



BANK OF FINLAND

Monthly Bulletin

Economic situation

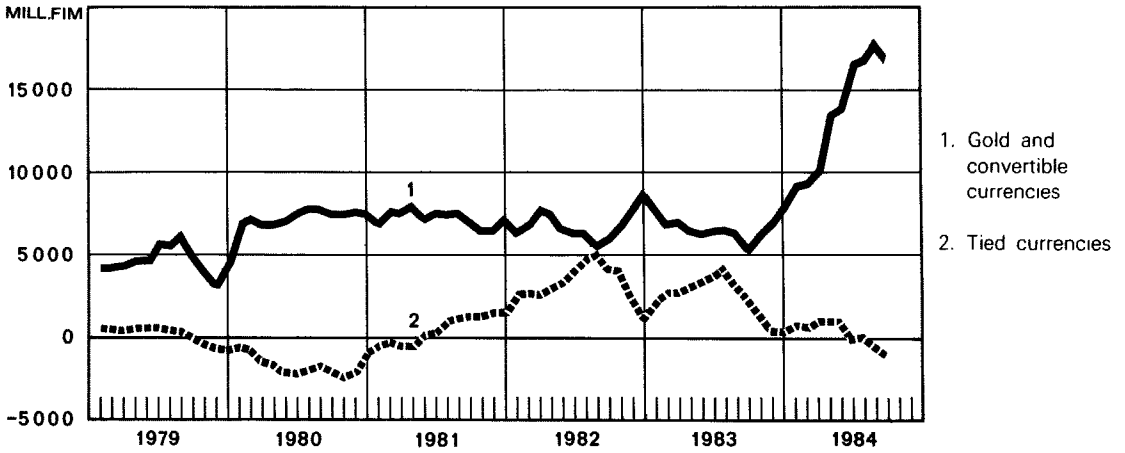
**Foreign borrowing of the central
government in Finland**

**Monetary and foreign exchange policy
measures from November 1983
to November 1984**

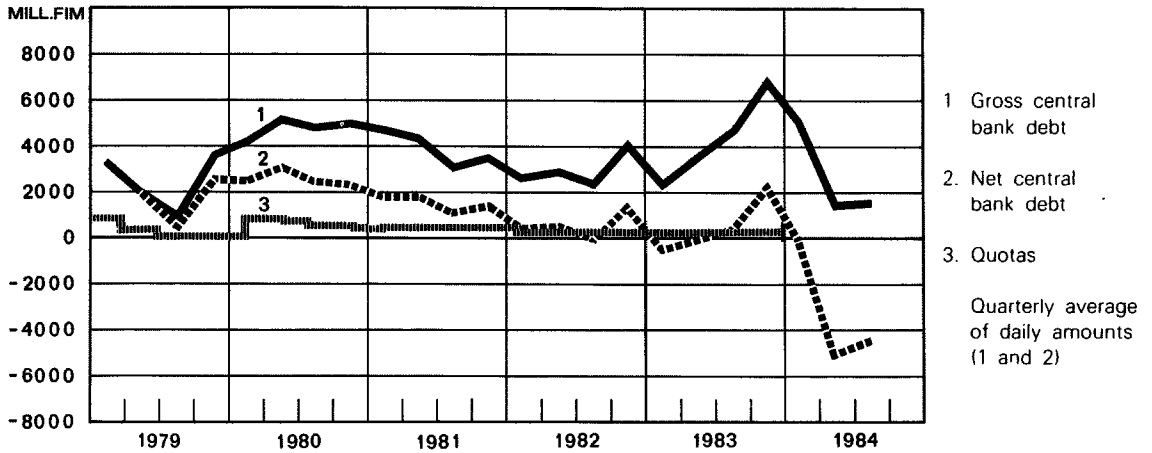
**Framework agreement on trade
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Local elections

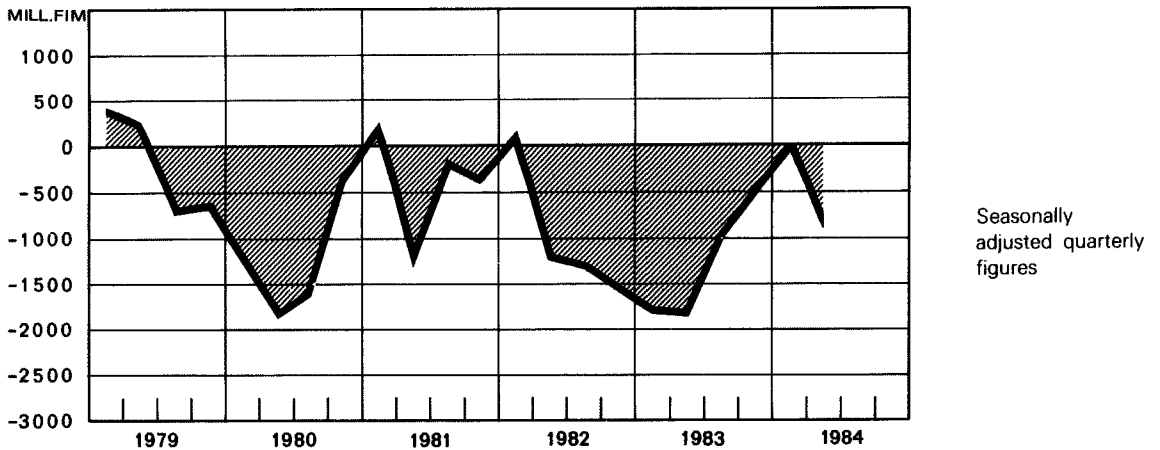
BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1979-84



COMMERCIAL BANKS' CENTRAL BANK POSITION, 1979-84



BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1979-84



ECONOMIC SITUATION

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Real GDP was 3 per cent higher in the first half of 1984 than in the corresponding period last year. At annual rate GDP growth was also about 3 per cent, i.e. the same as in the second half of 1983. On the demand side the main contribution to growth has come from a particularly vigorous expansion in merchandise exports to western markets. Domestic demand was subdued, partly because of restrictive economic policies. Employment developments remained reasonably favourable. Reflecting the slow rise in foreign trade prices and domestic costs, inflation has eased; in September, the 12-month change in consumer prices was down to 6.6 per cent. The developments in the components of demand have also helped to keep the external balance fairly good.

The volume of Finnish exports to western economies began to increase rapidly in the second half of last year. Besides growing demand in the main markets, the continued strengthening of the dollar and gains in market shares have also boosted exports, especially those of forest industry products. As for many other countries, export markets have expanded fastest in the USA. In January-July, the value of Finnish exports to that country almost tripled, contributing about one third to the total increase in exports. Demand and exchange rate movements have also been reflected in the prices of pulp and paper. Deliveries of ships to western markets and sharply increased orders from Sweden were the main factors behind a rapid expansion in the exports of the metal and engineering industries to western markets. Exports to the Soviet Union experienced further declines, reflecting the need to restore balance to the bilateral trade account. Because of the weaker trend of exports to CMEA countries and a fall

in exports of services, overall exports of goods and services are expected to advance by 6 per cent on average this year.

Economic policies have gradually swung over to a restrictive stance since last autumn. By raising the call money rate and implementing other measures, the Bank of Finland has sought to restrain credit expansion, which has induced very high short-term real interest rates. Fiscal policy has also been contractive, with cutbacks in the rate of growth of spending and higher tax rates. The purpose of these policy measures has been to prevent the upsurge of inflation typical of cyclical upturns in Finland in the past.

Investment activity, which had remained at a relatively high level during the recession, stagnated in the first half of this year. Building investment, in particular, fell sharply, due in part to the passing of the boom in investment demand induced by the expansive economic policies in 1982-83. High short-term interest rates also seem to have led to the postponement of some investment projects and, together with the prospect of only a moderate rise in prices of intermediate goods, have been a factor restraining stockbuilding. Fixed investment is expected to recover in the second half of this year, so that the volume of investment expenditure for the year as a whole should slightly exceed that in 1983.

In contrast to other components of domestic demand, private consumption picked up in the first half of this year after some decline during 1983. This applies particularly to the growth in spending on durables, which accelerated rapidly and returned to its trend path. The growth of consumption has been in line with the rise in

households' real income and hence the propensity to consume has remained broadly unchanged. Despite the tightening in fiscal policy and the higher tax burden, the volume of consumer spending for the year as a whole is expected to grow by about 3.5 per cent, appreciably more than last year.

As mentioned above, the rate of the growth of total output has been fairly steady. Industrial production has increased fairly rapidly, with the main stimulus coming from the forest industries and, in recent months, from the metal and engineering industries as well. The rate of growth of industrial production is expected to be sustained in the second half of this year. Likewise the revival in timber fellings following the agreement on prices in the spring should make quite a strong contribution to the growth of total output.

The rise in total employment in the first half of this year was due to higher employment in the service sector. Industrial employment, by contrast, fell slightly as the emphasis in the growth of the industrial production was in capital-intensive branches. Despite an increase in labour supply, the unemployment rate has fallen below 6 per cent.

Reflecting the developments in domestic demand, the trade account was clearly in surplus in the first six months of the current year. Admittedly, part of the surplus can be attributed to the timing of deliveries of crude

oil. The current account also showed a slight surplus. Towards the end of the year, the trade account surplus is expected to diminish to some FIM 2 billion, of which about half will be due to improved terms of trade. For the year as whole, the current account deficit is forecast to be about one per cent in relation to GDP.

With the exception of some forest-based products, foreign trade prices have been rising at a modest rate reflecting slow international inflation. To dampen inflationary expectations, the Finnish markka was revalued slightly in March. The incomes policy agreement concluded in the spring, together with increasing productivity, has eased labour cost pressures and the increase in relative unit labour costs has remained low. Reflecting these developments, inflation has been decelerating and the inflation differential, as measured in consumer prices, between Finland and other OECD countries has been narrowing.

In the near term, the contribution of domestic demand to the growth of total output is expected to recover. Exports are also likely to continue increasing rapidly. Real GDP growth in 1984 is forecast to amount to about 4 per cent. Although the rate of the growth is likely to decelerate in the course of 1985, the growth of GDP for the year as a whole is expected to reach 4–5 per cent.

