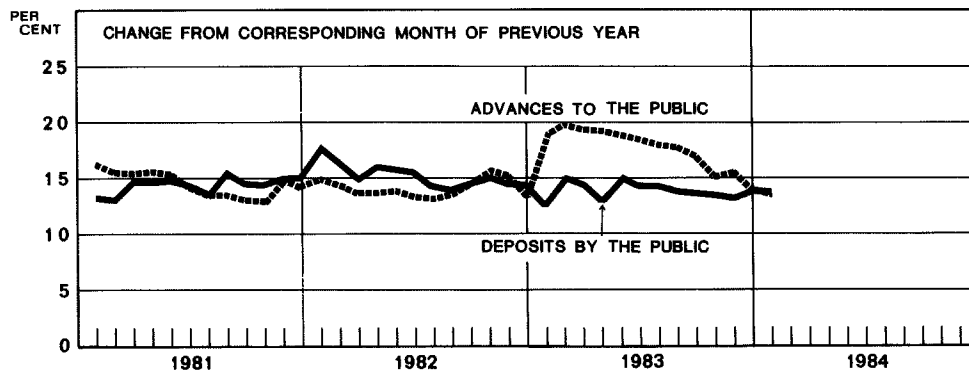
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi-Money
	1	2	3	4	5	6	7		8	9
1980	35 994	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
1982*	48 620	25 682	23 601	12 684	93 014	3 468	14 105	110 587	19 917	107 549
1983*	56 162	29 276	27 322	13 470	104 626	4 350	17 254	126 230	21 427	121 905

1983*

Jan.	49 825	25 964	23 797	13 038	93 894	4 250	14 480	112 624	20 333	108 488
Feb.	50 783	26 216	23 998	13 094	94 898	4 497	14 696	114 091	19 861	109 709
March	50 776	26 473	24 262	12 766	95 662	4 569	14 046	114 277	19 401	110 101
April	51 855	26 685	24 415	12 842	96 664	4 745	14 388	115 797	19 374	110 890
May	52 478	27 075	24 733	12 909	97 942	4 453	14 800	117 195	21 325	113 729
June	52 635	27 460	25 095	13 072	98 935	4 700	14 627	118 262	21 362	115 242
July	52 374	27 711	25 371	13 193	99 508	4 669	14 472	118 649	20 634	115 283
Aug.	53 028	28 101	25 787	13 348	100 638	4 764	14 862	120 264	21 011	115 625
Sept.	53 682	28 594	26 228	13 456	102 188	4 902	14 870	121 960	21 403	116 469
Oct.	54 535	28 821	26 529	13 543	103 090	4 797	15 541	123 428	21 772	116 992
Nov.	56 197	29 040	26 946	13 666	104 024	4 851	16 974	125 849	21 105	117 008
Dec.	56 162	29 276	27 322	13 470	104 626	4 350	17 254	126 230	21 427	121 905

1984*

Jan.	57 343	29 569	27 515	14 193	105 759	5 004	17 857	128 620	22 098	123 176
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STATE FINANCES

Mill. mk

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1982	1983		1982	1983
Income and wealth tax (net)	16 307	19 127	Wages, salaries, pensions etc.	9 654	10 935
Gross receipts	39 051	45 237	Repair and maintenance	1 162	1 383
Refunds & local authorities	-22 744	-26 110	Other consumption expenditure	5 741	6 646
Other taxes on income and wealth	379	439	Total consumption expenditure	16 557	18 964
Employers' child allowance payments	1	1	State aid to local authorities	12 240	14 126
Sales tax	14 017	15 861	State aid to industries	8 738	7 350
of which: agric. price subsidies			Child allowances	1 611	2 228
Customs duties and import charges and levies	1 483	1 419	Share in national pensions and sickness insurance schemes	769	2 272
Excise duties	10 414	9 404	Deficit of State enterprises	1 070	1 155
Excise duty on alcoholic bevs.	3 078	3 420	Other transfer expenditure	7 667	8 771
Excise duty on tobacco	1 297	1 437	Total transfer expenditure	32 095	35 902
Excise duty on liquid fuel	3 117	3 300	Machinery and equipment	1 536	1 556
Other excise duties	2 922	1 247	Construction of buildings	789	1 014
Tax on autom. and motor-cycles	1 732	2 054	Land and waterway construction	2 042	2 196
Stamp duties	1 261	1 546	Total real investment	4 367	4 766
Special diesel etc. vehicles tax	199	240	Interest on State debt	2 047	2 931
Other taxes and similar revenue	1 330	1 607	Other expenditure	25	10
Total taxes	47 123	51 698	Total other expenditure	2 072	2 941
Miscellaneous revenue	3 456	4 151	Increase in inventories	-105	828
Interest, dividends etc.	1 439	1 669	Lending	3 541	3 997
Surplus of state enterprises	1 191	1 641	Other financial investment	530	596
Redemptions of loans granted	932	1 561	Total expenditure	59 057	67 994
Total revenue	54 141	60 720	Redemption of foreign loans	900	2 166
Foreign borrowing	3 304	4 073	Redemption of domestic loans	1 846	1 552
Domestic borrowing	4 186	5 630	Total redemptions	2 746	3 718
Total borrowing	7 490	9 703			
Deficit (+) or surplus (-)	172	1 289			
Total	61 803	71 712	Total	61 803	71 712

State debt	1981	1982	1983			
	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.
Foreign debt	13 331	18 807	21 024	21 515	21 626	21 723 ¹
Long-term debt	8 762	11 378	15 202	15 467	15 744	16 383
Short-term credit	9	63	155	167	81	18
Domestic debt	8 771	11 441	15 357	15 634	15 825	16 401
Total State debt	22 102	30 248	36 381	37 149	37 451	38 124
Total debt mill. \$	5 052	5 651	6 368	6 580	6 509	6 506

¹ Includes only long-term debt.

FOREIGN TRADE

Mill. mk

Period	Value, mill. mk		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
1979	43 430	44 222	-792
1980	52 795	58 250	-5 455
1981	60 308	61 269	-961
1982	63 026	64 751	-1 725
1983*	69 692	71 528	-1 836

1983*			
June	5 291	5 341	-50
July	5 654	5 801	-147
Aug.	5 127	5 513	-386
Sept.	5 478	6 536	-1 058
Oct.	6 095	6 569	-474
Nov.	6 512	6 378	+134
Dec.	6 834	7 084	-250

1984*			
Jan.	6 691	5 611	+1 080
Feb.	6 427	5 270	+1 157

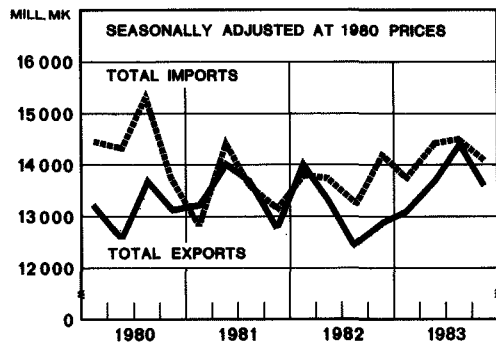
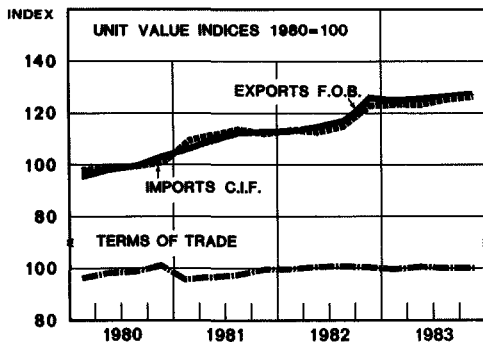
Jan.-Feb.			
1983*	10 598	10 624	-26
1984*	13 118	10 881	+2 237

Period	Indices of exports and imports 1980 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1979	92	89	90	86	105
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	100	95	119	117	101
1983*	104	98	127	125	101

1981					
Oct.-Dec.	108	100	114	113	100

1982					
Jan.-March	106	88	115	115	100
Apr.-June	102	92	116	114	101
July-Sept.	85	90	118	116	101
Oct.-Dec.	107	107	127	125	101

1983*					
Jan.-March	102	90	126	125	101
Apr.-June	103	95	126	124	101
July-Sept.	97	97	127	126	100
Oct.-Dec.	115	108	128	127	100



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 intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1983*	1 723	6 944	19 327	20 211	21 487	44 757	5 006	10 860	10 572	333

1983*

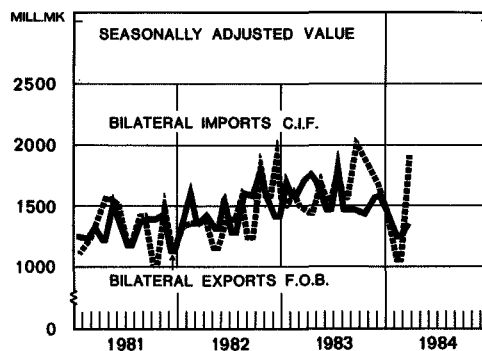
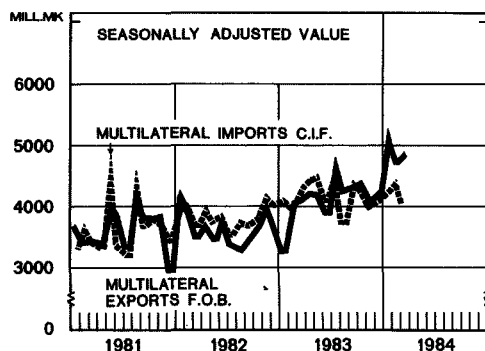
June	67	575	1 493	1 608	1 548	3 277	440	842	729	53
July	68	562	1 571	1 826	1 627	3 459	561	1 022	703	56
Aug.	58	492	1 668	1 123	1 786	3 512	440	685	833	43
Sept.	41	534	1 746	1 499	1 658	4 125	702	850	849	10
Oct.	124	623	1 765	1 574	2 009	4 257	578	818	892	24
Nov.	78	643	1 851	2 054	1 886	4 122	435	935	869	17
Dec.	238	658	1 815	1 931	2 192	4 505	434	1 216	923	6

1984*

Jan.	222	502	1 625	2 395	1 947	3 162	407	1 108	869	65
Feb.	332	541	1 705	1 797	2 052	3 112	339	818	989	12

Jan.-Feb.

