



BULLETIN

BANK OF FINLAND

December 1988 Vol. 62 No. 12

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PUBLISHER**Suomen Pankki Finlands Bank**

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Editor-in-Chief Antero Arimo**Editor** Marja Hirvensalo-Niini**Subscriptions** Heli VirtanenThe contents of the Bulletin may be freely quoted,
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ISSN 0784-6509

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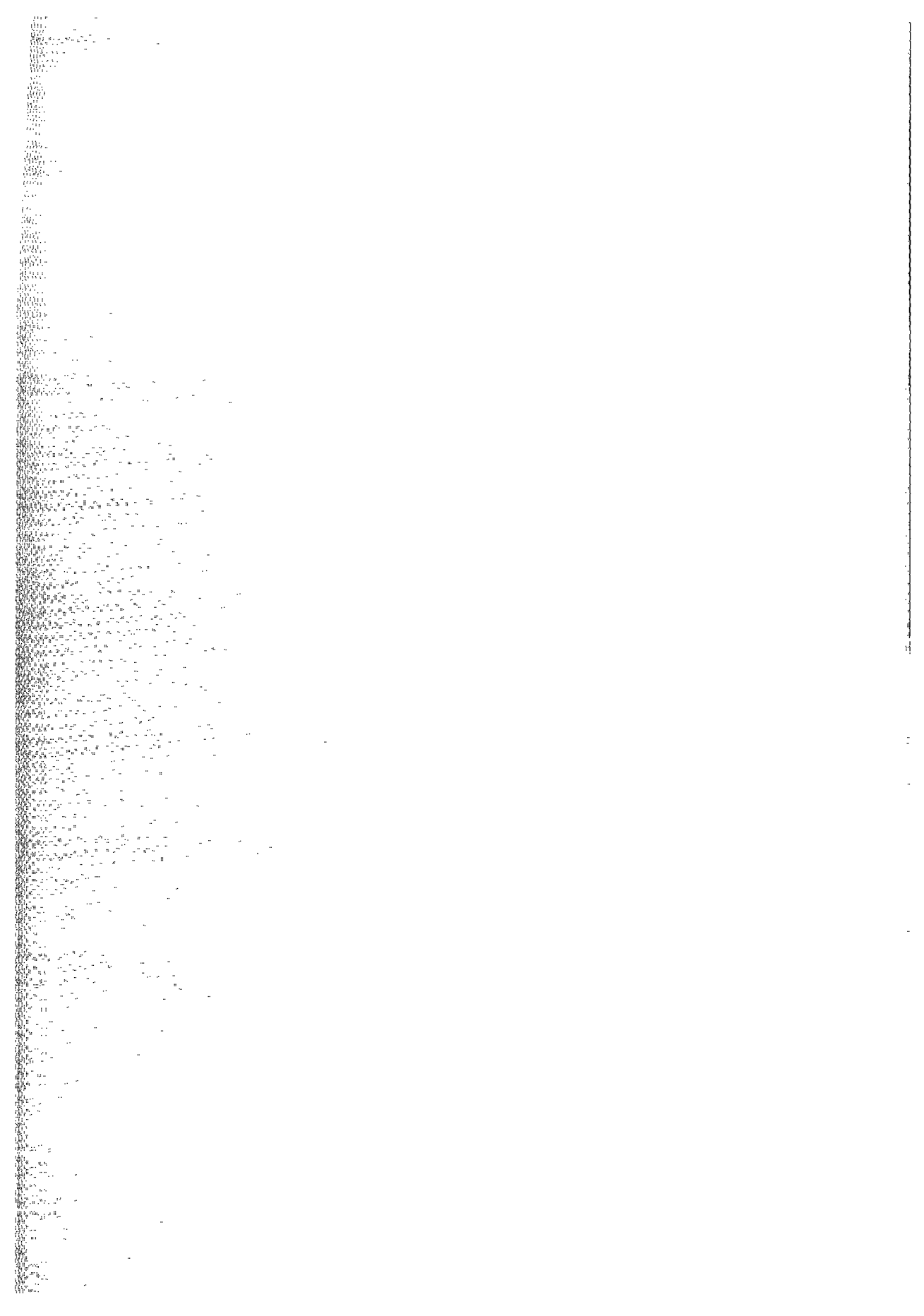
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BUDGET PROPOSAL

by **Arto Elomaa**, M.Sc.(Econ.)
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The Government's budget proposal for 1989 is based on the forecast of economic developments drawn up by the Ministry of Finance in the late summer. After reaching 4 per cent for two consecutive years, the rate of growth of the Finnish economy is forecast to slow down to 2 per cent in 1989. The projected deterioration in economic activity in Finland is clearly worse than in OECD countries on average, where the growth of GDP is forecast to decelerate by only about 0.5 per cent.¹ Weaker international economic conditions are expected to be reflected in slightly slower growth of Finnish exports to western markets. A more marked deterioration in the growth contribution is likely in bilateral exports, the value of which exceeded bilateral imports by a substantial margin in 1988, partly because of temporary credit arrangements. Next year, exports to the Soviet Union could fall by one-fifth. Furthermore, the protracted boom in domestic demand is expected to come to a halt; the growth of domestic demand is forecast to slow down from 5 per cent this year to 3 per cent in 1989.

As growth has been based on rapidly expanding domestic demand, it has weakened Finland's external balance and hampered the task of lowering inflation to the level of competitor countries. The budget proposal identifies these imbalances as the main concerns of economic policy and their improvement as the prime objective of fiscal policy.

In August, the Government and the central labour market organizations agreed on a stabilization recommendation designed to curb inflation, which, if observed in the new pay agreements, will lead to a distinct slowdown in the rise in domestic costs.² The Government's budget proposal for 1989 is based on the assumption that the main points of the recommendation will be adopted in the pay agreements.³ The 12-month rise in consumer prices is estimated to decelerate to below 4 per cent in the course of 1989, with the year-on-year rise in 1989 amounting to 4.5 per cent.

While there seems to be a prospect of some improvement on the inflation front, the current account deficit will continue to widen next year and is estimated to amount to almost 3 per cent of GDP. Part of the increase in the deficit will be due to the expansionary effect of the 1989 budget on domestic demand. The income tax reform to be introduced in 1989 entails an overall lowering of personal income taxation. In connection with the stabilization recommendation, the Government agreed to undertake such measures as would lead to a 2.5 per cent increase in wage and salary earners' real disposable income next year; this implies an increase of about 3 per cent in total household sector in-

come. The reform of corporate taxation due to be implemented next year will mean an increase in income taxation for the business sector though in the initial phase the increase will be fairly modest.

According to the budget proposal, central government income, excluding net borrowing, is estimated to total about FIM 122 billion in 1989, an increase of 12 per cent on the ordinary budget for 1988. Because of a greater-than-expected broadening in the tax base in 1988, actual tax revenue will exceed the budgeted figure, and, compared with the 1988 cash estimate, revenue is estimated to increase by 6.5 per cent in 1989. No significant increase is expected in income and wealth tax revenue as a result of a 5.5 per cent inflation adjustment of tax brackets and other tax reliefs. Without these measures, cash receipts would have been almost FIM 3 billion higher next year. The total effect of the easing in taxation will be even greater than this but it will be slightly offset next year by the fact that the changes will take effect only as from March 1989. The "avoir fiscal" tax system will be introduced in corporate taxation in 1990; in 1989, the changes in corporate taxation mainly involve limiting companies' opportunities to transfer funds to reserves.

Indirect tax revenue is estimated to grow by 15 per cent from budgeted revenue in 1988. Compared with cash revenue for this year, growth in 1989 will amount to 8 per cent. In order to check inflation, the budget provides for appreciably smaller increases in indirect taxes and public tariffs and charges than in the current year.

² See the item in the September 1988 issue of the Bulletin.

³ By the deadline of November 15, pay agreements in accordance with the stabilization settlement had been concluded for over one million wage and salary earners. However, some unions, representing about 370 000 wage and salary earners, announced that they would not be adopting the stabilization recommendation.

¹ Average GDP growth in OECD countries is forecast to amount to 3 per cent in 1988 and to 2.5 per cent in 1989.

According to the budget proposal, central government expenditure will amount to FIM 124 billion next year, a 9 per cent increase on estimated revenue in the ordinary budget for this year. In real terms, expenditure will grow by 5.5 per cent compared with the 1988 budget. This represents an increase of some 2 per cent on estimated cash outlays in the current year. Actual growth is nevertheless likely to be higher than this as a result of additional expenditure provided for in supplementary budgets passed in the course of next year. Even without these additional outlays, however, the share of public demand (including the local government sector and social security funds) in GDP will reach a new record.

Central government consumption expenditure is projected to reach FIM 34.6 billion next year, an increase of 11 per cent on budgeted outlays in 1988, and 7 per cent more than the cash estimate for the current year. About two-thirds of consumption expenditure consists of wages and salaries or other comparable outlays. Transfers are projected to increase by 12 per cent on this year. Transfers to local authorities and municipal federations will increase particularly sharply, up 17 per cent on budgeted transfers for this year and a full 10 per cent compared with the cash estimate. By contrast, transfers to households will increase by less than 10 per cent.

Appropriations for the management of employment are up 22 per cent on the ordinary budget for 1988. The extension of the Employment Act will lead to a marked increase in employment appropriations next year. In 1990, the Act will be extended to include the three provinces with the lowest unemployment rate.

The central government's net borrowing requirement in relation to GDP is projected to amount to 0.5 per cent next

TABLE. IMPACT OF PUBLIC SECTOR ON REAL GDP GROWTH, PERCENTAGE POINTS

	1986	1987*	1988**	1989**
Central government	-0.5	0.8	-1.1	0.5
Local government	0.6	0.4	0.3	0.4
Public sector	0.2	1.1	-0.8	0.9
Growth of GDP, %	2.3	3.8	4.0	2.0

* Preliminary

** Forecast

Source: Ministry of Finance

rowing of FIM 2440 million will be needed to finance this expenditure. Borrowing in 1989 will be some FIM 800 million higher than actual net borrowing this year. Even with an increase in net borrowing, central government debt is estimated to amount to 13.7 per cent of GDP at the end of this year and to decrease to 13.4 per cent next year. Loans will mainly be raised in domestic financial markets, as in the current year. Central government foreign debt is estimated to decrease by about FIM 1 billion next year. By placing most of its debt domestically, the central government will support efforts to tighten domestic financial markets.

According to Ministry of Finance estimates, public sector operations will decrease the growth of total output by just under one per cent in 1988. The restrictive impact is attributable to the rise in the ratio of net taxes to GDP. On the other hand, local government expenditure is growing continually. In 1989, public sector operations will increase output growth by about 1 percentage point.

Indirect taxes and public tariffs and charges provided for in the 1989 central government budget proposal will increase the consumer price index by some 0.3 percentage point in the course of next year. Over 50 per cent of this derives from the rise in the price of alcoholic beverages. In 1988, indirect taxes and public tariffs and charges increased the consumer price index by 1.8 percentage points. Hence, in this respect, inflationary pressures will be lower in 1989.

The short-term economic outlook has improved since the budget was drawn up, and forecasts of the growth of the world economy have generally been revised upwards. In Finland, the growth of output has continued strong during the latter half of the year, with no indications of any marked deceleration in demand in the domestic market. As economic growth will be faster than estimated in the budget, there will also be an improvement in central government finances. The net borrowing requirement may be smaller than estimated next year, particularly if the increase in some components of central government expenditure is restricted in comparison with budgeted expenditure so as to curb domestic demand.

December 1, 1988

THE ROLE OF THE BANK OF FINLAND'S BASE RATE

by **Hannele Kuosmanen**, M.Sc.(Econ.)
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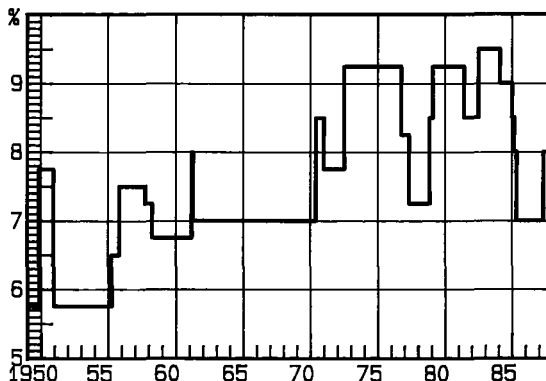
The role of the central bank's base rate has changed markedly in recent years as a result of deep-going structural change in Finnish financial markets. During the period of interest rate regulation, which in Finland lasted roughly from World War II until the middle of the 1980s, nearly all interest rates were linked to the base rate, and they changed only when the base rate was changed. Now, market forces determine key money market rates and the base rate is losing its former importance both in absolute and relative terms.

However, the base rate has not completely lost its significance. Interest rates on most of the financial instruments available to the household sector are tied to the base rate. Households' loan rates are still largely linked to the base rate as, too, are deposit rates. Because most bank deposits are exempt from taxation, they continue to be a popular investment outlet. Moreover, other sectors of the economy still have a fairly large outstanding stock of obligations linked to the base rate.

Besides their formal influence, changes in base rate continue to attract considerable attention. Through them the central bank can signal its intentions to the public.

The formal procedure for deciding on the base rate has remained unchanged over the years. The Parliamentary Supervisory Board decides on a change in the base rate at the proposal of the Board of Management of the Bank of Finland. The nine members of the Supervisory Board are elected by Parliament for the entire parliamentary term.

CHART 1.
MOVEMENTS IN THE BASE RATE, 1950 - 1988



FROM REDISCOUNT RATE TO REFERENCE RATE

As early as 1947, the Bank of Finland had set limits on banks' rediscount credit from the central bank. In 1951, the quotas were made more effective as an additional interest premium was introduced when the quota was exceeded. This system of quotas and penalty rates became the major instrument of monetary policy until the 1980s.

Up to the late 1950s, the normal interest rate applied to banks' rediscounting of bills at the central bank was the same rate at which commercial banks originally discounted the bills of their customers. This rate of interest had to be at least the same as that which the Bank of Finland used for its own customers, either banks or firms. As no information on average rediscount rates existed, the lowest discount rate applied by the Bank of Finland was the announced official rediscount rate. In 1958, the Bank of Finland started to apply a uniform rate to all rediscounting, and this rate was called the redis-

count rate or the Bank of Finland's official discount rate.

In the early 1950s, the Bank of Finland began to set limits on the maximum lending rate. To start with, the upper limit was the highest discount rate applied by the Bank of Finland. From 1960 onwards, the Bank of Finland regulated both average and maximum bank lending rates. These were not formally tied to the official discount rate, but in practice the linkages were very strong.

Deposit rates were also closely linked to the rediscount rate and later to the base rate. The laws on tax exemption required that at least two banks applied uniform interest rates and other terms to tax-free deposits. In practice, this led to cartel-like agreements between banks. At the request of the Bank of Finland, deposit rates were changed at the same time and by the same amount as the rediscount rate.

Typically, bank loan contracts included a deposit rate clause, i.e. the interest rate was linked to some deposit rate, not directly to the rediscount rate.

Consequently, almost all interest rates on bank loans changed automatically whenever the rediscount rate was changed.

In the early 1970s, when rediscounting of bills was replaced by other forms of central bank credit, the name of the central bank rate was changed to the basic rate on central bank credit. In the latter part of the 1970s the name was shortened to the Bank of Finland's base rate.

In 1975, when the Bank of Finland opened the call money market, the role of the base rate in central bank financing changed considerably. The quotas to which the base rate was applied lost importance as a source of central bank lending as the call money market was used to even out daily fluctuations in banks' liquidity positions. Interest rates in the call money market did not depend on the base rate. Only the limits on them, which are normally of no operative significance, are linked to the base rate.

The relative importance of the call money market as a channel of central bank credit steadily increased in the late 1970s and early 1980s, and with effect from the beginning of 1984 the base rate quotas were entirely replaced by call money market quotas. Since then, the base rate has served mainly as a reference rate. On the other side of the Bank of Finland's balance sheet, the rate of interest charged on cash reserve deposits is linked to the base rate, and it is currently the base rate less 25 basis points.

THE ROLE OF THE BASE RATE TODAY

Over the past few years, monetary policy in Finland has shifted from credit rationing towards a system based on market rates of interest. The Bank of Finland has almost completely deregulated bank lending rates. The most important monetary policy instruments are the Bank of Finland's open

TABLE 1. SHARES OF FINANCIAL ASSETS AND LIABILITIES LINKED TO THE BASE RATE
Per cent of each sector's total, at the end of September 1988

A. ASSETS

	Households	Enterprises	Central and local government	Banks	Other financial institutions
Time deposits	91	.	86	.	86
Bank lending (excl. housing)	.	.	.	50	.
Housing loans	.	.	97	90	97
Lending of other financial institutions	.	.	.	.	40
Share of assets linked to the base rate in all financial assets	63	4	46	64	40

B. LIABILITIES

	Households	Enterprises	Central and local government	Banks	Other financial institutions
Time deposits	.	.	.	90	.
Bank lending (excl. housing)	62	42	56	.	45
Housing loans	92	.	.	.	.
Lending of other financial institutions	90	40	1	.	.
Share of liabilities linked to the base rate in all liabilities	81	26	4	46	20

market operations, i.e. sales and purchases of certificates of deposit, supported by the cash reserve requirement and the base rate.

With the lifting of interest rate controls, the impact of changes in the base rate on interest rates on new credits has diminished. Nevertheless, the base rate is still important in that a change in it normally leads to corresponding changes in the interest rates on the bulk of outstanding bank loans linked to the base rate and on tax-free deposits subject to banks' interest rate agreements. Therefore, the base rate continues to exert a major influence on the household sector's interest income and expense.

According to preliminary estimations based on flow-of-funds statistics, at the end-September 1988 slightly less than half of banks' funding and about 60 per cent of their lending carried rates of interest linked to the base rate (see Table). The household sector's assets and liabilities are even

more closely tied to the base rate: about 80 per cent of all liabilities and 60 per cent of all assets. Most household debt is, of course, for financing housing.

The share of the corporate sector's outstanding assets and liabilities linked to the base rate is rapidly decreasing. Even so, at the end of September, about one quarter of all liabilities still bore interest rates linked to the base rate. As for the government sector, about half of all claims were linked to the base rate, but the share of liabilities was negligible. By far a more important channel through which changes in the base rate influence the government is their effect on tax deductions, and thereby on tax revenue.

Calculations based on these flow-of-funds statistics on financial assets and liabilities show that an increase of one percentage point in the base rate leads to an increase of 1/5 per cent in the household sector's disposable income, when tax exemption of interest expenditure is taken into account. The effect

on the corporate sector's interest costs is approximately FIM 1 billion, which is about 1/2 per cent of the wage and salary bill of this sector. According to the calculations, the interest income of banks and other financial institutions increase as a result of a rise in the base rate.

On May 16 this year, the base rate was actually raised by one percentage point to 8 per cent. According to new statistics compiled by the Bank of Finland on markka-denominated bank lending and interest rates, the change was transmitted immediately to interest rates linked to the base rate. Rates on new lending also increased, but by less than one percentage point.

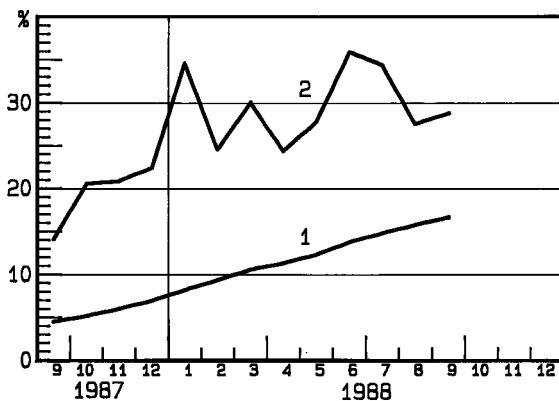
THE FUTURE ROLE OF BASE RATE

The importance of the base rate in the future will depend on to what degree the linkage of deposit rates to the base rate affects banks' lending rates. There are essentially two key issues here: first how widely new loans are actually linked to the base rate, either directly or through a deposit rate clause, and second, to what extent banks' funding linked to the base rate generally influence lending rates.

With effect from the beginning of 1989, interest rates on tax-free deposits will be more formally linked than before to the base rate. The new law on the tax exemption of deposits, and bonds states that interest income is tax-free in three cases: first, all deposits bearing a rate of interest which at most is the Bank of Finland's base rate less 4 percentage points; second, 24-month time deposits bearing an interest rate which at most is equivalent to the base rate less 2 percentage points; and third, 10-year bonds carrying a coupon which does not exceed the base rate less 1 percentage point.

Banks appear to be rapidly changing their lending be-

CHART 2.
BANK LENDING AT VARIABLE INTEREST RATES
LINKED TO MARKET RATES



1. As a percentage of all markka loans
2. New variable-rate-lending as a percentage of all new markka loans

haviour in favour of HELIBOR-linked loans (see Chart 2). After the Bank of Finland eased its recommendations on the interest rate linkages of housing and other loans in June this year, banks have eagerly begun to link housing loans to 3- and 5-year capital market rates calculated and published by

the Bank of Finland. Hence, portfolio shifts may occur very rapidly, and the base rate could lose its significance even faster than generally assumed.

