



# BULLETIN

BANK OF FINLAND

August 1989 Vol. 63 No. 8

Recent Economic and Financial Market  
Developments

Public Finance and Fiscal Policy

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## PUBLISHER

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ISSN 0784-6509

# RECENT ECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

by **Esko Aurikko**

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## RAPID ECONOMIC GROWTH CONTINUES

The Finnish economy continued to grow at a rapid pace during the first half of 1989. Preliminary figures indicate that in real terms GDP for the first quarter was 4.3 per cent higher than over the same three months of the previous year. Economic growth was boosted by large increases in exports and investment. Particularly vigorous growth of 26 per cent was recorded for residential construction. The rate of growth of consumer spending decelerated somewhat, although spending on consumer durables increased by 8 per cent in volume terms.

Available indicators suggest that economic growth remained strong in the second quarter of the current year as well. Industrial production rose by some 4 per cent in April-May, and employment has also been rising since the beginning of the year. The seasonally adjusted rate of unemployment remained at a level of 3.4 per cent during the first five months of the current year — the lowest level recorded since 1975.

According to the survey of business investment intentions carried out by the Bank of Finland in May-June, industrial investment will maintain its upward trend throughout 1989. Given the rapid growth of demand, the rate of capacity utilization is also expected to remain at a high level during the latter part of the year.<sup>1</sup>

The survey of business confidence published by the Con-

federation of Finnish Industries in July indicates that, on the whole, business expectations remain optimistic, although some weakening is anticipated by the forest industries. Higher levels of output are becoming increasingly difficult to attain owing to shortages of capacity and labour.

Despite vigorous international demand and a relatively rapid rise in exports, the visible trade surplus of FIM 0.6 billion for the first half of last year turned into a FIM 0.5 billion deficit for the corresponding period in 1989. This decline was due to the rapid growth of imports, which was boosted by the buoyancy of domestic demand. The main contribution to the growth of imports came from imports of consumer and investment goods. According to preliminary statistics, the current account deficit amounted to FIM 3.5 billion in the first quarter of 1989, which is about FIM 0.5 billion more than in the first three months of 1988.

In addition to the deterioration in the external balance, the overheating of the economy has increased inflationary pressures. The rate of inflation continued to rise throughout the spring and early summer. The consumer price index rose by 0.9 per cent in April, 0.4 per cent in May and 0.9 per cent in June. Prices rose by 6.8 per cent in the 12 months to June. The increase in June was largely a result of the rise in house prices during the last quarter of 1988, which affected the consumer price index with a six-month lag. The rise in house prices slowed down in the early months of the year, and in the spring and summer prices actually declined in some seg-

ments of the housing market. Because of the lag, this will not exert downward pressure on the measured rate of inflation until the latter part of the year.

The stabilization agreement concluded contains an index clause providing for additional pay increases should consumer prices rise by more than 4 per cent in the 12 months to December 1989. As the consumer price index has already increased by 4.5 per cent during the first half of the year, additional pay increases based on the agreement can be expected early next year for those unions which were a party to the agreement.

## FISCAL POLICY STANCE

The primary objective of the Government's economic policy has been to restrict the overheating of the economy and to mitigate inflation and current account problems. The Government's room for manoeuvre in fiscal policy is largely determined by the 1989 budget. This was designed to be mildly expansionary, because of the expectation of weakening economic activity towards the end of 1989. Some restrictive measures have been taken during course of the year. In connection with the adjustment of the fluctuation band of the currency index in March, sales tax was raised by half a percentage point for the period between June and November 1989, and employers' national insurance contributions were increased by one-quarter of a percentage point for the period between May and December.

The combined effect of these measures is rather limited. However, thanks to rapid

<sup>1</sup> See also the item in this issue of the Bulletin.

income growth and increased taxable values of fringe benefits, tax revenue has been rising at a faster rate than originally estimated. Thus, the ratio of taxes to GDP will rise somewhat in 1989, thereby reversing the slight expansionary impact planned a year ago.

### **INTEREST RATES FAIRLY FIRM**

Within two weeks of the markka's band being adjusted in March, the Bank of Finland's currency index strengthened close to its new lower limit, where it has since remained. From mid-March to the end of July the Bank of Finland did not intervene in the foreign exchange market, with the exception of some minor operations in June. The Bank of Finland's convertible foreign exchange reserves remained relatively stable at a level of FIM 29 billion. Twelve-month interest rates remained fairly firm at around 12 per cent, whereas shorter rates showed wider fluctuations.

In the absence of foreign exchange intervention, changes in the liquidity of the banking system originated from domestic sources, most notably from money market operations by the Bank of Finland. In addition, investment deposits made with the Bank of Finland by firms increased by more than FIM 3 billion in May-July, and the banks paid supplementary cash reserves of FIM 1.5 billion in the same period.