1983*	396	1 029	2 734	3 223	3 216	6 627	596	1 490	1 822	89
1984*	554	1 043	3 330	4 192	3 999	6 274	746	1 926	1 858	77



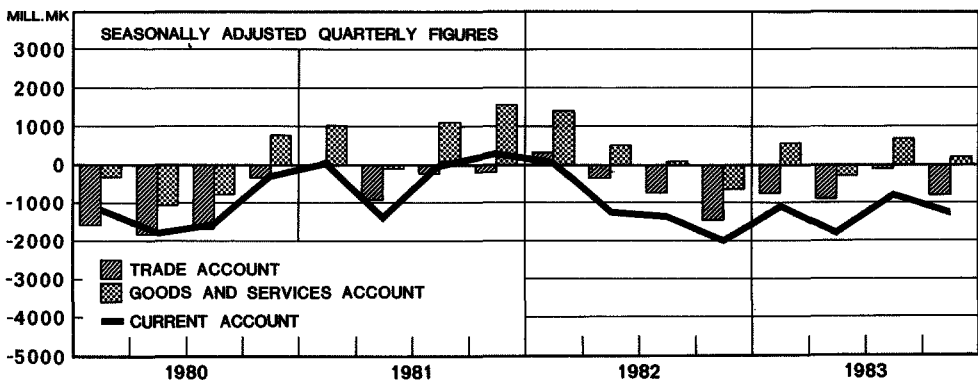
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January-February				January-February			
	1983*		1984*		1983*		1984*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	53.6	5 681	56.8	7 453	53.1	5 648	59.6	6 484
Austria	0.7	70	0.7	89	1.3	140	1.2	135
Belgium and Luxembourg	1.6	169	1.3	169	1.9	203	1.9	209
Denmark	3.1	333	4.4	578	2.6	277	2.6	281
France	4.7	493	4.3	561	3.5	369	3.6	389
Federal Republic of Germany	11.2	1 192	10.1	1 326	14.3	1 516	15.3	1 665
Italy	2.2	228	2.1	272	3.2	343	3.5	386
Netherlands	3.1	326	3.5	456	2.8	301	3.0	323
Norway	3.4	359	5.2	679	2.1	224	2.5	268
Portugal	0.2	24	0.2	24	0.7	72	0.8	90
Spain	0.6	66	0.5	67	0.8	90	0.9	98
Sweden	11.6	1 234	12.4	1 636	11.1	1 183	14.6	1 593
Switzerland	1.4	150	1.3	168	1.7	178	1.9	205
United Kingdom	8.6	915	9.6	1 261	6.6	699	7.1	769
Other	1.2	122	1.2	167	0.5	53	0.7	73
OECD countries outside Europe	6.1	643	13.2	1 727	12.7	1 345	13.8	1 501
Canada	0.6	63	0.7	89	0.7	73	0.9	100
Japan	0.9	98	1.2	157	5.8	614	6.3	686
United States	3.7	391	10.4	1 359	5.7	606	5.4	588
Other	0.9	91	0.9	122	0.5	52	1.2	127
CMEA countries	31.1	3 296	20.9	2 745	25.3	2 692	20.1	2 192
Czechoslovakia	0.6	69	0.5	64	0.5	52	0.5	56
German Democratic Republic	0.5	48	0.5	68	0.6	70	0.6	64
Poland	0.2	20	0.3	40	1.1	112	1.0	110
Soviet Union	29.4	3 119	19.1	2 505	22.6	2 404	17.4	1 897
Other	0.4	40	0.5	68	0.5	54	0.6	65
Latin America	1.3	137	0.9	116	2.1	218	2.5	270
Argentina	0.2	19	0.0	6	0.2	16	0.1	8
Brazil	0.2	26	0.2	23	0.6	68	1.0	109
Colombia	0.2	20	0.1	15	0.4	44	0.6	69
Other	0.7	72	0.6	72	0.9	92	0.8	84
Other	7.9	841	8.2	1 077	6.8	721	4.0	434
GRAND TOTAL	100.0	10 598	100.0	13 118	100.0	10 624	100.0	10 881
of which								
EFTA countries	17.4	1 845	19.9	2 610	17.0	1 805	21.3	2 312
EEC countries	35.5	3 759	36.3	4 760	35.4	3 760	37.4	4 065
OECD countries	59.7	6 324	70.0	9 180	65.8	6 993	73.4	7 985

BALANCE OF PAYMENTS

Period	Exports f.o.b.	Imports c.i.f.	Trade account	Transport, net	Travel, net	Other services, net	Goods and services account	Invest- ment income, net	Un- requited transfers, net	Other, net	Current account
1980	52 860	58 315	-5 455	+3 064	+320	+587	-1 484	-3 308	-454	+91	-5 155
1981	60 260	61 697	-1 437	+3 261	+405	+1 286	+3 515	-4 359	-499	+132	-1 211
1982*	62 943	65 168	-2 225	+2 934	-286	+811	+1 234	-5 446	-626	+140	-4 698
1983*	69 650	72 100	-2 450	+3 200	-750	+1 000	+1 000	-5 800	-700	+200	-5 300
1981*											
Jan.-March	14 469	13 623	+846	+857	-87	+150	+1 766	-984	-130	+9	+661
Apr.-June	15 489	15 810	-321	+801	+78	-100	+458	-1 252	-127	+48	-873
July-Sept.	14 100	15 737	-1 637	+856	+443	+466	+128	-1 023	-109	+53	-951
Oct.-Dec.	16 202	16 527	-325	+747	-29	+770	+1 163	-1 100	-133	+22	-48
1982*											
Jan.-March	16 082	14 858	+1 224	+703	-156	+350	+2 121	-1 083	-182	-11	+845
Apr.-June	15 587	15 390	+197	+719	-85	+181	+1 012	-1 688	-163	+44	-795
July-Sept.	13 311	15 420	-2 109	+773	+149	+327	-860	-1 357	-135	+61	-2 291
Oct.-Dec.	17 963	19 500	-1 537	+739	-194	-47	-1 039	-1 318	-146	+46	-2 457
1983*											
Jan.-March	16 860	16 463	+397	+768	-290	+649	+1 524	-1 553	-217	-26	-272
Apr.-June	17 158	17 535	-377	+808	-227	+76	+280	-1 482	-148	+19	-1 331
July-Sept.	16 273	17 929	-1 656	+853	+41	+328	-434	-1 438	-112	+27	-1 957
Oct.-Dec.	19 359	20 173	-814	+771	-274	-53	-370	-1 327	-223	+180	-1 740



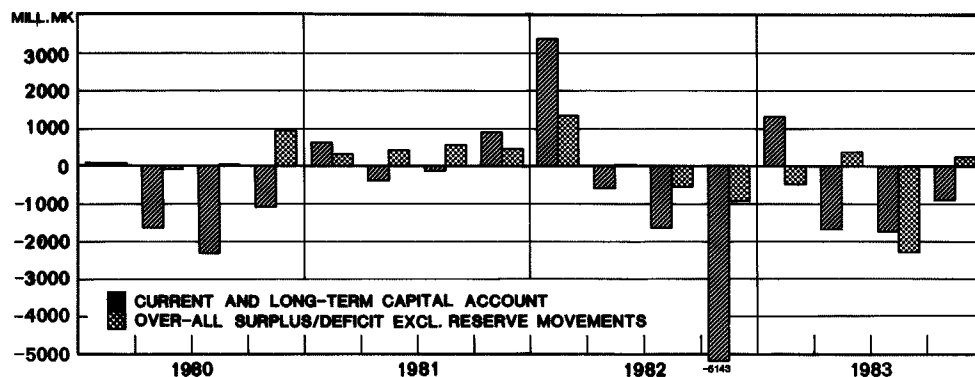
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term 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
+5 183	-4 140	-433	-428	+182	-4 973	+3 255	-967	+3 930	-250 ³	+995	-995
+8 312	-4 643	-518	-826	+2 325	+1 114	-1 067	+437	-406	+1 725 ³	+1 803	-1 803
+10 213	-4 721	-1 239	-3 634	+619	-4 079	-2 003	+1 235	+1 798	+2 923	-126	+126
+10 112	-7 273	+450	-989	+2 300	-3 000	+2 300	-1 900	+1 000	-562	-2 162	+2 162
+1 404	-955	-227	-235	-13	+648	-473	+789	-163	-492 ³	+309	-309
+1 948	-1 213	+11	-233	+513	-360	+867	+790	-21	-846	+430	-430
+1 932	-797	-91	-200	+844	-107	+95	-571	-822	+1 993	+588	-588
+3 028	-1 678	-211	-158	+981	+933	-1 556	-571	+600	+1 070	+476	-476
+3 637	-806	-114	-165	+2 552	+3 397	-898	+569	-1 509	-247	+1 312	-1 312
+2 332	-1 555	-328	-298	+151	-644	+134	+571	+108	-124	+45	-45
+1 859	-883	-127	-247	+602	-1 689	-586	+48	-516	+2 199	-544	+544
+2 385	-1 477	-670	-2 924	-2 686	-5 143	-653	+47	+3 715	+1 095	-939	+939
+2 985	-1 271	+100	-182	+1 632	+1 360	-535	-188	-1 214	+95	-482	+482
+2 435	-2 895	+273	-200	-387	-1 718	+815	-188	+699	+789	+397	-397
+1 479	-1 269	+142	-138	+214	-1 743	+725	-851	-593	+149	-2 313	+2 313
+3 213	-1 838	-65	-469	+841	-899	+1 295	-673	+2 108	-1 595	+236	-236

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

¹ Including direct investment, net.

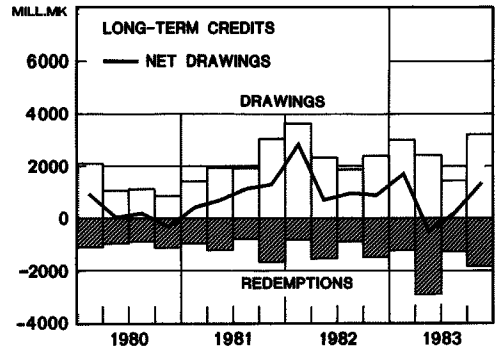
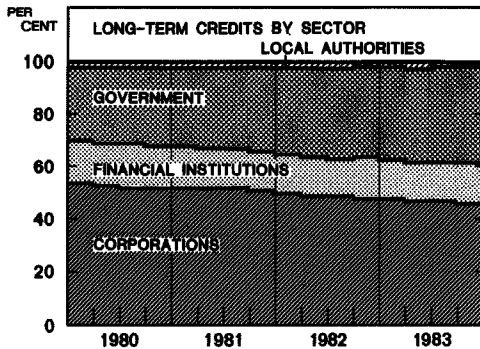
² Reserve movements of other foreign exchange holders have been transferred to the short-term capital account. The short-term capital of the authorized banks is shown separately.