December 1, 1988

REDUCTION IN THE BASE RATE AND WIDENING OF THE FLUCTUATION RANGE OF THE CURRENCY INDEX

In accordance with a proposal by the Board of Management of the Bank of Finland, the Parliamentary Supervisory Board decided, on November 30, to reduce the Bank of Finland's base rate from 8 to 7.5 per cent as from the beginning of next year. On the basis of a proposal by the Parliamentary Supervisory Board, the Government decided to widen the fluctuation range of the currency index from approximately 4.5 per cent to about 6 per cent while maintaining the middle point unchanged. Effective as from November 30, the new fluctuation limits are 100.5 and 106.8. The widening of the fluctuation range is intended to enhance the effectiveness of monetary policy without changing the basis for the fixed exchange rate policy.

THE CASH RESERVE SYSTEM

The Ministry of Finance and the Bank of Finland have agreed that the Ministry will set up a working group with the task of drawing up a proposal for a law governing the cash reserve deposits of financial institutions.

The current cash reserve system is based on an agreement between the Bank of Finland and the banks, and it has been in use since 1979. During this time, only minor amendments have been made to it.

The need for a more effective and broadly-based cash reserve system is becoming accentuated as the Bank of Finland's scope for exerting influence through economic policy is weakening in several other respects.

SECOND SUPPLEMENTARY BUDGET FOR 1988

At the end of November, the Government submitted the second supplementary budget for 1988 to Parliament. Total output, earnings and domestic demand have continued to grow at a rapid pace, resulting in a greater-than-expected increase in central government revenue. This has facilitated efforts to rectify the imbalance in central government finances. It has been possible to cut planned central government borrowing by FIM 2.6 billion, and total borrowing for 1988 is now estimated to be FIM 3.6 billion less than in the ordinary budget proposal. The proposed reduction in central government borrowing applies mainly to foreign borrowing. This supports the monetary and fiscal policy objectives of restricting the easing in domestic financial markets.

The increase in total revenue (incl. borrowing) in the second supplementary budget amounts to FIM 2.1 billion. The increase in tax revenue totals almost FIM 4 billion. The largest increase in tax revenue is attributable to sales tax receipts, which have risen by FIM 1.9 billion largely because of higher-than-expected growth in the value of domestic demand. In all, the two supplementary budgets for this year provide for an increase in central government tax revenue of FIM 7.5 billion on the ordinary budget. Income and wealth tax receipts are estimated to grow by a further FIM 0.6 billion.

Central government expenditure has also grown more

than expected. The second supplementary budget provides for additional outlays of FIM 2.1 billion. The largest increase, about FIM 0.6 billion, is earmarked for expenditure by the Ministry of Health. About FIM 0.3 billion is for additional outlays by the Ministry of Labour. Of this amount, FIM 0.2 billion is attributable to obligations under the Employment Act. Together, the two supplementary budgets provide for additional budgeted outlays of FIM 4.8 billion, which is about FIM 4.1 per cent of total expenditure in the ordinary budget proposal for this year.

In the ordinary budget proposal for 1988, the net borrowing requirement was estimated to be about FIM 5.9 billion. As a result of the revisions due to the supplementary budgets the central government net borrowing requirement has fallen to just over FIM 2 billion. This includes slightly more than FIM 1 billion borrowed back from the nuclear waste management fund, so that the underlying net borrowing requirement is about FIM 1 billion.¹

FINLAND'S BALANCE OF PAYMENTS IN JANUARY-SEPTEMBER 1988

According to the Bank of Finland's preliminary figures, the current account showed a deficit of FIM 11 374 million in January-September this year. The net inflow of long-term capital amounted to FIM 3 189 million and the net inflow of short-term capital to FIM 8 155 million. Thus the Bank of Finland's foreign exchange reserves decreased by FIM 29 million. In the corresponding period of 1987, the current account had shown a deficit of FIM 5 421 million.

Current account. Compiled on a balance-of-payment basis, the trade account registered a deficit of FIM 2 083 million in January-September, compared with a surplus of FIM 1 847 million in the corresponding period of 1987. Commodity exports grew by 4 per cent in value while the volume was the same as in the previous year. The volume of exports showed a marked increase in the paper industry and there were slight increases in the chemical, metal products and machinery industries. The value of commodity imports was up almost 11 per cent and the volume just over 9 per cent on the corresponding period last year. Consumer goods imports showed the fastest growth, up 24 per cent in volume on the previous year. Imports of raw materials and intermediate goods grew by 3 per cent in volume and imports of investment goods by 17 per cent in volume.¹

The services account registered a deficit of FIM 1 039 million in January-September. In the corresponding period of the previous year, the services account had shown a slight surplus. The

surplus on the transport account decreased from FIM 2 682 million to FIM 2 046 million. Travel income was the same as in the previous year while travel expenditure increased by 4 per cent, so that the travel account showed a deficit of FIM 2 363 million. In January-September last year, the travel account had shown a deficit of FIM 2 150 million. The "other services account" posted a deficit of FIM 722 million in January-September.

Interest payments on foreign loans amounted to FIM 11 595 million. With interest income on foreign assets amounting to FIM 5 478 million, the investment account showed a deficit of FIM 6 117 million in January-September. This was FIM 352 million more than in the corresponding period last year. The unrequited transfers account showed a deficit of FIM 1 805 million.

Capital account. Drawings of long-term loans amounted to FIM 20 311 million in January-September, which was FIM 4 079 more than in the corresponding period last year. The central government accounted for FIM 2 399 million of these. Repayments of long-term loans amounted to FIM 10 132 million. Drawings of long-term export credits granted to foreign customers amounted to FIM 1 198 million and repayments of outstanding export credits to FIM 923 million. Finnish net direct investment abroad totalled FIM 5 499 million and net direct investment in Finland FIM 233 million. The total net inflow of long-term capital amounted to FIM 3 189 million; this is an increase of FIM 3 510 million compared with the corresponding period last year.

The inflow of short-term capital (incl. errors and omissions) totalled FIM 8 155 million in January-September. Short-term liabilities related to imports increased by an estimated FIM 340 million, while net prepayments and receivables related to exports fell by FIM 1 410 million. The net short-term liability

¹ The nuclear waste management fund is an extra-budgetary fund, but is nevertheless included in central government finances. Nuclear power companies have deposited FIM 1.5 billion with the fund this year, and this amount is thus included in central government borrowing. Nuclear power companies are allowed to borrow back up to FIM 1.2 billion from the fund, and this amount, by contrast, is regarded as central government lending. The net borrowing requirement includes central government lending, but not central government borrowing. Hence, strictly speaking, the amount borrowed back from the fund is not included in the underlying central government borrowing requirement, as it has been accounted for in the gross borrowing items.

¹ The transitional effects caused by the introduction of the new commodity description and coding system in the compilation of the official foreign trade statistics at the beginning of 1988 have been excluded from the commodity trade values and the figures shown here follow the practice employed in the compilation of the balance-of-payments statistics.

of the authorized banks increased by FIM 6 105 million.

The foreign exchange reserves of the Bank of Finland decreased by FIM 29 million in January-September. The con-

vertible foreign exchange reserves decreased by FIM 380 million and tied currency claims increased by FIM 351 million. At the end of September, the convertible foreign ex-

change reserves of the Bank of Finland stood at FIM 28 365 million and tied currency claims at FIM 1 675 million.

At the end of September, Finland's net foreign debt totalled FIM 65 282 million; the net long-term debt amounted to FIM 61 590 million and the net short-term debt to FIM 3 692 million. The central government accounted for FIM 24 585 million of the net foreign debt.

MAJOR BALANCE OF PAYMENTS ITEMS JANUARY-SEPTEMBER 1988, MILLION FIM¹

	Receipts	Expenditure	Net
Trade (exports f.o.b., imports c.i.f.)	66 223	67 694	-1 471
Adjustment items	-1 299	-687	-612
Trade account	64 924	67 008	-2 083
Transport	4 860	2 814	2 046
Travel	2 931	5 295	-2 363
Other services	5 019	5 740	-722
Services account	12 810	13 849	-1 039
GOODS AND SERVICES ACCOUNT	77 734	80 856	-3 122
Investment income, net	5 478	11 595	-6 117
Unrequited transfers	558	2 363	-1 805
Other	1 945	2 275	-330
A. CURRENT ACCOUNT	85 715	97 088	-11 374
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits: ²			
drawings	-1 198	20 311	19 113
redemptions	923	-10 132	-9 209
Direct investment	-5 499	233	-5 266
Other long-term capital	-1 579	130	-1 449
B. LONG-TERM CAPITAL ACCOUNT	-7 353	10 542	3 189
BASIC BALANCE (A + B)			-8 185
Prepayments and liabilities related to imports			340
Prepayments and receivables related to exports	885	526	1 410
Short-term capital of authorized banks			6 105
Other short-term capital			-2 440
Errors and omissions			2 740
C. SHORT-TERM CAPITAL ACCOUNT			8 155
D. ALLOCATIONS OF SDRs			-
OVERALL BALANCE (A + B + C + D)			-29
Change in the foreign exchange reserves of the Bank of Finland			29
Assets: increase —, decrease +			
Liabilities: increase +, decrease —			

¹ Preliminary figures.

² Assets include export credits only.

PUBLICATION OF THE BANK OF FINLAND

The Bank of Finland's publication "Finnish Bond Issues" has been published as a trilingual edition in Finnish, Swedish and English. The book comprises two volumes. Volume 1 contains a description of developments in the bond market in the 1980s and during 1987 as well as aggregate data on new and outstanding issues. Volume 2 contains data on all bonds issued in 1987 by Finnish borrowers in Finland and abroad and by foreign borrowers in the Finnish market.

The Finnish bond market has expanded rapidly in the 1980s. The stock of bonds denominated in markkaa and foreign currencies grew from FIM 33 billion at the beginning of the decade to FIM 136 billion at the end of 1987.

Growth in new issue activity turned down in 1987. In markka terms, the total value of new domestic and foreign bond issues was slightly less than in the previous year. In all, the value of domestic bonds issued last year amounted to FIM 22 335 million and that of foreign bonds to FIM 15 469 million.

At the end of 1987, the total outstanding stock of domestic bonds amounted to about FIM 82 billion while that of foreign bonds amounted to the equivalent of some FIM 54 billion.

Helsinki 1988. 87+190 pp.
ISBN 951-686-166-0. ISSN 0781-4437.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM FEBRUARY 1988 TO JANUARY 1989

1988

FEBRUARY

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.3 per cent to 5.7 per cent of the cash reserve base in February.

MARCH

Refinancing of crop failure loans.

With effect from March 1, 1988, the Bank of Finland starts granting deposit banks one-year loans for refinancing their crop failure loans. The rate of interest on the refinancing loans, which is tied to the base rate, is 8 per cent. These loans can be granted up to 80 per cent of the total amount of the crop failure loans granted by each bank.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.7 per cent to 5.9 per cent of the cash reserve base in March.

APRIL

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.9 per cent to 6.5 per cent of the cash reserve base in April.

MAY

Interest rate policy.

The Bank of Finland raises its base rate from 7.0 per cent to 8.0 per cent as from May 16, 1988.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement

from 6.5 per cent to 7.0 per cent of the cash reserve base in May.

AUGUST

Foreign Exchange Regulations.

The Bank of Finland relaxes the foreign exchange regulations concerning foreign investments as from August 1, 1988. Private individuals and companies may acquire publicly quoted foreign securities up to the total value of FIM 300 000 as against FIM 50 000 previously. The upper limit for investment in dwellings and real estate will be raised from FIM 600 000 to FIM 1 million. Direct investments by non-financial companies no longer require prior authorization.

Till-money credits. The Bank of Finland introduces new regulations concerning till-money credits according to which the banks are henceforth required to fund part of their till-money holdings, the base amount, themselves. Interest-free till-money credits are equivalent to the banks' markka till-money holdings less the base amount. The base amount is defined on the basis of the currency held by the public. This amount is divided among the banks entitled to till-money credit in proportion to their deposit and savings accounts. As a result of the measure, the bank's liquidity position vis-à-vis the central bank is tightened by about FIM 1 billion.

SEPTEMBER

Export deposits. The Government decides to levy export deposits of 4.5 per cent on semi-bleached and bleached sulphate pulp exported during the period September 23, 1988 to September 22, 1989. The deposits are to be made with the Bank of Finland, which will pay interest at the rate of 7.25 per cent on them.

OCTOBER

Call money market. The differential between the call money deposit rate and the call money credit rate is widened with effect from October 6, 1988. The rate on call money credits is raised from 11 per cent to 13 per cent while the rate on call money deposits is lowered from 7.5 per cent to 4 per cent.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 7.0 per cent to 7.3 per cent of the cash reserve base in October.

NOVEMBER

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 7.3 per cent to 7.6 per cent of the cash reserve base in November.

Currency index. On the proposal of the Parliamentary Supervisory Board, the Government decides to widen the fluctuation range of the Bank of Finland's currency index from approximately 4.5 per cent to about 6 per cent while

keeping the middle point unchanged. Effective as from 30 November, the new fluctuation limits are 100.5 and 106.8.

1989

JANUARY

Base rate. The Bank of Finland's base rate is lowered from 8 to 7.5 per cent as from January 1.

KTR credits. As from the beginning of 1989, the Bank of Finland discontinues the financing of credits under the scheme for financing domestic suppliers' credits.



LAND, CLIMATE AND POPULATION

Finland covers an area of more than 338 000 square kilometres (1986). The total area is slowly increasing because of the steady uplift of the land since the last glacial era. The country shares frontiers with Sweden in the west, Norway in the north and the Soviet Union in the east and has a coastline bordered by the Baltic Sea in the south and west. Agricultural land accounts for 8 % of the total area, forest and other wooded land for 69 % and inland waters for 10 %. Located between latitudes 60° and 70° north, Finland has warm summers and cold winters. Helsinki on the south coast has an average maximum temperature of 22° C (72° F) in July and -4° C (25° F) in February.

Finland has a population of 4 939 000 (Dec. 31, 1987) and an average population density of 16.2 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 490 000 inhabitants, Tampere (Tammerfors) 170 000 and Turku (Åbo) 160 000.

There are two official languages: 93.6 % of the population speaks Finnish as its mother tongue and 6.1 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

FORM OF GOVERNMENT

Finland is a parliamentary democracy with a republican constitution. From the twelfth century to 1809 Finland was part of the Kingdom of Sweden. In 1809, Finland was annexed to Russia as an autonomous Grand Duchy with the Tsar as Grand Duke. On December 6, 1917 Finland declared her independence. The republican constitution adopted in 1919 remains essentially unchanged today.

The legislative power of the country is exercised by Parliament and the President of the Republic. The supreme executive power is vested in the President, who is elected for a period of six years. The President for the current term, March 1, 1988 to March 1, 1994, is Dr. Mauno Koivisto.

Parliament, comprising 200 members, is elected by universal suffrage for a period of four years. Following the parliamentary elections of 1987, the seats of the various parties in Parlia-

ment are distributed as follows: Social Democratic Party 56; National Coalition Party 53; Centre Party 40; People's Democratic League 16; Swedish People's Party 13; Rural Party 9; Christian League 5; the Greens 4; and the Democratic Alternative 4.

Of the 18 ministerial posts in the present government appointed in May 1987, 8 are held by Social Democrats, 7 by the National Coalition Party, 2 by the Swedish People's Party and 1 by the Rural Party. The Prime Minister is Mr. Harri Holkeri of the National Coalition Party.

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

INTERNATIONAL RELATIONS

Finland pursues a policy of neutrality in foreign affairs, and enjoys friendly relations with all European countries and countries elsewhere. Finland's development cooperation programmes channel assistance via international organizations and, bilaterally, to a number of African, Asian and Latin American countries.

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

Having abolished most quantitative restrictions on foreign trade in 1957, Finland first took part in European free trade arrangements under the auspices of EFTA in 1961. Imports from the USSR were also progressively freed from customs duties. Finland's free trade agreement with the EEC entered into force in 1974 and agreements for the removal of trade barriers were concluded with several eastern European countries as well. Citizens of the five Nordic countries, Denmark, Finland, Iceland, Norway and Sweden, have enjoyed a common labour market, a passport union and reciprocal social security benefits since the mid-1950s.

THE ECONOMY

Output and employment. The Finnish economy is essentially based on private enterprise, with over 80 % of

manufacturing output and some 90 % of banking services produced by private companies. Of the gross domestic product of FIM 347 billion in basic values in 1987, 3 % was generated in agriculture and fishing, 3 % in forestry, 27 % in industry, 8 % in construction, 12 % in trade, restaurants and hotels, 8 % in transport and communications, 5 % in finance and insurance, 17 % in other private services and 17 % by producers of government services. Of total employment, 10 % was engaged in primary production, 31 % in industry and construction and 59 % in services.

In 1987, expenditure on the gross domestic product in purchasers' values amounted to FIM 394 billion and was distributed as follows: net exports 0.4 % (exports 25.2 %, imports -24.8 %), gross fixed capital formation 23 %, private consumption 54 % and government consumption 21 %. Finland's gross tax ratio (gross taxes in relation to GDP) was 36 % and the net tax ratio (net taxes in relation to GDP) 23 %, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.9 % in the period 1950-60, 4.8 % in 1960-70, 3.5 % in 1970-80, 3.0 % in 1980-87 and 4.2 % in 1950-87. Finland's GDP per capita in 1987 was USD 18 100; this put Finland in ninth place among the 24 member countries of the OECD, preceded by Switzerland, Japan, the Federal Republic of Germany, the United States and the other Nordic countries.

Foreign trade. Over 80 % of Finland's trade is carried on with market economies, the most important among which are Sweden, the Federal Republic of Germany, the United Kingdom, the United States, France and Japan. Bilateral trade with the Soviet Union, which is conducted at world market prices, dominates Finland's trade with socialist countries. Finland imports mainly oil and other energy products from the Soviet Union, while her exports consist primarily of manufactured goods.

In 1987, the share of metal and engineering products in total merchandise exports was 38 %, the share of forest industry products 40 % and the share of other goods 22 %. Raw materials and intermediate goods (incl. crude oil) accounted for 57 % of merchandise imports, fuels for 5 %, invest-

ment goods for 17% and consumption goods for 21 %.

Forest resources. Finland has fairly abundant forest resources, but only limited amounts of other raw materials. The growing stock comprises 1 660 million cubic metres, of which 45 % is pine, 37 % spruce and 18 % broad-leaved species, chiefly birch. The annual growth increment totals 68 million cubic metres and the total drain calculated on the basis of commercial fellings was 54 million cubic metres in 1987.

Energy. In 1987, gross consumption of primary energy amounted to 29 Mtoe, of which industry accounted for 45 %, heating for 24 %, transportation for 13 % and other purposes for 18 %. The sources of primary energy in 1987 were as follows: oil 33 %, coal 12 %, nuclear power 16 %, hydro-electric power, peat and other indigenous sources 30 %, others 9 %. Compared internationally (1985), Finland's consumption of 5.5 toe per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (OECD definition) in Finland was 42 %, as compared with 62 % in western Europe on average.

FINANCE AND BANKING

Currency. Since 1865 Finland has had its own monetary system. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a trade-weighted currency index. As from Jan. 1, 1984 only convertible currencies have been included in the index. Since November 30, 1988, the index has been permitted to fluctuate within a range of 6 percentage points (previously 4.5). The range is defined by fluctuation limits which are set by the Government at the proposal of the Bank of Finland. The present fluctuations limits are 100.5 and 106.8 (1982 = 100), where the lower limit means the highest permissible value for the markka and the upper limit the lowest permissible value.

International payments. The use of the markka in foreign trade and as a eurocurrency has increased, but most international payments are effected in other currencies. Finland adopted Article VIII status at the International Monetary Fund in 1979. There are no restrictions concerning payments for merchandise or invisibles, and short-term trade finance may be acquired whenever exporters and importers see fit. Exchange controls apply mainly to financial transactions.

Outward direct investment is permitted without the Bank of Finland's authorization except in the case of direct investments by or in enterprises in the financial sector, direct investments in countries with which Finland maintains payments agreements and direct investments by private individu-

als. Permission for inward direct investment is granted liberally. Foreign investors may also buy shares of listed Finnish companies; however, foreign investment in markka-denominated bonds is normally prohibited at present. Finnish companies may freely raise foreign credits of at least five years' duration for their own use. Finnish residents may invest in foreign securities and real estate up to specified amounts.

Transactions with the Soviet Union, the German Democratic Republic and Bulgaria are carried out on a bilateral basis and payments are effected through clearing accounts. The necessary licencing of trade for maintaining balance in bilateral trade is carried out by the Export and Import Permits Office; the scope for suppliers' credits is also limited.

The Central Bank. The Bank of Finland (Suomen Pankki - Finlands Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board of Management are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance, open market operations, intervention in the foreign exchange market, determination of the external value of the currency within the fluctuation limits, direct lending and permits for international capital transactions. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 12 branch offices in other towns.

Other banks (Dec. 31, 1987). Finland has four major groups of deposit banks with a total of more than 3 500 offices. There are two big commercial banks with national branch networks and eight smaller ones, four of which are foreign-owned. The commercial banks have a total of 30 foreign branches, subsidiaries and associate banks and 30 representative offices abroad. There are 230 savings banks and 369 cooperative banks with their own extensive branch networks. The government-owned Postipankki has 56 branches and also offers basic services in post offices.

Financial markets. Of the total stock of FIM 487 billion in outstanding domestic credit at the end of 1987, 60 % was provided by deposit banks, 4 % by mortgage banks, 17 % by insurance companies, 8 % by other credit institutions and 11 % by the state, local authorities and social security funds.