In accordance with the supplementary cash reserve agreement between the Bank of Finland and the banks, the cash reserve requirement was raised on average by more than 0.1 percentage point each month in the period May-July. The increments were due to excessive growth of the banks' personal lending while the increase in total lending fell short of the growth allowed under the supplementary agreement. Together with the existing requirement under the original agreement, the cash reserve require-

ment stood at 8.4 per cent at the end of July.

The Bank of Finland's money market operations were aimed at keeping interest rates at the higher level established in mid-March, subject to the constraint that there was only limited scope for the exchange rate index to strengthen, as it remained close to the lower limit of new band.

In April-July the Bank of Finland bought bank certificates of deposit in net terms in the amount of FIM 11.5 billion. Relatively minor transactions were undertaken in April-May, and interest rates declined somewhat towards the end of May. As shorter rates fell more sharply, the yield curve for the markka, which became negative following the March measures, again became upward sloping. Markedly tighter liquidity, heavy borrowing by the banks in the call money market and a rise in the shortest interest rates had combined to make the yield curve negative for a few days. The FIM 8 billion of liquidity offered in June made the banks' call money position clearly positive on June 16, when the Bank of Finland's call money window arrangement was reorganized. Again the reaction of the shortest rates was more pronounced.

The call money window has served as a residual source of central bank financing and as an overnight deposit facility for banks. Access to call money credit was limited in 1987 by bank-specific quotas and the imposition of penalty interest on borrowing in excess of quota.

On June 16, 1989, the quotas and penalty interest rate were abolished. The call money lending rate was increased from 13 to 15 per cent, while the deposit rate was kept unchanged at 4 per cent.<sup>2</sup>

In late June and throughout July, the Bank of Finland conducted its money market operations in such a way that the banks on aggregate had call money deposits in the Bank of Finland. Only on one occasion

was the aggregate position allowed to become slightly negative. As it took some time for the banks to adjust to the new rules regarding their recourse to the call money window, overnight interest rates in the interbank market showed wider fluctuations than they had previously.

The interest rate differential in relation to the weighted rate on a basket of 14 foreign currencies was relatively stable at around 2 percentage points in April-July. Despite the wider interest rate differential, net capital inflows remained at the same level in the second quarter of 1989 as in the first quarter. In April-June net imports of long-term financing by companies totalled some FIM 3 billion. In the forward exchange market, the outstanding contracts of Finnish firms decreased by FIM 3 billion, while the forward exchange position of foreign banks increased by more than FIM 2 billion, regaining its level at the start of the year.

In June, the Bank of Finland announced a relaxation of capital controls on foreign investment and capital imports. Foreign investments by non-financial companies will be liberalized completely as of September 1, 1989. It was also decided to free foreign investment by private individuals with effect from a date yet to be specified, however, not later than the beginning of the third quarter of 1990. The minimum maturity of foreign currency loans was shortened from five years to one year.<sup>3</sup>

### **CREDIT EXPANSION SLOWING DOWN**

Domestic credit expansion has slowed down considerably during 1989. This reduction is largely due to the banks having raised lending rates in response to the supplementary cash reserve agreement. Bank lending to the public grew at an

<sup>2</sup> See also the item in this issue of the Bulletin.

<sup>3</sup> See also the item in this issue of the Bulletin.

annual rate of over 30 per cent in December 1988, while the corresponding rate was 16 per cent in June this year. This is somewhat below the lower limit of the supplementary agreement. However, personal lending by most groups of banks exceeded the limit, and this has led to an increase in the average cash reserve requirement.

Interest rates on new markka-denominated bank

loans went up by 0.7 percentage point in March — May. However, the increase in May was only 0.1 percentage point indicating that the current level of interest rates is affecting the demand for credit.

According to the Unitas index, prices of securities traded on the Helsinki Stock Exchange rose by 7.3 per cent in January — July 1989. The share price rise of the first four

months turned into a slight decline thereafter. Turnover amounted to FIM 25.1 billion during the first seven months, representing a rise of 14 per cent over the corresponding period of last year.

August 7, 1989

# PUBLIC FINANCE AND FISCAL POLICY

by **Immo Pohjola**, Financial Counsellor  
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## PUBLIC FINANCE

**U**nder the current Government programme, the growth of public expenditure in the medium term has to be confined to the limits set by a stable tax ratio and output growth. Since cost pressures are stronger in the public sector than in the private sector on average, special attention is being paid to the efficiency of administration and working procedures. Efforts are also being made to restrict the volume growth of expenditure by reallocating funds among various administrative branches in accordance with changing needs.

This aim is considered necessary because the growth of public expenditure has consistently exceeded that of GDP during the 1980s. However, at the same time the tax burden has increased; the financial surplus of the public sector in relation to GDP has fluctuated around zero. Because of active fiscal policy, financial surpluses have varied substantially from year to year; overall, fiscal policy has on average been slightly expansionary.