October 22, 1984

	1983		1984			
	Oct. 31	Dec. 31	Oct. 8	Oct. 15	Oct. 23	Oct. 31
Assets						
Gold and foreign currency claims	8 211	8 779	17 892	19 283	18 776	18 406
Gold	1 383	1 383	1 383	1 383	1 383	1 383
Special drawing rights	529	226	853	861	859	858
IMF reserve tranche	465	751	773	781	779	778
Foreign bonds	302	685	5 081	5 831	6 208	6 114
Convertible currencies	3 984	5 184	9 514	10 128	9 243	8 952
Tied currencies	1 548	550	288	299	304	321
Other foreign claims	3 973	4 876	2 726	2 726	2 726	2 726
Markka subscription to Finland's IMF quota	1 854	2 762	2 726	2 726	2 726	2 726
Term credits	2 119	2 114	-	-	-	-
Claims on financial institutions	8 744	8 788	6 205	6 446	5 820	6 345
Banks' cheque accounts	298	445	81	218	29	72
Call money market advances	5 876	5 785	2 570	2 973	2 528	3 045
Till-money credits	1 032	942	1 356	1 300	1 304	1 276
Bonds	1 484	1 546	2 150	1 904	1 908	1 899
Other claims on financial institutions	54	70	48	51	51	53
Claims on the public sector	1 839	2 178	2 043	2 010	1 999	1 998
Government promissory notes	720	1 000	1 000	1 000	1 000	1 000
Bonds	419	449	250	215	205	204
Total coinage	696	710	782	785	787	788
Other claims on the public sector	4	19	11	10	7	6
Claims on corporations	5 094	5 079	4 840	4 867	4 924	4 944
Financing of exports	1 821	1 867	1 768	1 767	1 820	1 852
Financing of domestic deliveries	2 714	2 662	2 837	2 864	2 869	2 858
Bonds	133	134	117	117	117	117
Other claims on corporations	426	416	118	119	118	117
Other assets	105	105	110	111	112	111
Total	27 966	29 805	33 816	35 443	34 357	34 530
Liabilities						
Foreign currency liabilities	73	34	1 353	1 457	1 375	1 399
Convertible accounts	71	34	63	58	56	53
Tied accounts	2	0	1 290	1 399	1 319	1 346
Other foreign liabilities	4 699	5 670	3 636	3 645	3 643	3 641
IMF markka accounts	1 854	2 762	2 739	2 739	2 739	2 739
Allocations of special drawing rights	856	872	897	906	904	902
Term liabilities	1 989	2 036	-	-	-	-
Notes and coin in circulation	6 159	6 574	6 795	6 767	6 659	6 698
Notes	5 631	6 029	6 142	6 112	6 002	6 040
Coin	528	545	653	655	657	658
Certificates of deposit in circulation	950	-	-	-	-	-
Liabilities to financial institutions	7 318	5 712	9 684	10 058	9 237	11 183
Banks' cheque accounts	0	2	49	4	2	4
Call money market deposits	2 226	610	2 762	3 165	2 372	3 658
Cash reserve deposits	5 015	5 039	6 734	6 734	6 734	7 385
Capital import deposits	28	35	51	52	52	51
Other liabilities to financial institutions	49	26	88	103	77	85
Liabilities to the public sector	0	3 000	2 241	3 341	3 342	1 552
Cheque accounts	0	0	1	0	1	0
Government deposit account	-	3 000	2 200	3 300	3 300	1 500
Export deposits	-	-	40	41	41	52
Other liabilities to the public sector	0	0	0	0	0	0
Liabilities to corporations	1 941	1 832	3 093	3 035	3 027	2 918
Deposits for investment and ship purchase	1 416	1 290	1 994	1 996	1 997	2 066
Capital import deposits	512	531	1 094	1 034	1 026	848
Other liabilities to corporations	13	11	5	5	4	4
Other liabilities	16	15	18	15	18	18
Equalization accounts	2 045	2 057	1 579	1 698	1 616	1 672
SITRA's capital	-	-	400	400	400	400
Capital accounts	4 765	4 911	5 017	5 027	5 040	5 049
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	-	-	273	273	273	273
Net earnings	400	546	106	116	129	138
Total	27 966	29 805	33 816	35 443	34 357	34 530

End of year or month	Foreign sector						Public sector				
	Gold, SDRs, IMF reserve tranche	Foreign bonds	Convertible currencies, net	Total convertible reserves (1 to 3)	Tied currencies, net	Other claims, net	Net claims (4 to 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											
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
May	2 912	2 658	8 555	14 125	1 074	515	15 714	2 137	800	22	-1 315
June	2 927	3 184	10 645	16 756	170	510	17 436	2 103	1 000	26	-1 077
July	2 970	3 859	10 031	16 860	224	-184	16 900	2 109	1 800	20	-289
Aug.	2 975	5 673	9 274	17 922	-375	-181	17 366	2 080	1 200	30	-850
Sept.	3 009	4 995	8 996	17 000	-836	-910	15 254	2 039	1 500	38	-501
Oct.	3 019	6 114	8 899	18 032	-1 025	-915	16 092	1 998	1 500	52	-446

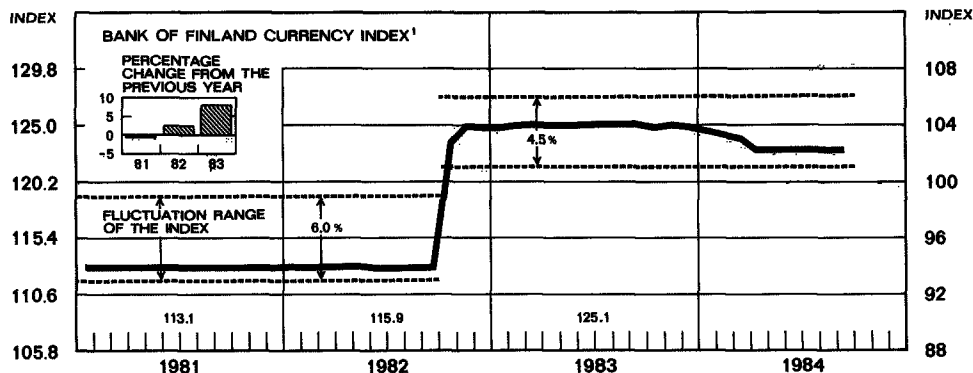
OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1983	July 31, 1984	Aug. 31, 1984	Sept. 28, 1984	Oct. 31, 1984
Gold	1 383	1 383	1 383	1 383	1 383
SDRs	226	828	835	853	858
IMF reserve tranche	751	759	757	773	778
Foreign bonds	685	3 859	5 673	4 995	6 114
Convertible currencies, net	5 150	10 032	9 275	8 996	8 899
Total convertible reserves, net	8 195	16 861	17 923	17 000	18 032
Tied currencies, net	550	224	-376	-836	-1 025
Total reserves, net	8 745	17 085	17 547	16 164	17 007

End of year or month	Domestic financial sector						Corporate sector				
	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)	Notes and coin in circulation
	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											
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
May	1 119	-136	1 244	3 892	6 432	-1 999	-6 098	4 572	2 142	2 430	6 647
June	1 119	15	541	3 872	6 480	-2 006	-6 671	4 571	2 641	1 930	6 954
July	1 279	14	1 041	3 063	6 604	-2 037	-5 296	4 487	2 771	1 716	6 813
Aug.	1 108	5	1 149	4 109	6 670	-2 033	-6 484	4 435	2 753	1 682	6 776
Sept.	1 145	27	2 109	2 281	6 734	-2 081	-3 653	4 545	2 834	1 711	6 869
Oct.	1 276	68	3 045	3 658	7 385	-1 816	-4 838	4 710	2 684	2 026	6 698

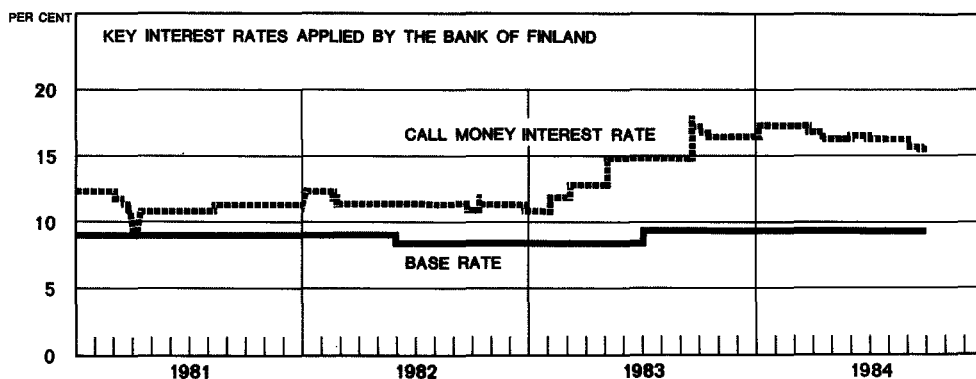
¹ The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



MONETARY POLICY INDICATORS

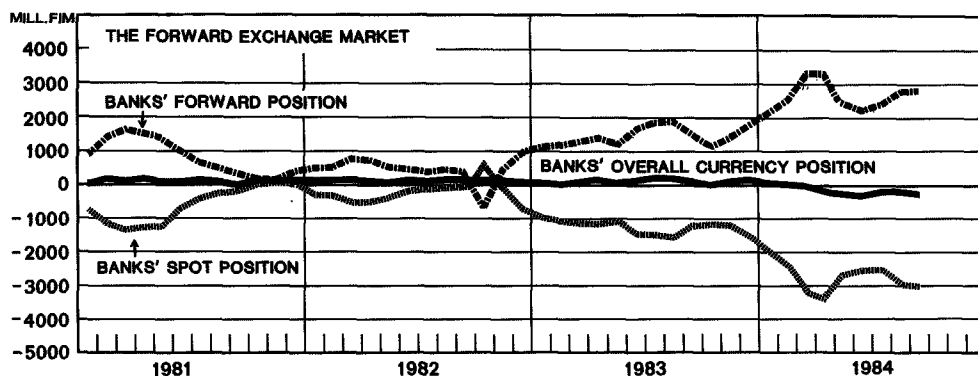
Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Call money interest rate %	Average cost of gross central bank debt %	Base rate %	Average lending rate of the commercial banks ¹ %
	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									
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	10.42
May	1 471	-8 557	6 149	5.6	-2 407	16.53	16.52	9.50	10.43
June	1 175	-9 062	6 429	5.6	-2 633	16.80	16.80	9.50	10.48
July	1 463	-7 680	6 481	5.6	-1 199	16.53	16.51	9.50	10.48
Aug.	1 462	-8 136	6 598	5.6	-1 538	16.50	16.50	9.50	10.49
Sept.	2 127	-8 186	6 672	5.6	-1 515	16.10	16.04	9.50	10.54
Oct.	2 948	-6 801	6 755	5.6	-46	15.75	15.76	9.50	..

¹ End of period.



FORWARD EXCHANGE MARKETS IN FINLAND

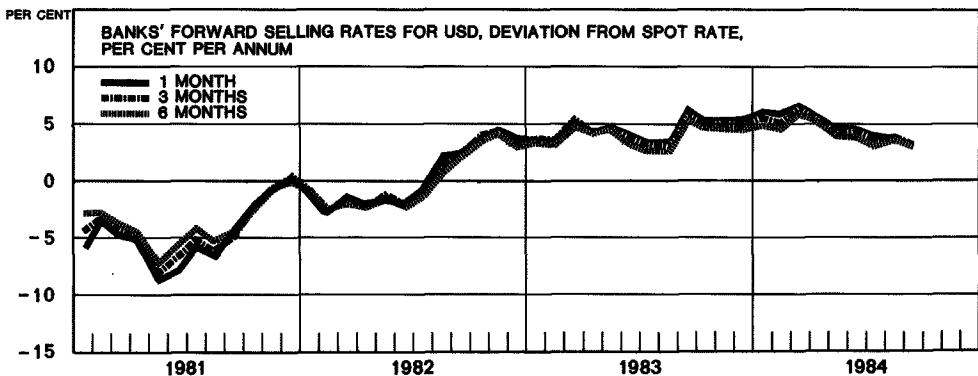
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
1	2	3	4	5	6	7	8	9	
1982	11 128	2 117	9 011	-865	-6 827	1 104	3.9	3.8	3.4
1983	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1983									
May	10 229	1 708	8 521	-955	-5 743	1 742	4.9	4.8	4.7
June	9 674	1 604	8 070	-1 296	-4 932	1 689	4.3	4.1	3.5
July	9 349	1 610	7 739	-1 299	-4 248	2 183	3.7	3.6	2.9
Aug.	8 618	1 784	6 834	-1 144	-3 791	1 813	3.6	3.3	2.8
Sept.	7 818	1 952	5 866	-1 575	-3 345	964	6.5	6.1	5.7
Oct.	8 087	1 942	6 145	-1 645	-2 792	1 711	5.5	5.2	4.8
Nov.	7 488	1 912	5 576	-1 411	-2 438	1 687	5.4	5.3	4.8
Dec.	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1984									
Jan.	7 292	1 661	5 631	-2 026	-1 235	2 304	6.3	5.3	5.1
Feb.	8 290	1 681	6 609	-1 871	-1 887	2 717	6.1	5.3	4.8
March	10 052	1 611	8 441	-1 676	-3 560	3 173	6.7	6.6	6.2
April	11 249	1 326	9 923	-841	-5 109	3 846	5.8	5.7	5.5
May	13 528	1 156	12 372	178	-10 041	2 529	4.9	4.5	4.1
June	15 547	1 145	14 402	1 389	-12 667	3 083	4.8	4.7	4.0
July	15 956	1 306	14 650	1 541	-13 011	3 240	4.1	3.9	3.3
Aug.	20 049	1 354	18 695	2 557	-17 217	4 089	3.8	4.0	3.7
Sept.	20 548	1 679	18 869	2 406	-18 362	3 056	3.2	3.4	3.2