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

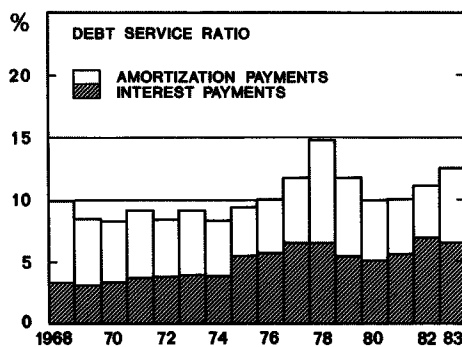
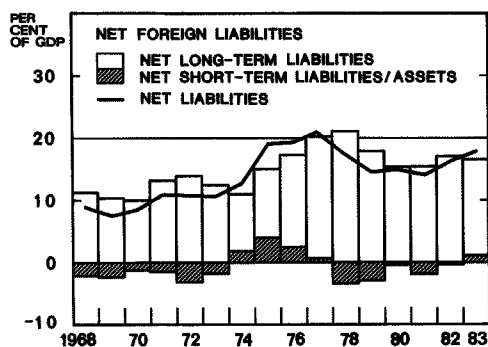


FINLAND'S FOREIGN ASSETS AND LIABILITIES

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
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
1982*	6 628	4 626	3 796	15 050	47 547	4 608	2 223	752	55 130	40 080
1983*	6 612	6 166	3 932	16 710	53 118	4 472	2 317	763	60 670	43 960
1981										
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
June	5 361	3 741	1 471	10 573	39 847	4 456	2 313	696	47 312	36 739
Sept.	5 556	4 084	1 466	11 106	41 198	4 515	2 345	687	48 745	37 639
Dec.	6 628	4 626	3 796	15 050	47 547	4 608	2 223	752	55 130	40 080
1983*										
March	6 672	5 003	3 892	15 567	49 897	4 759	2 288	846	57 790	42 223
June	6 458	4 998	3 956	15 412	49 921	4 462	2 306	812	57 501	42 089
Sept.	6 411	5 392	3 935	15 738	50 705	4 566	2 303	798	58 372	42 634
Dec	6 612	6 166	3 932	16 710	53 118	4 472	2 317	763	60 670	43 960



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
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	13 749	14 176	39 287	2 427	20 218	13 538	36 183	-3 104	30 034	7 930	3 494
12 737	22 562	13 498	48 797	5 348	31 331	11 593	48 272	-525	39 555	9 068	3 464
11 842	28 950	15 883	56 675	5 705	38 700	15 310	59 715	3 040	47 000	11 572	5 621
10 125	11 464	12 299	33 888	2 437	18 080	14 102	34 619	731	31 686	2 170	897
10 817	12 627	13 152	36 596	2 403	18 487	14 690	35 580	-1 016	31 165	1 638	595
11 362	13 749	14 176	39 287	2 427	20 218	13 538	36 183	-3 104	30 034	2 387	1 270
12 795	13 614	13 581	39 990	3 074	18 592	12 390	34 056	-5 934	30 339	1 761	600
12 846	14 322	13 118	40 286	3 077	19 349	12 767	35 193	-5 093	31 646	2 736	1 017
12 456	17 151	13 142	42 749	4 097	21 737	12 490	38 324	-4 425	33 214	2 038	662
12 737	22 562	13 498	48 797	5 348	31 331	11 593	48 272	-525	39 555	2 533	1 185
12 365	22 166	14 247	48 778	4 637	29 530	11 687	45 854	-2 924	39 299	2 531	942
12 905	23 008	14 570	50 483	4 705	31 137	12 872	48 714	-1 769	40 320	3 778	2 243
10 556	23 605	15 759	49 920	4 737	31 289	13 726	49 752	-168	42 466	2 517	1 049
11 842	28 950	15 883	56 675	5 705	38 700	15 310	59 715	3 040	47 000	2 746	1 387



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100 ¹						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1982	1 122	120.8	122.1	116.7	120.8	122.4	119.0	117.7	116.8	117.8
1983	1 189	127.6	128.8	124.2	125.9	130.8	128.5	128.7	124.4	129.3
1983										
Aug.	1 195	128.2	129.2	125.2	126.2	130.8	130.5	130.7	125.8	131.3
Sept.	1 204	129.1	130.1	126.1	127.5	131.3	130.7	131.2	125.8	132.0
Oct.	1 210	129.7	130.8	126.3	127.8	133.0	131.2	132.6	128.8	132.8
Nov.	1 215	130.2	131.3	127.0	128.2	133.3	132.0	132.8	128.8	133.0
Dec.	1 219	130.6	131.7	127.3	128.6	133.7	132.6	133.0	128.8	133.1
1984										
Jan.	1 228	131.6	132.5	128.7	129.6	134.7	133.0	133.5	129.6	133.5
Feb.	1 231	131.8	133.0	128.1	129.6	135.2	133.7	133.6	129.6	133.6
March	1 238	132.0	133.5	127.6	129.6	135.7	134.1	134.2	129.6	134.5

¹ New series calculated by the Central Statistical Office.

Period	Consumer prices 1981 = 100 ¹									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
1982	109.6	112.3	112.9	105.3	111.7	105.9	110.2	106.8	106.0	109.6
1983	118.7	120.0	125.1	112.8	118.4	114.3	126.6	117.4	116.9	120.7
1983										
Aug.	120.1	120.7	126.1	112.9	120.4	116.0	132.4	118.2	119.9	121.8
Sept.	121.0	121.4	126.2	115.2	120.8	116.8	132.4	119.6	120.9	122.4
Oct.	121.3	122.1	126.2	116.8	120.6	117.3	135.2	119.3	121.1	123.1
Nov.	122.4	123.1	132.1	117.4	120.6	118.0	136.3	119.3	122.1	125.4
Dec.	122.3	121.5	132.1	117.5	120.8	118.4	136.3	120.3	122.3	125.6
1984										
Jan.	123.3	122.6	132.1	113.2	121.1	119.2	139.4	123.1	123.8	128.1
Feb.	123.8	123.6	132.1	115.0	121.1	120.9	139.4	123.4	124.0	128.3
March	124.7	125.4	132.1	117.8	121.5	121.4	139.4	124.3	124.3	128.6

¹ New series calculated by the Central Statistical Office.

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							
1981	201.3	192.5	165.6	186.1	182.2	174.8	191.9	187.4	188.8	188.1
1982	225.7	213.5	181.8	207.3	201.1	195.7	212.0	207.4	208.9	208.1
1983*	246.1	234.5	201.5	229.4	222.3	216.1	233.3	229.1	229.5	229.3
1982										
Oct.-Dec.	234.9	221.7	189.9	216.9	211.1	206.0	220.4	216.6	217.5	217.0
1983*										
Jan.-March	240.2	224.3	194.0	218.2	214.1	206.9	222.9	219.0	219.7	219.4
Apr.-June	247.1	236.7	201.0	229.0	222.3	215.2	233.9	229.0	230.2	229.6
July-Sept.	243.3	234.8	202.8	230.2	222.5	217.0	234.3	229.9	230.4	230.1
Oct.-Dec.	253.7	242.0	208.3	240.2	230.5	225.5	242.1	238.3	237.8	238.1

PRODUCTION

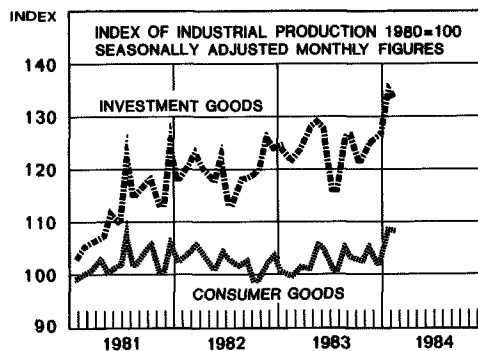
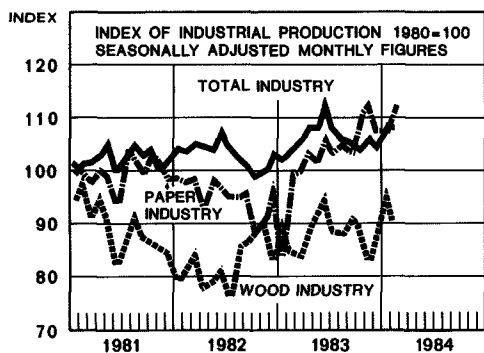
Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1981										
Oct.-Dec.	129	143	80	149	121	97	135	116	132	124
1982										
Jan.-March	115	132	71	134	72	89	113	96	133	120
Apr.-June	121	136	83	135	80	94	122	109	133	125
July-Sept.	120	120	202	64	106	95	123	111	135	121
Oct.-Dec.	133	143	94	154	135	100	136	127	137	129
1983*										
Jan.-March	119	132	81	141	81	86	115	100	138	123
Apr.-June	125	142	88	126	87	94	124	114	138	130
July-Sept.	125	126	224	57	114	94	127	111	140	126
Oct.-Dec.	136	149	95	139	141	94	143	123	142	133