In 1987, the rise in the ratio of public expenditure to GDP came to a halt and last year it turned down clearly (Table 1). The fall in the ratio was intensified by exceptionally rapid growth of GDP. The trend in Finland conforms with international developments; in some other countries, e.g. Sweden, Denmark and the Federal Republic of Germany, the downturn took place a few years earlier. Generally speaking, restricting the growth of public expenditure has been regarded as necessary because of the high

TABLE 1. PUBLIC SECTOR INDICATORS, per cent of GDP

	1970 —79 annual average	1980 —84 annual average	1985	1986	1987	1988*
Public consumption and investment	20.0	22.4	23.5	23.8	24.3	23.7
Transfers to the private sector	11.3	12.4	13.4	13.7	13.5	12.6
Total public expenditure	34.3	38.1	41.4	41.9	41.9	39.8
Taxes, net	22.8	21.7	23.2	24.1	22.3	25.1
Taxes, gross	34.1	34.0	36.6	37.8	35.8	37.6
Financial surplus	3.5	0.1	0.1	0.8	-1.2	0.9

\*Preliminary

level of the tax ratio and public debt. In Finland, the share of the public sector in GDP is close to the international average while public debt is low by international standards.

Since the tax ratio rose and the ratio of public expenditure to GDP fell in 1988, the financial balance of the general government sector improved considerably. Half of the rise in the tax ratio was, however, technical, reflecting the postponement of tax refunds for 1986 to 1987, while part of the fall in the expenditure ratio was due to changes in the method of compiling statistics (see footnote to Table 2). However, growth of expenditure slowed down ap-

preciably in practically all categories of expenditure both by type of outlay and purpose.

Of the various subsectors of general government, the financial position of the central government improved by FIM 8 billion, while that of local government and social security funds improved by only a few hundred million markkaa. The financial position of local authorities remained rather tight.

The growth in the relative share of the public sector in the economy has mainly concentrated on the local government sector. In 1988, the expenditure of local authorities and municipal federations amounted to

TABLE 2. PUBLIC CONSUMPTION, INVESTMENT AND TRANSFERS TO THE PRIVATE SECTOR, change in volume, %.

	CONSUMPTION		INVESTMENT		TRANSFERS <sup>1</sup>	TOTAL
	central government	local government	central government	local government		
1982	6.0	2.3	5.9	9.4	8.6	5.7
1983	5.3	3.0	8.0	1.2	8.5	5.5
1984	-1.0	4.7	-3.6	-1.5	3.6	2.7
1985	4.8	4.8	0.5	4.0	6.3	5.1
1986	1.1	4.3	4.1	0.9	5.3	4.0
1987	4.3	4.7	11.7	7.4	3.5	4.6
1988*	1.9	3.1	-0.2	5.5	2.3	2.6

<sup>1</sup> Transfers have been deflated by the consumer price index, and transfers for 1988 are shown in a comparable way (in the national accounts the Municipal Pensions Institution was transferred from general government to financial institutions).

\*Preliminary

TABLE 3. FINANCIAL SURPLUSES OF GENERAL GOVERNMENT,  
FIM million

	CENTRAL GOVERNMENT	LOCAL GOVERNMENT	SOCIAL SECURITY FUNDS	TOTAL, % of GDP
1982	-882	162	-739	-0.6
1983	-4359	423	-618	-1.7
1984	107	1233	-195	0.4
1985	390	176	-120	0.1
1986	3312	79	-608	0.8
1987	-2448	-2103	-86	-1.2
1988*	5567	-1925	464	0.9

\*Preliminary

FIM 78 1/2 billion, or 18 per cent of GDP as opposed to 16 per cent in 1980. The number of employees in the local government sector has increased on average by 4 per cent annually.

The growth of local government finances has largely been sustained by statutory development programmes in various administrative branches. However, the state aid system has also contributed to the rise in local government expenditure by providing compensation for a fairly large, fixed share of the value of expenditure. Local authorities decide themselves on their own expenditure. Since the mid-1970s, annual negotiations have taken place between the central government and the central organizations of municipalities aimed at restricting the growth of local government expenditure and personnel but the agreed limits have almost invariably been exceeded.

In 1988, the growth in the volume of local government expenditure slowed because of the tighter financial position of local authorities and the average local tax rate rose by 0.16 percentage point to 16.33 per cent. Increases in local tax rates tended to focus on the wealthier municipalities, thus slightly reducing on average the differences between local tax rates. Transfers from the local government sector to the private sector continued to grow rapidly, at a rate of 15 per cent, partly because of the new income maintenance subsidy scheme. In spite of the relatively tight financial position of local authorities, investment activity remained

buoyant since the supply of domestic financing increased substantially. Local government debt rose by one-fifth, totalling FIM 19 billion or 4 1/2 per cent of GDP at the end of 1988.