There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 72 % of the instruments, which totalled approximately FIM 102 billion at end-September 1988, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds intermediated through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 52 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 79 billion (at end-1987). Three foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1987 totalled FIM 85 billion; government bonds made up 35 % of the total. Turnover on the Stock Exchange in 1987 amounted to FIM 31 billion; the share of shares and subscription rights in the total was approximately 85 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND, MILL. FIM

	1987		1988			
	Nov. 31	Dec. 31	Nov. 8	Nov. 15	Nov. 23	Nov. 30
ASSETS						
Gold and foreign currency claims	28 629	28 739	29 563	29 310	29 476	29 306
Gold	2 081	2 128	2 128	2 128	2 128	2 128
Special drawing rights	961	899	1 008	1 010	1 012	1 011
IMF reserve tranche	793	793	924	916	940	939
Convertible currencies	23 637	23 634	23 690	23 486	23 825	23 769
Tied currencies	1 156	1 284	1 812	1 770	1 571	1 458
Other foreign claims	4 377	4 357	4 206	4 197	4 163	4 157
Markka subscription to Finland's IMF quota	2 455	2 427	2 271	2 271	2 247	2 247
Term credit	1 922	1 930	1 935	1 926	1 917	1 911
Claims on financial institutions	5 219	5 147	12 190	11 696	11 526	12 255
Call money credits	55	0	2	155	2	222
Certificates of deposit	—	—	6 013	5 473	5 425	5 907
Till-money credits	2 538	2 730	2 563	2 466	2 489	2 516
Financing of crop failure loans	—	—	1 222	1 222	1 222	1 222
Bonds	2 196	2 140	2 121	2 117	2 117	2 117
Other claims on financial institutions	430	277	271	263	270	271
Claims on the public sector	971	977	1 044	1 044	1 044	1 064
Treasury notes and bills	—	—	19	19	19	39
Bonds	4	4	4	4	4	4
Total coinage	967	967	1 021	1 021	1 021	1 021
Other claims on the public sector	—	6	—	—	—	—
Claims on corporations	3 798	3 678	3 103	3 080	3 081	3 055
Financing of exports	922	868	500	490	475	461
Financing of domestic deliveries (KTR)	2 631	2 568	2 269	2 257	2 273	2 263
Bonds: KTR-credits	8	13	121	120	120	120
Bonds: Other	46	46	32	32	32	31
Other claims on corporations	190	182	181	180	180	180
Other assets	105	592	110	110	110	116
Accrued items	—	487	—	—	—	—
Other assets	105	105	110	110	110	116
Total	43 099	43 489	50 217	49 438	49 401	49 953
LIABILITIES						
Foreign currency liabilities	151	135	160	146	150	133
Convertible currencies	62	63	46	29	29	15
Tied currencies	89	72	114	116	120	118
Other foreign liabilities	3 246	3 226	3 079	3 071	3 047	3 046
IMF markka accounts	2 455	2 427	2 271	2 271	2 247	2 247
Allocations of special drawing rights	791	799	808	801	800	800
Notes and coin in circulation	9 218	9 990	10 537	10 529	10 502	10 563
Notes	8 372	9 117	9 623	9 612	9 582	9 638
Coin	847	873	914	917	920	925
Certificates of deposit	5 817	4 970	1 930	1 910	1 720	1 690
Liabilities to financial institutions	12 690	11 766	18 048	17 409	17 689	18 225
Call money deposits	1 625	757	670	33	310	57
Cash reserve deposits	11 024	10 941	17 328	17 328	17 328	18 112
Capital import deposits	—	—	—	—	—	—
Other liabilities to financial institutions	42	67	50	49	51	56
Liabilities to the public sector	1	901	1 575	1 578	1 581	1 581
Cheque accounts	0	1	1	1	1	0
Counter-cyclical fund deposit	—	900	900	900	900	900
Counter-cyclical deposits	—	—	674	676	676	676
Export deposits	—	—	—	—	3	4
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	0	1	1	1	1
Liabilities to corporations	5 009	5 009	6 695	6 694	6 684	6 685
Deposits for investment and ship purchase	4 793	4 799	6 351	6 350	6 340	6 338
Capital import deposits	205	209	333	333	333	336
Other liabilities to corporations	10	2	11	11	11	11
Other liabilities	28	757	49	46	46	41
Accrued items	—	733	—	—	—	—
Other liabilities	28	24	49	46	46	41
Valuation account and reserves	1 010	1 247	2 656	2 567	2 495	2 501
SITRA's capital	400	400	400	400	400	400
Capital accounts	5 529	5 088	5 088	5 088	5 088	5 088
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	529	529	88	88	88	88
Profit/loss for the accounting year	—	-440	—	—	—	—
Total	43 099	43 489	50 217	49 438	49 401	49 953

1.2 TIME SERIES FOR THE BALANCE SHEET ITEMS OF THE BANK OF FINLAND,

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible currencies, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net Liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
1983	1 383	226	751	5 150	7 510	550	8 060	-794	7 266	2 178	3 000	822
1984	1 732	936	859	15 303	18 830	-337	18 493	-917	17 576	1 951	4 277	2 326
1985	2 081	931	775	18 572	22 359	-285	22 074	-849	21 225	1 023	4 300	3 277
1986	2 081	983	793	6 778	10 635	3 421	14 056	-838	13 218	1 002	2 001	999
1987	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
1987												
Nov.	2 081	961	793	23 575	27 410	1 067	28 477	1 131	29 608	971	1	-970
Dec.	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
1988												
Jan.	2 128	879	768	24 076	27 851	2 195	30 046	1 125	31 171	979	901	-78
Feb.	2 128	1 107	792	24 059	28 086	2 257	30 343	1 123	31 466	982	901	-81
March	2 128	1 015	779	24 683	28 605	2 243	30 848	1 115	31 963	986	901	-85
April	2 128	1 065	842	26 112	30 147	3 023	33 170	1 109	34 279	989	901	-88
May	2 128	1 078	814	27 806	31 826	3 269	35 095	1 119	36 214	995	901	-94
June	2 128	1 132	956	30 054	34 270	2 399	36 669	1 146	37 815	997	1 237	240
July	2 128	923	964	29 260	33 275	2 875	36 150	1 163	37 313	997	1 246	249
Aug.	2 128	1 025	947	25 057	29 157	2 733	31 890	1 158	33 048	999	1 249	250
Sept.	2 128	1 022	945	24 270	28 365	1 675	30 040	1 149	31 189	1 011	1 566	555
Oct.	2 128	1 008	922	23 638	27 696	1 818	29 514	1 134	30 648	1 044	1 575	531
Nov.	2 128	1 011	939	23 754	27 832	1 340	29 172	1 111	30 283	1 064	1 581	517

End of period	Domestic financial sector						Corporate sector				
	Term claims on deposit banks	Call money claims on deposit banks, net	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to financial institutions, net	Net claims (13+14-15+16-17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19-20)	Notes and coins in circulation	Out-standing CDs issued by the Bank of Finland
	13	14	15	16	17	18	19	20	21	22	23
1983	.	5 175	5 039	942	-1 998	3 076	4 529	1 282	3 247	6 574	.
1984	.	2 802	8 696	1 563	-1 618	-2 713	4 646	2 614	2 032	7 442	.
1985	.	4 014	10 222	1 925	-1 386	-2 897	4 525	4 113	412	8 072	.
1986	2 381	6 687	9 270	2 305	-2 240	4 343	4 581	4 757	-176	8 668	.
1987	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970
1987											
Nov.	-	-1 570	11 024	2 538	-2 584	-7 472	3 561	4 772	-1 211	9 219	5 817
Dec.	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970
1988											
Jan.	-	-1 295	11 085	2 424	-2 364	-7 592	3 462	4 799	-1 337	9 406	6 085
Feb.	-	297	12 084	2 596	-2 346	-6 845	3 429	4 799	-1 370	9 388	7 120
March	-	598	13 211	2 521	-3 149	-6 943	3 350	4 774	-1 424	9 720	7 285
April	-	142	13 778	2 608	-3 121	-7 907	3 327	5 161	-1 834	9 794	8 345
May	-	-720	15 363	2 976	-3 504	-9 603	3 233	5 333	-2 100	10 142	7 625
June	-	1 094	17 040	3 006	-3 499	-9 441	3 129	5 929	-2 800	10 461	7 015
July	1 525	-661	17 487	2 875	-3 484	-10 264	3 131	6 203	-3 072	10 443	4 810
Aug.	4 399	421	17 612	2 042	-3 496	-7 254	3 047	6 320	-3 273	10 253	3 450
Sept.	5 506	-48	17 464	2 170	-3 591	-6 245	2 965	6 385	-3 420	10 617	1 790
Oct.	5 605	-394	17 328	2 559	-3 569	-5 989	2 908	6 471	-3 563	10 513	1 930
Nov.	5 907	165	18 112	2 516	-3 554	-5 970	2 844	6 474	-3 630	10 563	1 690

2. THE BANK OF FINLAND'S MONEY MARKET OPERATIONS AND THE FORWARD MARKET

2.1 THE BANK OF FINLAND'S MONEY MARKET OPERATIONS AND THE CALL MONEY MARKET, MILL. FIM

During period	Purchases of certificates of deposit	Sales of certificates of deposit	Matured certificates of deposit, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
1983	.	.	.	.	2 659	-860	3 519
1984	.	.	.	.	-767	1 606	-2 373
1985	.	.	.	.	201	-1 011	1 212
1986	.	.	.	.	1 599	-1 074	2 673
1987	1 263	23 658	-17 520	-4 875	-6 818	626	-12 319
1987							
Nov.	—	3 390	-3 785	395	6	1 466	-1 065
Dec.	—	2 910	-3 805	895	-55	-868	1 708
1988							
Jan.	160	3 915	-2 640	-1 115	2	540	-1 653
Feb.	—	3 955	-2 920	-1 035	295	-1 297	557
March	—	2 550	-2 385	-165	337	36	136
April	—	3 600	-2 540	-1 060	-217	239	-1 516
May	—	2 280	-2 820	540	-385	477	-322
June	—	2 210	-2 820	610	1 169	-645	2 424
July	1 560	—	-2 205	3 765	-1 201	554	2 010
Aug.	3 520	—	-1 190	4 710	457	-625	5 792
Sept.	1 160	210	-1 810	2 760	-415	54	2 291
Oct.	1 470	470	1 000	—	-32	314	-346
Nov.	2 970	—	2 380	590	212	-347	1 149

2.2 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies			Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
1	2	3	4	5	6	
1983	7541	1227	6314	-1688	-2290	2335
1984	22921	1394	21527	2002	-19962	3566
1985	16982	1733	15249	708	-9005	6951
1986	11446	1319	10127	-2461	-92	7574
1987	21671	1158	20513	-233	-1287	18994
1987						
Oct.	20358	1178	19181	284	-2116	17349
Nov.	20714	1632	19081	85	-1633	17533
Dec.	21671	1158	20513	-233	-1287	18994
1988						
Jan.	21189	1051	20138	1145	-612	20671
Feb.	19699	1093	18606	1816	-264	20158
March	19494	1171	18323	3112	-264	21171
April	19397	1542	17855	4052	-648	21259
May	18451	1500	16952	6672	-687	22937
June	18669	1474	17195	4557	-606	21146
July	18309	1505	16805	4678	-201	21282
Aug.	19248	1479	17769	2147	-	19916
Sept.	19282	1847	17435	6712	-1216	22930
Oct.	18420	1998	16422	7072	-958	22536

2.3 BANKS' CENTRAL BANK POSITION, MILL. FIM

Average of daily observations	Call money credits	Bank CDs held by the Bank of Finland	Gross debt to the Bank of Finland (1+2)	Call money deposits	Holdings of CDs issued by the Bank of Finland	Cash reserve deposits	Gross claim on the Bank of Finland (4+5+6)	Net position (3-7)
	1	2	3	4	5	6	7	8
1983	4131	.	4131	1407	.	4337	5744	-1613
1984	3176	.	3176	3215	.	6324	9539	-6364
1985	5812	.	5812	4527	.	9578	14105	-8293
1986	7117	120	7237	1256	.	9189	10445	-3208
1987	481	1581	2062	703	4705	10092	15501	-13439
1987								
Nov.	36	-	36	679	5897	10985	17561	-17524
Dec.	10	-	10	909	5101	11021	17031	-17021
1988								
Jan.	9	6	15	1081	5653	10955	17690	-17675
Feb.	15	-	15	546	7583	11114	19242	-19227
March	68	-	68	496	7116	12123	19735	-19668
April	122	-	122	659	7752	13248	21659	-21537
May	35	-	35	1247	7594	13887	22728	-22693
June	47	-	47	1306	7620	15419	24344	-24297
July	373	617	990	411	5883	17083	23377	-22387
Aug.	377	2804	3181	196	3955	17491	21642	-18462
Sept.	101	5006	5107	483	2389	17607	20479	-15372
Oct.	52	5543	5594	371	1851	17459	19681	-14087
Nov.	120	5677	5796	346	1846	17354	19545	-13749

3. RATES OF INTEREST

3.1 MONEY MARKET RATES AND RATES APPLIED BY THE BANK OF FINLAND, PER CENT

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates			Cash reserve requirement
		1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	
1983						15.37	14.87	9.00	4.3
1984						16.53	16.53	9.50	5.4
1985						13.37	13.37	9.04	5.6
1986	11.87					13.43	11.34	7.42	4.8
1987	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8
1987									
Nov.	8.35	9.30	9.48	9.64	10.01	11.00	7.50	7.00	4.9
Dec.	8.01	9.15	9.25	9.44	9.79	11.00	7.50	7.00	4.9
1988									
Jan.	8.09	9.07	9.21	9.35	9.71	11.00	7.50	7.00	4.9
Feb.	8.20	9.09	9.22	9.35	9.67	11.00	7.50	7.00	5.3
March	8.62	9.61	9.72	9.84	10.11	11.00	7.50	7.00	5.7
April	8.26	9.35	9.47	9.64	10.03	11.00	7.50	7.00	5.9
May	8.13	9.26	9.47	9.68	10.10	11.00	7.50	7.52	6.5
June	8.01	8.70	9.06	9.36	9.85	11.00	7.50	8.00	7.0
July	9.05	9.38	9.47	9.64	10.00	11.00	7.50	8.00	7.0
Aug.	9.97	9.96	10.00	10.13	10.42	11.00	7.50	8.00	7.0
Sept.	8.51	10.34	10.48	10.58	10.68	11.00	7.50	8.00	7.0
Oct.	7.88	10.34	10.68	10.96	11.31	12.83	4.34	8.00	7.0
Nov.	8.24	10.85	11.26	11.56	11.93	13.00	4.00	8.00	7.3

3.2 WEIGHTED EURORATE (3 AND 12 CURRENCIES), PER CENT

Average of daily observations	3 currencies ¹				12 currencies ²			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
1983	7.0	7.1	7.3	7.6	..	..	..	..
1984	7.5	7.7	8.0	8.2	..	..	..	..
1985	6.8	6.9	7.0	7.2	..	..	..	..
1986	5.9	5.9	5.9	5.8	..	..	..	..
1987	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
1987								
Nov.	5.3	5.6	5.6	5.8	7.7	7.9	8.0	8.1
Dec.	5.5	5.5	5.5	5.7	7.7	7.8	7.9	8.1
1988								
Jan.	4.9	5.1	5.2	5.5	7.2	7.5	7.7	7.9
Feb.	5.0	5.0	5.1	5.3	7.2	7.4	7.5	7.7
March	5.0	5.0	5.1	5.4	7.3	7.4	7.5	7.7
April	5.0	5.1	5.2	5.5	7.2	7.3	7.5	7.8
May	5.0	5.2	5.5	5.8	7.3	7.5	7.6	7.9
June	5.5	5.6	5.8	6.1	7.5	7.6	7.7	8.0
July	6.2	6.5	6.7	6.8	7.9	8.2	8.3	8.5
Aug.	6.7	6.9	7.2	7.3	8.2	8.5	8.8	8.9
Sept.	6.6	6.8	7.0	7.1	8.4	8.5	8.7	8.8
Oct.	6.6	6.8	6.9	6.9	8.3	8.5	8.6	8.6
Nov.	6.7	6.9	7.0	7.0	8.5	8.6	8.7	8.7

3.3 COVERED EURO-DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
	1983
1984	..	..	..	..
1985	12.9	12.8	12.8	12.6
1986	12.1	11.7	11.5	11.1
1987	9.8	9.9	9.9	10.1
1987				
Nov.	9.2	9.4	9.5	9.9
Dec.	9.1	9.1	9.3	9.5
1988				
Jan.	8.8	9.0	9.1	9.5
Feb.	9.0	9.1	9.2	9.5
March	9.6	9.7	9.7	9.9
April	9.3	9.4	9.6	9.9
May	9.2	9.4	9.6	10.0
June	8.7	9.0	9.3	9.8
July	9.3	9.4	9.6	9.9
Aug.	9.9	9.9	10.1	10.4
Sept.	10.2	10.4	10.4	10.6
Oct.	10.2	10.5	10.8	11.0
Nov.	10.6	11.0	11.3	11.6

¹ DEM 60 per cent, USD 30 per cent, GBP 10 per cent.

² Weighted according to their relative shares in the Bank of Finland currency index.

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

End of period	Lending						Deposits								
	New credits ¹				Average leading rate	Of which: Commercial banks	Savings accounts and ordinary deposit accounts	12-month time deposits	24-month time deposits	Average rate of interest on regulated deposits	Average rate of interest on unregulated deposits	Average rate of interest on total deposits			
Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total	1									2	3	4	5	6	7	8	9	10	11	12
1983	..	..	..	..	10.39	10.18	5.25	8.00	9.25	6.08	13.55	..			
1984	..	..	..	..	10.67	10.68	5.25	8.00	9.25	6.22	15.43	7.30			
1985	11.49	12.61	10.34	11.08	10.37	10.37	4.75	7.50	8.75	5.91	13.24	6.81			
1986	10.89	12.45	9.86	10.72	8.82	8.81	2.75	5.75	7.00	4.43	11.84	5.35			
1987	10.68	11.95	9.81	10.23	9.12	8.99	2.75	5.75	7.00	4.56	10.13	5.29			
1987															
Oct.	10.65	12.22	10.03	10.49	9.08	8.97	2.75	5.75	7.00	4.50	9.69	5.34			
Nov.	10.58	12.15	10.01	10.54	9.12	9.02	2.75	5.75	7.00	4.50	9.64	5.36			
Dec.	10.68	11.95	9.81	10.23	9.12	8.99	2.75	5.75	7.00	4.56	9.61	5.40			
1988															
Jan.	10.27	12.21	9.82	10.25	9.15	9.03	2.75	5.75	7.00	4.57	9.51	5.38			
Feb.	9.56	11.82	10.04	10.24	9.17	9.05	2.75	5.75	7.00	4.55	9.43	5.40			
March	9.87	12.17	10.23	10.42	9.20	9.07	2.75	5.75	7.00	4.57	9.49	5.52			
April	9.17	12.09	10.27	10.16	9.25	9.12	2.75	5.75	7.00	4.59	9.54	5.56			
May	12.31	12.33	10.63	11.01	10.03	9.89	3.75	6.75	8.00	5.39	9.51	6.22			
June	10.28	12.50	10.55	10.78	10.07	9.89	3.75	6.75	8.00	5.37	9.46	6.20			
July	11.29	12.60	10.72	11.08	10.08	9.91	3.75	6.75	8.00	5.45	9.44	6.30			
Aug.	11.04	12.55	10.75	11.07	10.12	9.95	3.75	6.75	8.00	5.48	9.63	6.42			
Sept.	12.24	12.53	10.81	11.14	10.19	10.06	3.75	6.75	8.00	5.56	9.83	6.56			
Oct.	11.97	12.53	10.82	11.16	10.29	10.15	3.75	6.75	8.00	5.59	10.09	6.63			

¹Average rate of interest for period

3.5 RATES OF INTEREST ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market rates						Rates at issue		
	Long-term unregulated market rate		Taxable government bonds	Taxable public issues	Of which:		Taxfree public issues	Taxable public issues	Taxfree public issues
	3 years	5 years			Financial institutions	Corporations			
	1	2	3	4	5	6	7	8	9
1983	..	..	..	13.1	..	..	10.3	13.1	10.9
1984	..	..	..	14.0	..	..	10.6	13.6	11.1
1985	..	..	..	12.7	..	..	10.1	12.7	10.6
1986	..	..	..	11.7	..	..	8.3	11.3	8.8
1987	..	..	..	11.2	11.1	11.2	8.1	10.7	7.9
1987									
Oct.	..	..	..	10.9	11.0	10.9	8.1	10.4	7.8
Nov.	..	..	10.5	10.8	10.7	10.8	8.0	10.1	7.6
Dec.	10.3	10.4	10.4	10.5	10.4	10.5	7.8	10.2	7.7
1988									
Jan.	10.2	10.3	10.5	10.4	10.2	10.2	7.7	10.5	7.4
Feb.	10.2	10.3	9.9	10.6	10.3	10.8	7.7	10.0	7.5
March	10.4	10.5	10.0	10.4	10.4	10.4	7.8	10.2	7.4
April	10.4	10.6	10.0	10.4	10.3	10.4	7.6	10.1	7.4
May	10.5	10.6	10.3	10.5	10.5	10.5	7.7	10.1	7.2
June	10.3	10.5	10.3	10.4	10.3	10.5	7.8	10.4	7.2
July	10.3	10.5	10.6	10.4	10.4	10.6	8.1	9.8	7.2
Aug.	10.5	10.7	10.7	10.6	10.5	10.7	8.0	10.5	7.2
Sept.	10.7	10.8	10.6	10.7	10.8	10.5	8.2	10.7	7.2
Oct.	11.2	11.3	10.8	10.6	10.6	10.6	7.8	10.3	7.2