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

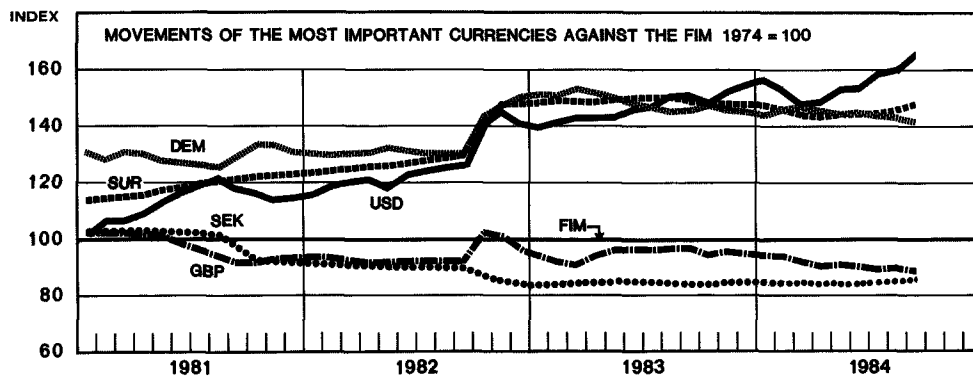
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC BEL	
	1	2	3	4	5	6	7	8	9	10	11
1979	3.896	3.330	8.275	.	91.12	77.22	74.38	212.75	194.43	13.338	12.979
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											
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
May	5.821	4.502	8.100	6.518	72.15	74.64	57.91	211.99	188.39	10.422	10.267
June	5.822	4.472	8.038	6.528	72.05	74.66	58.10	213.19	189.12	10.462	10.324
July	6.019	4.550	7.962	6.501	72.64	73.48	57.92	211.78	187.65	10.454	10.355
Aug.	6.072	4.661	7.987	6.502	72.78	73.27	57.78	210.61	186.72	10.433	10.336
Sept.	6.278	4.787	7.919	6.451	73.36	73.05	57.40	208.01	184.46	10.320	10.236
Oct.	6.378	4.842	7.793	6.455	73.57	72.06	57.61	208.14	184.61	10.294	10.206



Average selling rates for foreign exchange, FIM

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 Cl 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
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
257.05	69.14	0.345	30.18	4.21	19.94	3.80	2.528	7.252	6.050 38	102.5
255.83	69.50	0.346	30.39	4.16	19.87	3.78	2.501	7.257	6.044 21	102.5
250.57	69.13	0.346	30.20	4.08	20.17	3.75	2.484	7.296	6.131 93	102.5
251.43	68.75	0.343	30.01	4.08	19.78	3.71	2.511	7.340	6.162 64	102.5
251.64	67.93	0.338	29.64	4.03	19.44	3.71	2.565	7.435	6.272 79	102.5
253.02	68.01	0.337	29.66	3.97	19.35	3.72	2.588	7.486	6.323 99	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. FIM

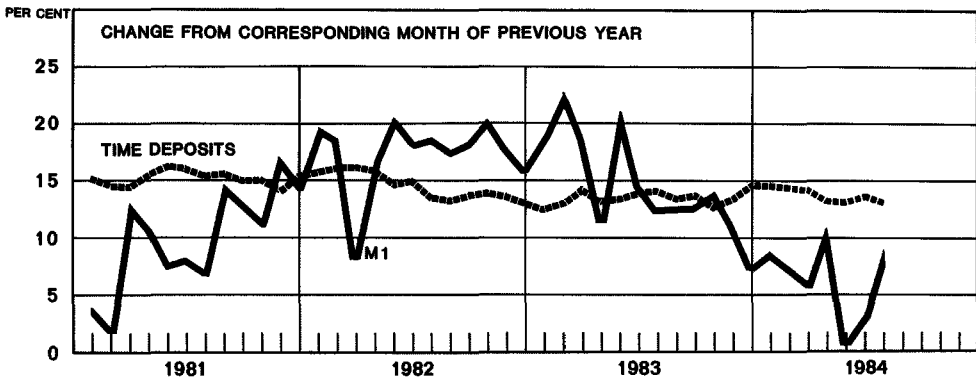
End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	
1980	5 459	2 285	2 531	10 275	22 591	20 009	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*

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
Feb.	7 325	3 975	4 055	15 355	34 365	30 235	25 190	10 333	100 123	115 478
March	6 469	4 040	3 974	14 483	34 812	30 236	25 203	10 471	100 722	115 205
April	7 094	4 084	4 173	15 351	34 760	30 411	25 252	10 403	100 826	116 177
May	6 978	4 216	3 960	15 154	34 485	30 801	25 653	10 552	101 491	116 645
June	6 843	4 291	4 231	15 365	35 435	31 442	26 232	10 364	103 473	118 838
July	7 091	4 458	4 638	16 187	35 505	31 608	26 315	10 524	103 952	120 139



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

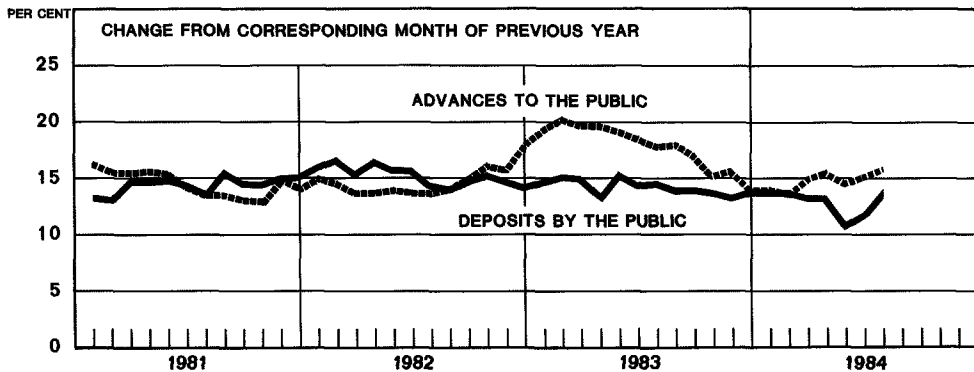
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ + Quasi-Money
	1	2	3	4	5	6	7		8	9
1980	35 994	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	13 471	104 627	4 350	17 254	126 231	21 427	121 905

1983*

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
Feb.	58 398	29 762	27 706	14 017	106 328	4 989	18 566	129 883	21 334	124 666
March	59 625	29 961	27 990	14 011	106 930	5 142	19 515	131 587	20 606	125 049
April	61 338	30 142	28 191	14 317	107 812	5 466	20 710	133 988	21 464	126 269
May	60 965	30 522	28 535	14 362	109 106	5 140	20 138	134 384	21 486	126 686
June	62 468	30 718	28 825	14 343	110 267	5 208	20 879	136 354	22 026	129 549
July	62 941	31 049	29 134	14 466	111 229	5 365	20 996	137 590	22 495	130 602



STATE FINANCES

Mill. FIM

Revenue	Jan.-Aug.		Expenditure	Jan.-Aug.	
	1983	1984		1983	1984
Income and wealth tax (net)	12 182	13 961	Wages, salaries, pensions etc.	7 933	8 840
Gross receipts	32 903	38 444	Repair and maintenance	1 003	1 113
Refunds & local authorities	-20 721	-24 483	Other consumption expenditure	4 875	4 858
Other taxes on income and wealth	272	356	Total consumption expenditure	13 811	14 811
Employers' child allowance payments	1	57	State aid to local authorities	10 107	12 178
Sales tax	11 463	14 499	State aid to industries	5 435	6 036
Customs duties and import charges and levies	1 069	1 122	of which: agric. price subsidies	2 700	2 770
Excise duties	6 466	7 101	Child allowances	1 649	1 728
Excise duty on alcoholic bevs.	2 388	2 574	Share in national pensions and sickness insurance schemes	1 655	1 773
Excise duty on tobacco	954	1 011	Deficit of State enterprises	909	851
Excise duty on liquid fuel	2 198	2 596	Other transfer expenditure	6 248	7 240
Other excise duties	926	920	Total transfer expenditure	26 003	29 806
Tax on autom. and motor-cycles	1 734	1 811	Machinery and equipment	1 140	1 210
Stamp duties	1 103	1 475	Construction of buildings	672	750
Special diesel etc. vehicles tax	182	248	Land and waterway construction	1 473	1 395
Other taxes and similar revenue	1 082	1 407	Total real investment	3 285	3 355
Total taxes	35 554	42 037	Interest on State debt	2 289	2 792
Miscellaneous revenue	3 032	3 600	Other expenditure	8	5
Interest, dividends etc.	1 332	1 079	Total other expenditure	2 297	2 797
Surplus of state enterprises	930	1 258	Increase in inventories	297	177
Redemptions of loans granted	1 100	902	Lending	2 775	2 655
Total revenue	41 948	48 876	Other financial investment	495	496
Foreign borrowing	2 819	3 891	Total expenditure	48 963	54 097
Domestic borrowing	4 748	4 153	Redemption of foreign loans	1 569	1 446
Total borrowing	7 567	8 044	Redemption of domestic loans	1 245	2 850
Deficit (+) or surplus (-)	2 262	1 473	Total redemptions	2 814	4 296
Total	51 777	58 393	Total	51 777	58 393

State debt	1982	1983	1984			
	Dec.	Dec.	June	July	Aug.	Sept.
Foreign debt	18 807	21 723	23 282	23 377	24 006	24 328
Long-term debt	11 378	16 383	17 194	17 315	17 762	17 867
Short-term credit	63	18	45	53	58	78
Domestic debt	11 441	16 401	17 239	17 368	17 820	17 945
Total State debt	30 248	38 124	40 521	40 745	41 826	42 273
Total debt mill. \$	5 651	6 506	6 960	6 769	6 888	6 734

FOREIGN TRADE

Mill. FIM

Value, mill. FIM

Period	Value, mill. FIM		Surplus of exports (+) or imports (-)
	Exports f.o.b	Imports c.i.f.	
	1	2	3
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

Dec.	6 834	7 084	-250
------	-------	-------	------

1984*

Jan.	6 691	5 737	+ 954
Feb.	6 415	5 296	+1 119
March	6 666	5 922	+744
April	6 790	6 068	+722
May	6 628	6 305	+323
June	6 360	6 364	-4
July	6 433	7 180	-747
Aug.	6 073	6 161	-88

Jan.-Aug.