Expenditure of social security funds consists mainly of national pensions, sickness insurance allowances and unemployment benefits and totalled FIM 30.4 billion in 1988. The financial balance of this sector improved slightly in 1988 because the sickness insurance contribution rate of private employers was raised by 0.25 percentage point. Expenditure on national pensions and unemployment benefits showed only minimal growth. Compensatory payments by the central government to national pension and sickness insurance funds fell considerably.

In 1988, central government cash expenditure (incl. transfers to local authorities and social security funds) amounted to FIM 115 billion. In real terms, the growth of expenditure slowed to just under 4 per cent, of which, however, one percentage point was due to the accounting methods related to the newly established nuclear waste management fund. The main contribution to the growth of total expenditure came from state aid to local authorities, which grew by 5.6 per cent in volume terms. The real growth of consumption expenditure was 1.3 per cent.

Central government revenue increased by 16 per cent last year, i.e. by 5 percentage points faster than expenditure. Though the rapid increase in

tax receipts was partly attributable to the exceptional timing of tax refunds in the previous year the main factor behind the increase was the strong growth of domestic income and demand. In addition to fiscal drag, tax revenue rose because of discretionary tax increases.

Thanks to relative restraint on the expenditure side and the strong growth of tax revenue, the central government's financial position improved significantly, and the net financing requirement turned out to be negative. Even though net borrowing amounted to FIM 0.3 billion, the markka value of central government debt fell to FIM 58 billion (13.2 per cent of GDP compared with 14.9 per cent in 1987) as a result of exchange rate changes.

1989 has witnessed continued rapid growth of central government revenue and slow real growth of expenditure, with a further increase in the financial surplus of the central government sector. Central government debt has declined, even in nominal terms, and is estimated to amount to 11 1/2 per cent of GDP at the end of the year. This development derives partly from strong economic growth, partly from longer-term goals designed to restore equilibrium to the economy.

### FISCAL POLICY IN 1988

The 1988 budget proposal was completed in summer 1987. The short-term growth prospects for the economy were fairly good at that time but the external imbalance and inflationary pressures threatened the longer-term prospects. Lower oil prices called for substantial cutbacks in exports to the Soviet Union, while the scope for increasing exports to western markets was hampered by lack of capacity, weakening price competitiveness and a forecast slowdown in the growth of western markets. In contrast, the growth potential of domestic demand

was very strong and the buoyancy of production boosted real incomes, which were further augmented by improved terms of trade. The liberalization of financial markets also enabled increased use of borrowed funds.

The budget proposal was designed to support balanced growth over the longer term. Since fiscal policy in 1987 had turned out to be clearly expansionary and the economy was coming up against capacity constraints, it was essential that the expansionary impact be checked in 1988. Furthermore, account had to be taken of the fact that economic growth was forecast to slow down after the budget year and that the tax reform was due to be introduced in 1989.<sup>1</sup>

In the budget proposal, fiscal policy was designed to have a slightly expansionary effect on growth in order to reduce unemployment. At the same time, however, the budget was drawn up on the basis of a 2 per cent inflation target. Income tax schedules were adjusted for inflation in accordance with this target while tax deductions were kept unchanged because of the impending tax reform. Budgeted growth in the volume of central government expenditure was reduced considerably.

The international stock market crash in October 1987 strengthened expectations of a slowdown in activity in western markets. However, in the final months of the year domestic demand was clearly overheated, particularly in the Greater Helsinki area. Contributing to the buoyancy of demand were the liberalization of financial markets and the restoration of confidence in the Finnish markka. The domestic situation required measures aimed at curbing demand. Consequently, at the beginning of 1988 a decision was taken on levying a temporary, regionally differen-

tiated investment tax and the collection of counter-cyclical deposits.

The labour market settlements concluded in winter 1988 clearly exceeded the level aimed for by the Government. The Government's offer to promote incomes settlements by concessions in taxation for the following year was rejected. Since rising incomes threatened to further exacerbate the existing economic imbalances, economic policy had to be tightened. A decision in principle had already been taken at the beginning of the year to freeze the retail prices of transport fuels by raising excise duty in spite of lower world market prices. In connection with the spring supplementary budget the taxation and prices of cigarettes and alcoholic beverages were also increased with a view to checking excessive growth of real purchasing power. The decisions resulted in a marked tightening of fiscal policy but also in stronger cost pressures and a slight acceleration of inflation. The Bank of Finland raised the base rate in May.

