



# BANK OF FINLAND

*Monthly Bulletin*

Foreign trade

The use of the Finnish markka in  
foreign business transactions

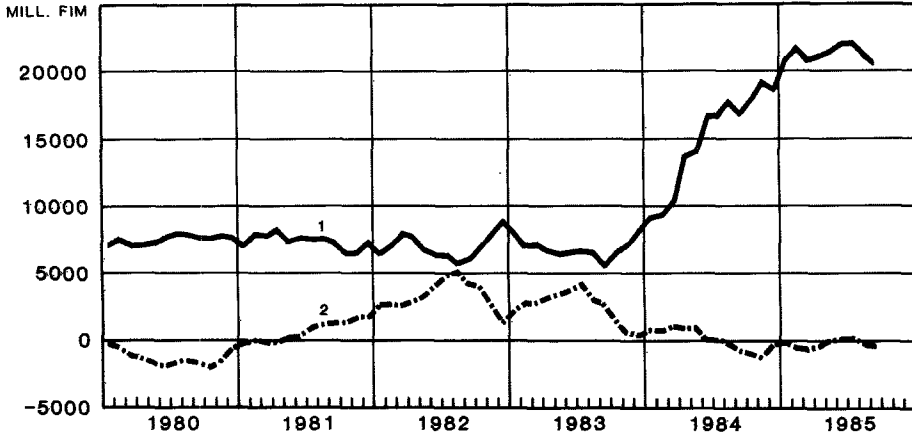
Monetary and foreign exchange policy  
measures from October 1984 to September  
1985

Personal credit guidelines

OCTOBER 1985

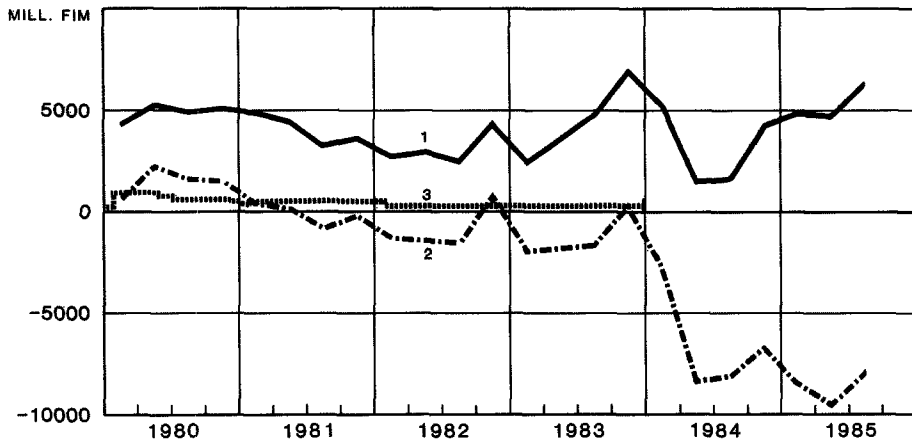
Vol. 59 No. 10

**BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1980-85**



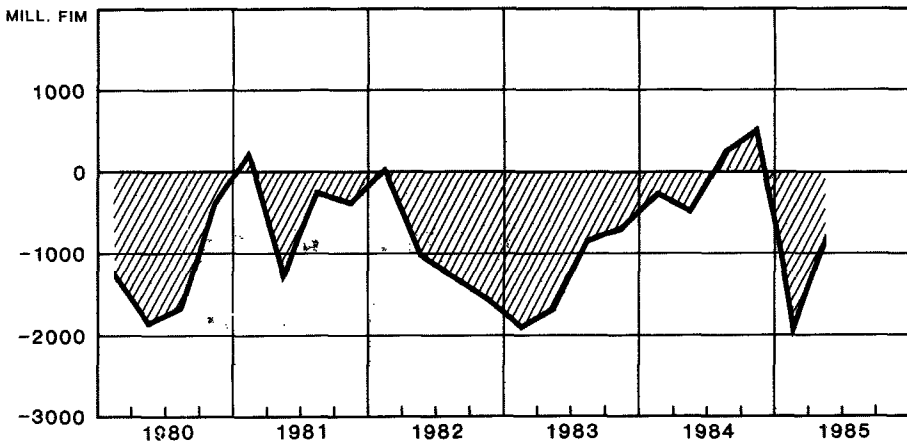
- 1. Gold and convertible currencies
- 2. Tied currencies

**DEPOSIT BANKS' CENTRAL BANK POSITION, 1980-85**



- 1. Gross central bank debt
  - 2. Net central bank debt
  - 3. Quotas
- Quarterly average of daily amounts (1 and 2)

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1980-85**



Seasonally adjusted quarterly figures

# FOREIGN TRADE

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Booming United States demand, the high value of the dollar and a marked recovery of demand in European markets were reflected in Finland's export performance in 1984. Furthermore, thanks to exceptionally large deliveries of vessels last year, the increase in exports to western markets, 17 per cent in volume terms, clearly exceeded the growth of markets. However, given the need to restore balance in the bilateral trade account, exports to the Soviet Union fell sharply, and thus limited the overall growth of exports to 10 per cent. As expected, the growth of exports to western markets stagnated in the first half of this year. On the other hand, exports to CMEA countries have picked up appreciably, so that bilateral trade is again playing a stabilizing role in Finland's foreign trade.

The tighter stance of monetary policy since mid-1983 has permitted only a modest increase in domestic demand despite the strong upturn in exports. This, together with the reduced propensity to import, has kept the growth of imports at a low level. In 1984, the volume of imports remained at the level of the previous year, and in the first half of this year the growth of imports has been rather sluggish.

As a result of the good export performance, modest import demand and a cyclical improvement in the terms of trade, the merchandise trade account posted a sizeable surplus by Finnish standards in 1984. At FIM 6.2 billion, it was equivalent to 8.3 per cent of the value of imports. In the first seven months of the current year, the trade account showed a surplus of about the same size as in the corresponding period last year.

## EXPORTS

The strengthening of western markets was reflected especially in the cyclically-sensitive part of Finnish exports last year. Both volumes and prices of paper industry products increased rapidly as a result of the strong pull of United States markets and the firming of demand in Europe. In the wood industry, however, difficulties in the availability of logs prevented saw mills from benefitting from the favourable market situation, and exports of sawn goods declined markedly.

The first six months of this year witnessed a clear weakening in the market situation for forest industry products and the volume of exports was only slightly higher than in the second half of last year. The weakening of pulp and sawn goods markets has been reflected in a steep fall in export prices for these products during the past few months. However, the Finnish paper industry was still operating at almost full capacity in the first half of this year.

Exports of the metal and engineering industries expanded strongly last year. Apart from substantial deliveries of large items such as ships and oil-rigs to western markets, exports of other metal industry products also grew because of increased investment in equipment and machinery in key markets. These developments more than compensated for the decline in exports to the Soviet Union. In the first half of the current year, exports of metal engineering products were only a little higher than in the same period last year, reflecting a sharp fall in the deliveries of ships.

Basic metal exports continued to expand vigorously last year, despite intense competition in world steel markets. A competitive product mix and modern technology have helped Finnish producers to gain market shares. The growth of exports has remained favourable this year as well. Export performance in western markets was also rather good in other manufacturing industries last year, thanks both to buoyant demand and a temporary surge in deliveries of oil products. Shipments in these sectors continued to advance at a fairly rapid pace in the first half of this year.

In keeping with the later phases of the upswing, Finland's export prices rose only moderately last year. The exceptionally sharp increases in the prices of some forest products partly reflected the rise in the dollar. Since the autumn of 1984, the average growth rate in export prices has gradually decelerated and during the past few months weakening markets for forest industry products and the fall in the dollar have brought the rise in export prices to a virtual halt.

## IMPORTS

Over the past ten years, there has been a clear reduction in the average import propensity of the Finnish economy. Partly as a result of reduced oil dependency, imports of crude oil fell in 1984. Moreover, the growth rate of other imports did not match the pace of economic activity, so that the overall volume of imports actually declined marginally last year. In particular, the growth of raw material imports remained noticeably lower than the increase in industrial production. High real interest rates not only kept raw material stocks to a minimum but also curbed fixed capital formation. The weaker trend of investment activity was reflected in a slight decline in imports of investment goods last year.

During the first six months of the current year, imports have picked up slightly in all major commodity groups, in line with developments in economic activity. Raw material imports

have also been accelerating as stocks are replenished after having been run down for several years. Developments in imports of investment goods have remained rather weak owing to the only modest recovery in domestic investment activity. By contrast, imports of consumer goods have grown at a rapid pace. The particularly strong expansion in imports of clothing is partly due to the removal of the last remaining tariffs in the trade with the EEC.

Reflecting the weakness of international commodity prices and the slowing of world inflation, the rise in import prices has been sluggish over the past two years. As in exports, exchange rate volatility has caused some fluctuation in import prices in domestic currency terms, even though the currency index used for calculating the external value of the Finnish markka has absorbed part of the variability. The share of the US dollar as an invoicing currency in Finnish imports is far bigger than its weight in the currency index. After the dollar peaked in the first quarter of this year, import prices have been falling gradually.

## PROSPECTS

The external balance of the Finnish economy has been good recently, in spite of clearly brisker economic activity in Finland than in other European countries on average. The surplus on the merchandise trade account this year is expected to be only slightly smaller than last year. The gloomier market prospects for forest industry products are not likely to have any significant impact on exports this year. Moreover, continued growth in European markets, although slackening somewhat, will allow scope for exports of other industries. Exports to CMEA countries are also expected to increase in the near future. By contrast, the growth of imports is forecast to remain rather modest. The depressed outlook for world commodity prices, together with continued high domestic interest rates, should keep imports of raw materials in check. Growing investment in

(Continued on page 34)