1983	44 773	44 962	-189
1984*	52 056	49 033	+3 023

Indices of exports and imports
1980 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	
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

1982

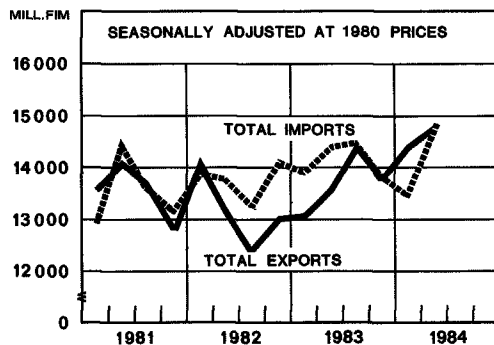
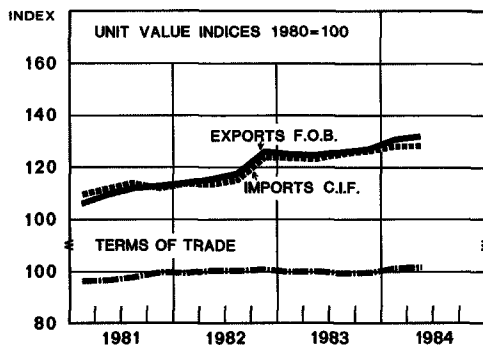
Apr.-June	102	92	116	114	101
July-Sept.	85	90	118	116	101
Oct.-Dec.	107	107	127	125	101

1983

Jan.-March	101	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

1984*

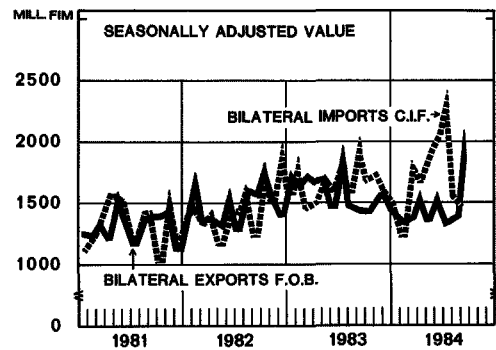
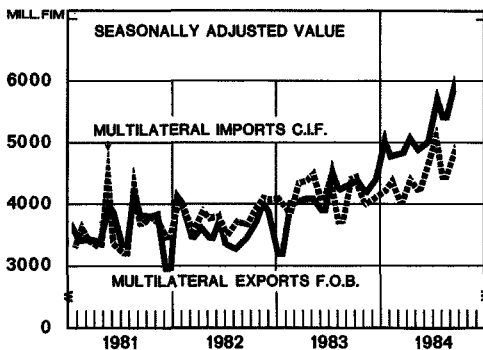
Jan.-March	114	90	132	129	102
Apr.-June	113	99	133	129	103



FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

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	
1	2	3	4	5	6	7	8	9	10	
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										
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	1 171	932	65
Feb.	332	540	1 703	1 790	2 050	3 116	339	824	1 005	12
March	355	626	1 990	1 766	1 929	3 828	273	813	1 000	8
April	263	567	1 880	1 739	2 341	3 697	265	1 096	992	18
May	234	632	2 128	1 839	1 795	4 131	453	788	930	3
June	250	641	1 768	1 668	2 033	4 214	531	850	767	2
July	332	554	1 765	2 013	1 769	4 863	565	857	878	17
Aug.	173	560	2 299	1 236	1 805	3 928	474	830	916	13
Jan.-Aug.										
1983	1 242	4 486	12 150	13 153	13 742	27 748	2 857	7 041	7 039	276
1984*	2 161	4 622	15 158	14 446	15 669	30 939	3 307	7 229	7 420	138



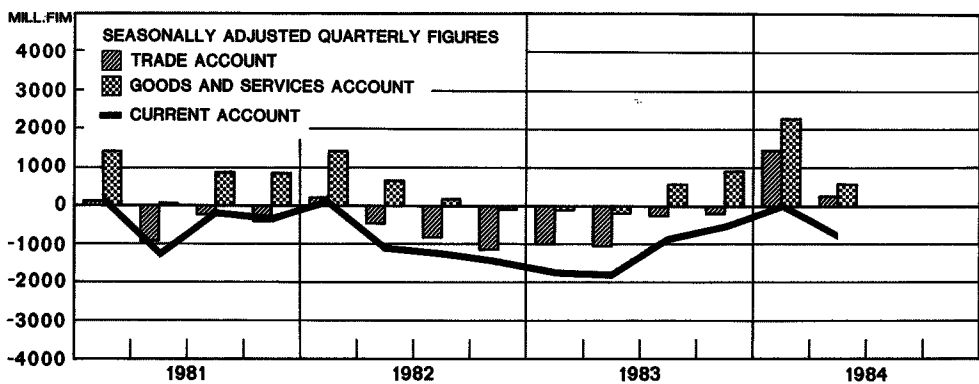
FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January–August				January–August			
	1983*		1984*		1983*		1984*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
OECD countries in Europe	54.3	24 305	57.3	29 816	53.2	23 936	53.6	26 298
Austria	0.7	316	0.7	390	1.2	557	1.1	530
Belgium and Luxembourg	1.7	739	1.5	779	1.9	854	1.9	940
Denmark	3.5	1 551	4.2	2 160	2.6	1 153	2.4	1 193
France	4.1	1 856	4.1	2 142	3.5	1 574	3.2	1 542
Federal Republic of Germany	9.9	4 419	10.2	5 325	13.9	6 258	13.8	6 756
Italy	1.9	858	2.2	1 138	3.3	1 488	3.3	1 622
Netherlands	4.1	1 814	3.7	1 897	2.7	1 224	2.7	1 313
Norway	3.3	1 484	4.6	2 396	2.4	1 091	2.0	1 000
Portugal	0.2	108	0.2	111	0.7	314	0.7	355
Spain	0.7	329	0.7	366	0.7	330	0.8	416
Sweden	11.5	5 138	11.7	6 090	11.1	4 991	11.8	5 796
Switzerland	1.3	598	1.3	661	1.7	767	1.6	786
United Kingdom	10.1	4 531	10.9	5 667	6.8	3 036	7.5	3 674
Other	1.3	564	1.3	694	0.7	299	0.8	375
OECD countries outside Europe	6.3	2 829	11.4	5 949	12.6	5 673	11.4	5 605
Canada	0.6	276	0.8	422	0.6	269	0.6	285
Japan	1.2	521	1.4	723	5.6	2 517	5.7	2 813
United States	3.6	1 637	8.1	4 205	5.9	2 666	4.8	2 346
Other	0.9	395	1.1	599	0.5	221	0.3	161
CMEA countries	29.5	13 202	21.6	11 218	26.9	12 086	27.4	13 417
Czechoslovakia	0.4	184	0.4	204	0.5	214	0.4	203
German Democratic Republic	0.5	214	0.5	251	0.6	291	0.5	253
Poland	0.2	70	0.3	165	1.2	550	1.5	714
Soviet Union	27.9	12 517	19.8	10 306	24.0	10 773	24.5	12 006
Other	0.5	217	0.6	292	0.6	258	0.5	241
Latin America	1.6	701	0.9	454	2.6	1 181	2.6	1 265
Argentina	0.1	48	0.1	44	0.1	70	0.1	76
Brazil	0.3	137	0.2	82	0.7	316	1.0	470
Colombia	0.2	68	0.1	65	0.5	219	0.6	275
Other	1.0	448	0.5	263	1.3	576	0.9	444
Other	8.3	3 736	8.8	4 619	4.7	2 086	5.0	2 448
GRAND TOTAL	100.0	44 773	100.0	52 056	100.0	44 962	100.0	49 033
of which								
EFTA countries	17.2	7 697	18.7	9 719	17.2	7 754	17.4	8 549
EEC countries	36.2	16 216	37.8	19 655	35.3	15 880	35.3	17 311
OECD countries	60.6	27 134	68.7	35 765	65.8	29 609	65.0	31 903

BALANCE OF PAYMENTS

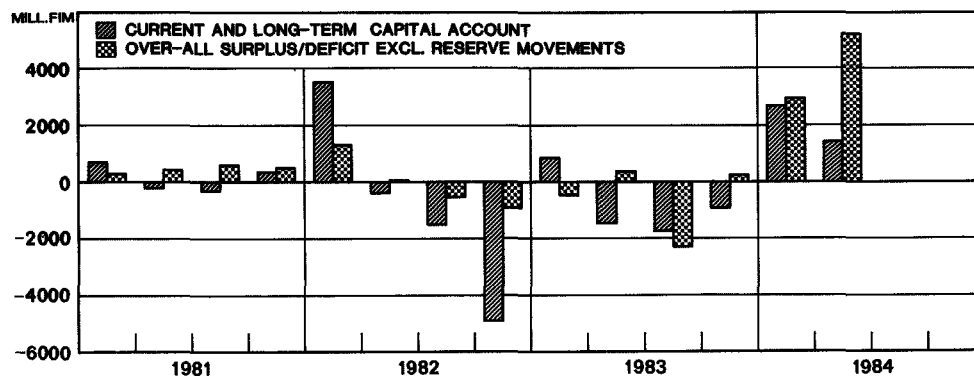
Period	Exports f.o.b.	Imports c.i.f.	Trade account (1-2)	Transport, net	Travel, net	Other services, net	Goods and services account (3 to 6)	Invest- ment income, net	Un- requited transfers, net	Other, net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
1980	52 594	58 046	-5 452	+2 824	+320	+679	-1 629	-3 292	-454	+164	-5 211
1981	60 243	61 703	-1 460	+3 088	+405	+1 049	+3 082	-4 423	-498	+107	-1 732
1982	62 867	65 147	-2 280	+2 856	-277	+1 732	+2 031	-5 447	-643	+161	-3 898
1983*	69 593	72 107	-2 514	+3 298	-749	+1 172	+1 207	-5 811	-721	+25	-5 300
1981											
July-Sept.	14 096	15 738	-1 642	+813	+443	+303	-83	-1 026	-109	+53	-1 165
Oct.-Dec.	16 197	16 528	-331	+706	-28	+287	+634	-1 120	-133	+9	-610
1982											
Jan.-March	16 078	14 858	+1 220	+699	-154	+484	+2 249	-1 078	-187	-6	+978
Apr.-June	15 577	15 376	+201	+700	-83	+451	+1 269	-1 682	-167	+50	-530
July-Sept.	13 308	15 419	-2 111	+789	+151	+478	-693	-1 359	-139	+75	-2 116
Oct.-Dec.	17 904	19 494	-1 590	+668	-191	+319	-794	-1 328	-150	+42	-2 230
1983*											
Jan.-March	16 796	16 469	+327	+807	-291	+190	+1 033	-1 553	-217	-29	-766
Apr.-June	17 154	17 500	-346	+787	-229	+299	+511	-1 492	-149	+35	-1 095
July-Sept.	16 236	18 002	-1 766	+934	+44	+336	-452	-1 459	-147	+45	-2 013
Oct.-Dec.	19 407	20 136	-729	+770	-273	+347	+115	-1 307	-208	-26	-1 426
1984*											
Jan.-March	19 733	17 051	+2 682	+1 016	-371	-139	+3 188	-2 099	-232	-56	+801
Apr.-June	19 754	18 896	+858	+1 025	-337	-293	+1 253	-1 309	-143	-2	-201



Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net	Long-term capital account (12 to 15)	Current and long-term capital account (11 + 16)	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus deficit excl. reserve movements (17 to 21)	Bank of Finland foreign exchange reserves
12	13	14	15	16	17	18	19	20	21	22	23
+5 183	-4 140	-433	-428	+182	-5 029	+3 255	-967	+3 696	+40 ¹	+995	-995
+8 312	-4 643	-518	-826	+2 325	+593	-148	+723	-421	+1 056 ¹	+1 803	-1 803
+10 213	-4 721	-1 239	-3 642	+611	-3 287	-914	+771	+1 493	+1 811	-126	+126
+10 112	-7 273	+423	-1 367	+1 895	-3 405	+3 273	-3 422	+1 272	+120	-2 162	+2 162
+1 932	-797	-91	-200	+844	-321	+329	-364	-827	+1 771	+588	-588
+3 028	-1 678	-211	-157	+982	+372	-1 309	+46	+601	+766	+476	-476
+3 637	-806	-114	-165	+2 552	+3 530	-676	+762	-1 517	-787	+1 312	-1 312
+2 332	-1 555	-328	-301	+148	-382	+367	+581	-171	-350	+45	-45
+1 859	-883	-127	-246	+603	-1 513	-277	-143	-520	+1 909	-544	+544
+2 385	-1 477	-670	-2 930	-2 692	-4 922	-328	-429	+3 701	+1 039	-939	+939
+2 985	-1 271	+100	-182	+1 632	+866	-115	+647	-1 214	-666	-482	+482
+2 435	-2 895	+273	-204	-391	-1 486	+1 261	-353	+699	+276	+397	-397
+1 479	-1 269	+142	-128	+224	-1 789	+1 197	-1 671	-593	+543	-2 313	+2 313
+3 213	-1 838	-92	-853	+430	-996	+930	-2 045	+2 380	-33	+236	-236
+4 075	-1 887	-235	-47	+1 906	+2 707	-767	+959	+2 443	-2 356	+2 986	-2 986
+3 858	-2 351	-181	+271	+1 597	+1 396	+1 162	+485	+3 139	-960	+5 222	-5 222

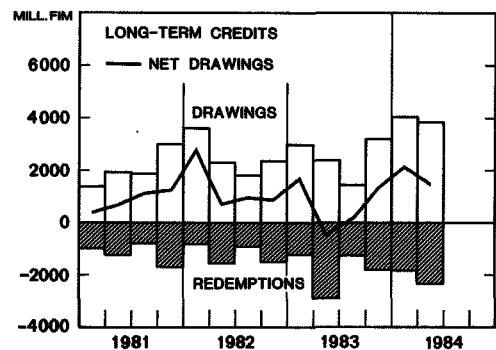
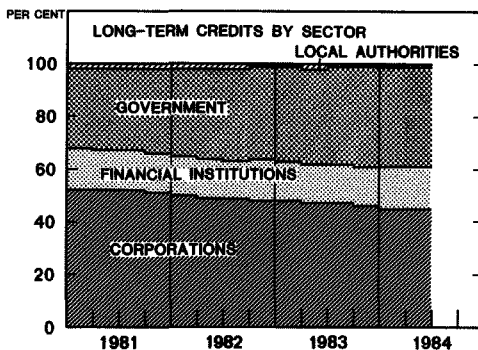
Assets: increase -, decrease +. Liabilities: increase +, decrease -

¹ Including allocations of special drawing rights: 133 million in 1980 and 131 million in 1981.