In addition to discretionary fiscal measures, economic policy was tightened by fiscal drag in 1988. Inflationary incomes settlements combined with progressive tax schedules increased income and wealth tax revenue by FIM 2.1 billion (6 per cent) over the figure originally budgeted. The substantially

higher-than-expected value of domestic demand increased turnover tax revenue by FIM 3.1 billion (9 per cent) over the budgeted figure. Revenue from stamp duty increased by FIM 0.9 billion, exceeding the budgeted figure by as much as 21 per cent. This was mainly attributable to brisker property sales and a rise in property prices as well as to a sharp increase in bank loans subject to stamp duty.

In the budget proposal, fiscal policy was originally designed to have a slightly expansionary impact on the economy but when the effect of fiscal drag and the discretionary measures are taken into account its imputed effect was to reduce economic growth by just over one percentage point. However, the expansive fiscal policy of the previous year still exerted an expansionary impact on growth through various lagged effects.

In spite of the dampening effect of fiscal policy the growth of domestic demand was excessive in 1988. Private consumption increased by a further 5 per cent even though the real growth of household disposable income amounted to only 1 per cent. The additional purchasing power was financed by borrowing; total household debt increased by one-quarter and consumer credit rose by over one-third. The bulk of household credit was channelled to housing with the real

TABLE 4. SHORT-TERM ECONOMIC PROSPECTS

	1987	1988*	1989**
	volume change, %		
GDP	4.0	5.2	3.5
Imports	9.0	11.5	6.5
Exports	2.6	3.9	2.5
Private consumption	5.7	5.0	3.5
Public consumption	4.5	2.7	3
Private investment	5.0	9.7	9.5
Public investment	8.5	3.4	0
Domestic demand	5.8	7.4	4.5
Current account, FIM billion	-7.9	-12.6	-16.5
Index of wage and salary earnings, change %	7.1	8.9	8
Consumer prices, change %	3.7	5.1	6
Unemployment rate, %	5.1	4.5	3.8

\*Preliminary  
\*\*Forecast May 1989

<sup>1</sup> For a discussion of the reform see the October 1988 and January 1989 issues of the Bulletin.



growth of housing investment reaching 17 per cent. Business fixed capital formation also expanded rapidly reflecting the high level of capacity utilization, good profitability and financial liberalization. Furthermore, business expectations improved considerably in the course of the year as the threat of an international recession receded.

Total demand also rose because of better-than-forecast developments in exports. Admittedly, the increase in exports to western markets was distinctly lower than the growth of markets because of weakened price competitiveness and lack of capacity. Thanks to temporary credit arrangements aimed at facilitating deliveries, exports to the Soviet Union turned out to be substantially stronger than forecast in the budget proposal.

Buoyant demand and production bottlenecks, particularly as regards the availability of labour, boosted imports and the rise in domestic prices. Developments in relative prices also continued to favour imported goods at the expense of domestic commodities.

Since the current account had already shown a sizeable deficit in 1987, the strong growth of imports widened the deficit further in 1988 in spite of a slight increase in the growth of exports. The trade account deteriorated by FIM 1.9 billion, the services account by FIM 1.5 billion and the transfers and investment income accounts by a total of FIM 1.2 billion. The FIM 12.6 billion deficit on current account amounted to 2.9 per cent and foreign net debt to 16 per cent of GDP.

Because of demand pressures, inflation accelerated markedly in 1988. The spring incomes settlements, the sharp rise in house prices and the increase in the prices of alcohol and cigarettes were the direct causes of the acceleration of inflation. By contrast, import prices did not raise the cost level.

TABLE 5. THE EFFECTS OF FISCAL POLICY

	1986	1987	1988*	1989**
		GDP percentage <sup>1</sup>		
Central government	-0.5	0.8	-1.7	-0.2
Local government	0.6	0.7	0.4	0.2
Social security funds	0.1	-0.1	0.0	0.1
TOTAL	0.2	1.4	-1.4	0.1

<sup>1</sup> The effects have been calculated by the Ministry of Finance using a simple coefficient model. The figures include the effects of both discretionary measures and built-in stabilizers and have been calibrated to correspond to the real growth of GDP.

\* Preliminary  
\*\* Forecast May 1989

The liberalization of financial markets was a key factor behind the surge in domestic demand. Deregulation had got under way earlier but the increased supply of finance in 1988, together with competition between banks and the proliferation of various types of credit, made it possible for household indebtedness to rise to a new level. During the era of credit rationing, the household sector had accumulated pent-up purchasing needs, which could be satisfied following deregulation. Contributing to households' willingness to take on more debt has been the marked increase in the value of household wealth in recent years. Moreover, the deductibility of interest payments in income taxation has kept real interest rates at a very low level, indeed they have even declined on average.