4. RATES OF EXCHANGE

4.1 AVERAGE SPOT SELLING RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt a.M.	Amsterdam	Brussels	
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLO	1 BEC	1 BEL
	1	2	3	4	5	6	7	8	9	10	11
1983	5.570	4.524	8.456	6.957	0.7275	0.7644	0.6107	2.1861	1.9566	0.10934	0.10742
1984	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274
1985	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421
1986	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299
1987	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	0.11735
1987											
Nov.	4.138	3.151	7.354	6.551	0.6827	0.6462	0.6382	2.4617	2.1875	0.11772	0.11722
Dec.	4.043	3.096	7.399	6.584	0.6813	0.6352	0.6422	2.4753	2.1998	0.11837	0.11785
1988											
Jan.	4.036	3.143	7.288	6.505	0.6775	0.6373	0.6369	2.4456	2.1764	0.11702	0.11669
Feb.	4.120	3.251	7.249	6.473	0.6819	0.6435	0.6355	2.4290	2.1632	0.11622	0.11597
March	4.053	3.247	7.426	6.463	0.6822	0.6410	0.6313	2.4160	2.1513	0.11557	0.11527
April	4.010	3.251	7.530	6.414	0.6821	0.6470	0.6250	2.3984	2.1379	0.11469	0.11409
May	4.030	3.263	7.541	6.370	0.6837	0.6530	0.6220	2.3811	2.1249	0.11406	0.11338
June	4.163	3.422	7.437	6.382	0.6853	0.6547	0.6255	2.3781	2.1157	0.11375	0.11320
July	4.383	3.634	7.489	6.403	0.6925	0.6548	0.6263	2.3806	2.1111	0.11378	0.11273
Aug.	4.469	3.660	7.601	6.369	0.6910	0.6498	0.6198	2.3692	2.0986	0.11314	0.11162
Sept.	4.427	3.611	7.462	6.371	0.6885	0.6419	0.6183	2.3732	2.1034	0.11325	0.11181
Oct.	4.315	3.582	7.492	6.349	0.6883	0.6401	0.6153	2.3699	2.1019	0.11311	0.11197
Nov.	4.151	3.416	7.512	6.350	0.6827	0.6328	0.6154	2.3737	2.1049	0.11333	0.11250

Average of daily quotations	Zurich	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Tokyo	Moscow	Melbourne	ECU	SDR
	1 CHF	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESB	1 JPY	1 SUR	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22	23
1983	2.6570	0.7353	0.00369	0.3111	0.0514	2.2325	0.0391	0.02351	7.491	..	..	5.94325
1984	2.5642	0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.14739
1985	2.5360	0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879
1986	2.8349	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
1987	2.9563	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
1987												
Nov.	2.9957	0.7266	0.00336	0.3501	0.0306	0.1140	0.0367	0.03061	6.838	2.863	5.076	5.57249
Dec.	3.0403	0.7316	0.00338	0.3519	0.0305	0.1135	0.0366	0.03151	6.820	2.891	5.105	5.57906
1988												
Jan.	3.0050	0.7259	0.00333	0.3479	0.0301	0.1128	0.0361	0.03170	6.786	2.894	5.048	5.54743
Feb.	2.9625	0.7204	0.00330	0.3461	0.0300	0.1130	0.0361	0.03190	6.832	2.962	5.014	5.57446
March	2.9243	0.7135	0.00328	0.3441	0.0298	0.1060	0.0362	0.03189	6.786	2.989	5.001	5.54669
April	2.9001	0.7081	0.00324	0.3416	0.0296	0.1057	0.0363	0.03209	6.767	3.021	4.976	5.52717
May	2.8592	0.7045	0.00322	0.3390	0.0294	0.1006	0.0361	0.03232	6.760	3.158	4.949	5.53394
June	2.8577	0.7063	0.00321	0.3384	0.0294	0.0963	0.0361	0.03277	6.856	3.381	4.938	5.59796
July	2.8657	0.7077	0.00323	0.3388	0.0295	0.0977	0.0360	0.03296	7.026	3.523	4.947	5.70985
Aug.	2.8246	0.7014	0.00321	0.3373	0.0294	0.0981	0.0362	0.03344	7.091	3.620	4.931	5.76379
Sept.	2.8112	0.6992	0.00320	0.3377	0.0291	0.0971	0.0358	0.03295	7.038	3.527	4.917	5.71616
Oct.	2.7995	0.6963	0.00319	0.3374	0.0290	0.0940	0.0360	0.03347	6.998	3.509	4.911	5.68200
Nov.	2.8293	0.6965	0.00321	0.3378	0.0288	0.0931	0.0362	0.03372	6.890	3.548	4.918	5.62011

4.2. CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index ¹	Other currency indices		Currency	Weights of the Bank of Finland currency index As from December 5, 1988
		Payments currency index ¹	MERM index		
	1	2	3		4
1983	104.1	108.3	109.9	USD	7.9
1984	102.8	108.5	111.6	GBP	13.5
1985	102.5	109.4	112.5	SEK	20.6
1986	103.9	106.3	110.4	NOK	4.8
1987	103.3	100.7	106.1	DKK	4.9
				DEM	19.8
1987				NLG	4.9
Nov.	102.7	98.6	103.9	BEC	3.2
Dec.	102.9	100.4	103.7	CHF	2.7
				FRF	6.7
1988				ITL	4.9
Jan.	102.2	100.3	103.4	JPY	6.1
Feb.	102.2	100.6	104.1		
March	102.0	100.2	103.4		
April	101.8	99.8	103.0		
May	101.7	99.7	103.1		
June	101.9	100.5	104.5		
July	102.7	102.1	106.6		
Aug.	102.7	102.6	107.2		
Sept.	102.2	102.0	106.4		
Oct.	102.0	101.4	105.8		
Nov.	101.6	100.4	104.5		

¹The base 1982=100 has been applied since January 1, 1984. The figures before that date are based on the earlier index of 1974=100, but they have been rebased to the current base.

5. OTHER DOMESTIC FINANCING

5.1 BANK DEPOSITS BY THE PUBLIC, MILL. FIM

End of period	Demand deposits	Time deposits	Investment accounts	Markka deposits, total (1+2+3)	Foreign currency deposits	Unregulated deposits	Total deposits (4+5+6)
	1	2	3	4	5	6	7
1983	14337	93551	.	107888	5101	7700	120688
1984	16975	108118	.	125093	4960	11287	141340
1985	19268	125366	1781	146415	6192	13998	166605
1986	18393	137521	3423	159337	4306	17271	180914
1987*	20377	155115	5243	180735	3923	17892	202550
1987*							
Sept.	21090	148720	4777	174586	4259	22539	201384
Oct.	21583	149465	5000	176048	3794	25321	205163
Nov.	21631	149098	5194	175923	5174	22478	203575
Dec.	20377	155115	5243	180735	3923	17892	202550
1988*							
Jan.	21169	156355	5419	182943	3646	25188	211777
Feb.	21901	157511	5531	184943	4121	25166	214230
March	21079	158431	5769	185279	5022	28512	218813
April	22028	159921	5850	187799	4870	32965	225634
May	23753	161340	5835	190928	4280	32383	227592
June	26163	164253	5900	196317	4169	27307	227793
July	24369	166174	5910	196454	4362	37097	237913
Aug.	24438	167010	5904	197352	4406	39645	241402
Sept.	23358	168233	6211	197801	4310	39761	241872

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1983	4350	7264	97362	108977	17253	126231
1984	5233	7644	111280	124157	20363	144520
1985	6313	7471	132668	146451	24704	171155
1986	7542	6354	152335	166231	25016	191246
1987*	8507	5177	178698	192382	36954	229336
1987*						
Sept.	8697	5453	170322	184472	33160	217632
Oct.	8739	5286	172968	186994	35895	222889
Nov.	8974	5174	175284	189431	36635	226066
Dec.	8507	5177	178698	192382	36954	229336
1988*						
Jan.	8703	4966	182310	195979	38182	234161
Feb.	8908	5070	186023	200000	40372	240372
March	9125	4734	189554	203413	41454	244867
April	9298	4796	192940	207033	42291	249323
May	9300	4756	196938	210994	44727	255720
June	9643	4809	200832	215283	47807	263090
July	9436	4722	203911	218068	47301	265370
Aug.	9907	4767	207885	222560	47085	269644
Sept.	10634	4755	212246	227635	47583	275218

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)
		Claims on the central government	Claims on the public	Total (2+3)			
	1	2	3	4	5	6	7
1983	-6081	-3297	152 199	148 902	-20 915	21 427	121 906
1984	-2 575	-5 483	176 694	171 211	-26 978	24 945	141 658
1985	-6 641	-8 694	209 231	200 537	-27 244	27 694	166 652
1986	-16 784	-13 884	237 514	223 630	-27 522	27 838	179 324
1987	-25 484	-14 977	277 068	262 090	-36 145	30 342	200 461
1987							
Sept.	-23 440	-9 092	263 257	254 165	-36 404	30 360	194 321
Oct.	-23 445	-9 941	268 569	258 628	-39 961	30 729	195 222
Nov.	-23 021	-14 346	271 682	257 337	-38 052	30 757	196 264
Dec.	-25 484	-14 977	277 068	262 090	-36 145	30 342	200 461
1988*							
Jan.	-25 529	-11 911	281 442	269 532	-41 636	31 049	202 367
Feb.	-25 237	-14 698	285 874	271 176	-41 121	31 932	204 819
March	-27 061	-14 196	291 175	276 979	-43 386	31 300	206 532
April	-26 376	-14 601	295 527	280 926	-44 961	32 144	209 589
May	-29 452	-13 068	302 073	289 005	-47 122	34 237	212 432
June	-31 339	-14 240	308 714	294 474	-44 552	36 824	218 583
July	-31 862	-13 831	312 650	298 819	-47 602	35 182	219 356
Aug.	-33 160	-14 690	317 063	302 373	-48 881	35 520	220 332
Sept.	-37 256	-15 307	322 509	307 202	-49 152	34 786	220 794

5.4 LIABILITIES AND ASSETS OF THE CENTRAL GOVERNMENT, MILL. FIM

End of period	Foreign debt			Domestic debt				Total central government debt (4+8)	Out-standing lending	Cash funds	
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills				Total (5+6+7)
	1	2	3	4	5	6	7	8	9	10	11
1983	14 127	3 391	4 205	21 723	9 506	4 377	2 518	16 401	38 124	31 187	5 042
1984	16 513	2 666	5 767	24 946	12 037	4 520	2 766	19 323	44 269	33 816	6 300
1985	17 316	2 703	5 658	25 677	14 994	4 107	2 203	21 304	46 981	36 033	6 383
1986	17 905	3 038	6 038	26 981	18 059	4 481	2 474	25 013	51 994	38 028	11 686
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 328	11 553
1987											
Oct.	19 136	2 418	5 758	27 312	21 328	4 494	2 481	28 303	55 615	40 199	8 084
Nov.	19 820	2 591	5 711	28 122	22 034	4 490	2 731	29 255	57 377	40 299	13 109
Dec.	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 078	11 553
1988											
Jan.	19 750	2 645	5 465	27 860	22 663	4 678	3 328	30 669	58 529	40 631	8 842
Feb.	19 665	2 463	5 404	27 532	23 053	4 643	3 713	31 409	58 941	40 885	10 300
March	19 638	2 244	5 390	27 272	23 286	4 627	4 163	32 076	59 348	41 143	11 116
April	20 395	2 225	5 361	27 981	23 778	4 713	4 133	32 624	60 605	41 360	11 243
May	20 370	2 207	5 342	27 919	23 846	4 631	4 013	32 490	60 409	41 424	10 286
June	21 356	2 244	5 135	28 735	23 833	4 871	4 035	32 739	61 474	41 754	11 713
July	20 860	2 236	5 156	28 252	23 838	4 969	3 910	32 717	60 969	42 074	11 993
Aug.	20 652	1 865	5 129	27 646	23 834	4 983	3 850	32 667	60 313	41 986	12 504
Sept.	20 200	1 847	5 098	27 145	23 767	4 979	3 580	32 326	59 471	43 434	13 073
Oct.	20 015	1 833	5 100	26 948	24 056	4 980	3 310	32 346	59 294	..	..

5.5 DOMESTIC BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
1	2	3	4	5	6	7	8	9	
1983	2035	5602	3890	77	10	1151	3882	6581	11614
1984	2528	6167	5073	112	32	1947	5336	6629	13912
1985	4799	9112	5994	435	33	8070	6394	5909	20373
1986	4976	10638	6532	422	105	5987	7487	9199	22674
1987	4477	9510	8119	206	69	9409	8830	4142	22380
1987									
Oct.	851	1174	1474	4	—	2415	974	114	3503
Nov.	336	1050	450	—	11	943	450	454	1847
Dec.	347	757	101	—	18	714	101	408	1222
1988									
Jan.	251	5	1370	—	—	108	1370	148	1626
Feb.	260	968	631	63	—	874	806	241	1922
March	203	1254	841	—	11	719	1376	215	2310
April	112	85	1487	—	—	540	55	1089	1684
May	64	783	792	—	—	829	792	18	1639
June	114	832	40	13	—	756	40	202	998
July	523	360	10	74	—	445	10	512	967
Aug.	314	474	576	100	—	772	576	116	1463
Sept.	13	903	127	—	—	378	482	183	1042
Oct.	324	739	656	15	—	963	656	115	1734

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
1	2	3	4	5	6	7	8	9	
1983	5027	15039	11869	152	11	1954	12057	18086	32098
1984	6766	19960	14904	247	43	3531	15148	23242	41921
1985	10482	26173	18575	661	56	10967	19002	25978	55947
1986	14076	31902	22090	1042	177	16432	23314	29541	69287
1987	17524	36700	26518	1200	232	24778	28223	29173	82174
1987									
III	16353	33703	24707	1218	213	20674	26781	28738	76194
IV	17524	36700	26518	1200	232	24778	28223	29173	82174
1988*									
I	18006	38603	27626	1251	253	26479	29606	29654	85739
II	17915	39636	28428	1250	246	28404	29620	29451	87475
III	18483	40990	28478	1416	246	29750	29910	29953	89613

5.6 HELSINKI STOCK EXCHANGE

During period	Turnover, mill. FIM			Share prices Unitas index ¹ , 1975 = 100		
	Shares and subscription rights	Bonds and debentures	Total (1+2)	Banks	Industry	Overall index
	1	2	3	4	5	6
1983	1 390	2 356	3 746	144	194	190
1984	2 508	5 007	7 515	193	273	259
1985	3 114	9 046	12 160	184	234	229
1986	9 488	6 479	15 968	254	357	350
1987	26 641	4 604	31 245	319	603	546
1987						
Oct.	4 099	138	4 237	379	708	643
Nov.	2 275	253	2 527	360	631	578
Dec.	1 701	1 241	2 942	328	611	558
1988						
Jan.	994	75	1 069	318	600	547
Feb.	1 491	248	1 739	340	625	572
March	2 720	418	3 138	347	658	600
April	2 527	357	2 884	373	707	645
May	2 618	649	3 266	386	738	672
June	4 134	1 689	5 823	429	784	720
July	3 765	353	4 117	453	806	747
Aug.	3 614	298	3 911	458	809	752
Sept.	2 149	270	2 419	432	763	704
Oct.	4 127	462	4 589	421	751	696

¹ Average of daily observations

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account (6+7+8)	Imports of goods, c.i.f.	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1983	67960	5765	2851	6159	14775	82735	3067	3310	89112	70731	2565	3599	4467
1984	78961	6580	3039	5610	15229	94190	4537	3624	102351	73496	2572	4250	5819
1985	82475	6216	3258	6224	15698	98173	5847	3791	107811	80764	2545	5031	6554
1986	81066	5757	3195	5616	14568	95634	4510	3609	103752	76736	2160	5587	5415
1987*	83606	5819	3729	6054	15601	99208	5075	2899	107182	81941	2345	6821	6578
1986													
I	19711	1390	564	960	2914	22625	1152	887	24665	20598	439	1163	1256
II	17774	1440	780	1146	3366	21140	1209	902	23251	15507	561	1425	1306
III	20928	1533	1126	1191	3850	24778	907	894	26579	20637	572	1631	1298
IV	22652	1394	726	2319	4439	27091	1241	926	29258	19995	588	1367	1555
1987*													
I	20035	1322	666	1288	3275	23311	1130	794	25234	19542	498	1477	1479
II	21300	1491	934	1435	3859	25159	1175	715	27049	20522	601	1684	1536
III	20847	1573	1333	1541	4446	25293	1115	696	27104	20272	604	1921	1469
IV	21424	1433	797	1791	4021	25445	1655	694	27795	21605	642	1739	2094
1988*													
I	20701	1414	657	1664	3735	24436	1985	792	27213	19719	823	1625	2080
II	22570	1647	921	1611	4180	26750	1765	840	29354	23306	943	1711	1836
III	21653	1799	1353	1744	4895	26548	1728	871	29148	23983	1048	1959	1824

During period	Services expenditure, total (11+12)	Imports of goods and services (10+14)	Investment expenditure	Transfers and other expenditure	Current account (15+16)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21)	Goods and services account (22+23)	Investment and income (7-16)	Transfers and others, net (8-17)	Current account (24+25) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1983	10631	81361	8875	4094	94331	-2771	3200	-748	1692	4144	1373	-5808	-784	-5219
1984	12641	86137	11298	5010	102445	5465	4008	-1211	-209	2588	8053	-6761	-1385	-93
1985	14130	94893	12134	5300	112327	1711	3671	-1773	-330	1568	3279	-6287	-1509	-4517
1986	13162	89898	11719	5964	107580	4329	3597	-2392	201	1406	5735	-7209	-2355	-3828
1987*	15744	97685	12563	5434	115682	1666	3473	-3092	-524	-143	1523	-7488	-2535	-8500
1986														
I	2858	23456	2950	1466	27871	-886	951	-600	-296	55	-831	-1798	-578	-3206
II	3293	18800	3291	1439	23530	2268	879	-645	-161	72	2340	-2082	-538	-280
III	3501	24138	2495	1347	27981	291	962	-506	-107	349	640	-1588	-454	-1402
IV	3510	23504	2982	1711	28198	2657	806	-641	764	929	3586	-1741	-785	1060
1987*														
I	3454	22996	2901	1639	27536	493	824	-812	-191	-178	315	-1771	-846	-2302
II	3822	24343	3624	1182	29150	779	890	-751	-102	38	816	-2450	-468	-2101
III	3994	24266	2660	1196	28122	575	968	-588	72	452	1027	-1545	-500	-1018
IV	4475	26080	3378	1416	30874	-181	791	-942	-303	-454	-635	-1723	-722	-3079
1988*														
I	4528	24246	4059	1833	30138	983	591	-968	-416	-793	190	-2074	-1041	-2925
II	4490	27796	3928	1399	33124	-736	704	-790	-225	-310	-1047	-2164	-559	-3770
III	4831	28814	3607	1405	33826	-2330	750	-606	-80	64	-2265	-1879	-534	-4679

6.2 CAPITAL ACCOUNT, MILL. FIM

During period	Direct investment in Finland	Portfolio investment in Finland	Long-term credits				Imports of other long-term capital	Imports of long-term capital (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Exports of other long-term capital (9+10+11+12)	Exports of long-term capital (9+10+11+12)	Long-term capital account (8-13)
			Central government	Authorized banks	Others	Total (3+4+5)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1983	88	..	2554	323	-38	2839	652	3579	1452	..	-423	676	1705	1874
1984	324	1492	2598	2861	1090	6549	68	8433	2479	..	1682	-1960	2201	6232
1985	392	4264	1556	1489	442	3487	140	8283	2073	78	-1313	948	1786	6497
1986	1627	646	-63	5935	-482	5390	87	7750	3641	489	-381	702	4451	3299
1987*	430	-1626	2287	5383	2843	10513	91	9408	3785	1691	181	3104	8761	647
1986														
I	86	94	-722	1246	62	586	-65	701	357	-15	-241	9	110	591
II	56	710	596	1040	-194	1442	17	2225	925	89	111	118	1243	982
III	273	-206	16	1412	-105	1323	83	1473	1152	279	-110	405	1726	-253
IV	1212	48	47	2237	-245	2039	52	3351	1207	136	-141	170	1372	1979
1987*														
I	131	-387	1640	1756	873	4269	79	4092	778	124	265	2486	3653	440
II	199	6	-442	1530	1257	2345	-55	2495	1173	925	-145	55	2008	488
III	17	-271	-1018	945	551	478	12	236	653	637	112	83	1485	-1248
IV	83	-974	2107	1472	-158	3421	55	2585	1181	5	-51	482	1617	969
1988*														
I	60	48	-857	361	3230	2734	89	2931	982	70	6	532	1590	1341
II	85	-96	1171	2356	1593	5120	-42	5067	2837	63	180	431	3511	1556
III	88	150	-1571	3011	885	2325	-19	2544	1680	103	89	380	2252	292