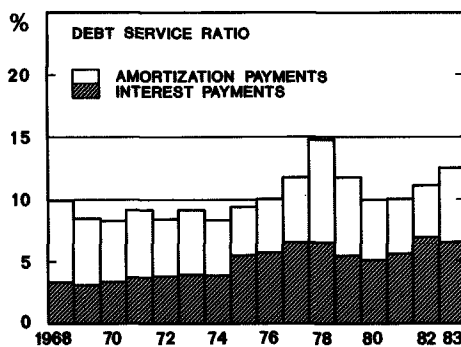
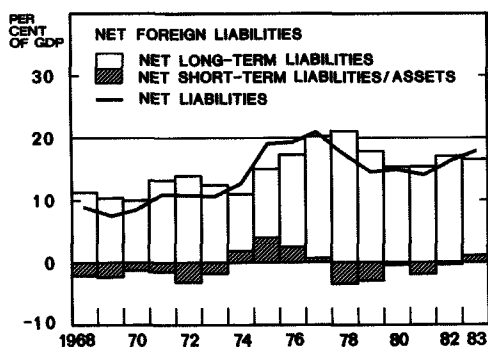


FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (10-4)	
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Portfolio investment	Other		Total (5 to 9)
	1	2	3	4	5	6	7	8	9	10	11
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	848	763	61 518	44 808
1981											
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	848	763	61 518	44 808
1984*											
March	6 658	6 687	3 539	16 884	54 014	4 225	2 354	987	731	62 311	45 427
June	7 000	7 435	3 230	17 665	57 198	3 937	2 393	1 640	729	65 897	48 232



Short-term assets				Short-term liabilities				Net short-term liabilities (19-15)	Net liabilities (11+20)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (12 to 14)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (16 to 18)				
12	13	14	15	16	17	18	19	20	21	22	23
9 895	10 061	12 532	32 488	3 089	16 240	11 849	31 178	-1 310	27 483	6 700	3 274
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	8 067	3 567
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	9 268	3 663
11 842	29 263	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	11 670	5 706
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	2 466	1 329
12 795	13 654	13 791	40 240	3 074	18 592	14 218	35 884	-4 356	31 917	1 757	600
12 846	14 641	13 536	41 023	3 077	19 349	15 048	37 474	-3 549	33 190	2 850	1 137
12 456	17 474	13 531	43 461	4 097	21 737	14 859	40 693	-2 768	34 871	2 077	699
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	2 584	1 227
12 365	22 166	14 580	49 111	4 637	29 530	15 105	49 272	161	42 384	2 573	984
12 905	23 008	14 878	50 791	4 705	31 137	16 546	52 388	1 597	43 686	3 831	2 286
10 556	23 605	15 681	49 842	4 737	31 289	16 779	52 805	2 963	45 597	2 538	1 049
11 842	29 263	15 915	57 020	5 705	39 443	16 138	61 286	4 266	49 074	2 728	1 387
14 740	25 724	15 677	56 141	3 657	37 966	15 789	57 412	1 271	46 698	3 249	1 089
20 705	31 916	14 971	67 592	3 775	47 081	17 202	68 058	466	48 698	2 959	1 624



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
1	2	3	4	5	6	7	8	9	10	
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
1984										
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
April	1 246	132.7	134.5	127.5	130.6	136.3	134.3	134.7	130.1	135.0
May	1 251	133.4	134.9	128.8	131.4	136.7	134.8	136.6	134.9	135.8
June	1 254	134.1	135.5	129.7	131.8	137.2	136.3	137.0	134.9	136.4
July	1 261	134.8	136.0	131.0	132.9	137.6	136.5	137.5	135.5	136.6
Aug.	1 264	134.8	136.6	129.5	132.6	138.2	136.9	137.7	135.7	136.9
Sept.	1 277	135.9	137.5	131.1	134.1	138.9	137.2	137.8	135.9	137.1

Period	Consumer prices 1981 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
	1	2	3	4	5	6	7	8	9	10
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
1984										
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
April	125.6	127.3	132.1	119.2	121.6	121.8	143.4	125.0	125.4	128.9
May	126.9	128.4	132.5	119.7	126.0	122.4	144.8	123.6	125.9	130.6
June	127.2	128.8	132.6	119.7	126.0	122.4	144.7	124.7	126.2	130.7
July	127.7	130.2	132.7	118.6	126.0	122.7	147.7	125.7	126.1	131.0
Aug.	128.2	131.1	132.7	119.6	126.0	123.8	148.1	126.0	127.2	131.2
Sept.	129.0	132.6	132.7	121.1	126.3	124.5	148.1	126.4	128.1	132.3

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							
1	2	3	4	5	6	7	8	9	10	
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	206.9	201.1	195.0	212.0	207.3	208.8	208.0
1983	243.6	234.0	202.5	229.0	223.3	217.2	233.3	229.5	229.3	229.6
1983										
Apr.-June	244.1	236.2	201.2	228.5	223.3	216.4	233.8	229.3	230.1	229.8
July-Sept.	239.0	233.5	202.8	230.0	223.1	218.7	233.8	230.5	229.3	230.3
Oct.-Dec.	252.2	242.0	212.4	239.9	231.7	228.2	242.3	239.3	237.8	239.1
1984*										
Jan.-March	260.7	245.6	218.1	244.5	233.7	234.7	245.9	243.1	241.7	242.9
Apr.-June	271.4	258.4	224.3	251.4	237.6	240.9	256.1	250.2	252.9	251.4

PRODUCTION

Volume indices of production 1980 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1982										
Apr.-June	103	106	75	94	84	104	103	103	107	109
July-Sept.	103	95	182	45	112	105	104	106	109	107
Oct.-Dec.	115	111	85	110	144	110	116	121	111	116
1983*										
Jan.-March	101	103	73	99	83	95	97	95	111	108
Apr.-June	107	112	80	90	91	104	105	109	111	115
July-Sept.	107	99	204	41	120	104	108	105	113	112
Oct.-Dec.	117	116	87	101	149	104	123	117	114	120
1984*										
Jan.-March	104	109	74	90	81	92	105	97	115	112
Apr.-June	109	113	82	92	85	103	112	107	115	119

PRODUCTION

Index of industrial production 1980 = 100

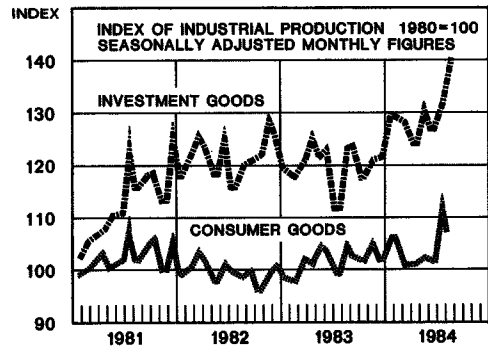
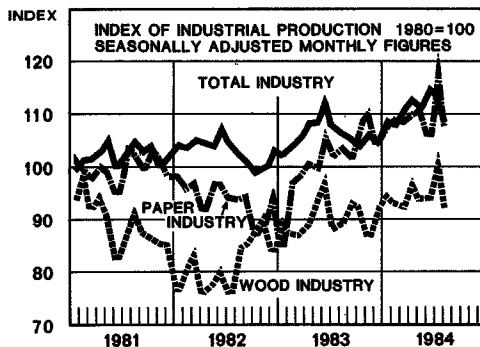
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1981	102.6	114.1	103.4	100.1	104.0	89.6	100.8	103.0	101.3	106.9	102.9
1982*	103.7	121.0	103.4	100.6	106.4	83.5	96.1	98.8	109.8	114.0	103.8
1983*	106.8	125.3	103.3	105.1	106.4	88.9	103.9	105.1	117.3	117.3	106.9

1983*

Aug.	111.9	116.0	107.4	113.2	116.1	87.5	113.5	115.3	128.0	112.2	106.9
Sept.	114.3	138.3	109.8	112.2	111.1	107.3	104.7	114.4	146.9	129.4	105.9
Oct.	112.8	126.0	111.3	111.2	125.2	100.1	115.9	116.2	135.9	119.3	104.6
Nov.	118.5	139.2	117.8	115.1	127.5	89.1	117.4	120.9	117.6	130.3	106.7
Dec.	106.6	128.9	103.7	104.0	103.4	77.6	98.7	107.3	106.9	120.2	105.2

1984*

Jan.	113.4	135.1	109.4	111.4	100.0	91.7	111.3	111.6	102.8	125.7	109.3
Feb.	108.2	130.4	103.2	106.7	87.5	85.7	112.9	103.8	92.4	120.9	108.6
March	116.4	142.0	109.7	114.9	97.1	98.6	118.2	120.4	111.4	129.3	111.3
April	107.8	132.1	100.5	106.8	95.4	102.2	102.9	116.3	96.2	121.6	113.3
May	121.8	158.5	110.9	120.4	114.0	118.2	120.5	117.6	117.5	144.1	111.8
June	110.0	144.5	101.5	107.9	103.6	103.1	91.5	105.7	114.6	128.2	115.3
July	74.9	54.7	71.9	79.8	97.2	41.7	124.2	71.9	60.8	56.0	113.9
Aug.	115.3	131.9	109.2	115.3	114.3	91.2	117.5	112.6	124.4	123.0	108.9



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
	1	2	3	4	5	6	7	8
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	107	110
1983								
July	3 682	2 730	2 577	153	5.6	1 084	105	86
Aug.	3 682	2 555	2 426	128	5.0	1 303	106	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	115
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	124
1984*								
Jan.	3 699	2 510	2 339	171	6.8	3 577	97	94
Feb.	3 700	2 498	2 329	169	6.8	4 209	95	101
March	3 694	2 520	2 353	168	6.6	4 734	105	111
April	3 693	2 523	2 356	167	6.6	4 207	101	98
May	3 697	2 579	2 438	140	5.4	3 734	113	120
June	3 695	2 745	2 570	175	6.4	2 664	115	106
July	3 700	2 761	2 614	146	5.3	1 323	113	93
Aug.	3 700	2 598	2 454	145	5.6	1 649

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										
	1	2	3	4	5	6	7	8	9	10	11
1982	52.17	19.30	6.73	19.12	3.50	43.74	18.0	6.02	14.35	2.67	50.32
1983*	51.78	19.66	6.44	18.34	3.65	47.37	18.43	5.92	16.32	3.55	51.44
1983*											
Jan.-March	9.85	4.18	1.28	3.23	0.70	10.29	4.06	1.13	3.80	0.66	45.55
Apr.-June	19.12	7.95	3.14	5.43	1.01	10.56	4.29	0.85	3.77	0.90	52.74
July-Sept.	14.22	4.23	1.07	6.90	0.91	11.06	3.96	1.86	3.52	0.96	58.14
Oct.-Dec.	8.59	3.31	0.95	2.78	1.02	15.46	6.12	2.07	5.24	1.02	51.44
1984*											
Jan.-March	9.11	3.83	1.12	3.08	0.61	8.72	3.72	0.71	3.08	0.62	47.01
Apr.-June	16.19	7.21	2.35	4.67	0.73	8.64	3.53	0.55	3.57	0.51	53.65

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 landing 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 markka 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.