PRODUCTION

Index of industrial production 1980 = 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	
1981	102.6	114.1	103.4	100.1	104.0	89.6	100.8	103.0	101.2	106.9	102.9
1982*	103.7	121.0	103.4	100.6	106.4	83.5	96.1	98.1	108.4	114.0	103.8
1983*	106.8	125.3	103.3	105.1	106.4	88.9	103.9	103.4	112.2	117.3	106.8
1983*											
Feb.	99.5	121.0	95.9	97.3	86.3	76.6	96.5	87.6	97.3	113.3	104.4
March	113.6	135.0	111.1	110.9	107.2	96.1	107.5	115.7	114.6	125.8	106.0
April	106.1	132.9	101.4	103.6	100.5	96.0	93.8	107.2	103.9	122.7	108.9
May	116.3	144.6	112.7	113.0	112.7	115.0	103.3	102.2	119.3	134.1	108.9
June	112.0	145.2	103.2	110.2	104.6	107.1	98.9	105.7	121.9	129.5	113.8
July	67.5	49.3	63.6	72.6	90.6	35.1	106.3	66.9	67.0	51.2	108.2
Aug.	111.3	118.8	108.0	111.5	113.2	86.5	115.4	113.4	122.5	113.9	106.4
Sept.	114.3	138.3	109.8	112.2	111.1	107.3	104.7	112.6	140.9	129.4	105.9
Oct.	112.8	126.0	111.3	111.2	125.2	100.1	115.9	114.3	130.0	119.3	104.8
Nov.	118.5	139.2	117.8	115.1	127.5	89.1	117.4	118.9	112.4	130.3	106.7
Dec.	106.6	128.9	103.7	104.0	103.4	77.6	98.7	105.6	102.0	120.2	105.2
1984*											
Jan.	113.4	135.1	109.4	111.4	100.0	91.7	111.3	109.8	98.3	125.7	108.9
Feb.	108.4	131.7	103.5	106.6	89.4	85.7	112.5	102.1	88.2	121.7	108.6



LABOUR – TIMBER FELLINGS – INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1980 = 100	Wholesale volume index 1980 = 100
1982*	3 659	2 526	2 377	149	5.9	41 435	106	109
1983*	3 681	2 546	2 390	156	6.1	39 324	106	110
1983*								
Jan.	3 670	2 469	2 289	180	7.3	3 728	93	89
Feb.	3 672	2 479	2 314	165	6.7	4 545	92	96
March	3 674	2 497	2 333	164	6.6	5 963	106	116
April	3 677	2 482	2 315	167	6.8	5 227	102	112
May	3 676	2 528	2 383	145	5.7	3 067	123	135
June	3 678	2 715	2 549	166	6.1	2 089	100	95
July	3 682	2 730	2 577	153	5.6	1 084	104	85
Aug.	3 682	2 555	2 426	128	5.0	1 303	105	113
Sept.	3 682	2 540	2 397	143	5.6	2 153	107	119
Oct.	3 687	2 520	2 369	151	6.0	2 860	106	116
Nov.	3 695	2 507	2 355	152	6.1	3 391	106	117
Dec.	3 695	2 526	2 369	157	6.2	4 109	132	125
1984*								
Jan.	3 699	2 510	2 339	171	6.8	3 577
Feb.	3 700	2 498	2 329	169	6.8

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											
1982*	51.83	19.23	6.71	18.93	3.46	41.80	17.32	5.72	13.61	2.64	50.48
1983*	51.39	19.50	6.42	18.24	3.57	45.78	17.92	5.75	15.57	3.47	52.62
1982*											
July-Sept.	12.80	4.59	1.38	4.73	1.03	9.58	3.93	1.69	2.49	0.87	56.52
Oct.-Dec.	10.63	3.29	0.88	4.75	0.93	15.37	5.83	2.62	5.33	0.69	50.48
1983*											
Jan.-March	9.77	4.14	1.27	3.20	0.72	9.87	3.88	1.08	3.66	0.66	45.37
Apr.-June	18.94	7.91	3.12	5.35	0.99	10.31	4.17	0.82	3.62	0.95	53.37
July-Sept.	14.14	4.20	1.07	6.86	0.90	10.96	3.89	1.84	3.58	0.93	57.94
Oct.-Dec.	8.32	3.20	0.94	2.71	0.96	14.29	5.74	1.94	4.71	0.96	52.62

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

MONETARY POLICY INDICATORS

Page 6. All the figures except the average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The average lending rate of the commercial banks is the mean value of the end of the month lending rates weighted by credit outstanding. The annual figure for the average lending rate is an unweighted average of the weighted average monthly rates. Gross central bank debt of the deposit banks = The commercial banks' and Postipankki's cheque account overdrafts + Call money credit. Prior to January 1984 the average monthly amount of cheque account overdrafts at base rate was restricted by the quota granted to each bank. The banks could obtain central bank credit in excess of the quota by borrowing on the Bank of Finland's call money market. As from January 1984, the quotas were abolished and the only source of central bank debt is now the call money market. There is no longer any absolute ceiling on call money credit. However, banks' borrowing is monitored and a bank whose borrowing exceeds a certain limit comes under the special surveillance of the central bank. The interest charged on call money credit, the call money rate, is adjusted by the central bank in line with monetary policy objectives at the time. Net central bank debt of the deposit banks = Gross central bank debt of the deposit banks - The commercial banks' and Postipankki's deposits on the call money market - All deposit banks' cash reserve deposits at the Bank of Finland.

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

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

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

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

FORWARD EXCHANGE MARKETS IN FINLAND

Page 7. The figures for columns 1-6 are calculated by the Bank of Finland on the basis of monthly reports from the banks on their outstanding forward exchange positions at the end of each month. The figures for columns 7-9 are based on monthly averages of daily representative quotations, as reported by the banks to the Bank of Finland. The banks' foreign currency positions shown in the chart at the bottom of page 7 are monthly averages of daily spot and forward positions vis-à-vis the Finnish mark as reported by the commercial banks to the Bank of Finland. The spot position includes all foreign currency-denominated assets and liabilities of the banks, excluding their outstanding forward contracts.

FOREIGN EXCHANGE RATES

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

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

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

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

Page 11. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply M_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 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations.

FOREIGN TRADE

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

BALANCE OF PAYMENTS

Pages 16-17. Figures are calculated by the Bank of Finland. In the current account, the figures for trade- and goods and services account 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 18-19. Figures calculated by the Bank of Finland.

Long-term assets: Other = financial loans + development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 21. Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payment of long-term foreign assets and liabilities, excl. amortisation payments of the Bank of Finland's reserve and oil credits.

Columns 21 and 22 during the year and the quarter.

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

PRICE INDICES

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

WAGES - PRODUCTION

Pages 21-22. Figures supplied by the Central Statistical Office. Page 22. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II.

LABOUR - TIMBER FELLINGS - INTERNAL TRADE - CONSTRUCTION OF BUILDINGS

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

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 1983 is as follows: Social Democratic Party of Finland 57, National Coalition Party 44, Centre Party 38, Democratic League of the People of Finland 27, Finnish Rural Party 17, Swedish People's Party 11, Christian League of Finland 3, The Greens 2 and Finnish People's Constitutional Party 1.

Finland is divided into 461 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of 4 years.

INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1956, IDA 1960, EFTA 1961, ADB 1966, OECD 1969, IDB 1977 and AfDB 1982.

LAND

THE AREA is 338 000 square kilometres (Great Britain's area is 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1980) 2.5 mill. ha (8.2%) are cultivated and 19.7 mill. ha (64.5%) are covered by forests.

OWNERSHIP OF LAND (1979). The total land area was distributed among different classes of owners approximately as follows: private 58.7%, State 31.4%, joint stock companies etc. 7.4%, municipalities and parishes 2.5%.

POPULATION

NUMBER OF INHABITANTS (1981): 4.8 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1981): In South Finland 47.0, in East and Central Finland 14.1, in North Finland 4.1 and in the whole country an average of 15.8 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1981): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital, 483 051 inhabitants, Tampere (Tammerfors) 167 028, Turku (Åbo) 163 526.

EMPLOYMENT (1982): Agriculture and forestry 13%, industry and construction 34%, commerce 14%, transport and communication 7%, financing, insurance, real estate and business services 6%, community and personal services 26%.

LANGUAGE (1981): Finnish speaking 93.5%, Swedish speaking 6.3%, others 0.2%.

EDUCATION (1982): 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 (1981): births 13.2‰, deaths 9.2‰, change + 5.2‰, net immigration + 1.2‰. Deaths in France 10.3‰ and Great Britain 11.8‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1982), in million marks: Gross domestic product at factor cost by industrial origin; agriculture 8 993 (4%), forestry and fishing 9 729 (5%), manufacturing 64 416 (31%), construction 15 271 (7%), trade, restaurants and hotels 24 017 (11%), transport and communication 17 052 (8%), banking and insurance 8 633 (4%), ownership of dwellings 15 009 (7%) other services 47 323 (23%), total 210 443. Index of real domestic product 124 (1975 = 100).

FOREST RESOURCES (1981). The growing stock comprised of 1 638 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 674 million m³ was up to the standard required for logs, 52% of these being pine. The annual growth was 66 million m³ and the total drain calculated on the basis of roundwood consumption was 56 million m³.

AGRICULTURE (1981). Cultivated land 2.4 million hectares. Number of holdings 218 904 of which 151 956 are of more than 5 ha. Measure of self-sufficiency in bread cereals (1982) 56%.

INDUSTRY (1982). Gross value of industrial production 203 910 mill. marks, number of workers 405 013, salaried employees 144 435, motive power 8.3 mill. kW. Index of industrial production 103.7 for 1982 (1980 = 100).

STATE RAILWAYS (Dec. 31, 1983): Length 6 069 km.

MERCHANT FLEET (March 31, 1984): Passenger vessels 155 (243 950 gross reg. tons), tankers 46 (1 178 740 gross reg. tons), dry cargo vessels 177 (819 857 gross reg. tons), other vessels 100 (13 951 gross reg. tons), total 478 (2 256 498 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1983): Passenger cars 1 410 438, lorries and vans 167 831, buses 9 102, others 10 585, total 1 597 956.

FINNISH AIRLINES (May 1, 1984) Finnair has in use 1 DC-8, 6 DC-9-10, 5 DC-9-41, 12 DC-9-51, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 2 Fokker F-27. The company has scheduled flights to 38 foreign and 21 domestic destinations.

FINANCE AND BANKING

CURRENCY. Since 1880, 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 as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 20.0, DEM 18.9, GBP 14.7, USD 10.4, other currencies 36.0. The permissible range of fluctuation is about 2.25 per cent on either side of the theoretical arithmetic mean. The fluctuation limits are 106.0 and 101.3.

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Managements 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, 1983). There are two big and eight small commercial banks with in all 924 offices, 270 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 48 private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1984). The base rate applied by the Bank of Finland is 9 ½%. The range of rates for other credits granted by the Bank of Finland is between 7% and 12%. Other credit institutions: time deposits 5 ¼%; 6 month deposits 6 ½%; 12 month deposits 8%; 24 month deposits 9 ¼% and sight deposits 2 ¼%. The highest lending rate is 14%.