	1984		1985				
	Sept. 28	Dec. 31	Sept. 6	Sept. 13	Sept. 23	Sept. 30	
<b>Assets</b>							
Gold and foreign currency claims	17 343	19 302	21 380	21 344	20 573	21 130	
Gold	1 383	1 732	1 732	1 732	1 732	1 732	
Special drawing rights	853	936	950	970	956	932	
IMF reserve tranche	773	859	803	820	808	799	
Convertible currencies	14 052	15 387	17 644	17 572	16 828	17 424	
Tied currencies	282	388	251	250	249	243	
Other foreign claims	2 726	2 835	2 841	2 841	2 841	2 830	
Markka subscription to Finland's IMF quota	2 726	2 835	2 841	2 841	2 841	2 830	
Claims on financial institutions	5 500	9 166	10 904	12 445	11 640	11 269	
Banks' cheque accounts	42	530	35	70	109	185	
Call money market advances	2 109	5 018	7 476	8 993	7 881	7 396	
Till-money credits	1 145	1 563	1 421	1 360	1 595	1 617	
Bonds	2 156	1 999	1 946	1 996	2 016	2 027	
Other claims on financial institutions	48	56	26	26	39	44	
Claims on the public sector	2 039	1 951	1 572	1 573	1 573	1 297	
Government promissory notes	1 000	1 000	560	560	560	280	
Bonds	254	124	139	140	137	140	
Total coinage	779	806	873	873	876	877	
Other claims on the public sector	6	21	—	0	0	0	
Claims on corporations	4 783	4 846	4 860	4 846	4 856	4 821	
Financing of exports	1 754	1 786	1 670	1 672	1 699	1 654	
Financing of domestic deliveries	2 791	2 860	3 028	3 012	2 997	3 006	
Bonds	120	114	85	85	83	83	
Other claims on corporations	118	86	77	77	77	78	
Other assets	110	142	145	144	144	144	
	<b>Total</b>	<b>32 501</b>	<b>38 242</b>	<b>41 702</b>	<b>43 193</b>	<b>41 627</b>	<b>41 491</b>
<b>Liabilities</b>							
Foreign currency liabilities	1 179	809	456	610	478	545	
Convertible accounts	61	84	30	31	33	33	
Tied currencies	1 118	725	426	579	445	512	
Other foreign liabilities	3 636	3 752	3 723	3 741	3 729	3 695	
IMF markka accounts	2 739	2 835	2 841	2 841	2 841	2 830	
Allocations of special drawing rights	897	917	882	900	888	865	
Notes and coin in circulation	6 869	7 442	7 345	7 293	7 245	7 352	
Notes	6 219	6 744	6 618	6 566	6 517	6 624	
Coin	650	698	727	727	728	728	
Liabilities to financial institutions	9 153	11 879	15 824	15 570	14 438	16 645	
Banks' cheque accounts	15	147	78	28	151	3	
Call money market deposits	2 281	2 216	5 040	4 847	3 632	5 940	
Cash reserve deposits	6 734	8 696	9 928	9 928	9 928	9 983	
Capital import deposits	51	745	675	673	638	632	
Other liabilities to financial institutions	72	75	103	94	89	87	
Liabilities to the public sector	1 538	4 277	2 459	4 058	4 059	1 558	
Cheque accounts	0	1	1	0	1	0	
Government deposit account	1 500	4 200	2 400	4 000	4 000	1 500	
Export deposits	38	76	58	58	58	58	
Capital import deposits	—	—	—	—	—	—	
Other liabilities to the public sector	0	0	0	0	0	0	
Liabilities to corporations	3 072	2 814	4 210	4 211	4 205	4 255	
Deposits for investment and ship purchase	1 974	2 127	3 774	3 775	3 777	3 817	
Capital import deposits	1 093	668	432	433	425	434	
Other liabilities to corporations	5	19	4	3	3	4	
Other liabilities	14	16	19	16	15	15	
Valuation account and reserves	1 632	963	1 316	1 342	1 106	1 200	
SITRA's capital	400	400	400	400	400	400	
Capital accounts	5 008	5 890	5 950	5 952	5 952	5 826	
Primary capital	3 000	5 000	5 000	5 000	5 000	5 000	
Reserve fund	1 638	638	764	764	764	764	
Undisposed profits	273	—	126	126	126	—	
Net earnings	97	252	60	62	62	62	
	<b>Total</b>	<b>32 501</b>	<b>38 242</b>	<b>41 702</b>	<b>43 193</b>	<b>41 627</b>	<b>41 491</b>

End of year or month	Foreign sector						Public sector			
	Gold, SDRs, IMF reserve tranche	Convertible currencies, net	Total convertible reserves (1+2)	Tied currencies, net	Other claims, net	Net claims (3 to 5)	Claims	Certificates of deposit and deposit account	Other liabilities	Net liabilities (8-7+9)
	1	2	3	4	5	6	7	8	9	10
1981	2 408	5 050	7 458	1 909	-991	8 376	1 236	1 600	578	942
1982	2 444	6 561	9 005	1 525	-1 447	9 083	1 040	1 700	50	710
1983	2 360	5 835	8 195	550	-794	7 951	2 178	3 000	0	822
1984	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1984										
Sept.	3 009	13 991	17 000	-836	-910	15 254	2 039	1 500	38	-501
Oct.	3 019	15 013	18 032	-1 025	-915	16 092	1 998	1 500	52	-446
Nov.	3 095	16 237	19 332	-1 342	-905	17 085	2 000	2 200	65	265
Dec.	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1985										
Jan.	3 542	17 438	20 980	-34	-924	20 022	1 952	1 200	85	-667
Feb.	3 631	18 254	21 885	-368	-965	20 552	1 958	2 800	93	935
March	3 540	17 366	20 906	-502	-910	19 494	2 021	1 400	100	-521
April	3 565	17 639	21 204	-321	-917	19 966	1 808	1 000	510	-298
May	3 537	18 128	21 665	62	-907	20 820	1 819	1 100	100	-619
June	3 547	18 743	22 290	253	-901	21 642	1 817	800	58	-959
July	3 498	18 842	22 340	269	-889	21 720	1 580	1 600	58	78
Aug.	3 468	18 032	21 500	-159	-873	20 468	1 575	1 500	58	-17
Sept.	3 463	17 391	20 854	-269	-865	19 720	1 297	1 500	58	261

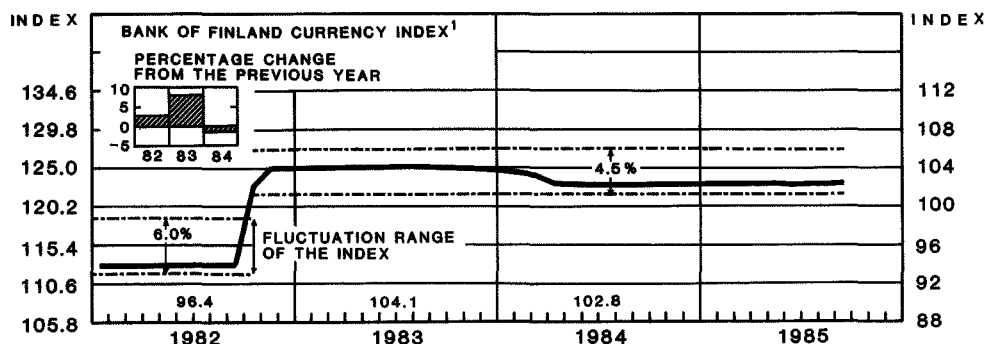
## OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1984	June 28, 1985	July 31, 1985	Aug. 30, 1985	Sept. 30, 1985
Gold	1 732	1 732	1 732	1 732	1 732
SDRs	936	960	934	941	932
IMF reserve tranche	859	855	832	795	799
Convertible currencies, net	15 303	18 743	18 842	18 032	17 391
Total convertible reserves, net	18 830	22 290	22 340	21 500	20 854
Tied currencies, net	-337	253	269	-159	-269
Total reserves, net	18 493	22 543	22 609	21 341	20 585

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
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
1984	1 563	383	5 018	2 216	8 696	-1 235	-2 713	4 646	2 614	2 032	7 442
1984											
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
Nov.	1 170	22	4 819	4 153	8 029	-1 263	-4 908	4 735	2 602	2 133	6 897
Dec.	1 563	383	5 018	2 216	8 696	-1 235	-2 713	4 646	2 614	2 032	7 442
1985											
Jan.	1 382	110	2 868	5 738	8 799	-1 245	-8 932	4 765	2 632	2 133	6 881
Feb.	1 364	26	4 816	5 184	9 241	-1 197	-7 022	4 729	2 921	1 808	6 929
March	1 273	1	4 599	5 335	9 452	-1 173	-7 741	4 751	3 085	1 666	6 972
April	1 435	29	4 558	5 199	9 502	-1 170	-7 509	4 684	3 243	1 441	7 173
May	1 373	47	3 611	4 785	9 577	-1 175	-8 156	4 744	3 237	1 507	7 322
June	1 384	0	3 845	5 120	9 686	-1 163	-8 414	4 754	3 899	855	7 553
July	1 533	64	4 391	4 981	9 878	-1 203	-7 668	4 758	4 223	535	7 376
Aug.	1 371	52	5 553	4 692	9 928	-1 212	-6 432	4 734	4 040	694	7 342
Sept.	1 617	182	7 396	5 940	9 983	-1 352	-5 376	4 660	4 094	566	7 352

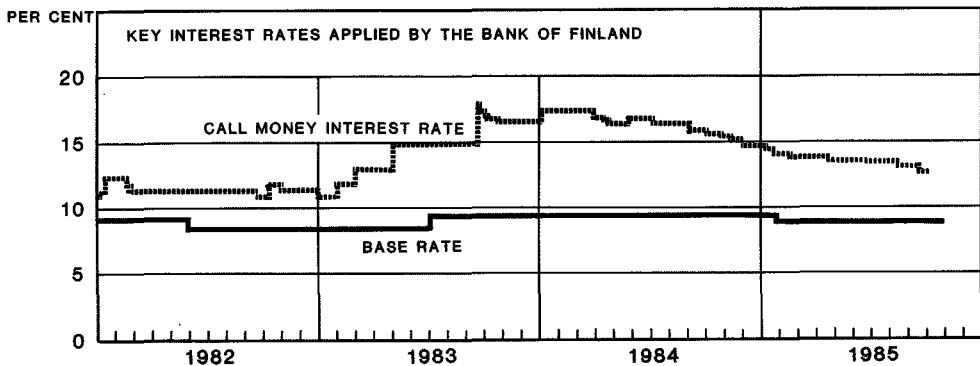
<sup>1</sup> The left-hand scale depicts movements in the external value of the markka under the index in use until December 31, 1983 (1974 = 100), and the right-hand scale movements in the external value of the markka under the revised index introduced on January 1, 1984 (1982 = 100).



# 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 <sup>1</sup> %
	1	2	3	4	5	6	7	8	9
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
1984	3 176	-6 365	6 325	5.4	-39	16.53	16.53	9.50	10.49
1984									
July	1 463	-7 680	6 481	5.6	-1 199	16.53	16.51	9.50	10.50
Aug.	1 462	-8 136	6 598	5.6	-1 538	16.50	16.50	9.50	10.51
Sept.	2 127	-8 186	6 672	5.6	-1 515	16.10	16.04	9.50	10.56
Oct.	2 948	-6 801	6 755	5.6	-46	15.75	15.76	9.50	10.55
Nov.	4 181	-6 888	7 410	5.6	522	15.48	15.48	9.50	10.63
Dec.	5 650	-5 999	8 051	5.6	2 052	15.07	15.07	9.50	10.68
1985									
Jan.	4 713	-7 902	8 700	5.6	798	14.57	14.61	9.50	10.69
Feb.	4 414	-9 319	8 815	5.6	-504	14.18	14.18	9.00	10.30
March	5 727	-8 143	9 261	5.6	1 119	14.00	14.00	9.00	10.36
April	5 483	-8 901	9 453	5.6	552	13.96	13.96	9.00	10.38
May	4 691	-9 267	9 504	5.6	236	13.80	13.80	9.00	10.37
June	4 337	-10 150	9 588	5.6	-562	13.77	13.77	9.00	10.37
July	5 444	-8 711	9 695	5.6	984	13.60	13.60	9.00	10.40
Aug.	6 153	-7 843	9 881	5.6	2 038	13.43	13.43	9.00	10.43
Sept.	7 771	-6 928	9 930	5.6	3 002	13.11	13.11	9.00	..

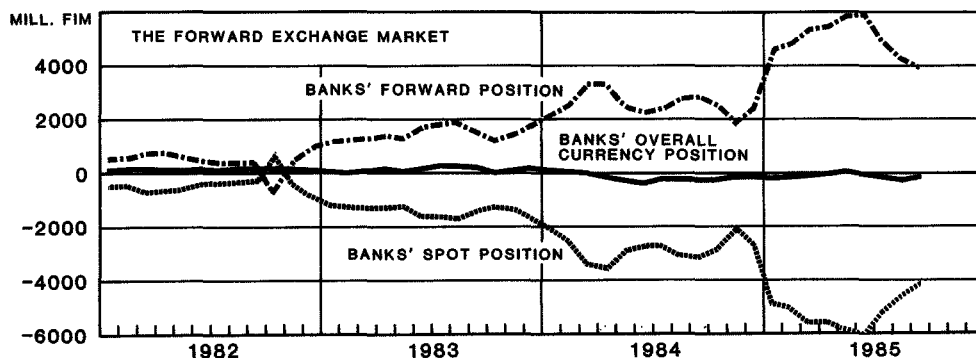
<sup>1</sup> End of period.