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.

Columns 1-7. The figures for the trade and goods and services accounts are in accordance with the System of National Accounts.

Columns 12-13. Long-term loans comprise financial loans and import and leasing credits.

Column 15. Miscellaneous long-term capital items, net = direct investment, net + portfolio investment by foreigners + financial loans and development credits to abroad + Finland's subscriptions to international financial institutions, net.

Column 23. Changes in the foreign exchange reserves of the Bank of Finland exclude changes in the markka value of the reserves caused by changes in exchange rates.

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: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 22. 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 22 and 23 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 (1982): 4.8 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1982): In South Finland 47.1, in East and Central Finland 14.2, in North Finland 4.2 and in the whole country an average of 15.9 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1982): 40 % of the population inhabit the rural areas, 60 % towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 260 inhabitants, Tampere (Tammerfors) 167 211, Turku (Åbo) 163 484.

EMPLOYMENT (1983): Agriculture and forestry 13 %, industry and construction 33 %, commerce 14 %, transport and communication 7 %, financing, insurance, real estate and business services 6 %, community and personal services 27 %.

LANGUAGE (1982): Finnish speaking 93.5 %, Swedish speaking 6.3 %, others 0.2 %.

EDUCATION (1984): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1982): births 13.7 ‰, deaths 9.0 ‰, change + 6.2 ‰, net immigration + 1.5 ‰. Deaths in France 10.1 ‰ and Great Britain 11.8 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1983), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 11 747 (5 %), forestry 9 007 (4 %), manufacturing 73 782 (30 %), construction 20 442 (8 %), trade, restaurants and hotels 27 803 (11 %), transport and communication 19 129 (8 %), banking and insurance 9 671 (4 %), ownership of dwellings 16 460 (7 %), other services 58 100 (23 %), total 246 141. Index of real domestic product 108 (1980 = 100).

FOREST RESOURCES (1982). The growing stock comprised of 1 658 million m³ (solid volume with bark) of which 45 % was pine and 37 % spruce the remaining 18 % being broad-leaved trees chiefly birch. Of the growing stock 667 million m³ was up to the standard required for logs, 52 % of these being pine. The annual growth was 67 million m³ and the total drain calculated on the basis of roundwood consumption was 48.5 million m³.

AGRICULTURE (1982). Cultivated land 2.4 million hectares. Number of holdings 212 630 of which 148 590 are of more than 5 ha. Measure of self-sufficiency in bread cereals (1983) 93 %.

INDUSTRY (1982). Gross value of industrial production FIM 205 471 mill., number of workers 409 499, salaried employees 145 997, motive power 8.2 mill. kW. Index of industrial production 103.6 for 1982 (1980 = 100).

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

MERCHANT FLEET (Sept. 30, 1984): Passenger vessels 159 (238 035 gross reg. tons), tankers 44 (1 016 342 gross reg. tons), dry cargo vessels 174 (859 102 gross reg. tons), other vessels 101 (14 087 gross reg. tons), total 478 (2 127 566 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 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is tradeweighted 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 20.1, DEM 18.8, GBP 14.7, USD 10.5, other currencies 35.9. 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 Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 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 Bank of Finland's base rate is 9 ½ %. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 7 % and 12 %. Other credit institutions: time deposits 5 ½ %; 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 %.

FOREIGN BORROWING OF THE CENTRAL GOVERNMENT IN FINLAND

by
Annikki Saarela, Financial Counsellor and
Immo Pohjola, Head of Office

Ministry of Finance

MACROECONOMIC BACKGROUND

The Finnish economy has undergone a process of rapid structural change in the postwar period, as a result of which the investment ratio has been at a consistently high level. Although the domestic saving ratio has also been high, capital imports have been necessary to finance investments. A large share of foreign borrowing has been undertaken by the central government, so as to finance infrastructure investments and because of the government's favoured position as a borrower.

While the central government has been a borrower, the public sector has traditionally run a financial surplus (Charts 1 and 2). The

CHART 1. NET LENDING BY SECTOR IN 1960-1983, PER CENT OF GDP

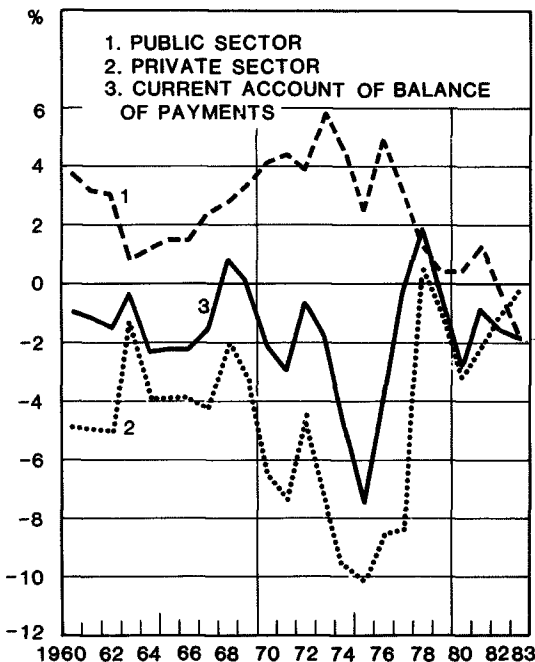
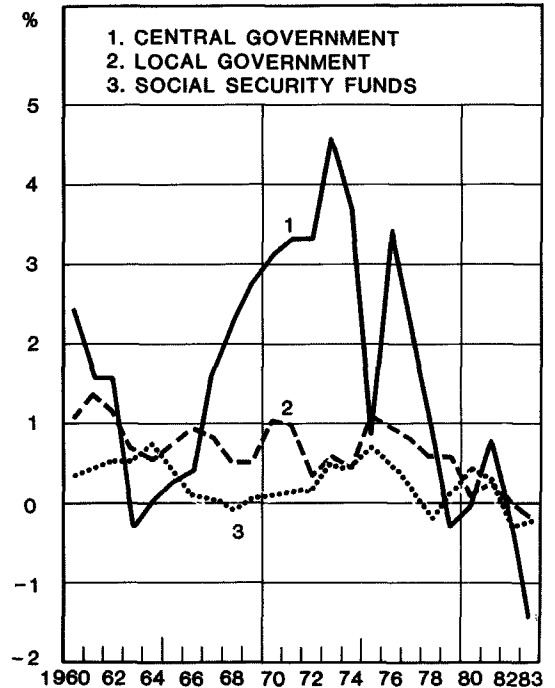


CHART 2. GOVERNMENT NET LENDING IN 1960-1983, PER CENT OF GDP



borrowing requirement has been due to financial investments — mostly long-term lending to the private sector.

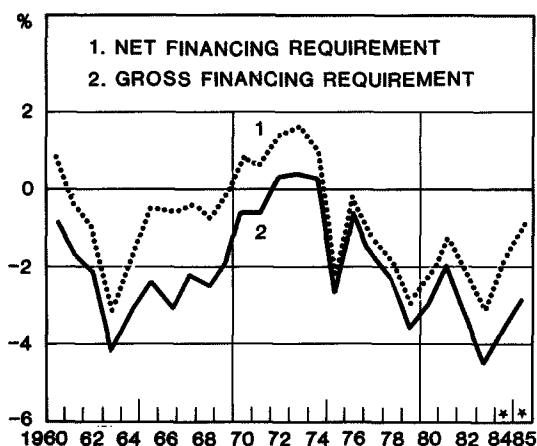
Because of rapid economic growth and a rising tax burden, central government finances improved rapidly after the late 1960s, and in 1974 the central government debt amounted to only three per cent of GDP. In the aftermath of the first oil crisis, both the foreign balance and central government finances deteriorated dramatically, thus necessitating coordinated fiscal and monetary policy action. In the mid-1970s, a major expansionary phase in domestic investment had also been completed, which in the ensuing cyclical downturn led to

very low capacity utilization rates and a worsening in the financial position of the corporate sector. To correct the fundamental disequilibria in the current account and central government finances, taxes were increased, the growth of public expenditures was curbed and monetary policy was tightened significantly. The disequilibria were successfully reduced to manageable proportions as early as in 1976, but at the expense of a further weakening in firms' financial positions, slow economic growth and rapidly rising unemployment in 1976–77.

In 1977, a medium-term, growth-oriented strategy was adopted in fiscal policy. This was rendered possible by the improvement in the budget balance in the previous year. The fundamental aim of the reorientation of policies was to promote economic growth via the private sector and to restrain growth in the public sector domain. This economic policy stance was close to the so-called positive adjustment principles later advocated by the OECD. Tax reductions were introduced to encourage moderate wage agreements and social security contributions were cut to keep costs in check.

The gross tax ratio, which had amounted to 38.3 per cent of GDP in 1976, was reduced to a low point of 33.6 per cent of GDP in 1980. The growth of public expenditure was also

CHART 3. CENTRAL GOVERNMENT FINANCING REQUIREMENTS IN 1960–1985, PER CENT OF GDP



reduced somewhat, but not as much as revenue growth. The net borrowing requirement, which had been very small in 1976 following the implementation of temporary tax increases, grew to two per cent of GDP in 1980 — a year of cyclical peak. By 1983, the net borrowing requirement had increased to a record three per cent of GDP, but it has subsequently been falling as a result of cyclical recovery and restrictive fiscal policies. According to the budget proposal for 1985, a year of cyclical growth, the net borrowing requirement will fall to one per cent of GDP (Chart 3).

BORROWING STRATEGY AFTER 1977

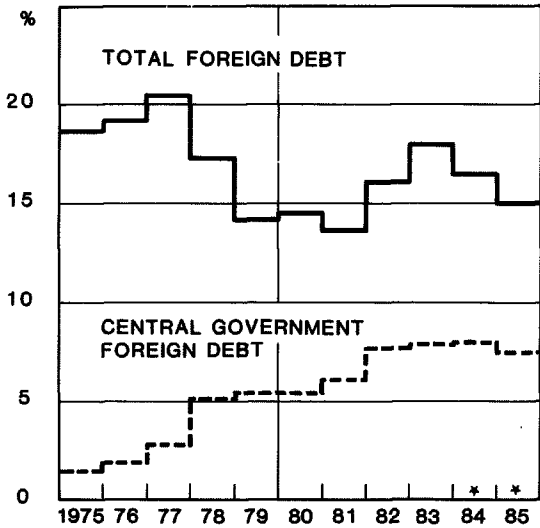
The policy stance adopted in 1977 necessitated increased borrowing by the central government because the growth rate of public expenditure was not trimmed to the same extent as tax revenue. To meet this challenge, a medium-term strategy was adopted for government debt.

Foreign borrowing was considered essential in the short and medium term to compensate for the deficiency of domestic borrowing facilities. In the early 1970s, domestic borrowing had been very modest, and the shallowness of the domestic market precluded the expansion of the government's domestic borrowing in line with the growth in the borrowing requirement. Hence the share of government borrowing in domestic bond markets was increased only gradually while the remaining borrowing requirement was met by capital imports.