During period	Basic balance	Short-term capital imports of authorized banks	Import liabilities and prepayments related to exports	Imports of short-term capital (16+17)	Short-term capital exports of authorized banks	Export receipts and prepayments related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. errors and omissions	Short-term capital account (18-21+22)	Overall balance excl. reserve movements (15+23)	Change in central bank's foreign exchange reserves (26+27)	Of which:	
												Convertible reserves	Tied reserves
	15	16	17	18	19	20	21	22	23	24	25	26	27
1983	-3344	7594	2121	9714	6328	2228	8556	24	1182	-2162	2162	1187	975
1984	6138	16080	944	17024	13994	-2811	11183	-2704	3137	9275	-9275	-10142	867
1985	1980	6890	350	7240	1623	1732	3355	-2121	1764	3744	-3744	-3729	-15
1986	-529	6019	-3796	2222	11791	-92	11699	2075	-7402	-7930	7930	11678	-3748
1987*	-7853	16252	476	16728	-5739	-183	-5922	939	23589	15736	-15736	-17817	2081
1986													
I	-2616	-736	1232	496	1649	-15	1634	592	-547	-3162	3162	3945	-782
II	703	1999	-4636	-2636	4813	-15	4798	3496	-3938	-3236	3236	4161	-925
III	-1655	3185	1216	4401	5317	-31	5286	326	-559	-2213	2213	3455	-1242
IV	3039	1571	-1609	-38	12	-31	-19	-2339	-2358	681	-681	117	-798
1987*													
I	-1862	2656	1065	3720	-4959	-118	-5077	-700	8098	6236	-6236	-7020	785
II	-1614	7672	70	7741	1924	-118	1806	1915	7850	6237	-6237	-5569	-667
III	-2266	8339	-404	7935	3376	27	3403	-1630	2903	637	-637	-2407	1771
IV	-2111	-2415	-255	-2669	-6081	27	-6054	1353	4738	2627	-2627	-2820	193
1988*													
I	-1584	6501	-1517	4984	3511	-277	3234	2175	3925	2341	-2341	-1295	-1046
II	-2214	11731	773	12504	4623	-277	4345	-1226	6932	4718	-4718	-4662	-57
III	-4387	-547	1610	1064	3446	-330	3116	-649	-2701	-7088	7088	6337	751

6.3 FINLAND'S FOREIGN LIABILITIES AND ASSETS, MILL. FIM

End of period	Long-term liabilities							Long-term assets					Long-term debt, net (8-13)	
	Direct investment in Finland	Portfolio investment in Finland	Long-term credits			Other long-term capital	Total (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Other long-term capital	Total (9+10+11+12)		
			Central government	Authorized banks	Others									Total (3+4+5)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1983	2317	848	21740	2419	33749	57909	444	61518	6166	..	6612	4051	16829	44689
1984	2905	2013	24928	5960	37227	68116	512	73546	8689	..	8920	2097	19706	53840
1985	3274	6313	25678	6410	34276	66364	652	76603	10524	78	6539	3053	20194	56409
1986	4892	6959	26292	11992	32044	70330	739	82920	13727	567	5649	3685	23628	59292
1987*	5283	3964	27861	17365	33088	78314	830	88391	16641	2258	5242	6618	30759	57632
1986														
I	3351	6407	25126	7546	32986	65659	587	76004	10697	63	6103	3033	19896	56108
II	3414	7117	26548	8708	33159	68417	604	79552	11719	152	6158	3148	21177	58375
III	3687	6911	26710	10063	32664	69438	687	80723	12601	431	5865	3527	22424	58299
IV	4892	6959	26292	11992	32044	70330	739	82920	13727	567	5649	3685	23628	59292
1987*														
I	5013	6572	27361	13447	31978	72787	818	85190	14166	691	5660	6105	26622	58568
II	5209	6578	26967	15024	33267	75259	763	87809	15347	1616	5527	6165	28655	59154
III	5213	6307	25679	15800	33472	74952	775	87247	15812	2253	5478	6229	29772	57475
IV	5283	3964	27861	17365	33088	78314	830	88391	16641	2258	5242	6618	30759	57632
1988*														
I	5308	4012	26637	17594	35883	80114	919	90353	17532	2328	5250	7142	32252	58101
II	5410	3916	28383	20464	38230	87076	877	97279	20922	2391	5629	7671	36613	60666
III	5521	4066	27007	23707	39278	89993	858	100438	22521	2494	5752	8081	38848	61590

End of period	Short-term liabilities				Short-term assets				Short-term liabilities, net (18-22)	Debt, net (14+23)	Debt service payments	Of which: repayments	Debt service ratio
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits and other liabilities	Total (15+16+17)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits and other assets	Total (19+20+21)					
23	24	25	26	27									
1983	5705	39443	16181	61328	11842	29263	15915	57020	4308	48997	10875	4914	12.2
1984	4562	55695	17988	78245	22912	43319	12804	79035	-790	53050	11586	4613	11.3
1985	4070	51374	17354	72798	25183	38775	18155	82113	-9314	47095	11287	4808	10.5
1986	3455	56881	13240	73572	16613	50613	18381	85608	-12032	47260	13462	6018	13.0
1987*	3362	73132	17572	94066	31134	44532	18726	94392	-326	57306	14150	6516	13.2
1986													
I	3659	50424	18671	72754	21647	40424	18037	80109	-7354	48754	3967	2118	16.1
II	3499	52647	14162	70308	18470	45237	18213	81921	-11612	46763	3307	1176	14.2
III	3565	55602	15410	74577	16168	50554	18131	84854	-10277	48022	2452	834	9.2
IV	3455	56881	13240	73575	16613	50613	18381	85608	-12032	47260	3737	1890	12.8
1987*													
I	3521	59536	15714	78771	22482	45655	17829	85966	-7195	51373	3200	1411	12.7
II	3490	67208	15863	86561	28680	47579	18073	94332	-7771	51383	3994	1496	14.8
III	3607	75547	16500	95654	29291	50955	17836	98081	-2427	55048	2770	1217	10.2
IV	3362	73132	17572	94066	31134	44532	18726	94392	-326	57306	4186	2392	15.1
1988*													
I	3467	79633	14716	97816	33515	48043	19030	100588	-2772	55329	3871	1773	14.2
II	3177	91364	15453	109994	39025	52666	18503	110193	-200	60466	3477	1289	11.8
III	3539	90817	17455	111811	32750	56112	19257	108119	3692	65282	4133	2230	14.2

6.4 FINLAND'S LONG-TERM FOREIGN LIABILITIES AND ASSETS, BY SECTOR, MILL. FIM

End of period	Long-term liabilities					Long-term assets					Long-term liabilities, net (5-10)
	Corporate sector	Financial institutions	Central government	Local government	Total (1+2+3+4)	Corporate sector	Financial institutions	Central government	Other	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1983	30082	8541	22184	710	61518	12791	2472	1447	119	16829	44689
1984	34012	13366	25440	728	73546	17624	222	1678	182	19706	53840
1985	35709	13980	26330	585	76603	17102	859	1955	279	20194	56409
1986	35210	20169	27031	509	82920	19209	1591	2309	520	23628	59292
1987*	32456	26734	28691	511	88391	23369	4007	2653	730	30759	57632
1986											
I	34646	15090	25713	555	76004	16839	765	1970	321	19896	56108
II	35001	16847	27152	551	79552	17906	849	2056	366	21177	58375
III	34231	18554	27397	541	80723	18462	1360	2191	412	22424	58299
IV	35210	20169	27031	509	82920	19209	1591	2309	520	23628	59292
1987*											
I	34716	21814	28179	481	85190	19717	3876	2458	572	26622	58568
II	35601	24004	27730	474	87809	21633	3936	2465	621	28655	59154
III	35045	25209	26454	539	87247	22656	3919	2519	677	29772	57475
IV	32456	26734	28691	511	88391	23369	4007	2653	730	30759	57632
1988*											
I	34195	28097	27556	506	90353	24175	4438	2851	788	32252	58101
II	36058	31460	29260	503	97279	27904	4930	2887	893	36613	60666
III	36597	35469	27865	506	100438	29665	5265	2938	981	38848	61590

7. FOREIGN TRADE¹

7.1 EXPORTS, IMPORTS AND THE TRADE BALANCE, MILL. FIM

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
1983	69 692	71 528	-1 836
1984	80 904	74 682	6 222
1985	84 028	81 520	2 508
1986	82 579	77 601	4 978
1987	85 306	82 801	2 505
1987			
Oct.	7 895	7 318	577
Nov.	6 964	7 482	-518
Dec.	7 000	7 000	-
1988*			
Jan.	6 879	6 874	5
Feb.	6 722	6 058	664
March	7 532	6 957	575
April	7 580	7 499	81
May	8 675	8 249	426
June	6 710	7 650	-940
July	6 404	7 007	-603
Aug.	7 199	8 327	-1 128
Sept.	8 413	8 660	-247
Oct.	8 591	8 397	194

7.2 FOREIGN TRADE: INDICES OF VOLUME, UNIT VALUE AND TERMS OF TRADE, 1980=100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1983	104	98	127	125	101
1984	114	98	134	131	102
1985	115	104	138	135	102
1986	116	110	135	121	111
1987	118	119	138	119	116
1986					
I	113	110	134	129	103
II	104	90	133	122	109
III	116	119	138	120	116
IV	128	115	136	121	112
1987					
I	114	113	136	120	113
II	120	120	137	119	115
III	116	116	140	121	115
IV	119	126	140	119	117
1988*					
I	115	115	140	119	117
II	123	133	141	121	116
III	114	133	147	124	118

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, f.o.b.					Imports by use of goods, c.i.f.				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Investment goods	Consumer goods	Other goods
	1	2	3	4	5	6	7	8	9	10
1983	6 944	19 327	8 524	20 211	14 686	32 209	17 554	10 860	10 572	333
1984	7 145	23 573	10 176	22 998	17 012	35 162	16 900	10 993	11 454	173
1985	6 728	25 030	9 803	24 412	18 055	38 676	17 770	11 675	12 967	432
1986	6 947	24 600	7 858	26 115	17 059	39 292	10 070	12 898	15 069	272
1987	7 449	26 691	7 823	26 347	16 996	41 066	9 623	14 074	17 412	626
1987										
Oct.	670	2 500	624	2 493	1 608	3 634	845	1 151	1 579	109
Nov.	664	2 168	563	2 077	1 492	3 713	720	1 436	1 622	-9
Dec.	569	2 059	754	2 339	1 279	3 407	994	1 197	1 374	28
1988*										
Jan.	569	2 472	623	2 021	1 194	3 486	780	1 270	1 340	-2
Feb.	543	2 284	707	1 626	1 562	3 211	351	990	1 466	40
March	627	2 746	690	2 108	1 361	3 488	354	1 285	1 821	9
April	672	2 369	639	2 652	1 248	3 725	546	1 321	1 899	8
May	735	2 459	736	3 241	1 504	4 140	675	1 465	1 959	10
June	626	2 270	599	1 890	1 325	3 725	732	1 587	1 578	28
July	537	2 340	628	1 758	1 141	3 372	650	1 311	1 599	75
Aug.	545	2 650	647	1 920	1 437	4 115	734	1 455	1 955	67
Sept.	612	2 865	780	2 507	1 649	3 982	855	1 673	2 140	10
Oct.	691	2 751	802	2 750	1 597	4 149	699	1 575	1 922	52

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1987		1988* January-October		1987		1988* January-October	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period on the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	63184	74.1	56861	7.5	63079	76.2	58518	13.1
OECD Europe	55667	65.2	49398	6.2	52212	63.1	47031	9.8
Of which:								
Austria	951	1.1	763	-6.8	1066	1.3	917	4.2
Belgium and Luxembourg	1526	1.8	1505	24.6	2134	2.6	1896	6.5
Denmark	3320	3.9	2733	-3.0	2343	2.8	2218	13.4
France	4497	5.3	4033	7.0	3552	4.3	3114	3.3
Federal Republic of Germany	9335	10.9	8239	5.4	14450	17.5	12774	7.7
Italy	2182	2.6	2056	14.8	3619	4.4	3385	12.9
Netherlands	3060	3.6	2771	6.2	2555	3.1	2466	16.8
Norway	4026	4.7	2732	-21.3	1819	2.2	1822	22.3
Spain	1090	1.3	1152	26.9	920	1.1	814	16.2
Sweden	12754	14.9	10653	1.8	10702	12.9	9756	11.3
Switzerland	1525	1.8	1326	2.9	1665	2.0	1416	3.0
United Kingdom	9734	11.4	9913	21.2	5914	7.1	5103	9.8
Other OECD	7517	8.8	7463	17.3	10867	13.1	11487	29.1
Of which:								
Canada	971	1.1	922	9.5	429	0.5	560	58.4
Japan	1206	1.4	1377	36.8	5861	7.1	5640	16.0
United States	4407	5.2	4246	13.2	4335	5.2	4942	42.6
CMEA countries	14620	17.1	11878	-2.6	14088	17.0	11120	-6.8
Of which:								
Soviet Union	13175	15.4	10685	-3.3	11901	14.4	9140	-10.9
Developing countries	6199	7.3	5187	0.8	4938	6.0	4986	21.6
OPEC countries	1527	1.8	1161	-5.7	805	1.0	526	-18.7
Other	4672	5.5	4026	2.8	4133	5.0	4460	29.1
Other countries	1312	1.5	780	-29.0	692	0.8	1054	87.7
TOTAL	85315	100.0	74705	4.7	82797	100.0	75678	10.8
Of which:								
EEC countries	35966	42.2	33605	11.5	36788	44.4	32972	9.3
EFTA countries	19396	22.7	15596	-3.5	15356	18.5	13989	11.1

*The trade values and volumes for December 1987 and January 1988 differ from those in the official statistics. For details, see Notes and Explanations on page S26.

8. DOMESTIC ECONOMIC DEVELOPMENTS

8.1 SUPPLY AND USE OF RESOURCES, MILL. FIM, 1985 PRICES (seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1983	171 330	63 113	69 001	10 467	-2 704	311 207	92 001	87 959	315 249
1984	176 038	64 872	67 584	10 202	-1 327	317 369	96 993	88 857	325 505
1985	181 664	68 218	69 599	10 453	3 610	333 544	98 173	94 893	336 824
1986*	189 113	70 325	69 329	10 738	3 255	342 760	95 498	97 795	344 463
1987*	198 837	73 087	72 388	11 344	7 315	362 971	101 181	106 569	357 583
1986*									
I	46 417	17 395	17 289	2 687	2 801	86 588	24 627	26 144	85 072
II	47 238	17 286	16 686	2 375	-960	82 625	21 722	19 893	84 454
III	47 666	17 740	17 810	2 935	2 381	88 532	25 799	27 061	87 270
IV	47 792	17 904	17 545	2 741	-967	85 015	27 350	24 698	87 668
1987*									
I	48 640	18 011	17 623	2 765	1 857	88 896	25 140	26 316	87 720
II	49 417	18 152	18 227	2 615	1 896	90 307	25 336	25 771	89 872
III	49 824	18 377	17 931	3 141	1 233	90 506	25 460	26 958	89 009
IV	50 956	18 547	18 607	2 823	2 329	93 262	25 244	27 524	90 983
1988*									
I	51 392	18 542	19 129	2 745	1 971	93 779	25 710	27 179	92 310
II	51 471	18 673	19 019	2 671	3 966	95 800	25 682	28 693	92 789

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100 (1980 WEIGHTS) (seasonally adjusted figures)

Period	2-4		3		Industry (SIC): 37,38		4	
	Total industry (100.0)	Mining and quarrying (1.5)	Manufacturing (89.5)	Wood and paper industries (20.8)	Metal and engineering industries (28.3)	Other manufacturing (40.7)	Electricity, gas and water (9.0)	
	1	2	3	4	5	6	7	
1983	91.9	92.8	92.5	94.2	87.8	95.5	86.0	
1984	96.1	96.3	96.6	101.7	92.5	97.6	91.8	
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
1986*	100.8	101.7	100.8	101.8	101.3	99.9	100.1	
1987*	105.0	79.0	105.2	107.9	106.2	103.0	108.0	
1987*								
Sept.	103.7	77.8	104.6	110.1	108.2	103.7	109.0	
Oct.	102.8	69.4	106.0	109.8	107.2	102.8	107.5	
Nov.	100.8	72.5	103.6	108.4	107.4	100.5	109.5	
Dec.	102.7	67.3	105.5	105.4	108.4	100.1	108.4	
1988*								
Jan.	108.0	64.7	111.3	115.7	112.1	106.7	94.5	
Feb.	107.7	70.4	109.5	112.4	111.2	104.0	102.6	
March	105.5	74.0	106.4	109.7	104.6	103.1	105.7	
April	108.8	88.9	107.8	114.5	111.7	102.8	110.2	
May	108.9	101.5	108.3	108.8	113.4	107.2	103.6	
June	112.2	107.9	109.9	116.2	110.3	106.3	110.5	
July	114.2	95.4	111.0	109.6	124.0	104.5	110.8	
Aug.	108.6	82.5	107.8	115.8	114.5	101.6	111.9	
Sept.	109.2	92.3	109.5	115.0	117.2	105.2	109.0	

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1983	97.6	94.4	108.2	107.7	123.0	105.1	100.9	94.2
1984	97.2	96.8	101.8	104.1	112.8	96.2	98.6	96.9
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986*	104.7	102.5	94.0	88.4	99.9	99.5	105.2	101.8
1987*	111.3	107.7	95.6	89.0	101.0	102.6	113.8	106.1
1987*								
Aug.	111.1	107.1	..	..	..	..	..	106.7
Sept.	111.0	109.4	..	..	..	..	..	106.7
Oct.	114.7	107.8	..	..	..	..	..	106.6
Nov.	113.9	109.9	..	..	..	..	..	107.0
Dec.	111.3	111.4	..	..	..	..	..	107.6
II	112.3	108.6	97.1	91.7	106.5	106.4	121.6	106.0
III	110.9	108.0	95.8	86.2	102.5	105.9	100.2	106.7
IV	113.3	109.7	97.2	88.1	99.5	105.2	121.3	107.1
1988*								
Jan.	115.0	113.4	..	..	..	..	..	108.1
Feb.	113.9	111.5	..	..	..	..	..	108.5
March	112.8	114.9	..	..	..	..	..	108.2
April	116.3	109.3	..	..	..	..	..	107.9
May	111.7	114.9	..	..	..	..	..	109.3
June	115.1	110.8	..	..	..	..	..	109.4
July	116.3	108.7	..	..	..	..	..	109.5
Aug.	117.7	118.5	..	..	..	..	..	109.8
I	113.9	113.3	103.2	92.5	113.8	113.3	113.3	108.3
II	114.4	111.7	99.7	97.5	100.0	106.0	140.0	108.9

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1983	84.3	84.0	85.2	86.4	84.0	85.8	88.8	90.4	89.8	92.7	90.8	91.5	90.5	89.2
1984	92.2	92.0	92.9	92.6	92.8	92.1	95.1	95.3	94.8	97.1	96.0	98.1	95.1	94.6
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986¹	107.0	106.7	106.2	106.8	108.1	107.0	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
1987¹	114.6	114.5	113.4	115.8	113.7	119.4	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
1987¹														
Oct.	..	..	..	..	..	..	108.3	98.7	101.3	89.2	98.2	99.0	97.8	110.0
Nov.	..	..	..	..	..	..	108.1	98.7	101.6	88.3	98.4	99.4	97.9	110.8
Dec.	..	..	..	..	..	..	108.4	98.9	102.0	87.7	98.6	99.2	98.3	110.9
III	115.0	114.7	113.7	117.0	114.3	121.1	107.6	98.3	100.6	89.9	97.6	98.4	97.2	109.7
IV	116.6	116.8	115.2	117.3	114.6	121.5	108.3	98.8	101.6	88.4	98.4	99.2	98.0	110.6
1988¹														
Jan.	..	..	..	..	..	..	109.7	99.3	102.4	87.8	99.1	99.9	98.8	111.8
Feb.	..	..	..	..	..	..	110.0	99.6	102.7	87.9	99.5	100.1	99.2	111.9
March	..	..	..	..	..	..	110.6	99.7	103.0	87.5	100.0	101.1	99.4	112.3
April	..	..	..	..	..	..	111.4	99.9	103.1	88.3	100.1	101.5	99.4	115.0
May	..	..	..	..	..	..	112.3	100.9	104.1	89.3	100.8	102.6	100.0	116.2
June	..	..	..	..	..	..	112.9	101.3	104.7	89.1	101.1	103.1	100.2	116.6
July	..	..	..	..	..	..	112.9	102.0	105.4	89.6	102.1	104.3	101.1	117.0
Aug.	..	..	..	..	..	..	113.1	102.4	105.8	90.3	102.7	105.5	101.4	117.5
Sept.	..	..	..	..	..	..	114.2	102.4	105.7	90.0	102.9	105.7	101.5	118.7
Oct.	..	..	..	..	..	..	114.3	103.2	106.9	89.7	103.8	107.0	102.3	119.2
I	119.0	118.4	117.0	122.9	117.5	127.1	110.1	99.5	102.7	87.7	99.5	100.4	99.1	112.0
II	125.4	124.8	123.5	130.5	123.1	134.7	112.2	100.7	104.0	88.9	100.7	102.4	99.9	115.9
III	126.1	125.5	124.2	130.5	124.5	134.9	113.4	102.3	105.6	90.0	102.6	105.2	101.3	117.7