THE FINNISH ECONOMY IN 1983 AND THE CURRENT OUTLOOK

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INTRODUCTION

Buoyant domestic demand was the major factor contributing to the recovery of the Finnish economy in the second half of 1982 at a time when the external sector was still depressed by continuing slack in international markets. This for Finland quite atypical cyclical pattern was largely due to the success of economic policies in boosting investment activity. Towards the end of 1983, a revival in exports contributed increasingly to GDP growth, which exceeded 3 per cent for the year as a whole.

However, a higher level of activity in relation to the international environment meant that inflation slowed down less rapidly in Finland than in competitor countries. Moreover, the difference in activity levels exerted pressure on the external balance. At the same time as these developments called for a shift in the emphasis of economic policies, international recovery and the concomitant growth of exports in the course of 1983 facilitated the adoption of a restrictive policy stance.

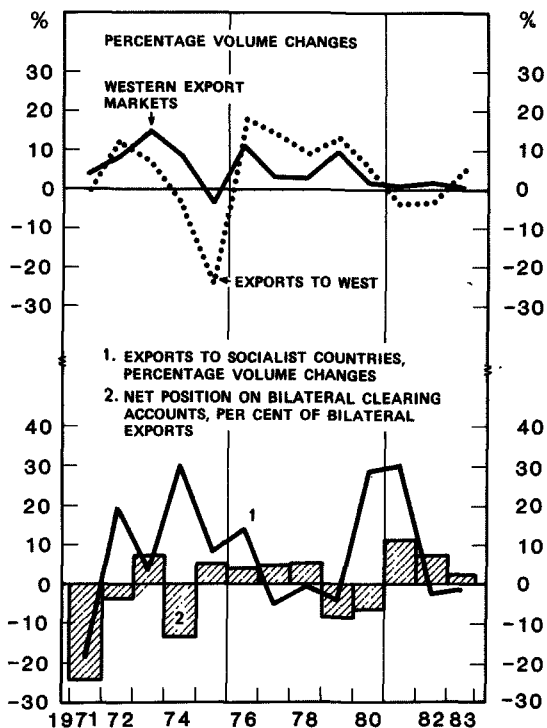
Even a relatively modest expansion of western export markets is expected to accelerate the growth of Finnish exports in 1984, partly because of the cyclical sensitivity of export goods. Satisfactory levels of capacity utilization and corporate profitability are likely to promote the transmission of demand impulses from exports to the domestic economy. Although economic policy has swung over to a restrictive stance, GDP is estimated to grow some 4–5 per cent this year.

RECENT DEVELOPMENTS IN THE INTERNATIONAL ENVIRONMENT

Up to the end of 1982, Finland's export mar-

kets were in deep recession. Reflecting developments in the world economy, there was a fundamental improvement on the inflation front. Thus external inflationary pressures emitted to the Finnish economy via foreign trade prices abated in 1982 and 1983 and movements in relative prices also diminished. The fall in oil prices has brought a modest improvement to the terms of trade after a long period of deterioration. The expansion of exports to the Soviet Union, which had bolstered economic activity in Finland when western exports were declining, came to an end in 1982, and since the second half of that year Finland's exports to the CMEA countries have fallen slightly (Chart 1).

CHART 1. GROWTH OF MARKETS AND EXPORTS



Fluctuations in exchange rates and interest rates abroad have also been reflected in increasing uncertainty in the Finnish economy, especially in the foreign trade sector, and this has been a factor contributing to unstable short-term capital movements. Even though the markka's exchange rate has remained stable in relation to a basket of currencies most important in Finland's foreign trade, movements against individual currencies have been substantial. In fact, although Finland followed to some extent the devaluation of the Swedish krona in the autumn of 1982, confidence in the external value of the markka does not seem to have been fully restored until the more distinct revival in exports towards the end of 1983. Speculative capital flows induced by devaluation expectations placed the official foreign exchange reserves under pressure, especially in the autumn of 1983. With the raising of the call money rate, however, speculation subsided and the final months of the year witnessed a substantial inflow of short-term capital.

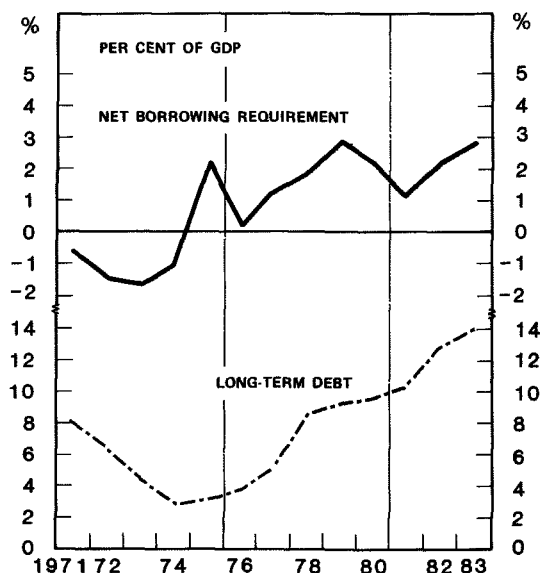
MAIN FEATURES OF ECONOMIC POLICIES

After a successful period of stabilization policy in 1975–1977 the Finnish economy entered a phase of rapid growth. During the boom years 1979–1980, the overall balance of the economy continued to be favourable, thus leaving room for expansive demand management policies during the recession in 1981–1982. In the period 1978–1983, GDP grew at an average annual rate of almost 4 per cent, which exceeded by 2 percentage points the corresponding figure for the OECD area. But pressures on the external balance and a widening in the inflation differential between Finland and other OECD countries necessitated a reorientation of economic policies in the course of 1983.

FISCAL POLICY AND PUBLIC FINANCE

The budget for 1983 was drawn up on the assumption of continuing slow growth, and as a result fiscal policy was still reflationary last year. Revisions in the national accounts, how-

CHART 2. CENTRAL GOVERNMENT FINANCES

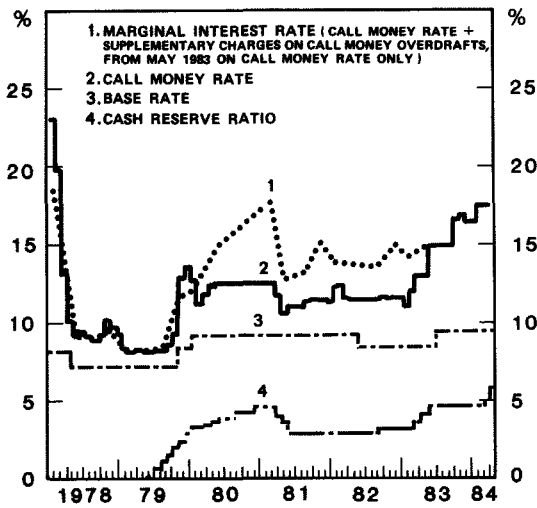


ever, indicated that GDP growth had been appreciably stronger in 1982 than initially estimated. Similarly, the growth rate in 1983 proved to be stronger than forecast.

The expansiveness of fiscal policies was partly attributable to the fact that when devaluing the markka in the autumn of 1982 it was deemed important to keep the actual change in exchange rates as small as possible and to support Finnish firms' competitiveness by other measures. From the point of view of state finances, the most important measures were, on the one hand, reductions in employers' social security contribution rates and sales tax concessions for industrial investment and, on the other hand, the raising of the general sales tax rate by 2 percentage points from June 1, 1983. The aim of stabilizing the gross tax ratio – which, among other things, entails annual inflation adjustment of personal tax scales – has for its part reduced the 'fiscal drag' effects of fiscal policies.

The net tax ratio fell by 0.6 percentage point in 1983. There was an increase of virtually the same order of magnitude in the central government deficit and the State's net financing requirement amounted to almost 3 per cent of GDP (Chart 2). Although the direct fiscal

CHART 3. MONETARY POLICY INDICATORS



stimulus in 1983 was less expansive than in 1982, the lagged multiplier effects were clearly quite substantial last year. In addition to the effects induced by general government revenue and expenditure, the financing of a relatively large share of the State's deficit through capital borrowing abroad eased the financial market and thus gave a further expansionary boost to the economy.

CENTRAL BANK POLICY AND FINANCIAL MARKETS

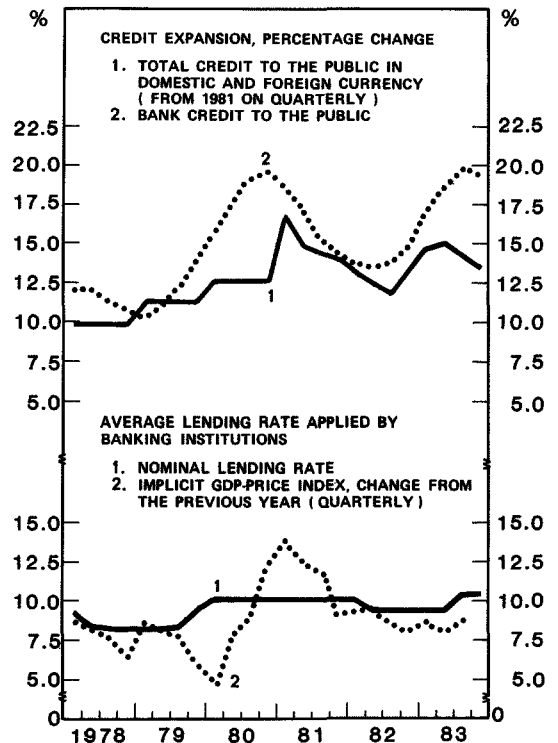
Concern over looming economic imbalances led to a gradual tightening of monetary policy in the course of 1983. The measures were aimed at combatting inflationary pressures by curbing credit expansion and stressing the attainment of positive real interest rates on a permanent basis.

To contain the growth of bank lending, the call money rate was raised from 11 to 15 per cent between January and May. Liquidity in the financial market was reduced by raising the banks' cash reserve deposit ratio by a total of 1.4 percentage points. With a view to countering devaluation expectations and easing the resultant pressures on the foreign exchange reserves, the call money rate was raised further to 18 per cent in the autumn (Chart 3).

Advances to the public, however, continued to grow fairly rapidly throughout the major part of last year. High real interest rates on foreign loans and associated exchange rate risks, as evidenced in the surge of the US dollar, made firms reluctant to take up capital abroad. Instead, borrowing centred on domestic bank credit; marka-denominated credits grew by 18 per cent in 1983.