In 1988, general government operations slowed the growth of real GDP by one and one half percentage point in imputed terms. The tightening of fiscal policy derived mainly from the central government sector. The discretionary fiscal changes — mainly the low inflation adjustment of income tax schedules, the increase in the rate of employers' sickness insurance contributions, the increases in excise duties in the spring and the slower real growth of central government expenditure — had a contractionary effect on growth. However, the major contribution to the tightening came from fiscal

drag as both the income tax and indirect tax bases expanded substantially more than estimated.

### FISCAL POLICY OUTLOOK

In conjunction with the 1989 budget proposal an agreement was concluded between the Government and the central labour market organizations on a combined economic and incomes policy settlement. To compensate for relatively low nominal pay increases, a satisfactory increase in real income in 1989 was ensured for those signing the agreement by linking the increases to the tax reform and by the inclusion of an index clause in the agreement. Since one of the main aims of the tax reform was to lower marginal tax rates and to weaken structural inflationary pressures, the settlement supported the anti-inflationary thrust of this policy.

All unions did not, however, join the stabilization settlement, and inflationary pressures in the economy are still strong. Although the rise in prices is expected to decelerate towards the end of the year, the average rate of inflation this year will exceed that in 1988. The economy is also growing faster in real terms than estimated in the budget, with international trade and domestic investment showing particularly strong growth. Thus the effects of built-in stabilizers will render fiscal policy more restrictive in 1989 than in the previous year. When

the effects of automatic tightening are taken into account, the overall impact of fiscal policy is expected to be neutral.

The excessively rapid growth of domestic demand remains the key problem for economic policy. An agreement signed between the Bank of Finland and the banks earlier this year should help to alleviate the overheated market situation somewhat. However, a further tightening of fiscal policy will be necessary if a tenable incomes policy agreement cannot be reached for next year.

Other major problems facing economic policy are inflation and the current account deficit. Both are essentially due to excessive domestic demand and insufficient domestic saving. The household savings ratio has plummeted and indebtedness increased in Finland as in many other countries where the deregulation of financial markets has proceeded at a rapid pace. Fiscal policy will have to be kept on a tight rein for many years to come to offset the lack of private saving. This means that the growth of public expenditure will have to be slowed and that there will be very little scope for reducing the tax burden even though the structure of taxation may change during the ensuing stages of the tax reform.

August 7, 1989

## ITEMS

### **BANK OF FINLAND'S CALL MONEY CREDIT QUOTAS ABOLISHED**

By a decision of the Board of Management of the Bank of Finland, the call money credit quotas of banks entitled to central bank financing were abolished with effect from June 16, 1989. At the same time the penalty rate of interest charged on borrowing in excess of quota was rescinded. These changes were taken in order to simplify the call money window system.

Though the quota system worked relatively well, some technical and administrative problems were associated with it. Each bank's access to call money credit was determined on the basis of individual quotas, on which no penalty interest was charged. However, setting the quotas proved difficult and, to a certain degree, limited competition between banks.

Since June 16, banks have, in principle, been able to temporarily borrow without limit in the Bank of Finland's call money market. On that date, the call money credit rate was raised from 13 per cent to 15 per cent, while the call money deposit was kept unchanged at 4 per cent. Any bank entitled to central bank financing which borrows in the call money market to the extent that the moving average of its daily position calculated for the last 5 banking days becomes negative will be invited to enter into confidential discussions with the Bank of Finland. This procedure is similar to that previously applied when a bank's call money borrowing exceeded the penalty-free quota.

The changes were designed to encourage banks to have recourse to call money credit only in exceptional circumstances. To manage fluctuations in their liquidity banks must, as a rule, resort to the interbank market, though they also hold call money deposits with the Bank of Finland. The changes are expected to further promote the development of the interbank market and to sharpen competition. Above all, however, it should increase the transparency of the effects of the Bank of Finland's intervention policy on interest rates.

All in all, these changes constitute a technical modification of the call money window system and they are not aimed at changing interest rates.

### **EXCHANGE CONTROLS TO BE LIBERALIZED**

The Bank of Finland has decided to relax the foreign exchange regulations governing foreign investment and capital imports. The most important changes concern foreign investment by non-financial companies and private individuals. The rights of companies engaged in financial and insurance business will remain unchanged for the time being.

Foreign investments include the purchase of foreign dwellings, real estate and securities, the purchase of merchandise that remains abroad, the granting of credit to non-residents and the placing of funds in accounts with financial institutions abroad. Deposits held in convertible accounts with Finnish banks are also regarded as foreign investments.

The amendments mark a further step in the gradual deregulation of capital controls, and will increase competition in the domestic financial markets and promote Finland's adjustment to developments in the international financial markets. However, to ensure the continued supply of data for compiling balance-of-payments statistics, it will still be necessary for investors to notify the Bank of Finland of investments made abroad.

The decisions concerning companies will take effect on September 1, 1989. For tax control reasons, the decisions regarding private individuals will enter into force on a date to be determined later, however, not later than July 1, 1990.