¹Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry				Unemployed	Unemployment rate
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction	Service industries		
%											
	1	2	3	4	5	6	7	8	9	10	11
1983	68.7	2527	2390	386	2004	303	606	183	1298	138	5.5
1984	68.8	2546	2414	378	2035	294	600	183	1337	133	5.2
1985	69.2	2567	2437	361	2076	280	597	178	1380	130	5.0
1986	69.1	2568	2431	359	2071	266	589	185	1391	138	5.4
1987	68.6	2554	2423	372	2051	251	569	184	1419	130	5.1
1987											
Sept.	68.5	2548	2418	366	2053	241	572	176	1429	130	5.1
Oct.	68.5	2551	2423	378	2045	255	575	185	1408	128	5.0
Nov.	68.5	2549	2420	381	2039	252	557	180	1432	129	5.1
Dec.	68.4	2548	2419	378	2041	247	558	183	1430	128	5.0
1988											
Jan.	68.7	2558	2438	381	2057	250	573	189	1427	120	4.7
Feb.	68.4	2549	2430	374	2057	253	551	176	1451	118	4.6
March	68.5	2549	2428	371	2057	240	557	182	1450	120	4.7
April	68.3	2541	2426	367	2059	241	551	192	1442	115	4.5
May	68.3	2540	2415	366	2049	243	543	177	1451	125	4.9
June	68.7	2556	2439	363	2076	231	548	194	1466	117	4.6
July	68.5	2547	2430	361	2070	223	558	203	1446	117	4.6
Aug.	67.9	2527	2412	379	2032	252	572	172	1416	115	4.6
Sept.	68.4	2543	2429	352	2077	222	530	202	1475	114	4.5

8.6 CENTRAL GOVERNMENT FINANCES: REVENUE, EXPENDITURE AND FINANCIAL BALANCE, MILL. FIM, CASH FLOW BASIS

During period	Revenue									Expenditure			
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Borrowing	Total revenue (7+8)	Consumption	Transfers and subsidies	Of which:	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1983	19565	36183	531	8284	64563	1854	66416	11378	77794	20984	39411	15717	22817
1984	22526	42737	598	9711	75572	1894	77466	10752	88218	22155	44333	18444	24836
1985	25750	47578	546	10415	84290	2071	86361	11189	97550	24835	49269	21183	26866
1986	28079	51733	323	11640	91774	2209	93983	14744	108727	26354	52845	23215	28131
1987	29454	57312	455	12437	99658	2482	102139	17484	119623	29419	59498	26456	30964
1987													
Sept.	2461	4237	40	968	7706	144	7850	619	8470	2424	4341	2131	2102
Oct.	2480	4360	38	1025	7904	119	8023	2295	10318	2505	4713	2227	2296
Nov.	2545	5465	29	1024	9062	266	9329	2397	11726	2366	5746	2336	3306
Dec.	1995	7294	65	1454	10809	680	11488	1496	12984	2731	5271	2239	2720
1988													
Jan.	2495	3188	12	958	6654	21	6674	1680	8354	2367	5494	2221	3145
Feb.	2203	6490	38	837	9568	53	9622	1017	10639	2449	6390	2304	3948
March	3084	4470	49	998	8601	96	8698	1291	9989	2520	5301	2325	2552
April	3203	4517	44	1122	8886	85	8971	2089	11060	2341	4958	2682	2141
May	2659	5470	21	1787	9936	302	10238	834	11072	2760	6409	2640	3405
June	2994	5733	46	1012	9785	132	9917	1490	11407	2842	5368	2755	2376
July	3488	5896	35	871	10290	70	10360	109	10469	3191	4617	2370	2090
Aug.	3333	6295	62	1022	10712	488	11200	589	11789	2607	5279	2361	2801
Sept.	2811	5242	23	896	8972	145	9117	1667	10784	2665	4689	2359	2211

During period	Expenditure						Financial balance				
	Fixed investment	Other expenditure	Expenditure before financial transactions (10+11+14+15)	Lending and other financial investment	Expenditure before redemptions of state debt (16+17)	Redemptions of state debt	Total expenditure, (18+19)	Revenue surplus (5-16)	Net borrowing requirement (7-18)	Gross borrowing requirement (7-20)	Cash surplus (9-20)
	14	15	16	17	18	19	20	21	22	23	24
1983	5454	4095	69944	4999	74943	3939	78881	-5381	-8527	-12465	-1088
1984	5455	4220	76162	4717	80878	5552	86430	-590	-3412	-8964	1788
1985	5700	4936	84739	4982	89722	7682	97404	-449	-3361	-11043	145
1986	6111	5058	90368	4913	95281	10541	105822	1406	-1298	-11839	2905
1987	7089	4732	100738	5672	106410	9880	116289	-1080	-4270	-14150	3334
1987											
Sept.	648	137	7551	552	8102	320	8423	156	-252	-572	47
Oct.	644	321	8184	446	8629	620	9249	-280	-606	-1226	1069
Nov.	550	199	8861	407	9267	252	9519	202	62	-190	2207
Dec.	878	-6	8874	483	9357	109	9466	1935	2131	2022	3518
1988											
Jan.	502	764	9127	372	9499	1279	10778	-2473	-2824	-4103	-2423
Feb.	535	324	9699	397	10096	512	10608	-130	-474	-986	31
March	641	833	9296	427	9723	825	10548	-694	-1025	-1850	-559
April	492	617	8407	341	8747	674	9421	479	224	-450	1639
May	690	760	10619	623	11242	1044	12286	-684	-1004	-2048	-1214
June	660	317	9186	603	9789	818	10607	598	128	-690	800
July	568	112	8487	467	8954	787	9741	1803	1406	619	728
Aug.	609	478	8972	450	9422	1177	10599	1740	1778	601	1190
Sept.	772	445	8570	1623	10193	866	11059	402	-1076	-1942	-275

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

Unless otherwise stated, the source or compiler of figures is the Bank of Finland.

Symbols used

- * Preliminary
- r Revised
- 0 Less than half the final digit shown
- . Logically impossible
- .. Data not available
- Nil
- S Affected by strike
- Break in series

Owing to rounding of figures, the sum of the individual items in the tables may differ from the total shown.

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

Table 1.2 *Domestic financial sector.* Term claim on deposit banks (Column 13) = term credits (from December 1986 to July 1987) + bank certificates of deposit held by the Bank of Finland (since March 1987). Other liabilities to financial institutions, net (Column 17) = capital import deposits + other liabilities to financial institutions - bonds and debentures - other claims on financial institutions. *Corporate sector.* Claims in the form of special financing (Column 19) = export bills + new-export credits + financing of domestic deliveries. Special deposits, net (Column 20) = deposits for investment and ship purchase + capital import deposits + export deposits + other liabilities to corporations - bonds - other claims on corporations.

2 THE BANK OF FINLAND'S MONEY MARKET OPERATIONS AND THE FORWARD EXCHANGE MARKET

Table 2.1 Matured certificates of deposit, net (Column 3) = matured bank certificates of deposit held by the Bank of Finland - matured certificates of deposit issued by the Bank of Finland.

Table 2.3 Bank CDs held by the Bank of Finland (Column 2) include term credits from December 1986 to July 1987. Holdings of CDs issued by the Bank of Finland (Column 5) include term liabilities from February to July 1987.

3 RATES OF INTEREST

Table 3.1 HELIBOR (Helsinki Interbank Offered Rate) (Columns 2-5): The HELIBOR rate for each maturity is calculated by the Bank of Finland as the average of the offered rates for certificates of deposit quoted daily at 1 p.m. by the five largest banks.

Table 3.2 The rates shown are based on the lending rates quoted for the respective currencies in the Euromarket.

Table 3.3 The covered Eurodollar rate is a computed rate of interest for the markka obtained by adding the difference between the forward selling rate and the spot selling rate for the U.S. dollar expressed as an annual rate of interest to the Eurodeposit rate for the dollar. The rates shown are based on daily quotations at noon by two banks.

Table 3.4 *Lending.* New credits (Columns 1-4): the rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts, whereas annual rates are averages of monthly observations. *Deposits.* The rates of interest applied to deposit accounts (Columns 6-8) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. The average rate of interest on the stock of regulated deposits (Column 9) is the average rate of interest weighted by the deposit amounts at the end of period, where the stock of deposits comprises cheque accounts, postal giro accounts, deposit accounts with a cheque facility, savings and ordinary deposit accounts, other time deposit accounts and taxable investment accounts. The average rate of interest on unregulated deposits (Column 10) is the average rate of interest weighted by the amounts in the period. Unregulated deposits include, inter alia, sales of certificates of deposit, promissory notes and bonds as well as corporate deposits at market rates.

Table 3.5 *Secondary market rates.* The long-term unregulated market rate (Columns 1 and 2) is calculated by the Bank of Finland as the monthly average of the offered rates for taxable, fixed-rate bonds quoted by the five largest banks. The rate of interest for taxable government bonds (Column 3) is the effective annual yield, calculated as the arithmetic mean, on fixed-rate government bonds with a remaining maturity of between 4 and 5 years. The rate of interest for taxable public issues

(Column 4) is the effective annual yield, calculated as the arithmetic mean, on fixed-rate ordinary bonds, debentures or other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. Financial institutions (Column 5): as in Column 4 for issues by financial institutions incl. banks. Corporations (Column 6): as in Column 4 for issues by non-financial corporations. The rate of interest for taxfree public issues (Column 7) is the yield on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 3-7 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations are the averages of monthly observations. *Rates at issue* on bonds and debentures (Columns 8 and 9) are the average rates of interest weighted by issue amounts - in the case of government bonds by sales amounts - on ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued during the period.

4 RATES OF EXCHANGE

Table 4.2 The weights of the Bank of Finland currency index (Column 1) are moving averages of the shares of countries in Finland's merchandise export and import trade. The index comprises 12 convertible currencies. The index values are based on the Bank of Finland's daily quotations at noon. The weights of the payments currency index (Column 2) are moving averages of the shares of payments currencies in Finland's trade. The index comprises 12 convertible currencies. The weights of the MERM index (Column 3) are fixed 1977 weights computed on the basis of the IMF's world trade model. Fourteen currencies are included in this index.

5 OTHER DOMESTIC FINANCING

Table 5.1 Source: The Central Statistical Office of Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and local government. Domestic foreign-currency deposits are included in the figures. Time deposits (Column 2) consist of tax-exempt time deposits held by the public. Investment

accounts (Column 3) are taxable time deposits held by the public. For the definition of unregulated deposits (Column 6), see the explanation under Table 3.4. Since the beginning of 1987, the figures for banks' holdings of certificates of deposit issued by other banks have been netted out. Netting out is done by the Bank of Finland.

Table 5.2 Source: The Central Statistical Office of Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and local government. Foreign currency credits (Column 5) are mainly granted by commercial banks and Postipankki.

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl. claims on banks' foreign branches) - the Bank of Finland's foreign liabilities - banks' foreign liabilities (incl. liabilities to banks' foreign branches). *Domestic credit*. Claims on the central government, net (Column 2) = the Bank of Finland's claims on the central government + banks' claims on the central government - the central government's deposits with the Bank of Finland and Postipankki - loans intermediated by banks from state funds. Claims on the public (incl. local government), (Column 3) = the Bank of Finland's claims on the private sector + banks' claims on the private sector (loans to the public, bonds and debentures (excl. government bonds and bank debentures), claims on other financial institutions, shares held by banks). Other items, net (Column 5) = capital accounts and other items of the Bank of Finland + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures, bank CD's held by the public and other unregulated wholesale deposits). M_1 (Column 6) = notes and coin in circulation - till money held by banks + cheque and postal giro account deposits held by the public. M_2 (Column 7) = M_1 + quasi-money (time deposits held by the public, incl. deposits with the Bank of Finland).

Table 5.4 Source: State Treasury Office. *Foreign debt*. Other bonds and debentures (Column 2) are so-called private placings. Long-term promissory notes (Column 3) are bank loans. Outstanding lending (Column 10) comprises the stock of central loans granted from the central government budget and from extra-budgetary funds. Cash funds (Column 11) comprise the cash funds held in central government accounting offices, funds held in cheque and postal giro accounts, as well as placements of central government cash funds. The main part of the latter is reserved for covering transferable allocations budgeted in previous years (for details, see the article "State Borrowing and Cash Management" by Pekka Laajanen and Pekka Saarinen in the August 1987 issue of the Bulletin).

Transferable allocations amounted to FIM 7.7 billion at the end of 1986.

Table 5.6 *Turnover*. Source: The Helsinki Stock Exchange. *Share prices*. Source: Union Bank of Finland Ltd.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

Table 6.1 The figures for the trade and goods and services accounts are compiled in accordance with the System of National Accounts.

Table 6.2 Columns 1-8: Net change in long-term liabilities. Columns 9-13: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 10); Secondary market transactions in securities and share issues. Long-term credits (Columns 3-6): Financial loans, import credits and leasing credits. Others (Column 5): Long-term credits of enterprises, financial institutions other than authorized banks and local government. Imports of other long-term capital (Column 7): Finland's subscriptions to international financial institutions paid in the form of promissory notes. Exports of other long-term capital (Column 12) = financial loans abroad + development credits + purchases of real estate and other acquisitions by private persons + Finland's subscriptions to international financial institutions.

Table 6.3 Net foreign debt (Columns 1-24) at the end of a period is classified in the same way as the corresponding data on changes in the capital account (Table 6.2). The items included in net foreign debt have been translated into markkaa using the spot rates for each date. Thus the figures include the impact of changes in exchange rates. Debt service payments (Column 25): the total of net payments of interest, dividends and remunerations relating to long- and short-term foreign liabilities and assets plus net repayments relating to long-term foreign liabilities and assets. Repayments do not include early repayments of loans, repatriations of equity capital included under direct investment, repurchases of shares included under portfolio investment (since 1986), repayments of the Bank of Finland's reserve tranche and oil facility credits, or repayments of rouble-denominated assets included under loan assets. The debt-service ratio (Column 27) = service charges on net foreign debt as a percentage of current account earnings.

Table 6.4 All direct investments have been placed under the corporate sector (Columns 1 and 6). Other (Column 9) consists mainly of long-term assets of private persons.

The sectoral figures for short-term foreign liabilities and assets correspond to the figures shown in Columns 15-23 of Table 6.3.

7 FOREIGN TRADE

Source: The National Board of Customs. All tables refer to foreign trade in goods.

On January 1, 1988, the new international harmonized commodity description and coding system was introduced in the compilation of the official foreign trade statistics. Because of the changeover, the trade value figures in the customs statistics are exceptionally high for December 1987 and exceptionally low for January 1988 as compared with the old system. For the sake of comparability, the customs statistics figures for December 1987 and January 1988 have been adjusted in the Bulletin to comply with the old system. For this reason the total trade values for 1987 as a whole also differ from the customs statistics. The Bulletin follows the same practice as in the balance of payments statistics. Adjustments have been made to all value and volume figures for exports and imports. Unit values correspond to those of the customs statistics. The adjustments have been made by the Economics Department of the Bank of Finland.

Table 7.2 The volume indices (Columns 1 and 2) are calculated according to the Paasche formula and the unit value indices (Columns 3 and 4) according to the Laspeyres formula. The terms of trade (Column 5) is the ratio of the export unit value index to the import unit value index multiplied by one hundred.

Table 7.4 The regional and country grouping is based on the classification according to Finnish Official Statistics I A.

8 DOMESTIC ECONOMIC DEVELOPMENTS

Tables 8.1-8.5 Source: Central Statistical Office of Finland. Seasonal adjustment is carried out by the Bank of Finland.

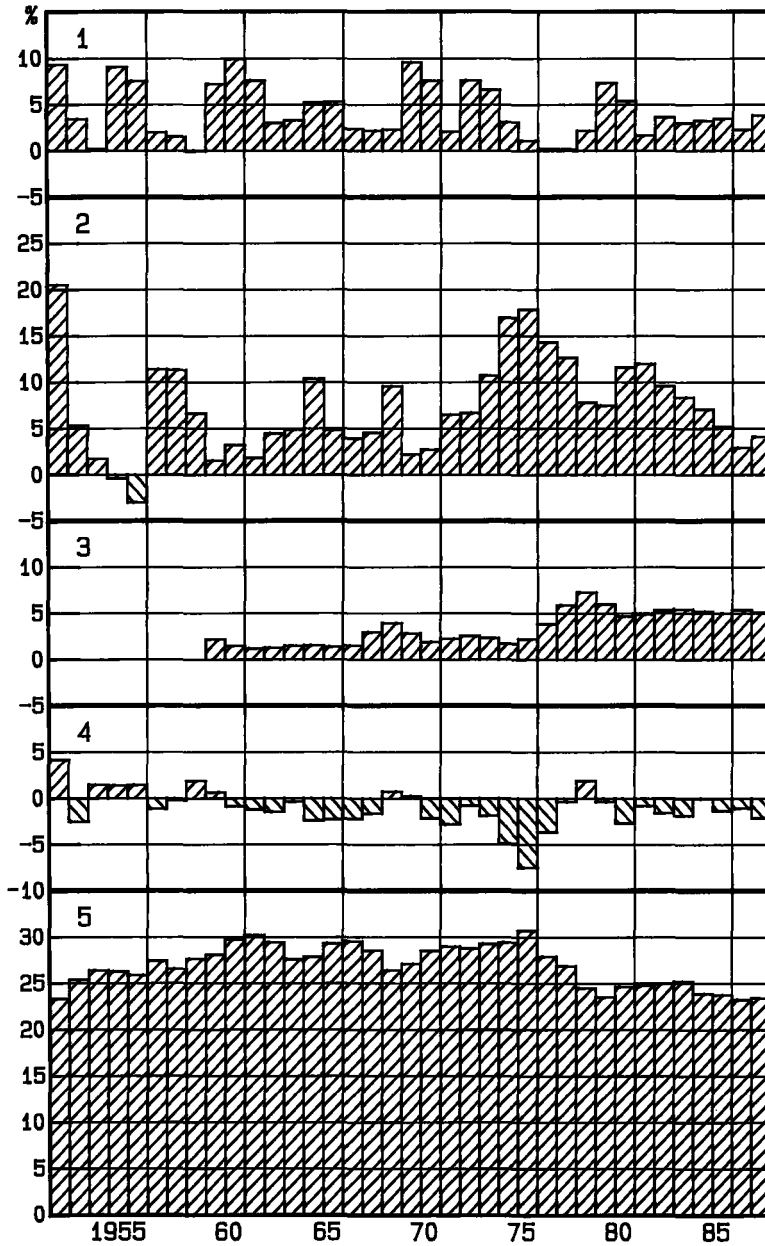
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

Table 8.4 The consumer price index (Column 7) was revised as from January 1988. Both the weights and the methods of calculation were changed (see the item in the March 1988 issue of the Bulletin). The base year of the new CPI is 1985, while the base year of the index shown until end-1984 is 1981.

Table 8.6 Source: Ministry of Finance.