Another aim of this strategy was to reduce the borrowing requirement itself in the longer term, but gradually so as to avoid the possibly harmful effects of abrupt changes on economic growth. Moreover, because of the unwillingness of the private sector to borrow abroad, the Bank of Finland encouraged foreign borrowing by the central government in these years in order to maintain the adequacy of foreign exchange reserves (Chart 4).

The borrowing policy adopted in the late 1970s

CHART 4. FINLAND'S NET FOREIGN DEBT IN 1975-1985, PER CENT OF GDP



partially shifted the burden of increasing foreign interest rates and exchange rate risk from the corporate sector to the central government, and at the same time the crowding out effects of growing public debt in the domestic financial market were avoided. On the other hand, the debt servicing costs of the central government started to grow rapidly, further weakening the central government's financial position. In particular, the debt service burden of the government's foreign debt increased quickly as interest rates rose and the Finnish markka was devalued by altogether 17 per cent in 1977-1978; devaluations were part of the programme to improve the competitiveness of the open sector.

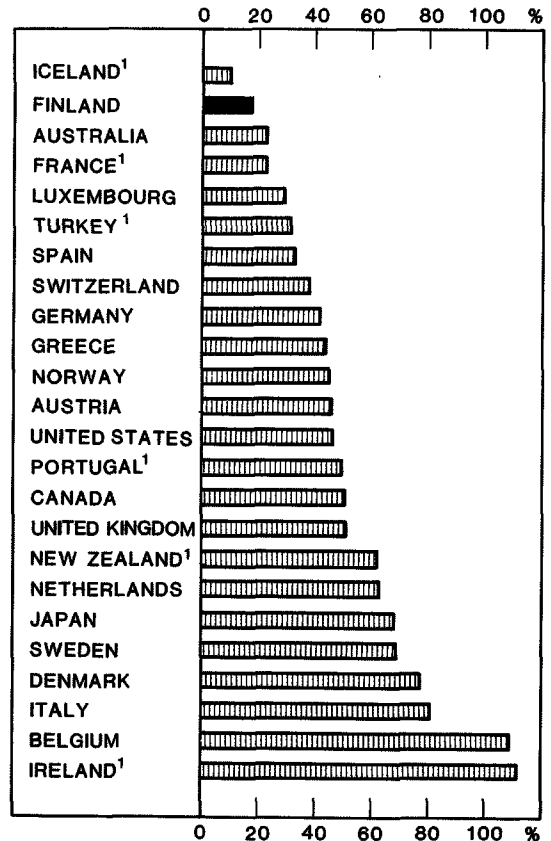
The overall strategy pursued in government borrowing has been successful. The upward trend in the central government borrowing requirement has been reversed during the present business cycle, and the government's foreign borrowing has passed its peak, due partly to the steady increase in domestic borrowing. In 1976, the government's share of the total stock of bonds in the domestic bond markets was only 23 per cent in 1976, but rose to 40 per cent in the early 1980s. The domestic bond markets have developed rapidly both in volume terms and qualitatively. In addition, the central government has, since 1982, borrowed

directly from the banks, despite the high costs involved and short amortization periods.

CENTRAL GOVERNMENT DEBT

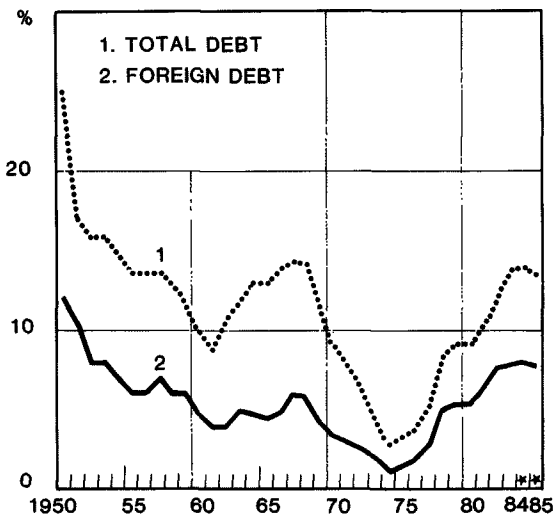
As is the case with many other countries, the current indebtedness of the central government in Finland dates back to developments following the first oil crisis. By the end of 1983, Finland's total public debt had risen to some 17 per cent of GDP, but the average for the OECD area as a whole was three times as high. The debt of the central government sector amounted to 14 per cent of GDP and that of the local government sector to 3½ per cent. Whereas the central government's debt has been growing fast since the mid-1970s, the indebtedness of the local authorities has remained at the same level. The total debt of the central government sector in Finland is still

CHART 5. PUBLIC DEBT IN OECD COUNTRIES IN 1983, PER CENT OF GDP



¹ CENTRAL GOVERNMENT DEBT

CHART 6. CENTRAL GOVERNMENT DEBT IN 1950-1985, PER CENT OF GDP



small in relative terms, but almost 60 per cent of it is of foreign origin, one of the highest shares in the OECD area (Charts 5 and 6).

Although government indebtedness in Finland is relatively low by international standards, the structure of debt and debt servicing have nevertheless given rise to problems. By financing a major part of its total borrowing requirement with foreign capital, the central government has brought about an increase in money supply. This has placed additional requirements on monetary policy to avoid financing inflation. The increase in debt has also exerted pressures on domestic interest rates, while increased debt servicing has restricted the scope for action in fiscal policy.

The growth of debt servicing has been due to increased debt, higher interest rates and related costs, and the shortening of average maturities. In terms of domestic currency, additional costs have been incurred as the result of exchange rate changes.

Debt service costs (interest payments, fees, amortizations) have been rising rapidly; since 1982, they have accounted for more than two percentage points of the volume growth in central government expenditure.

TABLE 1. COST AND MATURITY OF THE CENTRAL GOVERNMENT DEBT

	Interest payments and fees, per cent of debt		Imputed capital losses due to exchange rate changes, per cent of foreign debt (at annual level)	Average maturity of debt at year end	
	domestic	foreign		domestic years/ months	foreign years/ months
1976	9.5	6.7	0.5	3/0	5/8
1977	10.0	8.5	2.8	2/8	6/4
1978	10.9	7.8	2.0	2/9	6/5
1979	10.3	6.5	-1.1	2/9	6/1
1980	9.5	7.0	0.2	2/11	5/5
1981	10.3	7.7	1.4	4/3	5/1
1982	11.1	8.8	3.8	3/0	4/7
1983	11.8	9.3	0.9	2/8	4/7

DEBT MANAGEMENT

The main objective of debt policy is to secure the necessary amount of loans. At the macro level, the central government debt, its structure and terms can be used to promote interest rate and liquidity policies. In addition, government debt policy affects conditions in the domestic bond market as well as the functioning and efficiency of the financial system. In principle, it can also be used to promote private saving. At the micro level, debt management seeks to minimise borrowing costs and to achieve a satisfactory maturity structure.

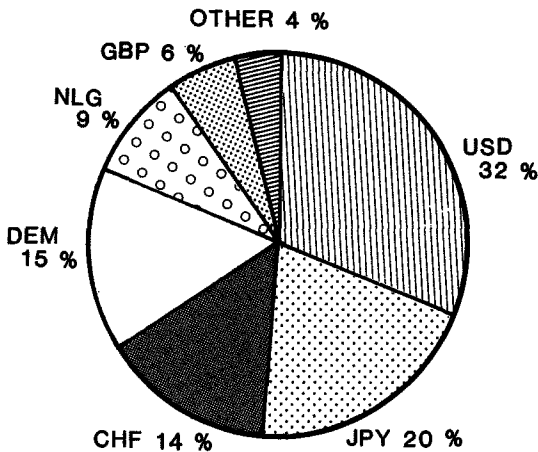
The currency composition of the debt portfolio is obviously a major consideration of debt policy. One way to approach this problem is to try to construct the currency composition of the external debt so that it would roughly correspond to the trade-weighted basket used for determining the external value of the Finnish markka. Obviously, capital markets are not available in all the currencies in the basket. Several of the non-available currencies are, however, also basket currencies, and can be broken down into their respective components.

Recently, new techniques related, in particular, to swapping, have to some extent enhanced the availability of different currencies as well as the flexibility in the timing of individual transactions. Now not only new debt but also existing obligations can be changed into other

currencies. In Finland existing government debt has not been swapped, but the merits of the techniques and their use are being carefully studied.

The currency composition of the central government's outstanding external debt can be characterized as fairly well balanced, even if the currency basket to which the external value of the Finnish markka is tied was altered to some extent at the beginning of 1984.¹ No single currency has an overwhelming position, although the US dollar has the largest share at 30 per cent of the total foreign debt. There is some justification for arguing that, at 20 per cent, the share of the Japanese yen, the second most important currency, is on the high side. On the other hand, the Japanese capital market is the second largest in the world, and its width and depth make it an important source of funds for any international borrower (Chart 7).

CHART 7. CURRENCY BREAKDOWN OF CENTRAL GOVERNMENT FOREIGN DEBT, DEC. 31, 1983



When planning foreign borrowings, another aim is safety. Generally speaking, this implies that the government should not be exposed to sudden, unexpected changes on the international capital market. Thus the central government has practically no short-term foreign debt. While it is hard to find a reason for

¹ See the back article in the February 1984 issue of the Bulletin.

aiming at some specific maturity structure of the foreign debt, other than a reasonable spread of the due dates in the different currencies, no new foreign debt has been issued with maturities shorter than five years. Bearing in mind that foreign borrowing is perceived to be a temporary phenomenon, there is some merit in keeping the repayment schedule fairly flexible. The recent period of high interest rates has to some extent acted as an inducement for staying within the medium-term maturity range.

To date, the government has only issued foreign debt with a fixed rate of interest. This stands in some contrast to the borrowing practices of several other sovereign borrowers, and reflects both historical and cost-related factors. In the early years of the euro-credit markets, it was felt that some division of market access was called for between the corporate sector and the government. As the government had, since the 1960s, been active mainly in the major fixed rate bond markets, it was considered desirable that the bank credit market should be left "free" to the corporate sector. This is really an extension of the policy of avoiding "crowding-out" effects to the international markets. In terms of cost, the average interest rate on the foreign debt is somewhat higher today than what could be obtained for an entirely floating rate portfolio, since positive yield curves have re-emerged. On the other hand, the fixed rate portfolio concept saved money during the recent period of high, often inverse, yield curves.

When planning individual foreign borrowing transactions within the parameters of cost and safety, several other criteria have to be looked at. One of them has been to establish access for Finland to the major capital markets of the world. Today, this target has been met. Apart from the bond markets, it has also been considered important to introduce Finland to the major institutional investors on a private funding basis. In practice, private transactions provide an important complement to bond market financing. Furthermore, attention is

being paid to the proper timing and spacing of Finnish bond issues in order to avoid both collision and saturation of markets. The Bank of Finland and the Ministry of Finance cooperate to this end.

SUMMARY AND OUTLOOK

Government foreign borrowing has played an important role in Finnish economic policy. During the postwar period of rapid structural change, foreign capital provided the necessary financing, especially for infrastructure investments. After the late 1960s, the government's foreign debt decreased sharply. Following the first oil shock, the central government resumed its foreign borrowing in order to facilitate the implementation of a medium-term programme aimed at promoting economic growth. At the same time, however, measures were taken which were designed to eventually reduce the need for foreign capital. The government's foreign indebtedness seems to have passed its peak, but some external borrowing will continue to be needed in the years ahead. The large size of the government's outstanding foreign debt both allows its use as a policy instrument as well as requires careful analysis in debt management so as to avoid harmful side-effects.