# FORWARD EXCHANGE MARKETS IN FINLAND

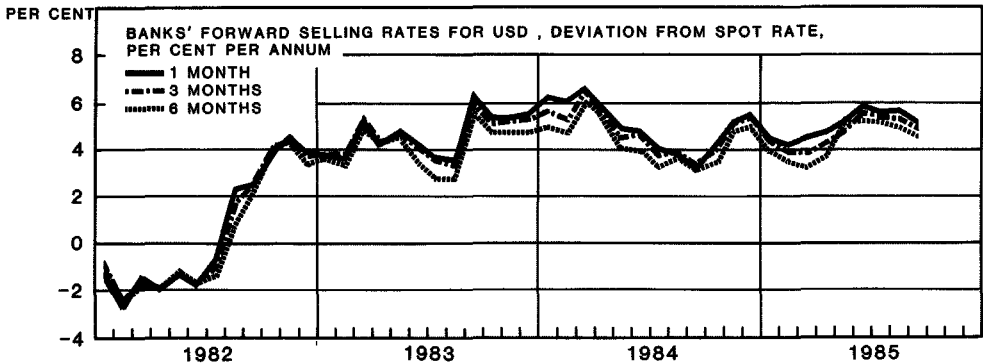
Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks Net	Bank of Finland Net	Overall Net	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net				1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1983	7 541	1 227	6 314	-1 688	-2 290	2 373	5.6	5.3	4.8
1984	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1
1984									
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
Oct.	22 267	1 741	20 526	1 914	-19 419	3 138	4.2	4.0	3.5
Nov.	22 383	1 786	20 597	1 790	-20 139	2 460	5.2	5.2	4.9
Dec.	22 921	1 394	21 527	2 002	-19 962	3 746	5.6	5.5	5.1
1985									
Jan.	23 207	1 450	21 757	2 949	-19 394	5 420	4.5	4.4	4.1
Feb.	22 602	1 592	21 010	2 971	-18 333	5 186	4.3	4.0	3.6
March	23 343	2 246	21 097	1 048	-16 848	5 575	4.6	4.0	3.3
April	22 987	2 218	20 769	1 640	-16 768	5 752	4.8	4.3	3.8
May	22 085	2 316	19 769	1 708	-15 704	5 865	5.3	4.9	4.5
June	21 221	2 259	18 962	1 941	-15 352	5 478	6.0	5.7	5.4
July	19 508	2 250	17 258	2 418	-14 224	5 533	5.7	5.6	5.3
Aug.	18 271	2 727	15 544	1 083	-12 493	4 164	5.8	5.4	5.1



# FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

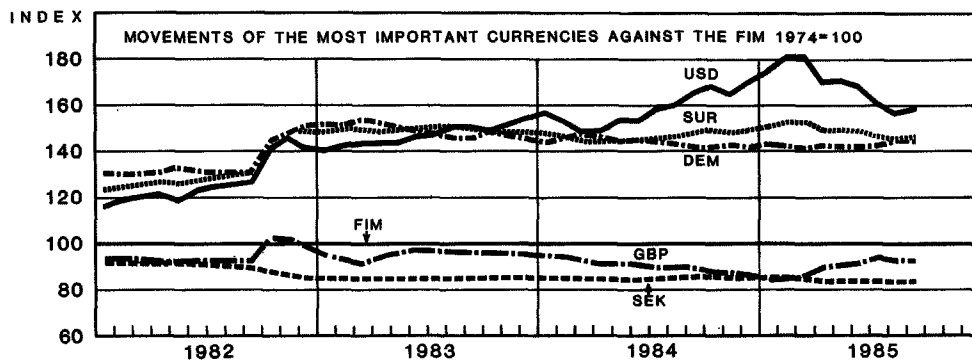
Period	New York 1 US \$ USD	Montreal 1 C \$ CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Amsterdam 100 Hfl NLG	Brussels 100 FB BEC BEL	
	1	2	3	4	5	6	7	8	9	10	11
1980	3.730	3.194	8.691	7.689	88.43	75.81	66.53	205.58	188.02	12.818	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
1984	6.010	4.645	8.023	6.533	72.77	73.84	58.16	211.65	187.72	10.428	10.274
1984											
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
Nov.	6.261	4.762	7.792	6.507	73.13	72.08	58.07	209.79	186.02	10.400	10.346
Dec.	6.458	4.896	7.686	6.512	73.07	72.10	58.16	208.46	184.72	10.379	10.341
1985											
Jan.	6.640	5.023	7.510	6.548	73.38	72.53	58.75	209.90	185.81	10.489	10.455
Feb.	6.853	5.078	7.525	6.496	73.69	72.64	58.28	208.47	184.09	10.385	10.342
March	6.861	4.962	7.688	6.486	72.97	72.56	58.11	207.80	183.82	10.341	10.286
April	6.445	4.732	8.028	6.562	72.05	72.52	58.32	209.55	185.32	10.405	10.354
May	6.477	4.716	8.091	6.533	72.14	72.47	58.00	208.44	184.60	10.365	10.319
June	6.371	4.665	8.172	6.535	72.10	72.40	58.06	208.37	184.78	10.347	10.298
July	6.099	4.516	8.402	6.570	71.95	72.29	58.26	209.37	185.97	10.398	10.316
Aug.	5.942	4.387	8.253	6.653	71.70	72.30	58.93	213.31	189.63	10.547	10.425
Sept.	6.025	4.404	8.232	6.611	71.89	72.39	58.60	212.50	188.92	10.510	10.431



## 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 ESB	Tokyo 100 Y JPY	Moscow 1 Cl Rbl SUR	1 special drawing right SDR	Currency index <sup>1</sup>
12	13	14	15	16	17	18	19	20	21	22
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
256.42	69.07	0.344	30.13	4.14	19.39	3.75	2.534	7.357	6.147 39	102.8
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
254.59	68.52	0.339	29.87	3.91	17.78	3.75	2.578	7.447	6.268 66	102.5
252.66	68.18	0.340	29.71	3.92	16.38	3.77	2.609	7.516	6.366 57	102.5
250.36	68.70	0.343	29.92	3.90	16.54	3.81	2.619	7.582	6.470 31	102.5
245.43	68.34	0.339	29.70	3.83	16.72	3.79	2.636	7.652	6.582 22	102.5
244.48	68.14	0.331	29.61	3.81	16.62	3.76	2.660	7.654	6.601 66	102.5
249.89	68.78	0.329	29.85	3.77	16.02	3.76	2.568	7.487	6.380 70	102.5
247.90	68.50	0.328	29.68	3.71	15.73	3.71	2.578	7.496	6.399 94	102.5
248.20	68.49	0.328	29.67	3.69	15.52	3.67	2.564	7.455	6.344 84	102.4
252.74	68.98	0.323	29.82	3.64	15.07	3.64	2.529	7.359	6.211 68	102.5
259.72	69.98	0.319	30.40	3.63	14.77	3.64	2.509	7.319	6.131 58	102.5
258.26	69.77	0.318	30.25	3.57	14.57	3.59	2.550	7.366	6.183 31	102.6

<sup>1</sup> 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

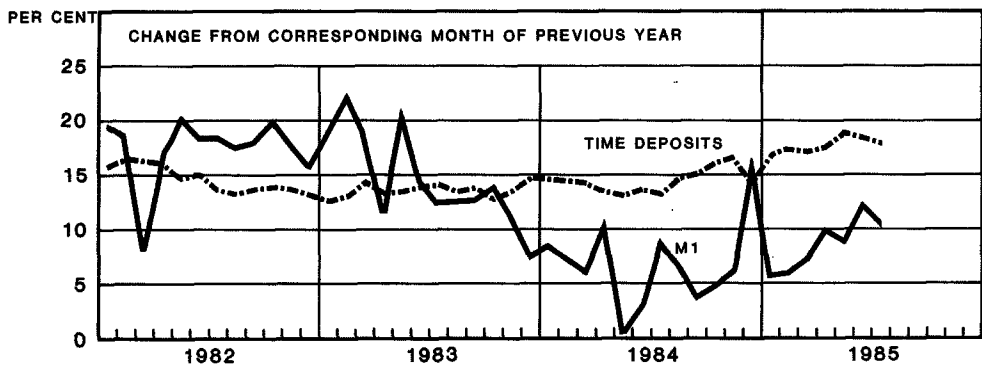
End of year and month	Demand deposits				Time deposits					Total (4 + 9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1981	5 791	2 879	2 952	11 622	26 094	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
1984*	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 265	111 852	130 053

## 1984\*

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
Aug.	6 910	4 454	4 708	16 072	36 139	31 989	26 598	10 672	105 398	121 470
Sept.	6 489	4 400	4 826	15 715	36 626	32 140	26 882	10 593	106 241	121 956
Oct.	7 423	4 522	4 621	16 566	37 457	32 255	26 919	10 710	107 341	123 907
Nov.	7 532	4 315	3 876	15 723	38 240	32 459	27 192	10 815	108 706	124 429
Dec.	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 265	111 852	130 053

## 1985\*

Jan.	7 742	4 442	4 655	16 839	40 372	34 040	28 637	11 762	114 811	131 650
Feb.	7 340	4 255	4 445	16 040	41 866	34 730	29 275	11 806	117 677	133 717
March	6 579	4 273	4 663	15 515	42 639	34 659	29 180	11 692	118 170	133 685
April	7 660	4 504	4 786	16 950	42 772	34 904	29 368	11 726	118 770	135 720
May	7 463	4 732	4 364	16 559	43 804	35 347	29 838	11 892	120 881	137 440
June	7 621	4 755	5 168	17 544	44 443	36 046	30 500	11 769	122 758	140 302



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

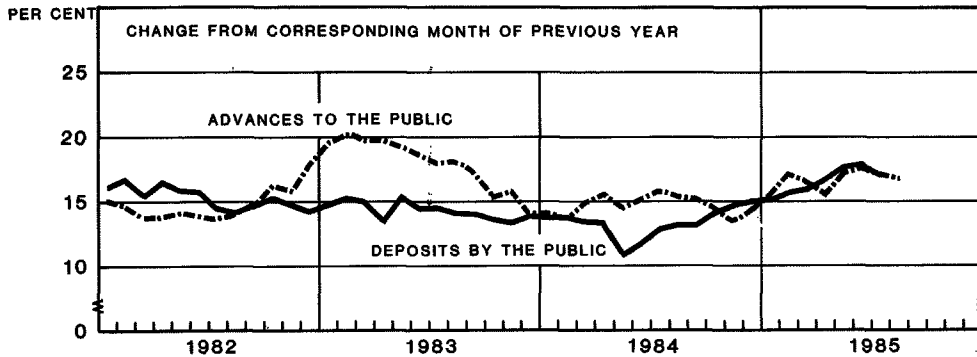
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M <sub>1</sub>	M <sub>1</sub> + Quasi-Money
	1	2	3	4	5	6	7		8	9
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
1984*	65 965	32 705	31 164	14 686	118 924	5 233	20 363	144 520	24 945	141 658

1984\*

June	62 468	30 718	28 825	14 344	110 255	5 208	20 892	136 355	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
Aug.	63 398	31 479	29 648	14 406	112 850	5 345	20 736	138 931	22 460	132 019
Sept.	64 225	31 820	30 077	14 562	114 602	5 401	20 681	140 684	22 238	132 660
Oct.	64 242	32 223	30 465	14 536	116 239	5 398	19 829	141 466	22 832	134 162
Nov.	64 911	32 478	30 810	14 687	117 443	5 697	19 746	142 886	22 426	135 800
Dec.	65 965	32 705	31 164	14 686	118 924	5 233	20 363	144 520	24 945	141 658

1985\*

Jan.	68 756	33 087	31 445	15 369	120 263	6 014	22 380	148 657	23 357	143 069
Feb.	71 757	33 384	31 707	15 327	121 848	6 099	24 228	152 175	22 617	145 403
March	72 453	33 564	31 988	15 565	123 188	6 305	24 077	153 570	22 152	145 638
April	73 567	33 860	32 184	15 483	124 350	6 319	24 425	155 094	23 595	147 783
May	75 015	34 172	32 621	15 882	126 021	6 365	25 304	157 690	23 423	149 700
June	77 246	34 390	32 983	15 959	127 596	6 279	26 703	160 578	24 750	153 454