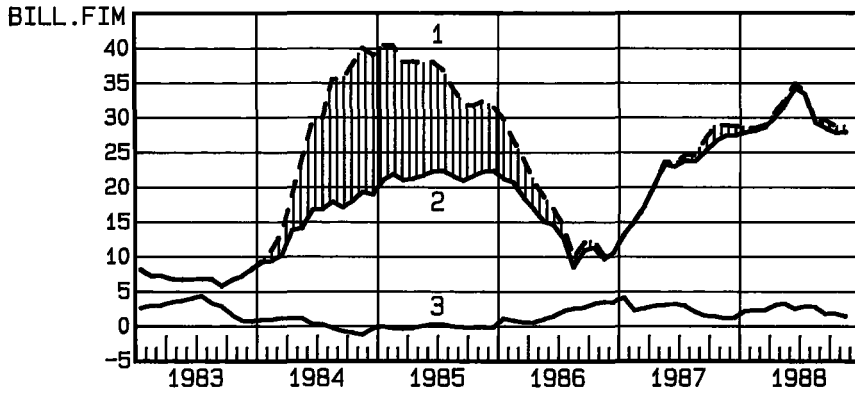
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Banks' central bank position	S29
5. Overnight rates	S30
6. HELIBOR rates of interest	S30
7. Rates of interest applied by the Bank of Finland	S30
8. 3-month covered Eurodollar rate and 3-month currency basket rates	S31
9. Rates on new issues of bonds and debentures	S31
10. Secondary market rates on bonds and debentures	S31
11. Bank of Finland currency index (monthly)	S32
12. Bank of Finland currency index (daily)	S32
13. Changes in the exchange rates of selected Nordic currencies	S32
14. Changes in the exchange rates of selected major currencies	S33
15. Bank deposits from the public	S33
16. Bank lending to the public	S33
17. Money supply	S34
18. Direct investment	S34
19. Central government debt	S34
20. Current account	S35
21. Foreign debt	S35
22. Balance of payments	S36
23. Debt service ratio	S36
24. Foreign trade	S37
25. Western trade	S37
26. Bilateral trade	S37
27. Foreign trade: prices and terms of trade	S38
28. Western trade: prices and terms of trade	S38
29. Bilateral trade: prices and terms of trade	S38
30. Production	S39
31. Fixed investment	S39
32. Employment and unemployment rate	S40
33. Prices and wages	S40
34. Central government finances	S41

1. LONG-TERM INDICATORS



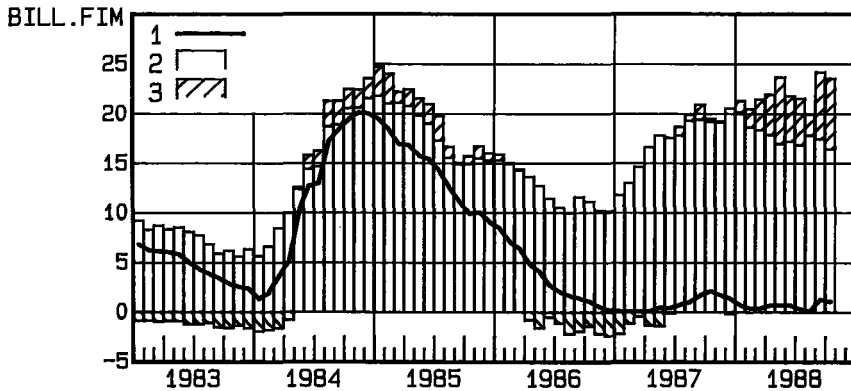
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

2. THE BANK OF FINLAND'S FOREIGN EXCHANGE RESERVES AND FORWARD POSITION



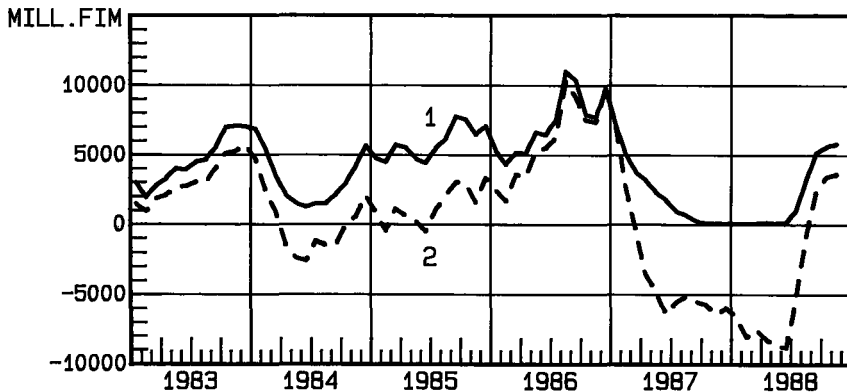
1. Convertible foreign exchange reserves plus forward position
2. Convertible foreign exchange reserves
3. Tied currencies

3. FORWARD MARKET



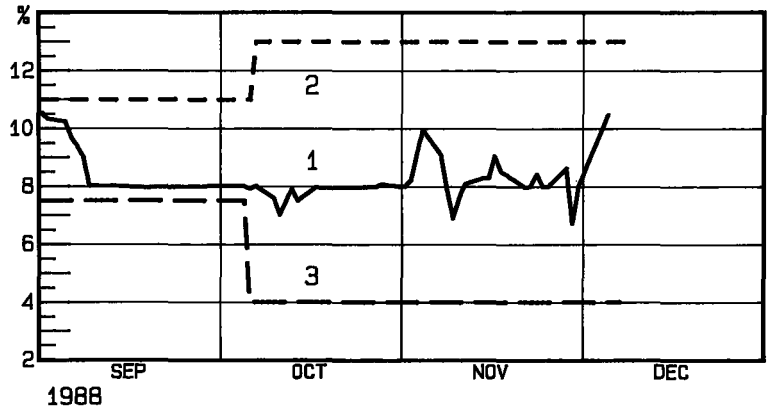
1. Forward exchange purchased by the Bank of Finland from banks
2. Forward exchange sold by companies to banks
3. Forward exchange sold by foreign banks to banks

4. BANKS' CENTRAL BANK POSITION



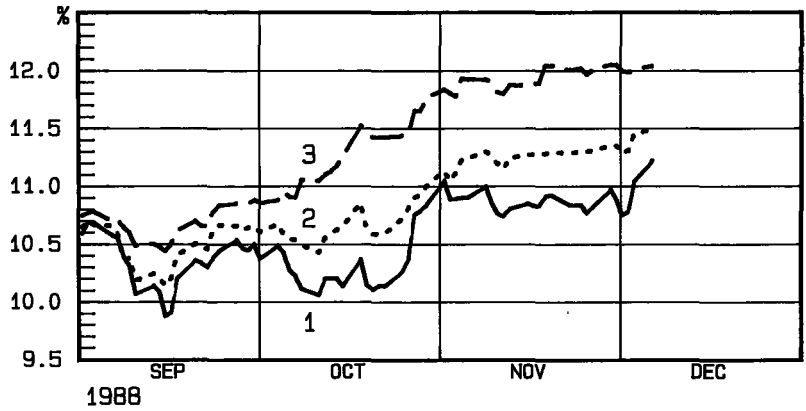
1. Gross debt to the Bank of Finland
2. Net debt to the Bank of Finland (excl. cash reserve deposits)

5. OVERNIGHT RATES



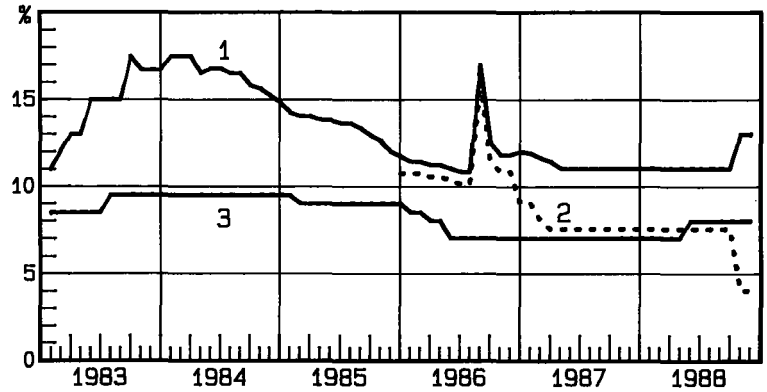
- 1. Inter-bank overnight rate
 - 2. Call money credit rate
 - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



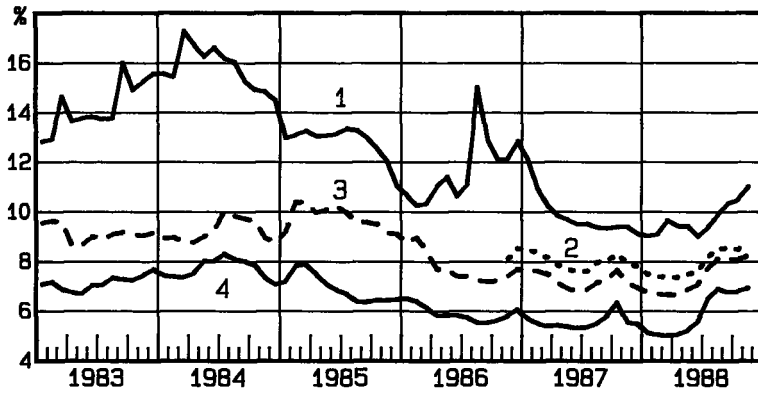
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Daily observations

7. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



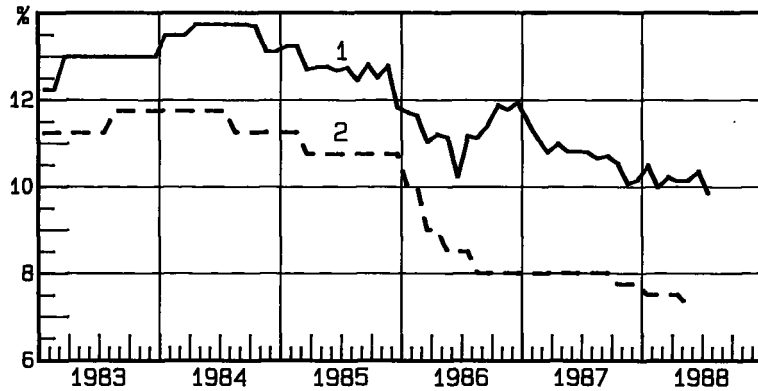
- 1. Call money credit rate
 - 2. Call money deposit rate
 - 3. Base rate
- End-of-month observations

8. 3-MONTH COVERED EURODOLLAR RATE AND 3-MONTH CURRENCY BASKET RATES



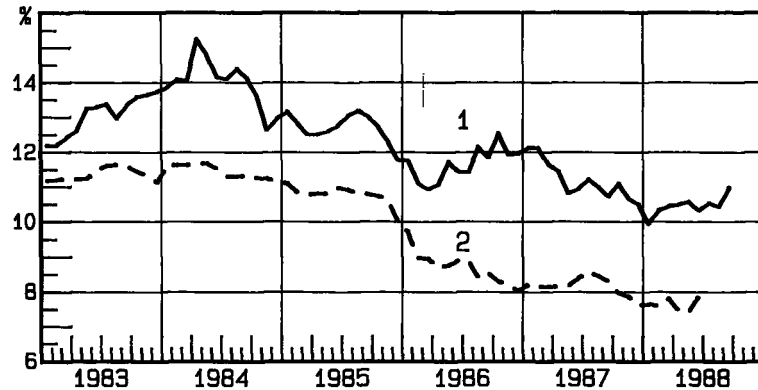
- 1. Covered Eurodollar rate
- 2. 12-currency basket rate
- 3. 8-currency basket rate
- 4. 3-currency basket rate

9. RATES ON NEW ISSUES OF BONDS AND DEBENTURES



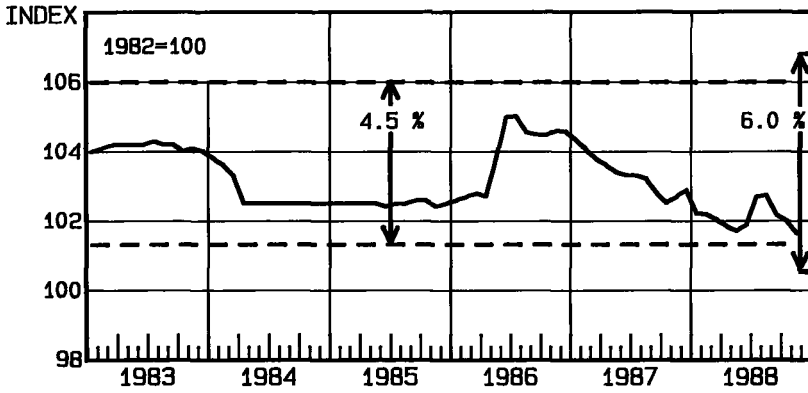
- 1. Rates on new fixed-rate debentures
- 2. Rates on new 10-year tax-free government bonds

10. SECONDARY MARKET RATES ON BONDS AND DEBENTURES



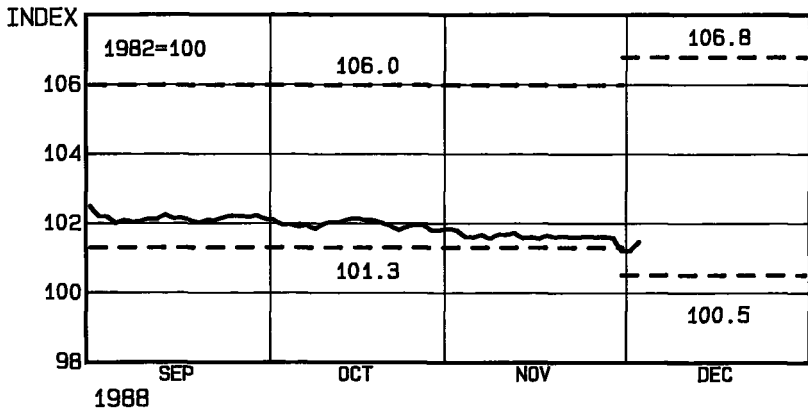
- 1. Secondary market rate on (3-6 year) fixed-rate debentures
- 2. Secondary market rate on (9-10 year) taxfree government bonds

11. BANK OF FINLAND CURRENCY INDEX



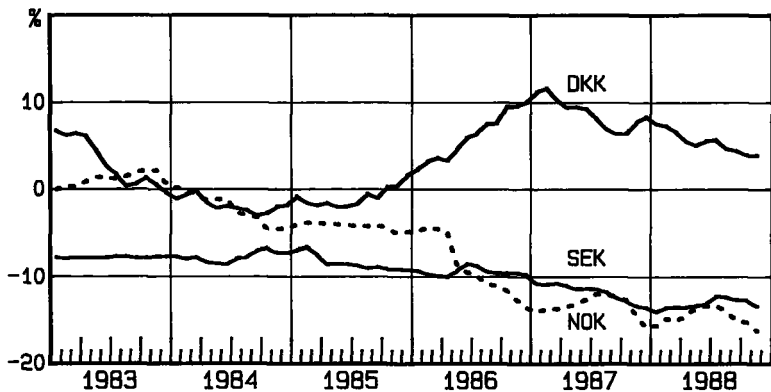
4.5 % and 6.0 % = fluctuation range of the index
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX



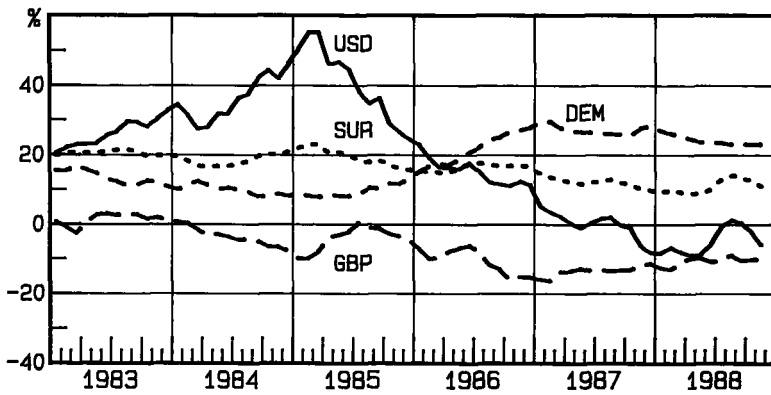
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



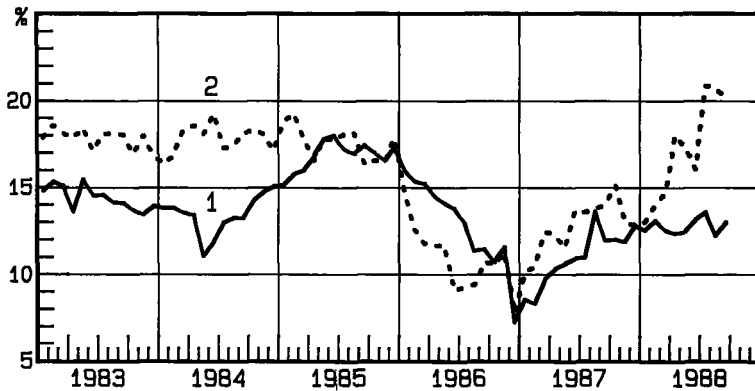
Monthly changes in markka selling rates calculated from the average rates for January 1982

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



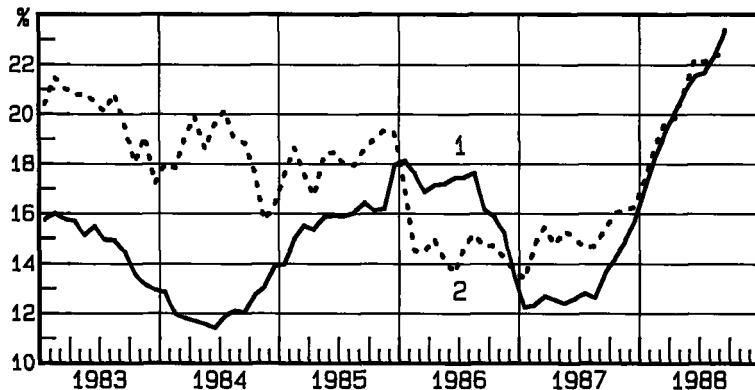
Monthly changes in markka selling rates calculated from the average rates for January 1982

15. BANK DEPOSITS FROM THE PUBLIC



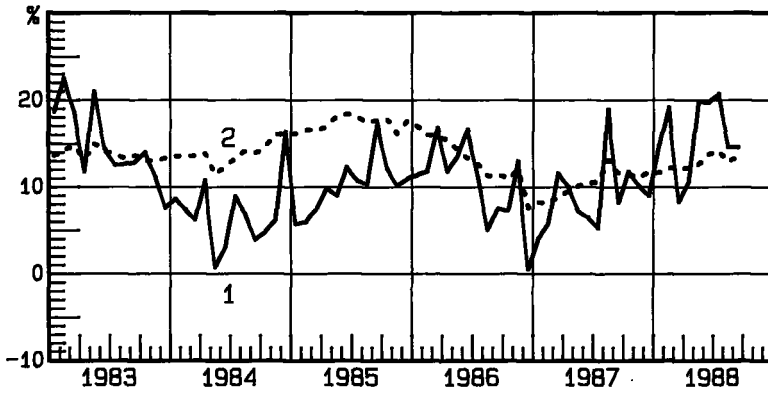
1. Regulated deposits
2. Total deposits
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



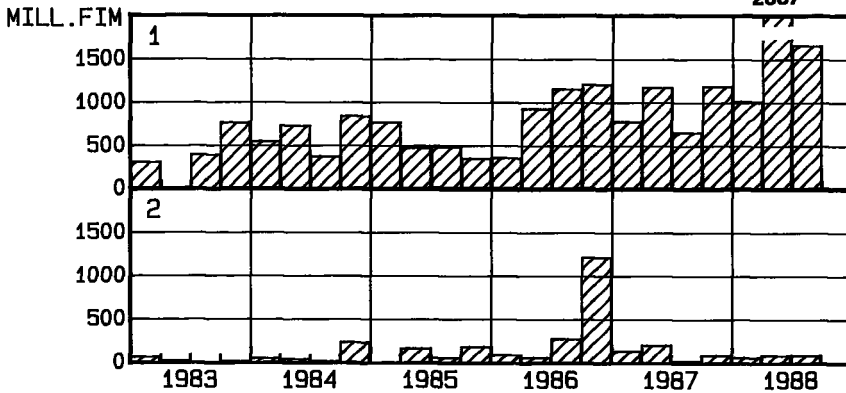
1. Markka lending
2. Total lending
Change from the corresponding month of the previous year, per cent

17. MONEY SUPPLY



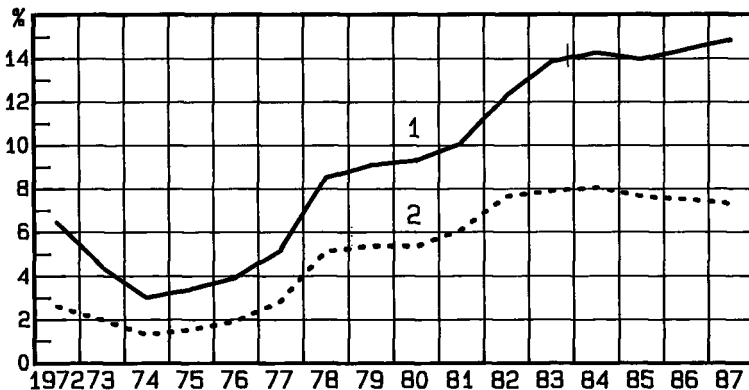
1. Narrow money supply (M1)
 2. Broad money supply (M2)
- Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