Increased uncertainty about market developments, together with shifting expectations and new techniques, has changed the way in which foreign borrowings are being planned. In order to cope with the pace of change in the market-place certain changes in the traditional decision-making processes applied in the government's debt management have been introduced. Still more changes will be needed if the government wishes to avail itself of the "new techniques" constantly emerging. In contrast to the complete freedom of timing of the dollar markets there is the rigidity of a prebooked slot in a queue in some other markets, which results in timings at the mercy of the market. Hitting the market under the best circumstances is thus based on good foresight or sheer luck. Regardless of the form, however, a successful foreign borrowing transaction should result in a matching of interests between the lenders, the borrower and the banking community. In the case of bonds, this is best reflected in orderly trading in the secondary markets. Only hindsight will tell the borrower or lenders whether the deal was a successful one in that particular market situation. Be it as it may for any particular transaction, one fact nevertheless remains – Finland is the country that always repays its debts on time.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM NOVEMBER 1983 TO NOVEMBER 1984

1983

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 ¾

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 ½ 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.

May

Call money market. The Bank of Finland raises the call money rate from 16.5 to 16.8 per cent as from May 29.

June

Export deposits. On June 5, the Council of State decides to collect export deposits for pulp to be exported between June 8, 1984 and June 7, 1985. The deposits are to be made at the Bank of Finland, and will bear interest at a rate of 8 ¾ per cent.

July

Call money market. The Bank of Finland lowers the call money rate from 16.8 to 16.5 per cent as from July 3.

September

Central bank financing. The Bank of Finland decides to extend to Peruspankki Ltd, as from the beginning of September, the same rights to central bank financing and the use of the call money market as the other commercial banks.

Call money market. The Bank of Finland lowers the call money rate from 16.5 to 16.0 per cent as from September 7 and further to 15.8 per cent as from September 28.

Cash reserve requirement. On September 7, 1984, the Bank of Finland concludes a new cash reserve agreement with the banks. According to it, the cash reserve base comprises, in addition to deposits received on normal terms, the total stock of deposits denominated in foreign currency, special deposits and the banks' net foreign liabilities after certain deductions.

Regulation of average lending rates. On September 7, 1984, the Bank of Finland decides to revise its regulation of the banks' average lending rates. According to the new system, the average lending rate applied by a banking institution to its domestic markka-denominated lending is allowed to rise by not more than 30 per cent of the increase in the average deposit rate on the bank's total stock of deposits. The new system is to become effective progressively as from the beginning of October.

October

Call money market. The Bank of Finland lowers the call money rate from 15.8 to 15.6 per cent as from October 26.

November

Financing of domestic suppliers' credits. The Bank of Finland raises the rate of interest applied to domestic suppliers' credits by one percentage point to 10 ½ per cent. At the same time, the Bank raises the lower limit on the contract price of a delivery which can be financed to FIM 1 million and the commitment fee to a maximum of 0.35 per cent. The revisions are to concern domestic suppliers' credits granted as from November 1, 1984.

ITEMS

Framework agreement on trade between Finland and the U.S.S.R. for 1986–1990.

Finland is the only industrialized market economy which carries on trade with the U.S.S.R. on a bilateral basis. Trade is planned on the basis of 5-year framework agreements on the exchange of goods and services and payments as well as annual protocols on the exchange of goods. Payments continue to be effected through a clearing account in clearing roubles.

The new framework agreement on trade — the eighth of its kind — was signed in Moscow on September 25, 1984.

In accordance with the new framework agreement, the value of trade between Finland and the U.S.S.R. will amount, at 1984 prices, to almost SUR 28 billion, or about FIM 200 billion, in 1986–1990. During the current framework agreement period 1981–1985, the value of trade is expected to amount to about SUR 25 billion. According to the agreement, the volume of imports will grow steadily during 1986–1990. This will provide corresponding room for growth in the volume of exports, as long as there are no significant changes in import and export prices.

The structure of trade in the new 5-year agreement is broadly similar to the composition hitherto.

The metal and engineering industries will maintain their traditionally strong position in Finnish exports in 1986–1990. In the new agreement, the value of metal and engineering exports amounts to SUR 6.2–6.7 billion or about half of total exports. Of this amount, ships, ship equipment and repairs account for SUR 2.6–3.0 billion. The value of exports of machinery and equipment is set to reach SUR 3.2–3.3 billion, of which SUR 1.5 billion or 45 per cent will be based on industrial co-operation. In this context, industrial co-operation means mainly the use of Soviet parts in manufacturing products to be exported to the

U.S.S.R. The major quotas of machinery and equipment exports comprise forest industry machinery, lifting equipment and transmitters, mining and metallurgical machinery, special railway rolling stock, machinery and equipment for the electronics industry as well as radio and telephone communication equipment. Deliveries of goods in the last three quotas are expanding vigorously, and are mainly or entirely connected with industrial co-operation. They will account for about 75 per cent of all export deliveries under industrial co-operation. Exports of cable products are to be continued.

The value of forest industry exports will amount to SUR 2.4–2.5 billion, or about 20 per cent of total exports. The major exports will be various kinds of paper as well as paper and board products.

For the first time, the new framework agreement includes a quota for Finnish construction projects in the U.S.S.R., amounting to SUR 1.2 billion. Hence, the share of contracting exports will remain at 10 per cent of total exports.

Consumer goods exports will maintain their present share, amounting to about SUR 1 billion. The bulk of these products will consist of footwear, clothing and knitwear. Chemical industry exports and exports of agricultural produce and food manufactures will each amount to SUR 500–600 million. Both these sectors will maintain their present share of exports.

As before, Finnish imports from the U.S.S.R. will centre on energy shipments.

The annual import quotas for crude oil have been fixed at 8.5–9.0 million tonnes. The quota for diesel oil has been set at 1.5–2.0 million tonnes a year and that for heavy fuel oil at 1.4 million tonnes. This means that the import volumes of these goods will broadly maintain their present levels.

The import quota for natural gas has been set

at 1 000 million cubic metres in 1986, from which level it will be doubled by 1990. Other energy imports include deliveries of coal, coke, electricity and nuclear fuel, the annual amounts of which it is planned to keep unchanged as from 1986, and as a new commodity, gas condensates.

The total value of Finnish imports of machinery and equipment has been set at SUR 1.1–1.2 billion. Hence imports of machinery and equipment will double in value from their present level, largely as a result of an increase in shipments in connection with industrial co-operation. The main import goods are machine tools and compressors, machinery and equipment for the electronics industry, radio and telephone communication equipment and passenger cars. In addition, a significant amount of machinery, equipment and parts for ships and railway cars will be imported.

Other major import goods include timber, fertilizers, various chemicals such as ammonia, and metals such as copper, aluminium and non-ferrous scrap.

The new agreement stresses the mutual linkage between exports and imports in industrial co-operation. In addition to the above-mentioned trade of SUR 28 billion, cross border

trade between the two countries will continue on the present basis.

The agreement takes into account the possibility of using other currencies apart from the rouble in pricing, although the clearing rouble is to be retained as the payment currency as hitherto.

Local elections. Local government elections were held on October 21st and 22nd, 1984. Of the 3 666 163 eligible to vote, 73.5 per cent cast ballots. At the last local elections in 1980, 3 530 447 persons were entitled to vote and the turn-out was 78.1 per cent. The following table shows the percentage distribution of votes in 1980 and 1984.

	1980	1984
	Per cent	
Social Democratic Party	25.5	24.7
National Coalition Party	22.9	22.9
Centre Party (incl. Liberal Party)	21.9	20.2
People's Democratic League	16.6	13.8
Rural Party	3.0	5.3
Swedish People's Party	4.7	4.9
Christian League	3.7	3.0
The Greens	—	2.9
Constitutional Party	0.5	0.4
Others	1.2	1.9
	<hr/>	
Total	100.0	100.0

BANK OF FINLAND

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Ele Alenius

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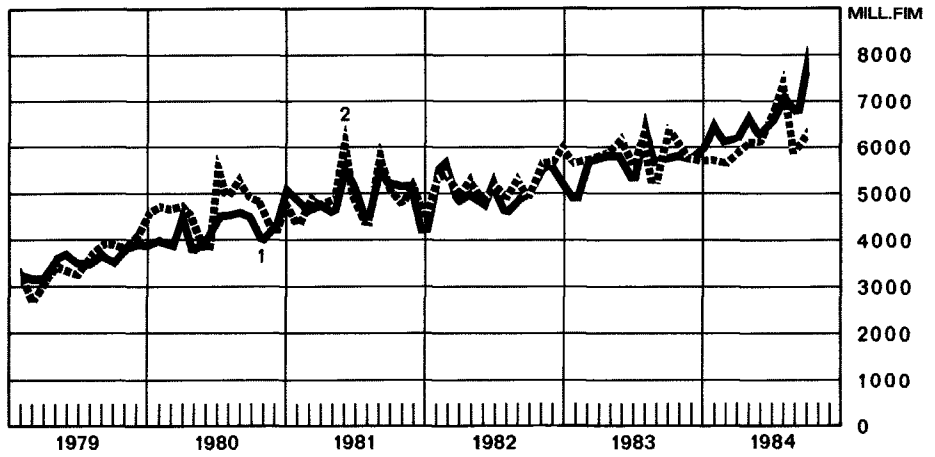
Data Processing

FOREIGN TRADE, 1979 - 84

1. Exports f.o.b.

2. Imports c.i.f

Seasonally adjusted monthly figures



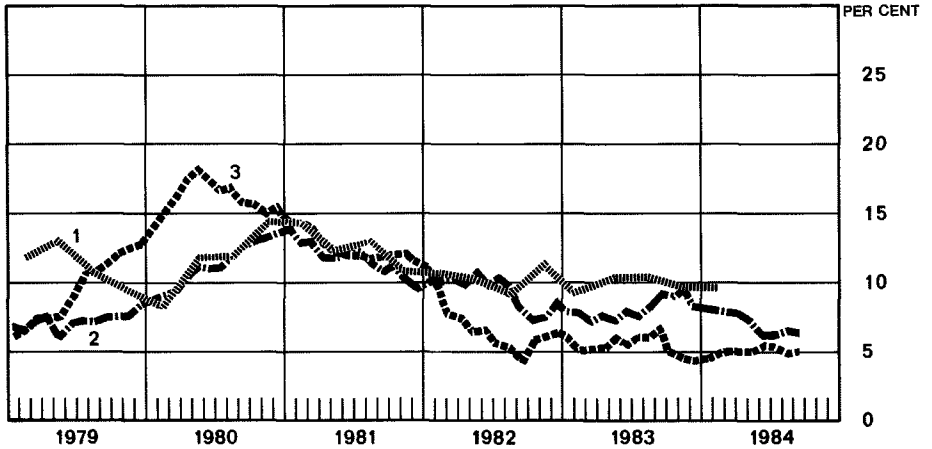
PRICES AND WAGES, 1979 - 84

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

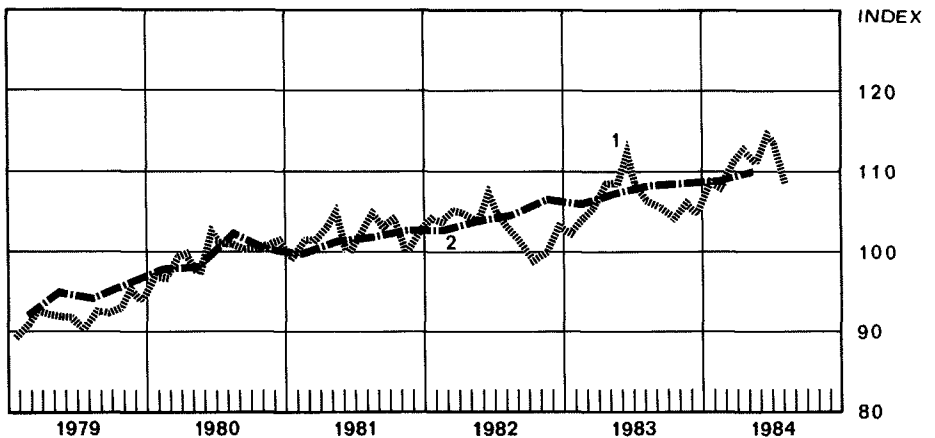
Percentage change on previous year



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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