The overall level of interest rates was raised by one percentage point on July 1. In addition, lending rates rose slightly in the course of the years as interest rates in the unregulated money market adapted to the higher call money rate. Since May 1983 banks have been permitted to pass on to their customers part of the extra cost of funds obtained in the unregulated market (originally 40 per cent, 60 per cent from the beginning of 1984). This raised the interest costs of new credits, in particular. As measured by the GDP price index the trend towards higher positive real rates of interest strengthened in 1983 (Chart 4).

CHART 4. FINANCIAL MARKET INDICATORS



Exports of goods and services picked up in the course of 1983 and on a year-to-year basis the volume increased by 4 per cent. The upturn was mainly attributable to the revival of western markets. Reflecting Finland's surplus in its trade with the Soviet Union, deliveries to that country have been declining since the latter part of 1982.

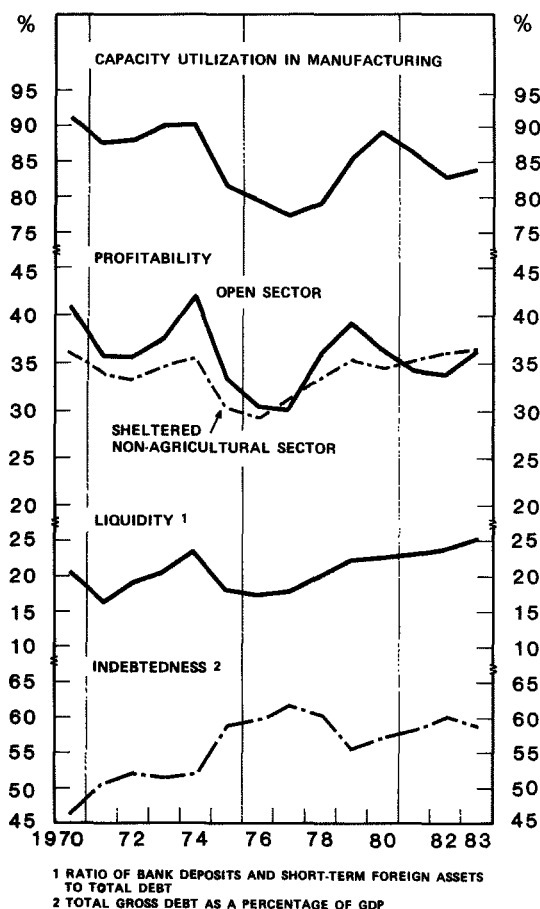
The full impact of the October 1982 devaluation on Finnish export performance will only become discernible in the longer run. In 1983, the effects tended to operate in different directions, depending on the markets and categories of goods examined. For example, the deterioration of price competitiveness vis-à-vis Sweden led to losses in market shares for forest industry products and consumer goods. On the other hand, Finland's metal and engineering industries benefitted from the Swedish export boom through increased sub-contracts.

As pointed out above, in view of the still unfavourable outlook for the international economy, the expansionary stance of economic policies was retained after the devaluation. This also explains why the deflationary effects of the devaluation on domestic demand were rather mild.

A strong expansion of building investment in the service sectors contributed particularly to the briskness of investment activity in the corporate sector in 1983, following the abolition of the investment tax on non-essential construction. Industrial investment, on the other hand, was boosted by specific measures, some of which constituted part of the post-devaluation policy package. Among the most important of these measures were the virtual exemption from sales tax of investment in machinery and equipment and a temporary extension of the free depreciation allowance for new investment (Chart 5).

The two-month price freeze imposed immediately after the devaluation induced an accel-

CHART 5. CORPORATE SECTOR INDICATORS

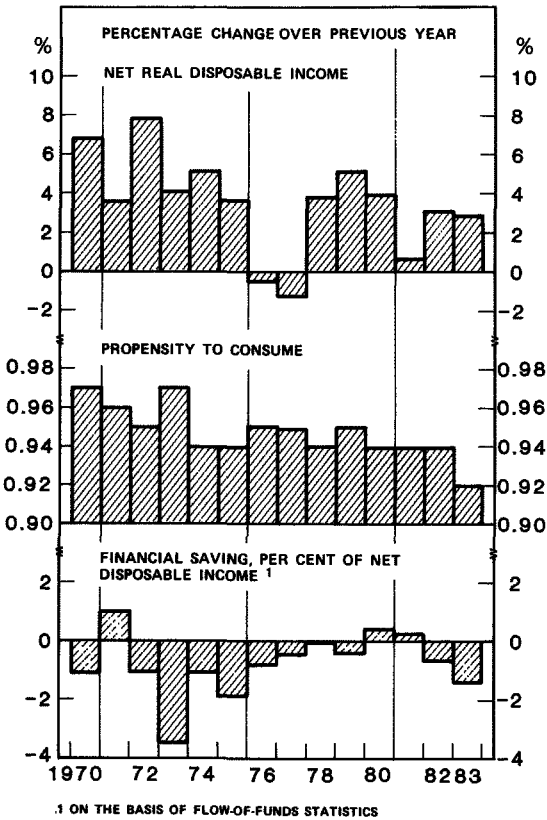


eration in consumer spending in the final months of 1982. Growth was sustained in the early months of 1983 by spending in anticipation of the scheduled increase in the general sales tax rate as from June 1. But, in the second half of the year, the growth of expenditure levelled off, and there was a clear rise in the savings ratio for the year as a whole¹ (Chart 6).

The easy availability of credit, together with continued inflationary expectations, kept residential investment brisk, thereby exerting further upward pressure on dwelling prices. Towards the end of the year, however, the tightening in credit conditions began to be felt in the housing market and the rise in prices came to a halt.

¹ Preliminary national accounts figures often underestimate private consumption demand, and hence the strength of the propensity to save in 1983 may have been exaggerated.

CHART 6. HOUSEHOLD SECTOR INDICATORS



slowed appreciably in recent years and this has made for better balance in the labour market. Employment also fell in the secondary sector, despite the fairly brisk growth in industrial output.

While employment has risen by a total of 8 per cent since 1978, there has been only a marginal drop in the number of unemployed, since the labour force has also grown by 8 per cent over the same period (Chart 7). The unemployment rate averaged 6.1 per cent in 1983, up slightly from the previous year's level. In late 1983 and early 1984, however, there were signs that unemployment had started to fall. The average unemployment rate is expected to fall clearly below 6 per cent in 1984.

INFLATION

External inflationary pressures eased in 1982 and 1983. Last year, both export and import prices increased by about 7 per cent, or by less than the calculated effects of the devaluation would have implied. Nevertheless, Finland's

By increasing its deficits, the central government has enhanced the growth of real incomes in the private sector and absorbed part of the inflationary pressures that changes in income distribution have tended to generate in the Finnish economy. On the other hand, the relatively favourable developments in corporate profitability also reflect firms' own efforts to keep costs of production in check. For example, the rise in labour, productivity (per man-hour) has exceeded that of real labour costs.

EQUILIBRIUM OF THE ECONOMY

EMPLOYMENT

There was a further rise in overall employment in 1983, even though the increase was confined to the service sectors. In primary production the downward trend in employment continued, but the exodus from this sector has

CHART 7. LABOUR MARKET

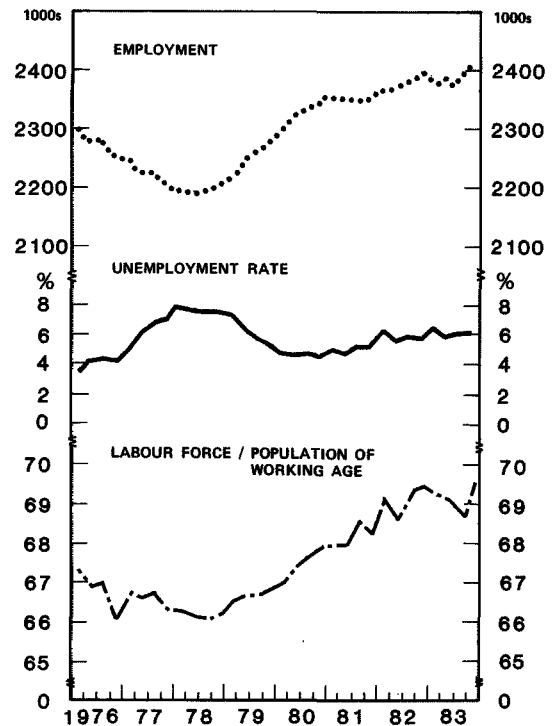
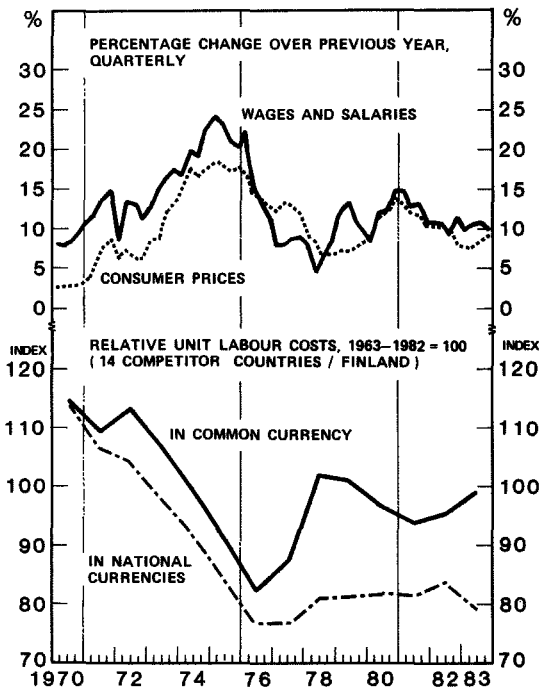


CHART 8. INFLATION AND PRICE COMPETITIVENESS



relatively high rate of inflation was sustained by domestic cost increases, to which inflationary expectations in the wake of the devaluation provided an additional impetus.

In these circumstances, the central labour market organizations failed to reach a comprehensive incomes settlement in early 1983 on expiration of the 1981 agreement. This led to one-year contracts being concluded at union level, with the metal industry settlement setting the general trend. In the manufacturing industries, nominal earnings, including wage drift, rose by 10 per cent in 1983. In contrast to previous years, the growth of earnings in the public sector exceeded the average of 10.2 per cent for all wage and salary earners. Wage inflation declined only marginally from the preceding year (Chart 8).