## STATE FINANCES

Mill. FIM

Revenue	Jan.-July		Expenditure	Jan.-July	
	1984	1985		1984	1985
Income and wealth tax (net)	12 071	13 527	Wages, salaries, pensions etc.	7 732	8 513
Gross receipts	33 358	37 746	Repair and maintenance	936	1 010
Refunds & local authorities	-21 287	-24 219	Other consumption expenditure	4 361	4 984
Other taxes on income and wealth	370	322	Total consumption expenditure	13 029	14 507
Employers' child allowance payments	1	422	State aid to local authorities	10 574	12 361
Sales tax	12 409	13 890	State aid to industries	5 322	5 564
Customs duties and import charges and levies	969	951	of which: agric. price subsidies	2 434	2 953
Excise duties	5 979	6 440	Child allowances	1 158	1 226
Excise duty on alcoholic bev.	2 203	2 230	Share in national pensions and sickness insurance schemes	1 564	1 371
Excise duty on tobacco	891	907	Deficit of State enterprises	794	789
Excise duty on liquid fuel	2 079	2 275	Other transfer expenditure	6 322	7 122
Other excise duties	806	1 028	Total transfer expenditure	25 734	28 433
Tax on autom. and motor-cycles	1 589	1 671	Machinery and equipment	1 080	1 140
Stamp duties	1 291	1 513	Construction of buildings	644	591
Special diesel etc. vehicles tax	241	268	Land and waterway construction	1 186	1 196
Other taxes and similar revenue	1 229	1 185	Total real investment	2 910	2 927
Total taxes	36 149	40 189	Interest on State debt	2 413	2 914
Miscellaneous revenue	3 142	3 197	Other expenditure	5	5
Interest, dividends etc.	965	1 243	Total other expenditure	2 418	2 919
Surplus of state enterprises	1 118	1 133	Increase in inventories	-344	236
Redemptions of loans granted	750	928	Lending	2 163	2 269
<b>Total revenue</b>	<b>42 124</b>	<b>46 690</b>	Other financial investment	350	647
Foreign borrowing	3 204	2 327	<b>Total expenditure</b>	<b>46 260</b>	<b>51 938</b>
Domestic borrowing	3 566	4 234	Redemption of foreign loans	1 410	1 200
<b>Total borrowing</b>	<b>6 770</b>	<b>6 561</b>	Redemption of domestic loans	2 625	3 647
<b>Deficit (+) or surplus (-)</b>	<b>1 401</b>	<b>3 536</b>	<b>Total redemptions</b>	<b>4 035</b>	<b>4 847</b>
Total	50 295	56 787	Total	50 295	56 785

State debt	1983	1984	1985			
	Dec.	Dec.	May	June	July	Aug.
<b>Foreign debt</b>	21 723	24 946	25 532	25 567	25 269	25 654
Long-term debt	16 383	19 057	19 864	20 141	19 748	20 154
Short-term credit	18	266	398	323	323	314
<b>Domestic debt</b>	16 401	19 323	20 262	20 464	20 071	20 468
<b>Total State debt</b>	<b>38 124</b>	<b>44 269</b>	<b>45 794</b>	<b>46 031</b>	<b>45 340</b>	<b>46 122</b>
Total debt mill. \$	6 506	6 855	7 070	7 225	7 434	7 762

# FOREIGN TRADE

Mill. FIM

Value, mill. FIM

Period	Value, mill. FIM		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
	1	2	3
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
1984	80 904	74 682	+6 222

1984

Nov.	7 286	6 380	+906
Dec.	6 884	6 622	+262

1985\*

Jan.	6 905	7 085	-180
Feb.	6 586	4 787	+1 799
March	6 614	6 944	-330
April	7 090	7 072	+18
May	8 570	7 158	+1 412
June	6 850	7 060	-210
July	7 117	6 739	+378

Jan.—July

1984	45 980	42 892	+3 088
1985*	49 732	46 845	+2 887

Indices of exports and imports  
1980 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	
1980	100	100	100	100	100
1981	103	94	111	112	99
1982	100	95	119	117	101
1983	104	98	127	125	101
1984	114	98	134	131	102

1983

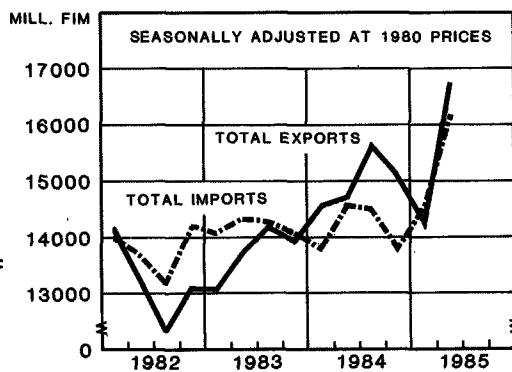
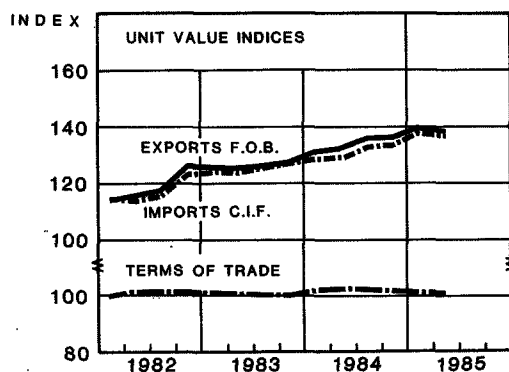
Apr.-June	103	95	126	124	101
July-Sept.	97	97	127	127	100
Oct.-Dec.	115	108	128	128	100

1984

Jan.-March	114	90	132	129	102
Apr.-June	113	99	133	130	103
July-Sept.	108	99	137	133	102
Oct.-Dec.	121	101	137	134	102

1985\*

Jan.-March	108	93	140	138	101
Apr.-June	121	106	139	137	101



# FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1	2	3	4	5	6	7	8	9	10	
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
1984	2 865	7 145	23 573	22 998	24 323	47 028	5 034	10 993	11 454	173

1984

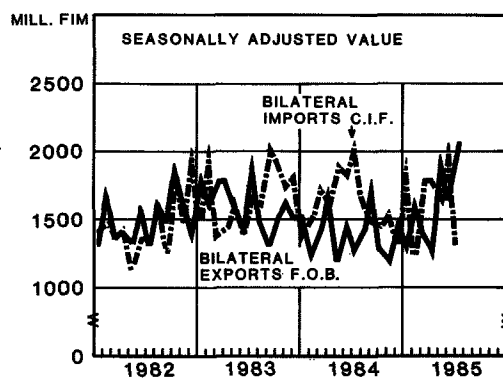
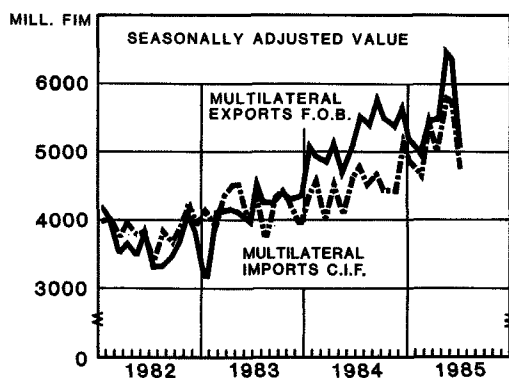
Nov.	151	584	2 165	2 349	2 037	3 946	483	958	982	11
Dec.	229	604	2 020	1 531	2 500	4 319	227	1 059	1 006	11

1985\*

Jan.	282	622	2 050	1 834	2 117	4 740	273	878	1 013	181
Feb.	393	482	1 991	1 860	1 860	2 740	218	788	1 025	16
March	295	465	2 157	1 586	2 111	4 251	248	1 082	1 214	149
April	287	590	2 221	1 885	2 107	4 375	436	1 049	1 203	9
May	293	620	2 352	2 869	2 436	4 779	395	930	1 047	7
June	211	680	1 860	2 008	2 091	4 524	601	1 018	913	4
July	151	506	2 218	2 270	1 972	4 185	637	890	997	30

Jan.—July

1984	1 988	4 062	12 858	13 215	13 857	27 028	2 833	6 403	6 503	125
1985*	1 912	3 965	14 849	14 312	14 694	29 594	2 808	6 635	7 412	396





## FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January-July				January-July			
	1984*		1985*		1984*		1985*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
<b>OECD countries in Europe</b>	57.2	26 296	55.9	27 827	54.2	23 254	56.1	26 295
Austria	0.7	334	0.7	323	1.1	462	1.1	516
Belgium and Luxembourg	1.5	707	1.4	708	2.0	836	2.0	943
Denmark	4.2	1 931	3.8	1 898	2.5	1 071	2.5	1 146
France	4.3	1 952	4.2	2 068	3.1	1 343	3.4	1 592
Federal Republic of Germany	10.2	4 705	9.1	4 520	13.8	5 928	14.7	6 893
Italy	2.2	1 024	2.0	987	3.3	1 398	3.3	1 550
Netherlands	3.7	1 675	3.2	1 612	2.7	1 170	2.9	1 381
Norway	4.7	2 165	4.1	2 039	2.1	894	2.7	1 257
Portugal	0.2	100	0.3	153	0.7	297	0.7	350
Spain	0.7	326	0.8	407	0.9	372	1.0	468
Sweden	11.6	5 338	12.6	6 266	12.3	5 284	11.7	5 460
Switzerland	1.3	582	1.6	793	1.6	693	1.6	750
United Kingdom	10.5	4 842	10.7	5 333	7.4	3 190	7.7	3 626
Other	1.4	615	1.4	720	0.7	316	0.8	363
<b>OECD countries outside Europe</b>	11.4	5 258	10.5	5 200	11.5	4 913	11.4	5 358
Canada	0.8	359	1.2	601	0.6	247	0.6	300
Japan	1.3	611	1.6	790	5.8	2 484	5.2	2 420
United States	8.3	3 807	6.5	3 227	4.8	2 057	5.4	2 519
Other	1.0	481	1.2	582	0.3	125	0.2	119
<b>CMEA countries</b>	22.1	10 158	23.5	11 688	27.0	11 599	23.8	11 153
Czechoslovakia	0.4	188	0.4	179	0.4	180	0.4	211
German Democratic Republic	0.5	226	0.5	263	0.5	217	0.5	216
Poland	0.3	135	0.5	247	1.3	544	1.4	660
Soviet Union	20.3	9 350	21.5	10 676	24.3	10 437	20.9	9 782
Other	0.6	259	0.6	323	0.5	221	0.6	284
<b>Latin America</b>	0.8	357	1.7	843	2.6	1 122	2.7	1 253
Argentina	0.1	32	0.1	38	0.1	61	0.2	70
Brazil	0.2	71	0.1	77	0.9	390	0.9	418
Colombia	0.1	54	0.2	83	0.6	242	0.6	299
Other	0.4	200	1.3	645	1.0	429	1.0	466
<b>Other</b>	8.5	3 911	8.4	4 174	4.7	2 004	6.0	2 786
<b>GRAND TOTAL</b>	100.0	45 980	100.0	49 732	100.0	42 892	100.0	46 845
of which								
<b>EFTA countries</b>	18.6	8 578	19.4	9 656	18.0	7 710	17.9	8 405
<b>EEC countries</b>	37.7	17 320	35.4	17 628	35.3	15 445	37.1	17 398
<b>OECD countries</b>	68.6	31 554	66.4	33 027	65.7	28 164	67.5	31 653