**Capital exports.** Authorization will no longer be needed for the purchase abroad of dwellings and real estate; previously, permission was required for purchases exceeding FIM 1 million.

Foreign investments in the form of securities, deposits or merchandise may be made without the Bank of Finland's authorization or quantitative restrictions. Previously, investments in securities were limited to publicly quoted securities and the maximum amount of such investments which could be made without special permission was FIM 300 000. In addition, credit of more than one year's maturity may be granted to non-residents without the Bank of Finland's permission. As before, the acquisition of derivative instruments (options, futures etc.) abroad will only be permitted for the purpose of hedging risks.

**Capital imports.** In addition to the measures supporting capital exports, the Bank of Finland has decided that non-financial companies, except housing and real estate companies, may raise foreign credit of over one year's maturity; previously, only loans of more than five years' maturity were permitted. If a company raises credit directly from a foreign lender,

the prior approval of the Bank of Finland will still be required.

Suppliers' credits and prepayments in respect of imports have been entirely freed from authorization.

The Bank of Finland has also decided to free most foreign direct investments made in Finland from the obligation to obtain advance approval. This is a largely technical change and reflects the liberal authorization procedure applied in recent years.

### THE BANK OF FINLAND'S INVESTMENT INQUIRY

According to the survey of investment intentions carried out by the Bank of Finland in May-June 1989, industrial fixed investment is set to grow substantially this year. Companies' plans also point to continued buoyancy of investment activity in 1990. In other respects, too, business expectations are fairly positive and companies expect their capacity utilization rates to remain at a high level both this year and next. In contrast with previous trends, the growth of outlays on research and development seems to be slowing, at least temporarily.

**Fixed investment.** The volume of fixed investment in in-

dustry is now expected to grow by 13 per cent in 1989. In manufacturing, the increase is likely to be as high as 16 per cent. The growth of investment is forecast to accelerate in nearly all industrial sectors. In the forest industries and metal and engineering industries, companies' plans point to an increase of about one-fifth. In other sectors, growth is expected to be generally slower, and in the textiles and clothing industries the indications are that investment will decrease further, albeit by less than in the previous year. In energy and water supply, investment is estimated to increase by 7 per cent this year. Analyzed by size category, growth is fairly even, though somewhat higher than average among small and medium-sized companies. After a short period of decline, investment by state-owned companies is now expanding more rapidly than that of private industry, but the difference in growth rates is not big.

As before, the main emphasis in industrial investment is on acquisitions of machinery and equipment, the volume of which has grown almost continually throughout the 1980s so far. However, construction is also forecast to increase, particularly in the metal and engineering industries and energy supply.

TABLE 1. ANNUAL CHANGE IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1988 — 1990, PER CENT

By sector	1988	Plans	
		1989	1990
Forest industries	1	20	-16
Metal and engineering industries	1	19	-9
Other manufacturing	-8	10	-9
MANUFACTURING	-2	16	-12
ENERGY AND WATER SUPPLY	6	7	-5
TOTAL INDUSTRY (incl. mining)	0	13	-11
By type of investment			
Construction	-1	5	-8
Machinery and equipment	0	17	-12

In recent years, the inquiries carried out in the spring have tended to slightly overestimate the growth of investment for the same year. However, even when this is taken into account, the actual growth of industrial investment in 1989 is expected to be close to 10 per cent. This estimate is now slightly higher than that made in connection with the previous inquiry conducted in November-December 1988.

At this stage, companies' investment intentions concerning 1990 point to a fall of about 10 per cent in volume compared with the current year. However, estimates of the volume of investment for the following year in the spring survey have consistently been smaller than actual volumes. In the 1980s, the underestimation has on average been 10 per cent. On the basis of companies' plans, it can therefore be assumed that investment activity in manufacturing and energy and water supply will continue buoyant in 1990, especially as companies' profitability has been good and capacity utilization rates are expected to remain high.

#### **Intangible investment.**

The slowdown in the growth of intangible investment in the current year marks a deviation from previous trends. Since the second half of the 1970s, industry's outlays on research and development have grown by about 10 per cent annually in real terms, which is rapid even by international standards. In 1988, the value of companies' outlays on research and development increased by 18 per cent according to the results of

TABLE 3. CAPACITY UTILIZATION RATE IN MANUFACTURING IN 1989 — 1990, SEMI-ANNUAL, PER CENT

	1989		1990	
	I	II	I	II
Forest industries	94	94	93	92
Metal and engineering industries	91	91	90	90
Other manufacturing	83	84	84	84
MANUFACTURING	89	89	89	88

the investment inquiry, but this year the nominal increase is estimated at 2 per cent. The halt in real growth nevertheless seems likely to prove temporary. In 1990, the value of companies' outlays on research and development is forecast to again increase by 12 per cent.