1. Finnish direct investment abroad, net
2. Foreign direct investment in Finland, net

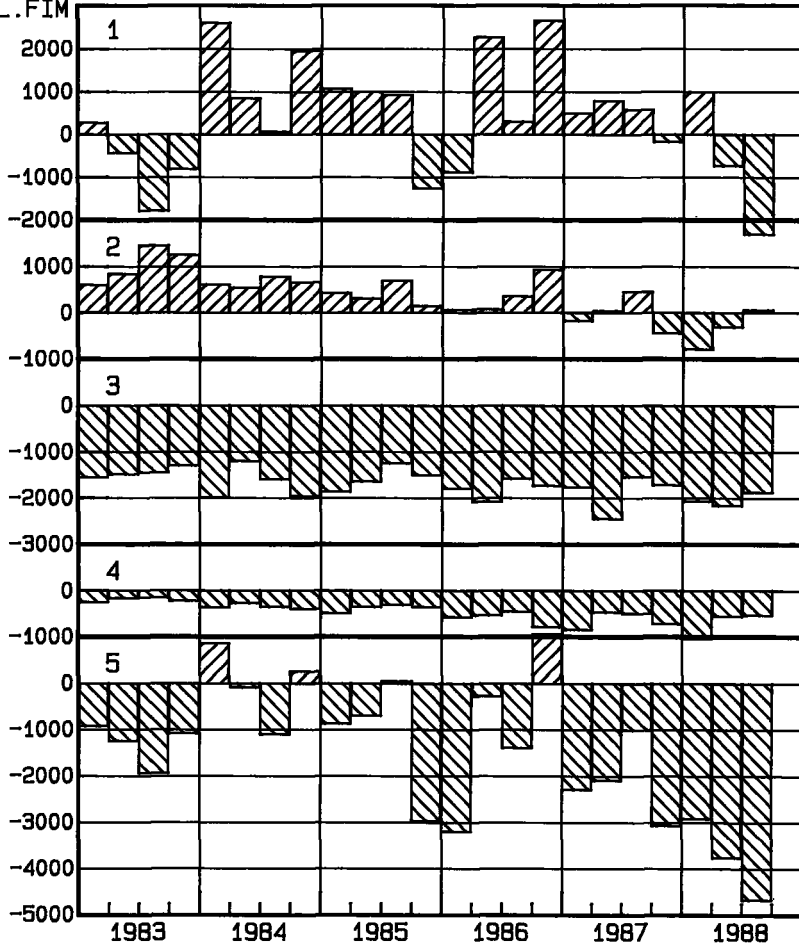
19. CENTRAL GOVERNMENT DEBT



1. Total debt
 2. Of which: foreign debt
- As a percentage of GDP

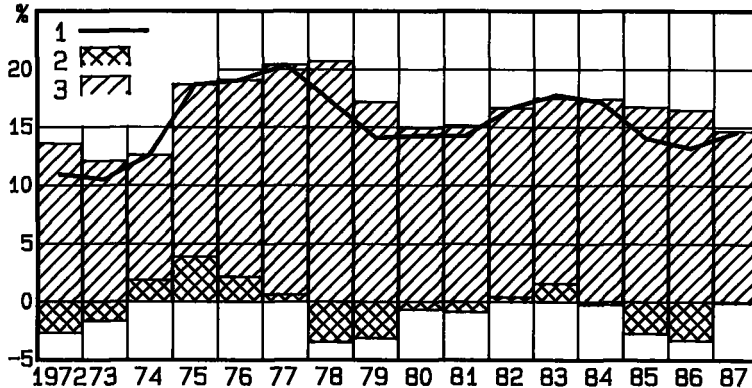
20. CURRENT ACCOUNT

MILL. FIM



1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

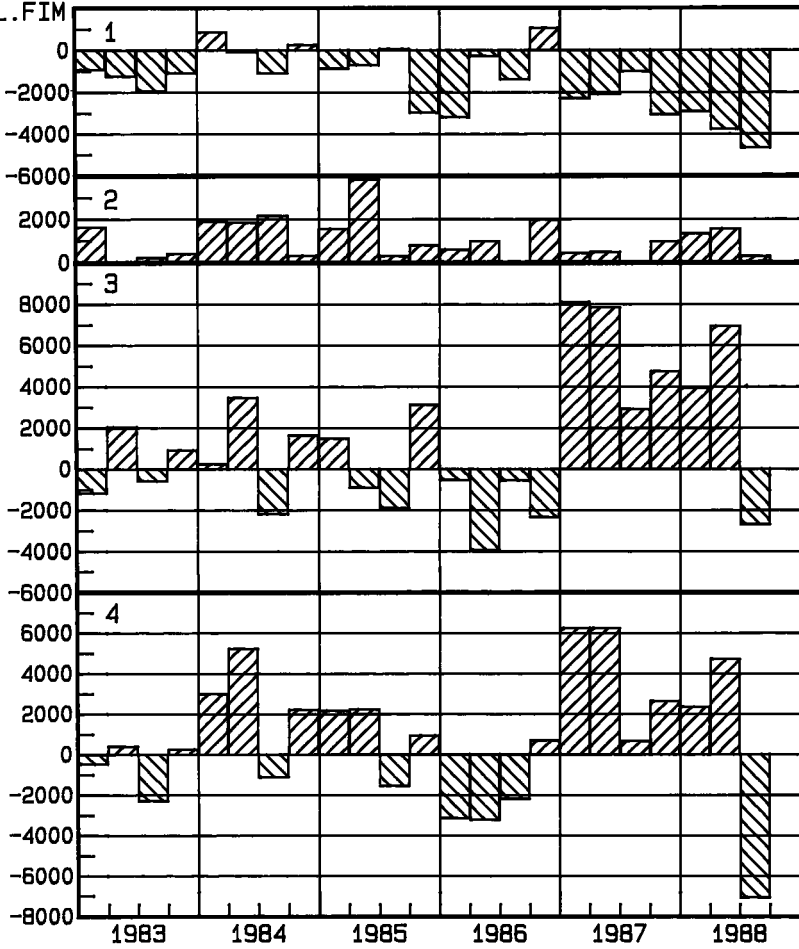
21. FOREIGN DEBT



1. Total foreign net debt
 2. Short-term net debt
 3. Long-term net debt
- As a percentage of GDP

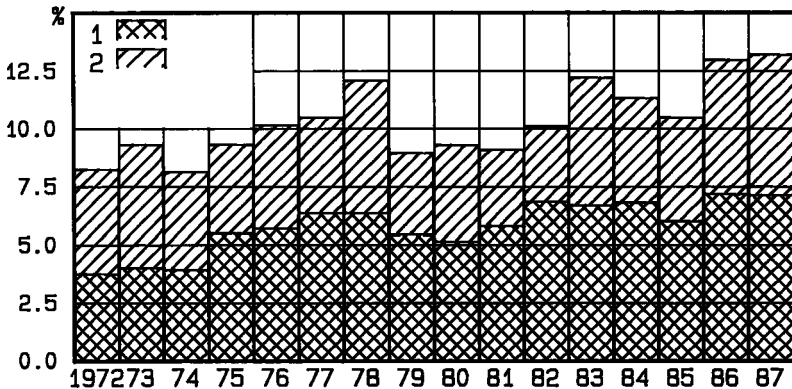
22. BALANCE OF PAYMENTS

MILL. FIM



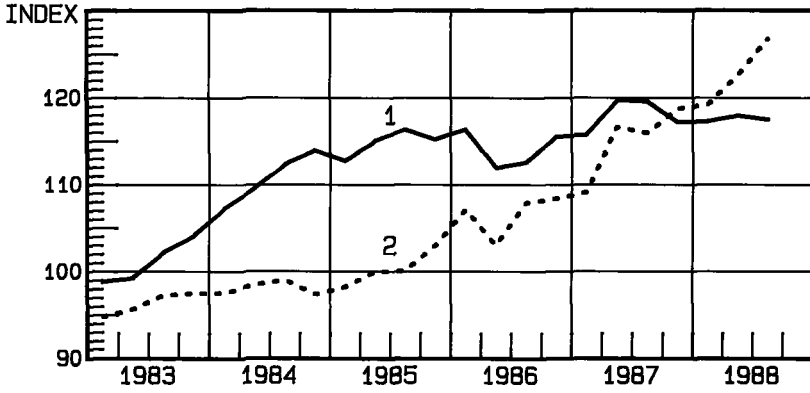
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance = change in the foreign exchange reserves of the Bank of Finland

23. DEBT SERVICE RATIO



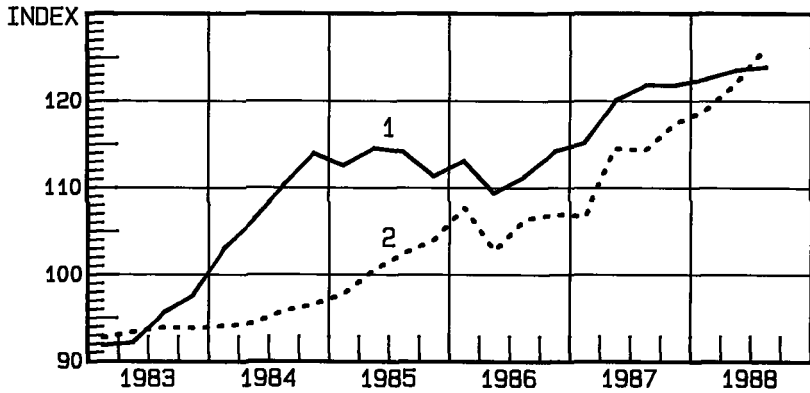
1. Interest payments
 2. Redemptions
- As a percentage of current account earnings

24. FOREIGN TRADE



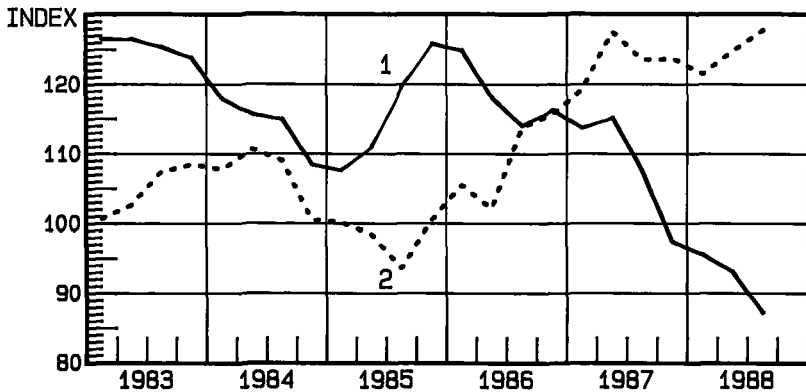
1. Total exports
2. Total imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

25. WESTERN TRADE



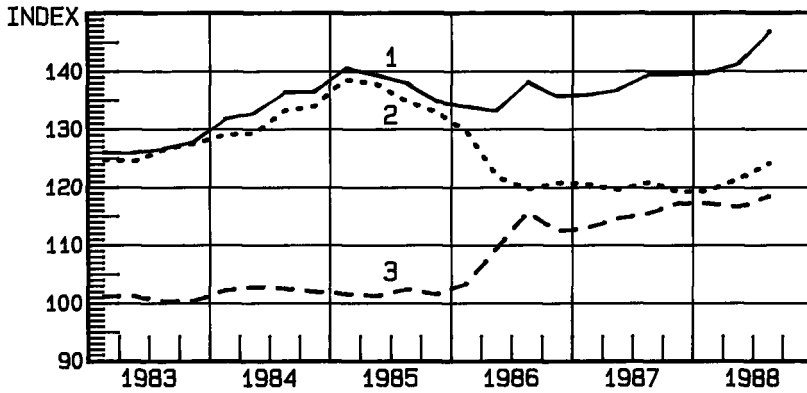
1. Western exports
2. Western imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

26. BILATERAL TRADE



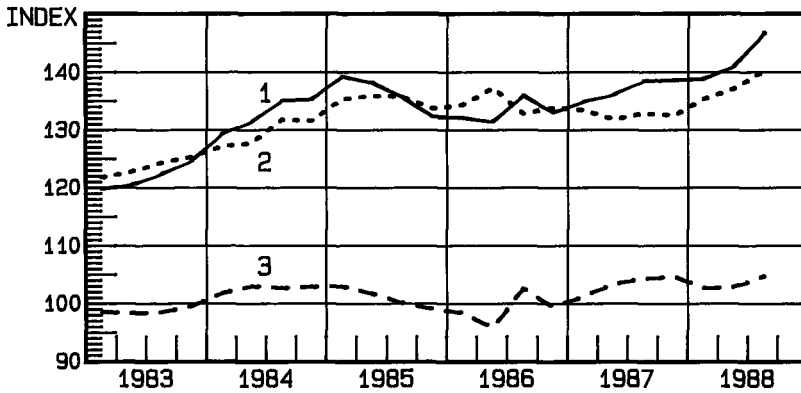
1. Bilateral exports
2. Bilateral imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

27. FOREIGN TRADE: PRICES AND TERMS OF TRADE



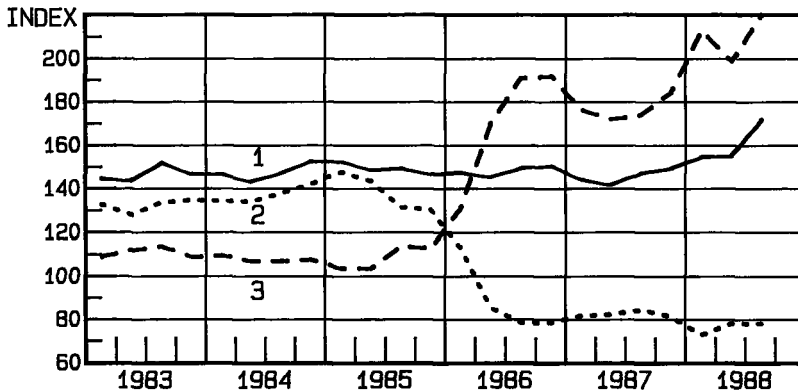
- 1. Unit value index of exports
 - 2. Unit value index of imports
 - 3. Terms of trade
- 1980 = 100

28. WESTERN TRADE: PRICES AND TERMS OF TRADE



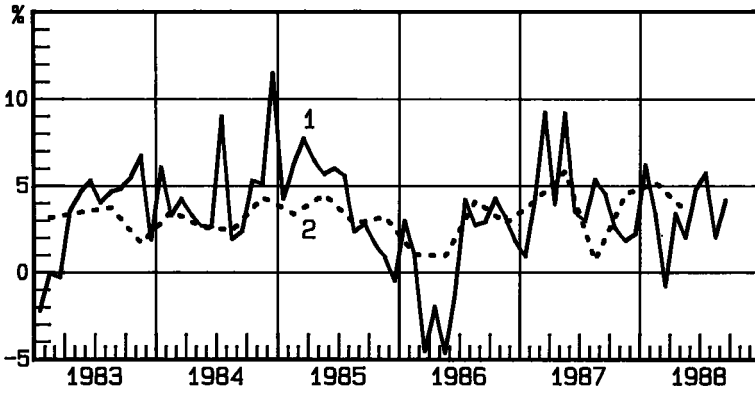
- 1. Unit value index of western exports
 - 2. Unit value index of western imports
 - 3. Terms of trade in western trade
- 1980 = 100

29. BILATERAL TRADE: PRICES AND TERMS OF TRADE



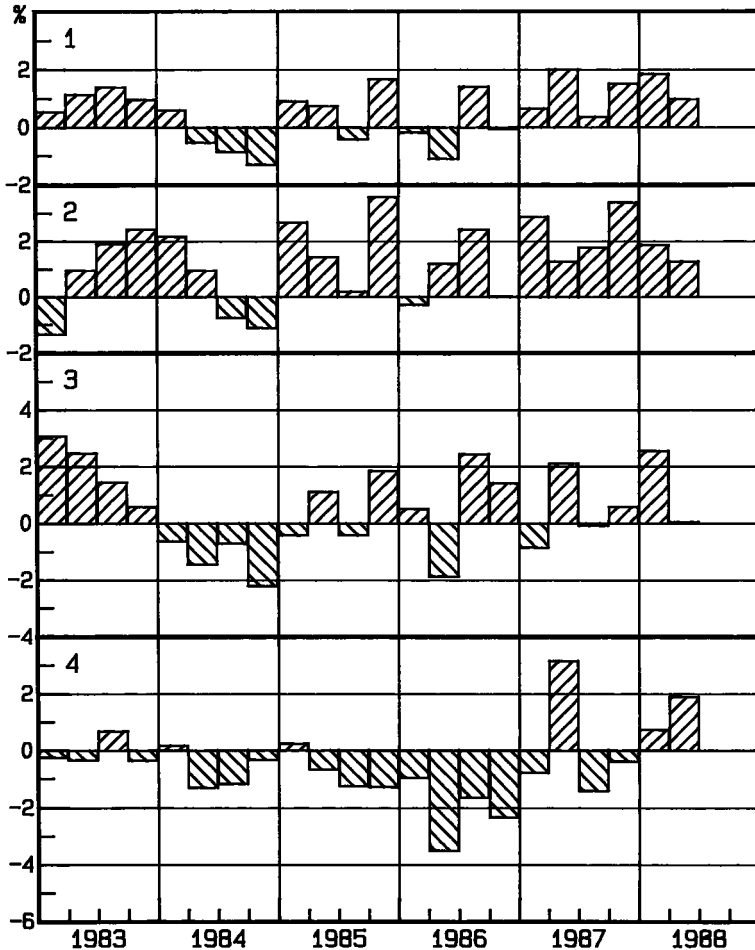
- 1. Unit value index of bilateral exports
 - 2. Unit value index of bilateral imports
 - 3. Terms of trade in bilateral trade
- 1980 = 100

30. PRODUCTION



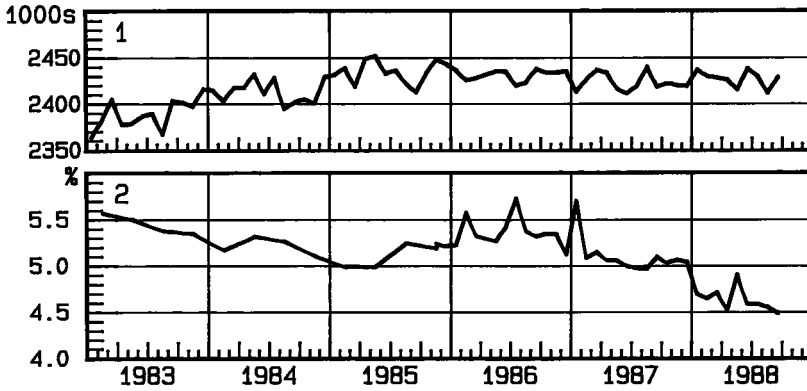
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

31. FIXED INVESTMENT



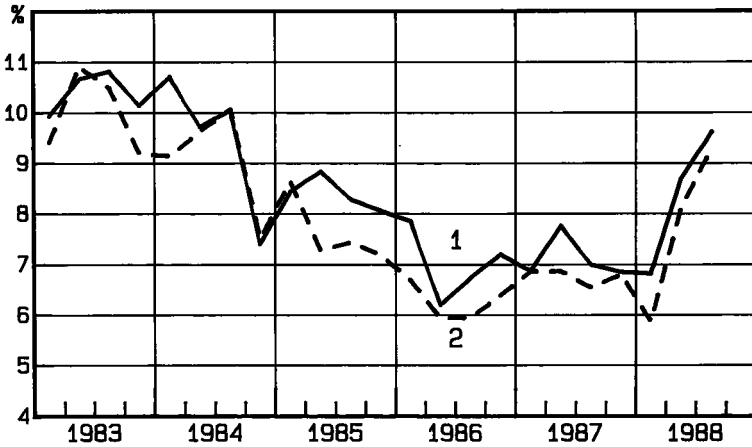
1. Total fixed investment
 2. Investment in machinery and equipment
 3. Building investment, excl. residential buildings
 4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

32. EMPLOYMENT AND THE UNEMPLOYMENT RATE

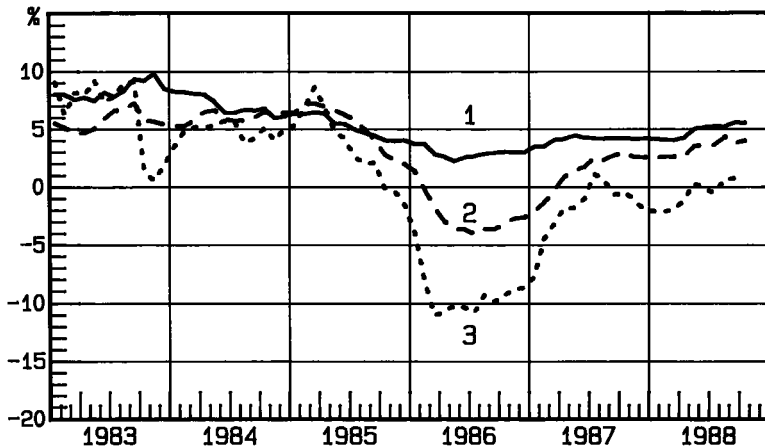


- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

33. PRICES AND WAGES

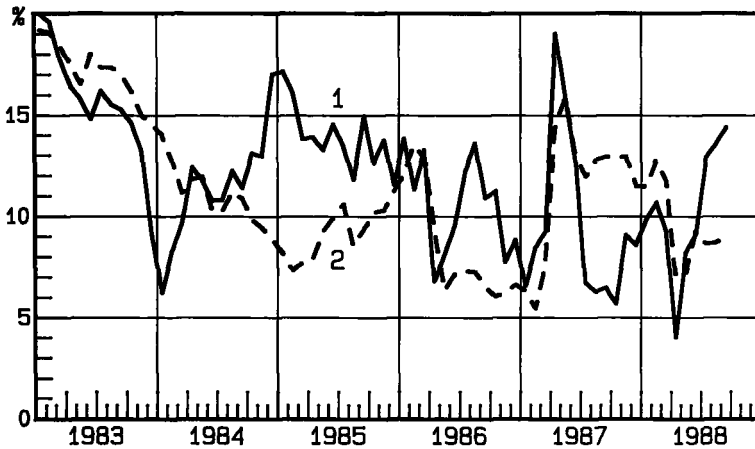


- 1. Index of wage and salary earnings, all wage and salary earners
 - 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



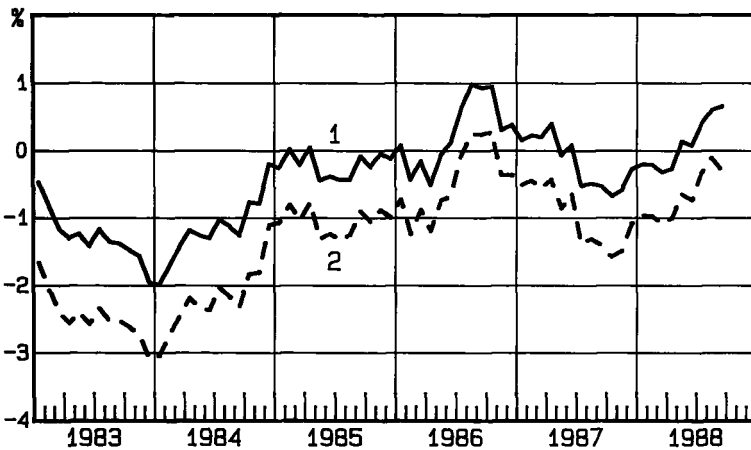
- 1. Consumer price index
 - 2. Wholesale price index
 - 3. Import price index
- Change from the corresponding month of the previous year

34. CENTRAL GOVERNMENT FINANCES



1. Revenue excl. borrowing
2. Expenditure excl. redemptions of central government debt

Changes calculated from 12-month moving totals and shown as at the last month, per cent



1. Revenue surplus (revenue less expenditure excl. financial transactions) (surplus = +)
2. Net borrowing requirement (net borrowing = -)

12-month moving total shown as at the last month and as a percentage of GDP

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