# 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- required transfers, net	Other, net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
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	69 368	72 139	-2 771	+3 200	-748	+1 610	+1 291	-5 817	-797	+96	-5 227
1984*	80 607	75 099	+5 508	+3 919	-1 212	-163	+8 052	-6 781	-997	-274	0

## 1982

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

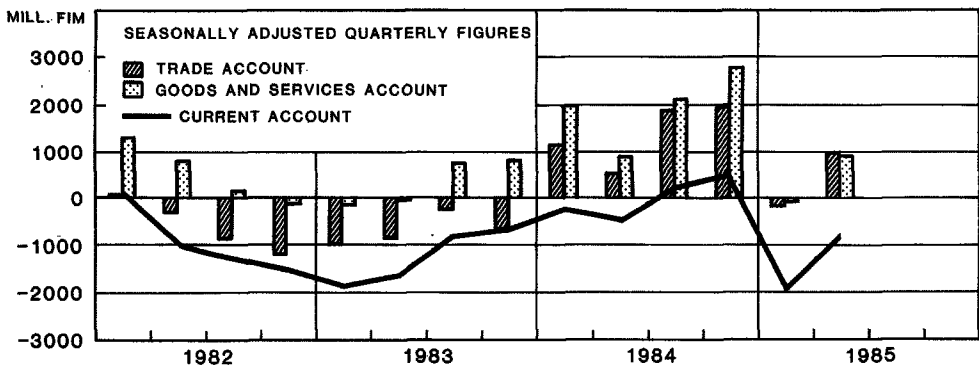
Jan.-March	16 740	16 469	+271	+744	-292	+142	+865	-1 557	-243	+5	-930
Apr.-June	17 098	17 538	-440	+753	-229	+288	+372	-1 492	-176	+42	-1 254
July-Sept.	16 180	17 970	-1 790	+888	+45	+487	-370	-1 463	-174	+53	-1 954
Oct.-Dec.	19 350	20 162	-812	+815	-272	+693	+424	-1 305	-204	-4	-1 089

## 1984\*

Jan.-March	19 678	17 066	+2 612	+967	-370	-61	+3 148	-2 010	-272	-72	+794
Apr.-June	19 701	18 846	+855	+984	-326	-181	+1 332	-1 219	-190	-44	-121
July-Sept.	19 395	19 324	+71	+1 105	-123	-104	+949	-1 593	-267	-51	-962
Oct.-Dec.	21 833	19 863	+1 970	+863	-393	+183	+2 623	-1 959	-268	-107	+289

## 1985\*

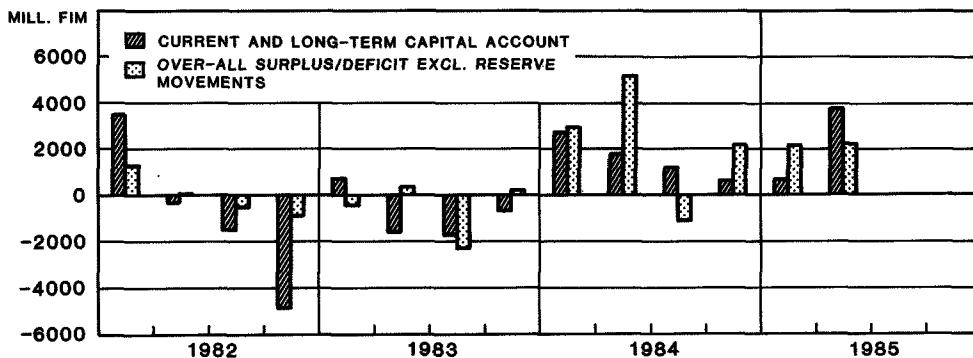
Jan.-March	20 106	18 933	+1 173	+887	-489	-280	+1 291	-1 578	-350	-135	-772
Apr.-June	22 564	21 410	+1 154	+961	-433	-209	+1 473	-1 502	-303	-61	-393



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
+8 312	-4 643	-518	-826	+2 325	+593	-148	+723	-421	+1 056 <sup>1</sup>	+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	-1 388	+1 874	-3 353	+3 273	-3 380	+1 266	+32	-2 162	+2 162
+14 087	-7 538	-1 682	+1 428	+6 295	+6 295	+695	+3 308	+2 086	-3 109	+9 275	-9 275
+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	+702	-115	+654	-1 220	-503	-482	+482
+2 435	-2 895	+273	-204	-391	-1 645	+1 261	-343	+699	+425	+397	-397
+1 479	-1 269	+142	-129	+223	-1 731	+1 197	-1 662	-593	+476	-2 313	+2 313
+3 213	-1 838	-92	-873	+410	-679	+930	-2 029	+2 380	-366	+236	-236
+4 075	-1 887	-235	-47	+1 906	+2 700	-1 002	+1 135	+2 443	-2 290	+2 986	-2 986
+3 858	-2 351	+89	+276	+1 872	+1 751	+1 087	+162	+2 531	-309	+5 222	-5 222
+2 495	-1 185	-603	+1 475	+2 182	+1 220	+332	+6	-2 186	-512	-1 140	+1 140
+3 659	-2 115	-933	-276	+335	+624	+278	+2 005	-702	+2 207	-2 207	
+2 977	-1 738	+336	-49	+1 526	+754	+568	-1 156	+1 748	+239	+2 153	-2 153
+3 355	-2 709	+354	+3 111	+4 111	+3 718	+956	-2 342	+1 488	-1 592	+2 228	-2 228

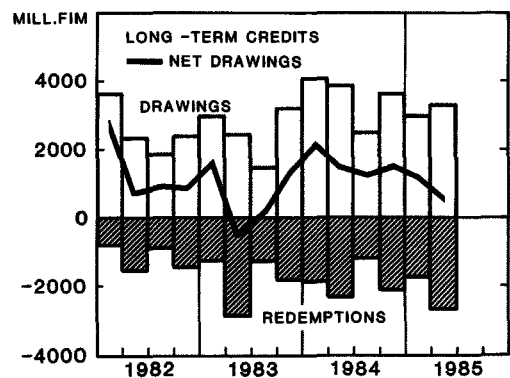
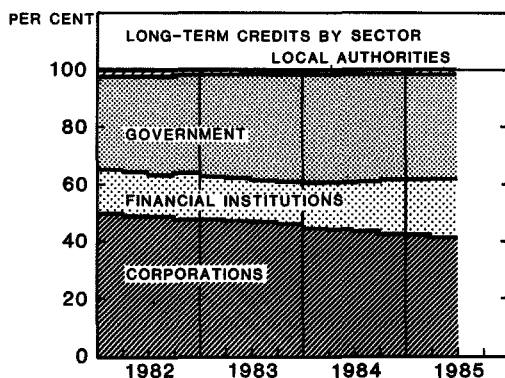
Assets: increase -, decrease +. Liabilities: increase +, decrease -

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

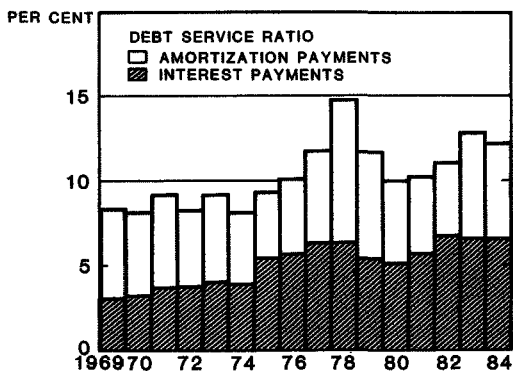
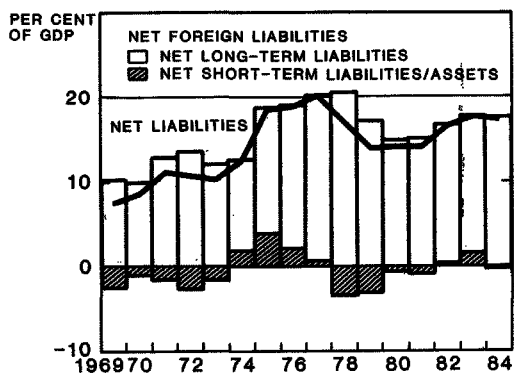


# FINLAND'S FOREIGN ASSETS AND LIABILITIES

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	
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
1984*	8 920	8 689	1 915	19 524	63 958	3 865	2 646	2 013	805	73 287	53 763
1982											
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	6 827	7 435	3 230	17 492	57 198	3 937	2 393	1 640	729	65 897	48 405
Sept.	7 767	7 834	1 839	17 440	60 497	3 951	2 410	1 957	834	69 649	52 209
Dec.	8 920	8 689	1 915	19 524	63 958	3 865	2 646	2 013	805	73 287	53 763
1985*											
March	8 504	9 408	2 071	19 983	64 798	3 616	2 631	2 900	778	74 723	54 740
June	8 080	9 824	2 195	20 099	65 273	3 350	2 763	6 317	873	78 576	58 477



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
11 362	13 781	14 176	39 319	2 427	20 218	14 743	37 388	-1 931	31 207	7 994	3 494
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	9 069	3 464
11 842	29 263	15 915	57 020	5 705	39 443	16 180	61 328	4 308	49 116	11 591	5 621
22 912	43 319	12 491	78 722	4 562	55 695	17 922	78 179	-543	53 220	12 878	5 896
12 456	17 474	13 531	43 461	4 097	21 737	14 859	40 693	-2 768	34 871	2 040	662
12 737	22 899	13 858	49 494	5 348	31 331	13 782	50 461	967	41 047	2 542	1 185
12 365	22 166	14 580	49 111	4 637	29 530	15 112	49 279	168	42 391	2 535	942
12 905	23 008	14 878	50 791	4 705	31 137	16 563	52 405	1 614	43 703	3 788	2 243
10 556	23 605	15 681	49 842	4 737	31 289	16 805	52 831	2 989	45 623	2 542	1 049
11 842	29 263	15 915	57 020	5 705	39 443	16 180	61 328	4 308	49 116	2 726	1 387
14 740	25 724	15 522	55 986	3 657	37 966	15 617	57 240	1 254	46 681	3 523	1 452
20 705	31 935	15 083	67 723	3 775	47 084	16 884	67 743	20	48 425	3 260	1 987
21 064	34 621	14 700	70 385	4 815	47 882	17 388	70 085	-300	51 909	2 448	821
22 912	43 319	12 491	78 722	4 562	55 695	17 922	78 179	-543	53 220	3 647	1 636
24 785	44 978	13 876	83 639	4 535	59 101	18 427	82 063	-1 576	53 164	3 237	1 688
26 206	46 672	16 054	88 932	3 729	62 283	19 197	85 209	-3 723	54 754	3 662	2 108



# 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
1983	1 189	127.6	128.8	124.2	126.0	130.8	128.5	128.7	124.4	129.2
1984	1 261	134.5	136.0	130.0	132.6	137.5	135.8	136.5	133.7	136.1
1985										
Jan.	1 308	139.2	140.5	135.1	137.8	142.7	138.5	140.0	137.8	139.1
Feb.	1 321	140.4	141.5	137.0	139.5	143.3	139.4	140.8	138.0	140.1
March	1 332	141.4	142.2	138.9	140.6	144.6	139.9	143.3	144.0	141.8
April	1 334	141.5	143.4	135.6	139.8	145.2	141.5	144.1	145.1	142.5
May	1 335	141.6	144.2	133.9	139.3	146.2	142.5	144.2	145.4	142.3
June	1 332	141.3	143.9	133.4	138.6	146.0	142.9	144.6	145.6	142.7
July	1 330	141.1	144.2	131.4	137.7	146.9	143.2	144.9	145.8	143.1
Aug.	1 324	140.2	143.7	129.4	136.1	146.8	143.5	145.6	146.0	144.0