Although the rapid growth of labour productivity in manufacturing absorbed a considerable part of the higher wage costs, the rise in unit labour costs exceeded that in Finland's main competitor countries by 2 percentage points. When exchange rates are taken into account, the price competitiveness of the

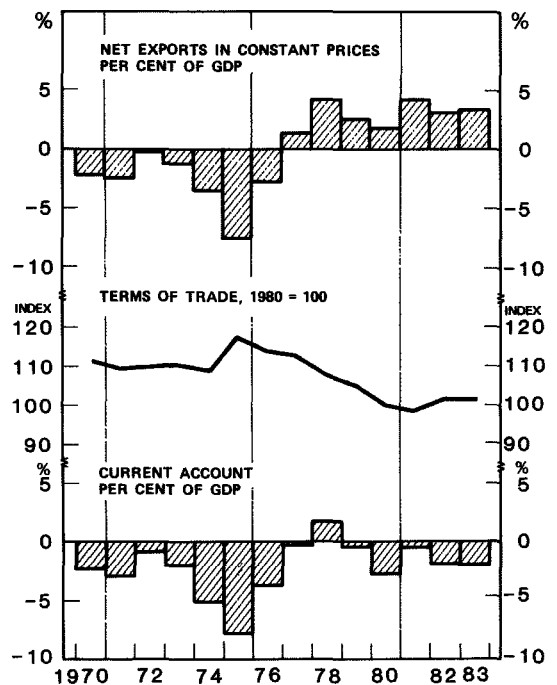
Finnish manufacturing sector improved by some 4 per cent.

Consumer prices increased by 8.4 per cent in 1983 on a year-on-year basis, i.e., about one percentage point less than in the previous year. Increases in indirect taxes and public charges contributed to consumer price inflation. The clearly slower rise in producer prices and import prices (excluding taxes) points to an easing in underlying inflationary pressures. In the second half of the year, the pace of consumer price increases also declined on a month-to-month basis.

EXTERNAL BALANCE

Over the past few years, a number of developments in the economy have helped to improve Finland's external balance (Chart 9). Economic growth has been based largely on the expansion of the open sectors, that is the export sector and the import-competing sector. Among other things, the propensity to import has diminished with the shift in energy consumption from oil to cheaper energy sources with higher domestic inputs.

CHART 9. EXTERNAL BALANCE



To some extent, recent developments in the structure of demand reflect a permanent decline in the economy's investment ratio. For example, it is estimated that the share of housing and infrastructural investments in GDP is likely to continue falling. In the open sector, some decline in the investment ratio has been evident following the exceptionally strong investment boom in the mid-1970s in the capital-intensive basic industries, notably energy production, the forest industries, the chemical industries and the basic metal industry.

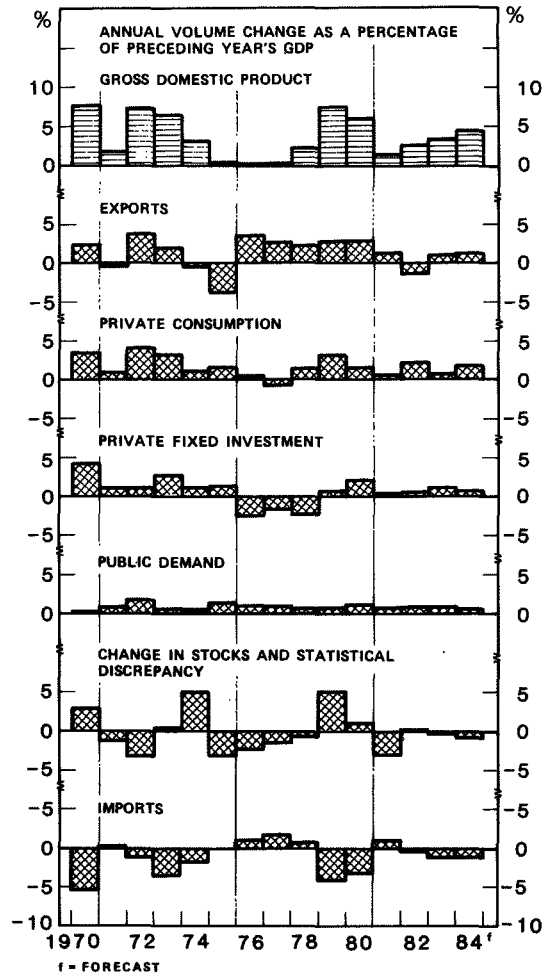
The widening in the current account deficit in 1982 and 1983 can mainly be attributed to Finland's higher level of economic activity in comparison to her export markets. Moreover, there has been a fairly rapid rise in interest payments on Finland's foreign debt. In growing to about 2 per cent of GDP, the deficits on the current account have caused a slight rise in the external indebtedness of the economy. At the end of 1983, Finland's net foreign debt stood at just under 18 per cent of GDP.

THE CURRENT OUTLOOK

The upturn in western exports is expected to continue in 1984. On the other hand the need to restore balance to the bilateral trade account will mean some contraction in exports to the Soviet Union. However, with a new 5-year bilateral trade agreement with that country due to commence in 1986, the inflow of export orders should already start to pick up this year, thus helping to sustain production. The contribution of total exports to GDP growth in 1984 is likely to be of the same order of magnitude as last year (Chart 10). Furthermore, the growth of domestic demand is expected to be increasingly based on expansionary impulses emanating from exports.

The stance of fiscal policies is geared towards reducing the central government's deficit and moderating the expansion of domestic demand. It is planned to cut part of budgeted

CHART 10. CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT IN 1970-1980



expenditure in order to hasten improvement in the central government's financial position. Various countercyclical deposit schemes have been reactivated with the aim of postponing some of the corporate sector's investment projects until the next recession.

Monetary policy has been tightened further in the current year with a view to curbing inflationary pressures and expectations. The call money rate has been maintained at a high level and the cash reserve requirement has been raised. In addition, the external value of the markka was raised in March within the fluctuation range of the currency index.

A comprehensive incomes agreement was reached in the spring of 1984, based on the

compromise proposed by the government-appointed incomes policy mediator². Taking into account carry-over effects and wage drift, earnings are estimated to rise by 8–9 per cent on average in 1984 and by 7–8 per cent on average in 1985. Given pay developments along these lines, and provided that external inflationary pressures do not strengthen, the rate of growth of consumer prices should decelerate to around 6 per cent in the course of 1984 and go even lower in 1985.

Although economic policies are likely to moderate expansionary impulses to a certain degree, an acceleration of GDP growth is anticipated. Short-term forecasts point to GDP volume growth of 4–5 per cent in both 1984 and 1985.

Growth impulses emanating from exports are expected to be transmitted to domestic demand fairly rapidly because of the satisfactory levels of capacity utilization and corporate profitability. However, the growth of fixed investment is likely to be low compared to similar cyclical phases in the past, since there is relatively little pent-up investment demand. The high return on financial investments may curb stockbuilding, which normally reacts

rather sensitively to corporate income developments.

Real household income is expected to develop quite favourably. At least a small rise in the propensity to consume seems probable and hence the growth of private consumption should accelerate. Housing investment is likely to turn down slightly in response to the somewhat tighter financial market.

Both external and internal factors seem to point to brisk growth of total output in the period ahead, and there are no major problems in sight likely to threaten the overall balance of the economy. However, the Finnish economy tends to be particularly prone to disturbances in the upswing phase stemming from, among other things, excessive strengthening of demand, sharp increases in foreign trade prices and income distribution pressures. Manifestation of these risks would have destabilizing consequences for the economy at a time when external demand is weakening and slackening productivity growth is no longer able to absorb cost increases. Conscious of these risks, the authorities have tightened the stance of economic policies with the aim of ensuring adequate room for manoeuvre in the phase of decelerating growth.

² See the front article in this issue.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM MAY 1983 TO APRIL 1984

1983

May

Regulation of average lending rates. As from May 1, the banks are permitted by the Bank of Finland to pass on in their lending rates part of the cost of their borrowing on the unregulated money market. The proportion to be passed on is a maximum of 40 per cent of interest expenses on specified funding at rates above the 1984 ceiling on the average lending rate.

In the same context, the maximum lending rate is raised from 12.5 to 13.0 per cent and the recommendations on lending rate differentiation are cancelled.

Call money market. On May 1, the Bank of Finland abolishes the system of supplementary charges on call money overdrafts and raises the call money rate from 13 to 15 per cent.

Arrangement for financing domestic suppliers' credits. On May 11, the Bank of Finland lowers its share of domestic suppliers' credits from 50 to 40 per cent.

Forward exchange market. On May 27, the Bank of Finland ceases quoting forward rates for roubles and participating in forward deals conducted in roubles.

July

Interest rate policy. On July 1, the Bank of Finland raises the base rate from 8.5 to 9.5 per cent, whereby the banks' lending and deposit rates also rise by an average of one percentage point. In addition, the upper limit on lending rates is raised from 13 to 14 per cent.

Financial futures agreements. As from July 1, the Finnish banks are permitted by the Bank of Finland to participate in financial futures markets either on their own or their customers' behalf.

September

Credits for the financing of imports. As from September 1, the Bank of Finland extends the maximum period of import credits granted by the authorized banks from 3 to 6 months on certain conditions.

Changes in the payments agreement between Finland and the German Democratic Republic. An agreement between the two countries, involving a changeover to the use of Finnish marks as the clearing currency instead of US dollars, enters into force on September 1. On the same date, the credit limit on the clearing account is raised to 70 million marks.

Call money market. The Bank of Finland raises the call money rate from 15.0 to 18.0 per cent on September 15 and lowers it to 17.5 per cent on September 23.

October

Regulation of average lending rates. On October 1, the Bank of Finland raises the proportion of the cost of borrowing on the unregulated money market which the banks may pass on in their lending rates from 40 to 50 per cent.

Call money market. The Bank of Finland lowers the call money rate from 17.5 to 17.1 per cent on October 6, to 17.0 per cent on October 12 and to 16.7 per cent on October 17.

November

Government deposit account/certificates of deposit. On the proposal of the Board of Management, the Bank Supervisors of Parliament decide that the Bank of Finland may pay interest on a deposit account opened by the government up to a rate which is half a percentage point below the base rate. The deposit account replaces the earlier transactions with the government in certificates of deposits, the interest payment permit for which is to terminate at the end of 1983.

1984

January

Quotas at base rate. The commercial banks' central bank quotas at base rate are abolished as from January 1.