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
1983	118.7	120.0	125.1	112.8	118.4	114.3	126.6	117.4	116.9	120.7
1984	127.1	129.1	132.5	119.5	124.6	123.0	145.2	125.4	126.4	130.8
1985										
Jan.	131.2	133.7	139.6	119.4	126.9	126.6	153.6	129.2	130.3	137.7
Feb.	131.7	134.9	139.7	121.4	126.9	127.4	153.6	129.7	130.2	137.9
March	133.0	137.9	139.7	123.7	127.2	128.0	153.6	131.5	130.7	138.2
April	133.7	139.3	139.7	125.9	127.2	128.5	153.6	132.2	131.2	138.9
May	135.0	140.0	139.7	126.6	132.6	129.2	154.7	130.6	131.8	139.9
June	135.3	141.1	139.7	126.4	132.6	129.4	154.4	130.8	132.0	140.3
July	135.4	141.3	139.7	125.2	132.6	129.6	154.4	131.1	132.2	140.4
Aug.	135.6	141.4	139.7	126.4	132.6	130.4	157.1	129.8	133.1	141.7

# WAGES

Index of wage and salary earnings 1980 = 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	
1982	124.1	125.1	124.3	124.8	123.8	125.5	124.8	124.9	124.6	124.8
1983	132.1	137.3	138.2	138.8	137.3	140.0	137.4	138.4	136.9	137.8
1984*	148.5	149.9	152.7	152.1	146.4	154.7	150.5	151.2	149.7	150.7
1984*										
Apr.-June	147.2	152.2	151.1	152.5	146.8	155.1	151.2	151.6	150.8	151.3
July-Sept.	150.9	151.1	153.0	153.3	146.8	155.9	152.0	152.6	150.8	152.0
Oct.-Dec.	154.6	152.7	158.0	154.5	148.2	156.6	154.2	154.1	153.4	153.8
1985*										
Jan.-March	150.3	157.0	164.3	159.6	153.1	162.5	157.3	158.0	157.2	157.7
Apr.-June	165.0	164.4	169.6	165.4	158.1	167.2	165.3	164.6	164.9	164.7

# 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
1983										
Apr.-June	107	111	80	90	90	103	105	109	111	115
July-Sept.	108	99	206	41	119	103	108	105	112	113
Oct.-Dec.	117	116	88	101	148	104	121	117	114	121
1984*										
Jan.-March	104	110	75	89	82	93	103	98	114	113
Apr.-June	109	114	83	90	84	104	109	108	114	121
July-Sept.	110	102	199	45	114	104	107	110	115	119
Oct.-Dec.	121	123	94	118	141	106	121	119	117	128
1985*										
Jan.-March	108	111	78	101	82	89	107	101	117	117
Apr.-June	114	120	83	107	91	105	112	111	117	127

# PRODUCTION

Index of industrial production 1980 = 100

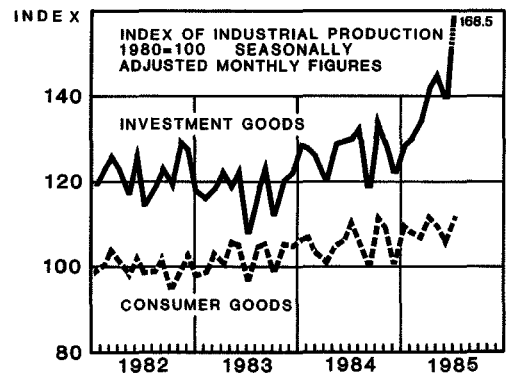
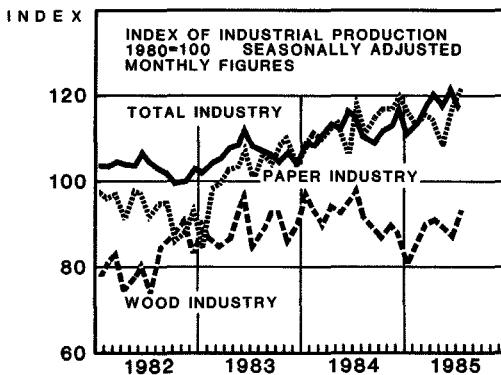
Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1982	103.6	122.9	100.5	101.5	106.0	82.4	94.7	98.8	110.0	113.9	103.8
1983*	107.1	118.9	102.6	107.1	108.9	89.9	103.5	106.2	115.0	114.5	107.1
1984*	112.4	127.8	106.0	112.5	110.1	92.4	114.3	110.8	109.2	121.6	112.7

1984\*

July	75.9	54.3	71.7	81.6	98.9	41.8	125.7	71.6	62.3	56.6	115.2
Aug.	116.2	130.5	109.2	116.8	116.3	90.5	118.9	113.4	126.1	123.9	110.7
Sept.	111.7	125.6	103.5	113.0	107.4	99.7	112.5	113.4	129.1	121.3	109.6
Oct.	127.7	143.4	123.6	126.6	142.9	104.8	125.7	122.7	138.3	138.9	112.3
Nov.	125.7	143.7	123.6	123.2	134.2	95.0	124.4	122.1	118.2	138.4	113.4
Dec.	104.8	120.7	98.5	104.8	104.3	65.4	110.8	103.5	94.7	116.6	117.9

1985\*

Jan.	118.9	132.7	116.1	117.4	103.3	78.6	119.3	108.8	109.2	129.3	111.8
Feb.	109.9	127.6	105.7	108.6	89.9	77.1	110.6	107.1	88.2	120.9	113.8
March	121.5	146.2	113.0	120.9	105.5	97.7	123.5	123.2	113.1	136.1	118.0
April	119.9	147.7	110.8	119.1	106.7	107.6	105.9	128.7	103.9	139.6	121.0
May	128.1	172.3	116.8	125.6	114.1	115.9	108.2	126.1	125.3	158.5	118.6
June	114.9	152.9	103.1	113.7	102.8	92.4	106.9	109.7	116.1	138.3	122.4
July	80.1	69.0	72.1	85.8	102.6	40.6	128.1	75.8	71.0	69.0	117.8





# 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	Whole-sale volume index 1980 = 100
	1	2	3	4	5	6	7	8
1983	3 681	2 546	2 390	156	6.1	39 324	107	110
1984*	3 700	2 572	2 414	159	6.2	41 288	109	109
1984*								
June	3 695	2 745	2 570	175	6.4	2 664	114	105
July	3 700	2 761	2 614	147	5.3	1 323	113	93
Aug.	3 700	2 598	2 454	144	5.6	1 649	113	120
Sept.	3 703	2 549	2 395	154	6.0	2 353	106	117
Oct.	3 706	2 520	2 370	150	6.0	3 561	113	121
Nov.	3 704	2 517	2 358	159	6.3	4 269	111	117
Dec.	3 705	2 544	2 386	158	6.2	5 134	130	113
1985*								
Jan.	3 706	2 531	2 360	171	6.8	4 241	99	103
Feb.	3 707	2 534	2 363	171	6.7	4 581	97	101
March	3 706	2 528	2 355	173	6.8	6 031	107	110
April	3 707	2 565	2 394	171	6.6	5 882	107	114
May	3 709	2 611	2 461	150	5.7	4 598	118	120
June	3 708	2 761	2 594	167	6.1	2 407	113	104
July	3 708	2 780	2 621	159	5.7	1 121	..	..

## 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
1983	51.77	19.67	6.43	18.33	3.64	47.37	18.43	5.91	16.32	3.53	51.44
1984*	49.68	19.93	5.65	17.44	3.13	44.24	17.65	5.13	15.75	2.83	52.13
1983											
Oct.-Dec.	8.59	3.31	0.95	2.78	1.02	15.46	6.12	2.07	5.23	1.02	51.44
1984*											
Jan.-March	9.17	3.87	1.12	3.10	0.61	9.35	3.89	0.75	3.38	0.70	46.23
Apr.-June	17.32	7.77	2.44	5.01	0.77	10.79	4.26	0.75	4.63	0.58	51.59
July-Sept.	12.91	4.85	1.28	4.68	1.03	9.70	3.66	1.67	2.74	0.90	55.86
Oct.-Dec.	10.28	3.44	0.81	4.65	0.72	14.40	5.84	1.96	5.00	0.65	52.13
1985*											
Jan.-March	8.49	3.30	1.06	2.94	0.61	7.87	3.55	0.52	2.62	0.68	48.31

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

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

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

## MONETARY POLICY INDICATORS

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

Gross central bank debt of the deposit banks = The commercial banks' and Postipankki's cheque account overdrafts + Call money credit. Prior to January 1984 the average monthly amount of cheque account overdrafts at base rate was restricted by the quota granted to each bank. The banks could obtain central bank credit in excess of the quota by borrowing on the Bank of Finland's call money market. As from January 1984, the quotas were abolished and the only source of central bank debt is now the call money market. There is no longer any absolute ceiling on call money credit. However, banks' borrowing is monitored and a bank whose borrowing exceeds a certain limit comes under the special surveillance of the central bank. The interest charged on call money credit, the call money rate, is adjusted by the central bank in line with monetary policy objectives at the time.

Net central bank debt of the deposit banks = Gross central bank debt of the deposit banks — The commercial banks' and Postipankki's deposits on the call money market — All deposit banks' cash reserve deposits at the Bank of Finland.

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

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

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

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

## FORWARD EXCHANGE MARKETS IN FINLAND

Page 7. The figures for columns 1—6 are calculated by the Bank of Finland on the basis of monthly reports from the banks on their outstanding forward exchange positions at the end of each month. The figures for columns 7—9 are based on monthly averages of daily representative quotations, as reported by the banks to the Bank of Finland.

The banks' foreign currency positions shown in the chart at the bottom of page 7 are monthly averages of daily spot and forward positions vis-à-vis the 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<sub>1</sub>* = 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.

Owing to rounding, the figures in statistical tables do not necessarily add up to the totals shown.

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 1 155 to 1 809 Finland formed a part of the kingdom of Sweden. Connected from 1 809 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 (1983): 4.9 million. Sweden 8.3, Switzerland 6.4, Denmark 5.1, and Norway 4.1 million.

DENSITY OF POPULATION (1983): In South Finland 47.4, in East and Central Finland 14.3, in North Finland 4.2 and in the whole country an average of 16.0 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1983): 40 % of the population inhabit the rural areas, 60 % towns. The largest towns are: Helsinki (Helsingfors), the capital, 484 471 inhabitants, Tampere (Tammerfors) 167 344, Turku (Åbo) 163 002.

EMPLOYMENT (1984): Agriculture and forestry 12 %, industry and construction 33 %, commerce 14 %, transport and communication 7 %, financing, insurance, real estate and business services 6 %, community and personal services 28 %.

LANGUAGE (1983): Finnish speaking 93.6 %, Swedish speaking 6.1 %, others 0.3 %.

EDUCATION (1985): 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 (1983): births 13.8 ‰, deaths 9.3 ‰, change + 5.8 ‰, net immigration + 1.4 ‰. Deaths in France 10.3 ‰ and Great Britain 11.7 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1984), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 12 849 (5 %), forestry 10 004 (4 %), manufacturing 82 263 (30 %), construction 21 786 (8 %), trade, restaurants and hotels 30 337 (11 %), transport and communication 21 419 (8 %), banking and insurance 11 676 (4 %), ownership of dwellings 17 688 (6 %), other services 65 583 (24 %), total 273 605. Index of real domestic product 111 (1980 = 100).

FOREST RESOURCES (1982). The growing stock comprised of 1 658 million m<sup>3</sup> (solid volume with bark) of which 45 % was pine and 37 % spruce the remaining 18 % being broad-leaved trees chiefly birch. Of the growing stock 667 million m<sup>3</sup> was up to the standard required for logs, 52 % of these being pine. The annual growth was 87 million m<sup>3</sup> and the total drain calculated on the basis of roundwood consumption was 48.5 million m<sup>3</sup>.

AGRICULTURE (1983). Cultivated land 2.4 million hectares. Number of holdings 208 229 of which 146 465 are of more than 5 ha. Measure of self-sufficiency in bread cereals 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, 1984): Length 6 069 km.

MERCHANT FLEET (Sept. 30, 1985): Passenger vessels 160 (245 176 gross reg. tons), tankers 39 (938 995 gross reg. tons), dry cargo vessels 147 (666 773 gross reg. tons), other vessels 102 (21 163 gross reg. tons), total 448 (1 872 107 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1984): Passenger cars 1 473 975, lorries and vans 173 784, buses 9 069, others 11 159, total 1 667 987.

FINNISH AIRLINES (Feb. 28, 1985). Finnair has in use 1 DC-8-62, 3 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 3 Fokker F-27 Friendship MK. The company has scheduled flights to 34 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 18.3, DEM 19.4, GBP 15.6, USD 9.5, other currencies 37.2. 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, 1984). There are two big and eight small commercial banks with in all 942 offices, 263 savings banks, 370 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 (Feb. 1, 1985). The Bank of Finland's base rate is 9 %. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 6 ½ % and 11 ½ %. Other credit institutions: time deposits 4 %; 6 month deposits 6 %; 12 month deposits 7 ½ %; 24 month deposits 8 % and sight deposits 1 % %. The highest lending rate is 13 ½ %.

# THE USE OF THE FINNISH MARKKA IN FOREIGN BUSINESS TRANSACTIONS

by Tarja Heinonen, M.Sc. (Econ.),  
Exchange Policy Department  
Bank of Finland

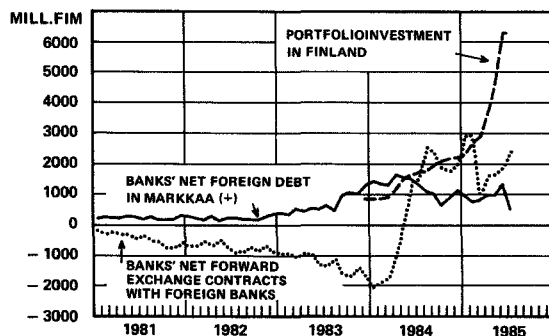
The last few years have witnessed a significant increase in the use of the Finnish markka in foreign business transactions. The share of the markka as an invoicing currency in Finland's foreign trade has continued to expand at a steady pace, but capital transactions in markkaa have grown rapidly. In particular, Finnish banks' markka-denominated forward contracts with foreign banks increased sharply in the early part of 1984 and there was a vigorous expansion in sales abroad of Finnish securities during the first half of the current year (Chart).

Finland's favourable economic performance and the stability of its financial markets have constituted the background to the more widespread use of the markka. However, Finland's internationally high interest rate level, together with the stability of the markka's exchange rate, can be regarded as the principal reason for the recent increase in the markka's popularity. The external value of the markka was for long kept fixed in relation to a currency basket, and, owing to the structure of the basket, it has retained its value against the U.S. dollar better than have, for example, the EMS currencies.<sup>1</sup> Thus, it has been relatively safe for foreign investors to increase holdings of markka-denominated assets in their portfolios.

## THE MARKKA AS AN INVOICING CURRENCY IN FOREIGN TRADE

Reflecting these developments, Finnish companies engaged in foreign trade have, more often than before, been able to choose the markka as the invoicing currency for commercial transactions. While only 3-5 per cent of

**CHART. MARKKA-DENOMINATED CLAIMS HELD BY FOREIGNERS**



Finland's foreign trade was invoiced in markkaa in the 1970s, the share of markka-invoicing in exports rose to 12 per cent last year and in imports to nearly 14 per cent (see Table).

Compared internationally, however, the share of the markka in the invoicing of foreign trade is still markedly lower than the corresponding local currency shares in the trade of most other western countries. In the major European countries, the local currency share accounts, on average, for 60-80 per cent of export invoicing and 30-45 per cent of import invoicing.

**TABLE. THE USE OF THE MARKKA IN FOREIGN TRADE<sup>1</sup>**

	Imports		Exports	
	in million FIM	%	in million FIM	%
1981	5 540	9.2	6 265	10.4
1982	6 885	10.7	6 394	10.2
1983	8 349	11.9	7 085	10.2
1984	10 150	13.7	9 660	12.0

<sup>1</sup> It should be noted that the invoicing currency is not always the same as the actual currency of payment.

<sup>1</sup> See the charts on pages 5 and 9.

## Imports

On the imports side, the use of the markka has been most widespread in the invoicing of consumer goods, its share of which was about a fifth in the period 1981 - 1983. In this sector, the annual growth in the markka's invoicing share has averaged almost 3 percentage points. In imports of industrial raw materials and intermediate goods, the share of the markka has been about 10 per cent, but in imports of fuel and lubricants, which are traditionally invoiced in dollars, the share of the markka has remained very modest.

Analyzed by country, Nordic suppliers clearly stand out as the greatest users of the markka. In relative terms, the markka is used most in imports from Denmark (slightly less than one third of imports), but in terms of volume markka-invoicing is most important in imports from Sweden. In 1983, almost one-quarter of imports from Sweden was invoiced in markkaa, which was equivalent to more than FIM 2 billion.

Although in general the markka is used to only a small extent in trade with other European countries, it is nevertheless fairly important in trade with some countries. For example, imports from the Federal Republic of Germany were invoiced in markkaa to the value of almost FIM 1 billion in 1983 even though the share of markka-invoicing in imports from that country was less than one-tenth. In imports from Belgium in 1983, the share of the markka was almost one-quarter (FIM 350 million), while in imports from the United Kingdom it was 18 per cent (FIM 870 million) and from Switzerland 17 per cent (FIM 210 million). Even as late as 1981, the markka was scarcely used at all as an invoicing currency in imports from countries outside Europe (e.g. Japan and the USA). Subsequently, however, markka-invoicing has increased markedly in imports from Japan. Indeed, in 1983, the markka's relative share of the import trade with Japan exceeded 17 per cent (FIM 550 million), which was greater than, for example, the corresponding share in imports from Norway (more than 16 per cent or FIM 300 million).

Generally, the markka has been the most important invoicing currency for imports after the consignor country's own currency. Apart from the USA, it has only been in trade with the USSR, the Netherlands and Italy among Finland's main trading partners that the US dollar has been used more frequently as an invoicing currency than the markka.

## Exports

In export trade, the dominant invoicing currency tends to be that of the country of destination. Moreover, the US dollar is used notably more frequently than the markka, which often vies with the Swedish krona for the position of the third most commonly used invoicing currency.

Both in terms of amounts and relative shares, markka-invoicing is used by far the most in exports to Sweden. In 1983, the markka's share was almost one-quarter or more than FIM 2 billion. The corresponding shares in exports to Norway and Denmark were also substantial at about 22 per cent and 16 per cent, respectively. Only just over 6 per cent of exports to the Federal Republic of Germany in that year was invoiced in markkaa, but this was equivalent to FIM 410 million.

Examined by industrial sector, markka-invoicing has been used most in mining and quarrying (one-third of exports on average during the period 1981 - 1983) and least in manufacturing (10 per cent on average in 1981 - 1983). Within manufacturing, the use of markka-invoicing has been most common in the textile, clothing and leather industry (18 per cent) as well as in the metal and engineering industry (16 per cent).

## THE MARKKA IN FOREIGN EXCHANGE AND CAPITAL MARKETS

Since the markka is a minor currency in international markets, activity in the foreign exchange market for the markka varies greatly according to interest and exchange rate expect-

tations and is rather sluggish at times. Activity is clearly centred on forward exchange deals. The expansion of the spot market for markkaa has been held back by the lack of appropriate instruments.

Spot markets for the markka are thin: foreigners hold only small amounts of markka deposits and loans. In fact, since the spring of 1984 the banks' net spot foreign debt has even decreased to some extent (Chart).

In most cases, spot transactions have been between a domestic bank and a Finnish subsidiary bank or some Scandinavian bank as the foreign party.

Activity in the forward market for markkaa started to pick up at the end of 1983. Foreign interest in the markka was aroused after Finland's call money rate rose from 15 to 18 per cent, and it remained strong throughout last year. In May of 1984, the Finnish banks' forward position vis-à-vis foreign banks became positive (i.e. foreigners had markka claims on Finland).

Foreign markets for markka-denominated securities started to expand especially in 1983 along with the first share issues by Finnish companies on foreign stock exchanges. The demand for Finnish shares traded on the Helsinki Stock Exchange also picked up significantly. The share issues floated abroad are a reflection of the growing internationalization of the Finnish business sector. Lately, however, the interest of foreign investors in Finnish shares has clearly diminished, so that foreign share issues have almost been brought to a standstill this year.

In addition to shares, foreigners were, until recently, also able to purchase Finnish bonds and debentures. Interest in these was particularly brisk last year and strengthened even further in the first half of 1985 owing to the high interest rate level and the stable and strong markka. The average rate of interest on 5-year bonds was nearly 13 per cent.

Another factor contributing to the increased demand for Finnish bonds has been the recent tendency of foreign investors to expand their loan portfolios to include minor currencies. Following Norway's ban on the sale of domestic bonds to foreigners in November last year, some investors on that market may have switched their attention to the Finnish stock market.

In particular, sales of debentures by firms and financial institutions grew rapidly. During the first half of the current year, sales of securities (shares, bonds and debentures) to foreigners totalled more than FIM 4.5 billion, equivalent to about 40 per cent of the gross capital inflow. The bulk of these securities, the sale of which did not require the central bank's permission, seems to have gone to European investors.

However, the growth of this channel outside the traditional regulatory system was considered excessive. It was feared that the inflow of liquidity resulting from increased sales of debentures to foreigners would add to the expansion of the money supply and thereby put monetary policy targets at risk. Moreover, foreign investments in bonds and debentures were growing at a rate which was out of all proportions to the size of the domestic bond market, which is still rather small. Accordingly the Bank of Finland decided, as of June 24, to suspend until further notice the sale abroad of bonds and debentures denominated in Finnish markkaa.

The imposition of the ban has dampened the growth of foreign demand for markka-denominated assets. The tiny fluctuations recently allowed in the currency index seem to have had a similar effect. Given the current regulations, the development of foreign markets for markka-denominated assets will thus depend largely on developments in the forward market and on sales of shares to foreign investors. Activity on the stock market is limited by the thinness and relative inefficiency

of the secondary market. Ultimately, though, the development of foreign markets for markka-denominated assets will depend on the stability of the Finnish economy and on confidence in the markka, as well as on the internationalization of Finnish firms.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM OCTOBER 1984 TO SEPTEMBER 1985

**1984**

## **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.

*Export deposits.* The Council of State decides to discontinue the collection of export deposits on sawn pine wood as from November 1, 1984.

*Insurance companies' right to acquire foreign shares.* On November 9, 1984, the Bank of Finland authorizes the insurance companies engaged in foreign insurance business to also invest, on certain conditions, the funds obtained from their foreign insurance business in foreign shares.

*Call money market.* The Bank of Finland lowers the call money rate from 15.6 to 15.4 per cent as from November 14 and further to 15.2 per cent as from November 30.

*Bank of Finland's credit facility agreements.* On November 16, the Bank of Finland cancels its credit facility agreements totalling USD 1.5 billion with international banking consortia.

## **December**

*Banks' foreign lending activities and transactions in foreign securities.* Through permits entering into force at the beginning of December, the Bank of Finland increases the banks' opportunities to engage in foreign lending activities and dealings in foreign securities, particularly shares. These permits require that the credits granted to non-residents and the security purchases are refinanced mainly by resorting to foreign credit.

*Call money market.* The Bank of Finland lowers the call money rate from 15.2 to 14.8 per cent as from December 21.