Call money market. Foreign-owned banks are extended the same rights as the domestic banks to participate in the call money market as from January 1. At the same time, an upper limit is imposed on call money deposits of 20 per cent of each bank's balance sheet total.

The Bank of Finland raises the call money rate from 16.7 to 17.5 per cent on January 1.

Regulation of average lending rates. On January 1, the Bank of Finland raises the proportion of the banks' funding costs in the unregulated money market which they may pass on in their lending rates from 50 to 60 per cent. In the same context, the 14 per cent upper limit on the banks' lending rates is abolished for credit extended to corporations in the form of cheque account overdrafts and bills.

Currency index. As from January 1, only the convertible currencies most important for Finland's foreign trade are taken into account when calculating the currency index number expressing the external value of the markka.

Revised Nordic agreement on short-term foreign exchange support. According to the revised swap agreement entering into force on January 1, the central banks of Denmark, Finland, Norway and Sweden are each entitled to receive credit up to a maximum of SDR 150 million. In addition, each bank is required to extend credit up to a maximum of SDR 100 million. In the case of the central bank of Iceland, the right to credit is SDR 30 million and the lending requirement SDR 20 million.

Liberalization of Foreign Exchange Regulations. The provision prohibiting the export and import of 500 markka banknotes is cancelled on January 1.

As from the same date, most of the upper limits on the markka amounts specified in the Foreign Exchange Regulations are raised by slightly more than an adjustment for inflation requires. For example, the maximum value of the means of payment that may be freely exported from the country is raised from FIM 5 000 to FIM 10 000 per person per journey.

Payments arrangements between Finland and Czechoslovakia. Finland and Czechoslovakia agree that in 1984 and 1985 payments between the two countries can be effected in any convertible currency.

Export deposits. On January 17, the Council of State decides to collect export deposits for pine sawnwood as from January 20. The deposits are to be made at the Bank of Finland, and will bear interest at a rate of 8 $\frac{3}{4}$ per cent.

Investment reserves. On January 17, the Government decides to raise maximum permissible transfers to investment reserves from 50 per cent to 70 per cent of profits for accounting periods ending in 1984. The Bank of Finland decides to pay interest at a rate of 1 $\frac{1}{2}$ percentage points below the base rate, i.e. 8 per cent, on investment deposits made on the basis of this decision. These decisions enter into force on January 26.

February

Cash reserve requirement. At the end of February, the Bank of Finland raises the reserve requirement from 4.7 to 5.0 per cent.

Repayment of standby credit. On February 29, 1984, the Bank of Finland repays a USD 150 million standby credit.

March

Repayment of standby credit. On March 23, 1984, the Bank of Finland repays its last standby credit in use, amounting to USD 200 million.

The external value of the markka. On March 27, 1984, the Bank of Finland raises the external value of the markka by about one per cent within the range of fluctuation of the currency index number.

Financing of domestic suppliers' credits. The Bank of Finland reduces its share in the financing of domestic suppliers' credits from 40 to 30 per cent as from March 27, 1984.

Arrangement for the financing of short-term export credits. On March 27, 1984, the Bank of Finland decides to reduce the maximum annual average amount of the Bank's financing of short-term export credits from FIM 50 to FIM 30 million as from January 1, 1984.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 5.0 per cent to 5.4 per cent at the end of March.

April

Call money market. The Bank of Finland rescinds the upper limit on the banks' call money deposits as from April 1, 1984. The Bank of Finland lowers the call money rate from 17.5 to 17.0 per cent as from the same date. The call money rate is lowered further to 16.7 per cent as from April 17 and to 16.5 per cent as from April 19.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 5.4 to 5.6 per cent at the end of April.

Revisions in Foreign Exchange Regulations. In a decision of the Council of State, the foreign branch offices of commercial banks and Postipankki are defined as non-residents as from March 1, 1984. Because of this decision, the Bank of Finland announces certain other revisions in the Foreign Exchange Regulations, which enter into force on April 11, 1984. The right of Finnish residents to use credit and debit cards for purchasing goods to be imported to Finland is extended as from the same date, provided that the value of any one purchase does not exceed FIM 10 000.

(continued from page 2)

and forest industry organizations on recommended timber prices. The present agreement has been in force since November 1983 and expires at the end of March 1985. A novel feature of this agreement is that prices will be adjusted on May 1, 1984 on the basis of export prices of forest products. The reaching of an agreement was hampered by a shortage of timber and differences between the parties over prices.

The final date for signing the comprehensive agreement was April 16. By that date, the agreement covered approximately three-quarters of all wage and salary earners. Outside it were manual workers in the trade sector and certain low-wage branches of manufacturing, as well as some white-collar groups in the public sector, such as doctors and comprehensive school teachers. After a number of strikes and notices of strike action, agreements were reached in some branches by the end of April. These settlements included provisions for pay increases in excess of the general line, part of which will not, however, be implemented during present agreement period.

This year's comprehensive incomes policy agreement is broadly in keeping with the government's objectives. In the main, pay increases in excess of the general line have not been unduly large. Hence, inflation should slow down appreciably in the course of this year and slightly also next year. However, the international price competitiveness of Finnish industry will deteriorate somewhat. Real wage and salary earnings are expected to rise by 1–2 per cent in each year. Latest estimates suggest that the index clause is unlikely to be triggered in either of the two agreement years.

These results can be attained only if the incipient upswing does not lead to significant overheating in the economy, as reflected, for instance, in unusually high wage drift. To forestall this danger, fiscal policy has been tightened and the same stance will probably be retained in next year's budget. Excess liquidity in the economy has also been sterilized by monetary policy measures and a one per cent appreciation of the external value of the markka at the end of March.

April 30, 1984

BANK OF FINLAND

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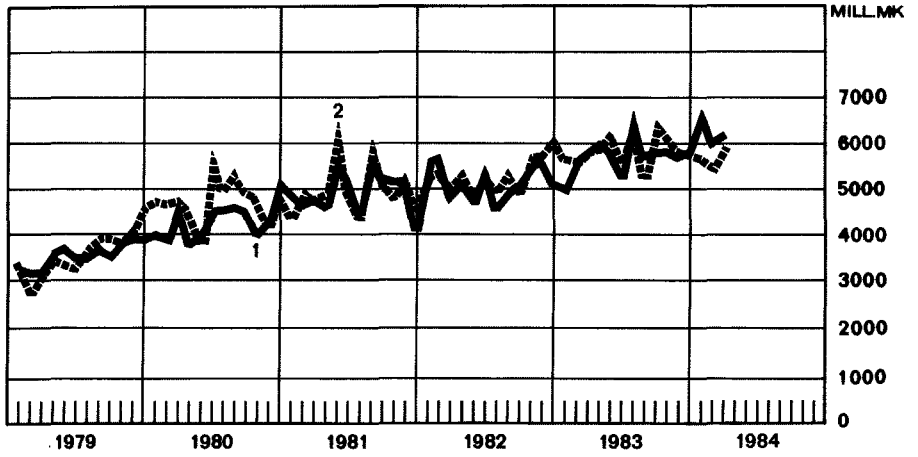
Data Processing

FOREIGN TRADE, 1979 - 84

1. Exports f.o.b.

2. Imports c.i.f.

Seasonally adjusted monthly figures



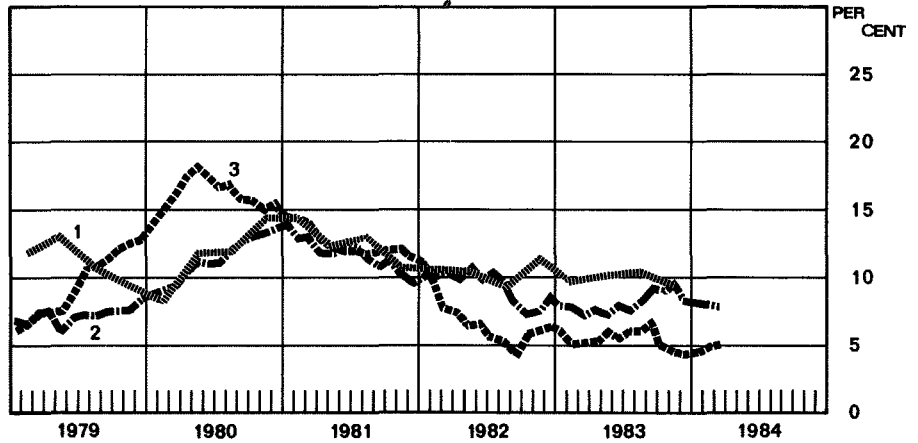
PRICES AND WAGES, 1979 - 84

1. Index of wage and salary earnings 1975=100, quarterly figures

2. Consumer price index 1981 = 100, monthly figures

3. Basic price index for domestic supply 1980=100, monthly figures

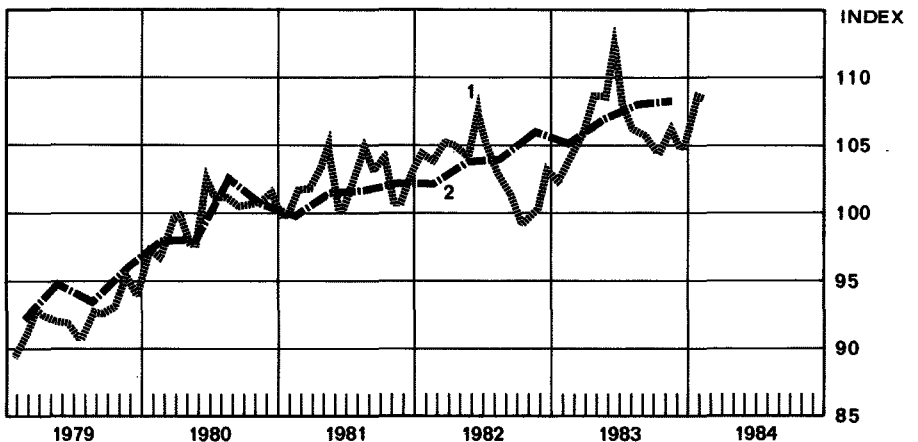
Percentage change on previous year



PRODUCTION, 1979 - 84

1. Total index of industrial production 1980=100, seasonally adjusted monthly figures

2. Volume index of gross domestic product 1980=100, seasonally adjusted quarterly figures



Bank of Finland Monthly Bulletin
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ISSN 0005-5174
Helsinki 1984. Government Printing Centre