**1985**

## **January**

*Arrangement for the financing of short-term export credits.* On January 1, 1985, the Bank of Finland raises the rate of interest on short-term export credits so that, irrespective of the credit period, it is the same as the Bank of Finland's base rate at any one time. At the same time, the Bank of Finland decides to reduce the maximum annual average amount of the Bank's financing of short-term export credits from FIM 30 to FIM 20 million.

*Call money market.* The Bank of Finland lowers the call money rate from 14.8 to 14.6 per cent as from January 11 and further to 14.2 per cent as from January 25.

*Export deposits.* The Council of State decides to discontinue the collection of export deposits on pulp as from January 31, 1985.



## February

*Interest rate policy.* The Bank of Finland lowers its base rate from 9.5 to 9.0 per cent as from February 1. The banks are required to lower, in general, the rates of interest on their outstanding loans by 0.5 percentage point from the same date. The upper limit on the banks' lending rates is also lowered to 13.5 per cent. In addition, the rates of interest on the banks' tax-exempt deposit accounts fall, on average, by 0.5 percentage point.

*Domestic foreign-currency-denominated loans.* As from February 1, 1985, the Bank of Finland limits the amount of domestic foreign currency loans granted by an authorized bank which do not require the prior approval of the Bank of Finland to no more than the amount of domestic non-bank foreign currency deposits with the bank.

*Payments agreement between Finland and Hungary.* Under an agreement concluded between the Finnish and Hungarian authorities in October 1984, the payments agreement between the two countries terminates on January 31, 1985. As from February 1, 1985, payments between the two countries are to be effected in convertible currencies.

*Call money market.* The Bank of Finland lowers the call money rate from 14.2 to 14.0 per cent as from February 26.

## March

*Currency options.* The Bank of Finland decides to entitle the authorized banks to conclude option contracts as from March 1, 1985. However, these contracts may not concern rates of exchange quoted against the Finnish markka.

*Amendments to Foreign Exchange Regulations.* The Bank of Finland revises the Foreign Exchange Regulations in certain respects as from March 1, 1985. The main details of the amendments are as follows:

Dividend receipts from foreign direct investment in Finland can be transferred abroad

through an authorized bank without the Bank of Finland's special permission.

Obtaining collateral security on behalf of a non-resident is allowed without the Bank of Finland's special permission. Similarly, granting collateral security to a non-resident on behalf of a resident is allowed without special permission.

## April

*Payments Agreement between Finland and Bulgaria.* In keeping with an agreement concluded between the Finnish and Bulgarian authorities in November 1984, the US dollar clearing account between the two countries is replaced by a Finnish markka clearing account as from April 1, 1985.

*Export deposits.* On April 3, the Council of State decides to repay export deposits. The export deposits collected on sawn wood are to be repaid during June and those on pulp during November.

*Call money market.* The Bank of Finland lowers the call money rate from 14.0 to 13.8 per cent as from April 26.

## June

*Investment reserves.* On June 13, the Council of State decides to release, as from October 1, 1985, investment reserves made by companies for accounting periods ending in 1983 or earlier. In the Greater Helsinki area, such reserves may not be used until April 1, 1986. The utilization period is to expire on December 12, 1987.

*Sale of Finnish bonds abroad.* The Bank of Finland prohibits, until further notice, the sale abroad of bonds and debentures quoted on the Helsinki Stock Exchange as from June 24.

*Call money market.* The Bank of Finland lowers the call money rate from 13.8 to 13.6 per cent as from June 26.

## **August**

*Call money market.* The Bank of Finland lowers the call money rate from 13.6 to 13.3 per cent as from August 15.

## **September**

*Forward market.* The Bank of Finland issues new guidelines on operations in the forward market. Under these guidelines, firms are granted the right to hedge against the foreign exchange risk arising from the difference between their foreign currency claims and liabilities. Firms and private persons may still hedge against foreign exchange risks on an individual transactions basis as before. The new guidelines are to enter into force on September 9, 1985.

*Personal credit guidelines.* On September 6, the Bank of Finland issues the financial institu-

tions new guidelines on the granting of personal credits. (See the item in this Bulletin.)

*Call money market.* The Bank of Finland lowers the call money rate from 13.3 to 12.9 per cent as from September 17.

*Local government counter-cyclical deposits.* On September 19, the Council of State makes a decision according to which local authorities are allowed to make counter-cyclical deposits between October 1, 1985 and May 2, 1986. The funds are to be deposited with the Bank of Finland and they can be drawn as from October 1, 1986 and by August 31, 1987 at the latest. The Bank of Finland is to pay interest on the deposits at a rate which is 2.5 percentage points below the base rate. In addition, supplementary interest at a rate of 5.5 per cent is to be paid from central government funds on deposits of more than one year.

## ITEMS

**Personal credit guidelines.** The Bank of Finland has issued the financial institutions new guidelines on the granting of personal credits. The guidelines concerning housing credits are virtually the same as before: a 25 per cent proportion of own funds is required for financing the acquisition of a first dwelling while for a subsequent house purchase the

share of prior savings must be at least one-third. With regard to other fairly large personal credits, a greater proportion of prior savings is required than in the case of housing credits, but the precise determination of the minimum proportion is abolished. Similarly, the guidelines relating to the granting of smaller personal credits are abolished in full.

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**Correction — Monthly Bulletin, September 1985, p. 30.** The value of bonds sold to foreigners through the Helsinki Stock Ex-

change is estimated to have amounted to **FIM 4—5 billion** (not million as shown) during the first six months of this year.

(Continued from page 2)

equipment and machinery is likely to strengthen imports of investment goods somewhat. Both export and import prices are expected to remain broadly unchanged in the coming months.

During the past few years, Finland's foreign trade performance has been influenced more by demand and non-price factors than by price competitiveness, the level of which has been close to its longer-term average. If the gradual deterioration in cost competitiveness cannot be halted in the near future, there is a risk that cost factors may start to have a detrimental

effect on export performance just when markets are expected to weaken. However, Finland's healthy external balance during the 1980s may reflect improved real competitiveness and it can be expected that this fact will continue to be of importance in the future. Thus, although the boom in Finnish exports is beginning to fade, there are not as yet any signs of the kind of imbalances in foreign trade that have typically emerged at this stage of the business cycle in the past.

September 19, 1985



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# BANK OF FINLAND

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## Board of Management

Rolf Kullberg  
*Chairman*

Pentti Uusivirta

Ele Alenius

Harri Holkeri

Seppo Lindblom  
*Absent as Minister  
of Trade and Industry*

Esko Ollila

Markku Puntila  
*Acting Member of the Board*

---

## Directors

Markku Puntila

Eino Helenius

Pentti Koivikko

Sirkka Hämäläinen

Matti Vanhala

---

## Senior officials

H.T. Hämäläinen  
*Secretary to the Board  
of Management*

Timo Männistö  
*Internal Audit*

Ossi Leppänen  
*Accounting*

Urpo Levo  
*Administration*

Reijo Mäkinen  
*Cash*

Raimo Hyvärinen  
*Domestic Financing*

Stig G Björklund  
*Payments*

Anton Mäkelä  
*Personnel*

Heikki Koskenkylä  
*Research*

Erkki Vehkamäki  
*Data Processing*

Kari Puumanen  
*Economics*

Antti Heinonen  
*Information*

Ralf Pauli  
*Monetary Policy*

Kari Holopainen  
*Bilateral Trade*

Esa Ojanen  
*Exchange Control*

Johnny Åkerholm  
*Exchange Policy*

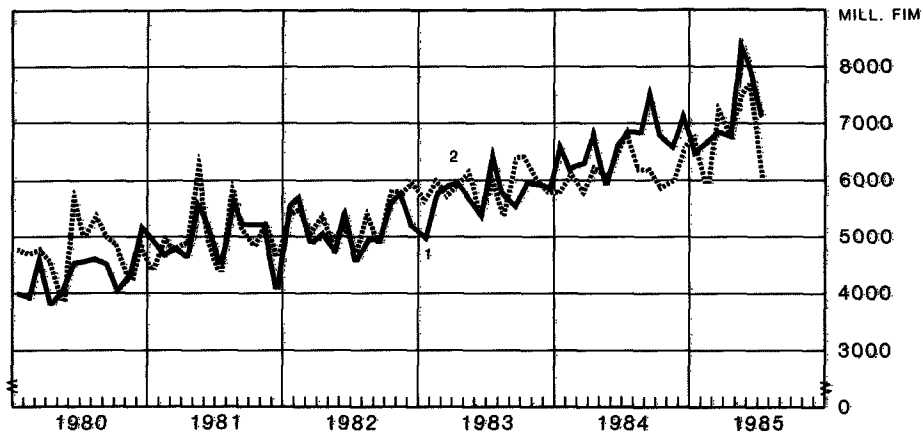
Kari Pekonen  
*Foreign Exchange*

Markus Fogelholm  
*Foreign Financing*

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### FOREIGN TRADE, 1980-85

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



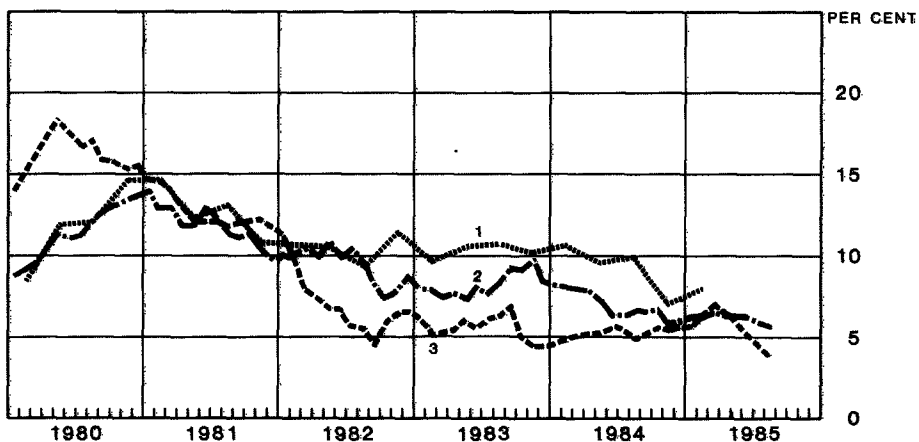
### PRICES AND WAGES, 1980-85

Index of wage  
and salary earn-  
ings 1975 = 100,  
quarterly figures

Consumer price  
index 1981 = 100,  
monthly figures

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

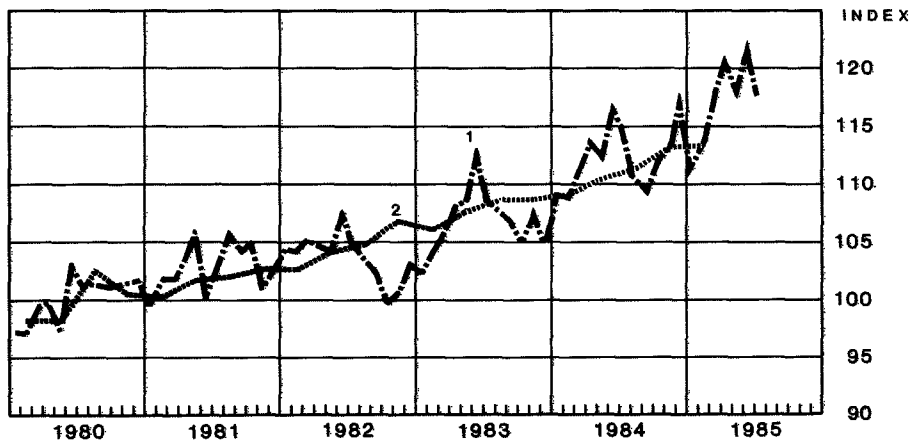
Percentage change  
on previous year



### PRODUCTION, 1980-85

1. Total index of  
industrial produc-  
tion 1980 = 100,  
seasonally adjusted  
monthly figures

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



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