**Capacity utilization.** The capacity utilization rate in manufacturing is estimated to remain at 89 per cent on average in the current year and the first half of 1990. In the second half of 1990, companies expect their capacity utilization rates to fall, but only marginally. Production has been running at full capacity for eighteen months. In the 1980s, capacity utilization was last higher than at present for a brief period during the boom at the beginning of the decade. Capacity shortages are acting as a constraint on the growth of production in a number of sectors. The main exception is the textiles and clothing industries, where the average capacity utilization rate fell by several percentage points in the first half of this year.

#### **PUBLICATIONS OF THE BANK OF FINLAND**

The following publication has appeared in series D:70: Urho Lempinen — Reija Lilja, *Payment Systems and the Central Bank*, Helsinki 1989, 210 pp. ISBN 951-686-2063, ISSN 0355-6042.

The book contains four essays dealing with different aspects of monetary and payment systems. The first essay reviews the discussion on the properties of commodity money, fiat money and accounting systems of exchange. The main conclusion is that, owing to its inherent instability, the fiat money system should be organized as a government monopoly while the commodity money and accounting systems of exchange can in principle operate as efficient private institutions. This essay also includes an international comparison of payment systems actually in use.

In the second essay, demand for money and liquidity are analyzed in different models. The underlying idea is that in modern payment systems money is no longer a unique means of payment as most assets are liquid to some degree or at some cost. Econometric models of the demand for notes and coin in Finland are also reported in this essay.

In the third essay, different externalities associated with monetary systems are investigated. Externalities typically favour some kind of public intervention in the provision of liquidity services.

In the last essay, some macroeconomic and policy implica-

TABLE 2. OUTLAYS ON RESEARCH AND DEVELOPMENT IN MANUFACTURING IN 1988 — 1990, MILLION FIM

	1988	1989	Plans	
			1990	1991
Forest industries	207	234	259	
Metal and engineering industries	1607	1675	1741	
Other manufacturing	1267	1244	1529	
12 MANUFACTURING	3081	3153	3528	

tions of developments in the payment system are studied. The broad conclusion is that technical progress in the monetary system weakens the effects of monetary policy.

The following publication has appeared in the series of Studies on Finland's Economic Growth: Riitta Hjerppe, *The Finnish Economy, 1860—1985, Growth and Structural Change*. Helsinki 1989, 295 pp. ISBN 951-861-290-0, ISSN 0355-6050. In English.

The publication appears as volume XIII in the series of Studies on Finland's Economic Growth and it concludes an extensive research project which

has been under way since the early 1960s. The book can be ordered from the publisher at the following address: Government Printing Centre, Publishing Division, P.O.Box 516, SP-00101 Helsinki, Finland, or by telex 123458 vapk sf or by telefax Int +358 0 5660396 (it cannot be ordered through the Bank of Finland).

The publication describes and analyzes developments in the Finnish economy over a period of 125 years and relates how the change from an agrarian society to a post-industrial society has taken place. A consistent method of analysis is made possible by the applica-

tion of the system of national accounts to historical statistics and documentary material obtained from the literature and archives. The text is profusely illustrated with charts and tables and there is an extensive statistical appendix containing time series on aggregate demand and supply, GDP by kind of economic activity, consumption, investment, foreign trade, wages and prices. The main results of the study have previously been presented in an article by Riitta Hjerppe in volume 12/1987 of the Bank of Finland Monthly Bulletin.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM OCTOBER 1988 TO SEPTEMBER 1989

1988

## 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.

## DECEMBER

**Cash reserve requirement.** The Bank of Finland raises the cash reserve requirement

from 7.6 per cent to 7.8 per cent of the cash reserve base in December.

1989

## JANUARY

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

**Special financing arrangements.** As from the beginning of 1989, the Bank of Finland abolishes the financing arrangements for new-export credits and short-term export credits. The Bank of Finland abandons the financing of KTR credits with effect from the beginning of 1989. (KTR = financing arrangement for domestic suppliers' credits.)

## FEBRUARY

**Export deposits.** The Government decides to levy export deposits of 3 per cent on wood-free printing paper exported during the period February 1, 1989 and January 31, 1990.

**Cash reserve requirement.** The Bank of Finland raises the cash reserve requirement from 7.8 per cent to 8 per cent of the cash reserve base in February.

## MARCH

**Supplementary cash reserve agreement.** An agreement supplementing the cash reserve agreement between the Bank of Finland

and the banks is signed on March 13, 1989. The supplementary agreement, which is effective until the end of 1990, enables the Bank of Finland to raise the cash reserve requirement to a maximum of 12 per cent. The application of the additional requirement is linked to developments in bank lending (see the item in the April 1989 Bulletin).

**Fluctuation limits of the currency index.** On March 17, 1989, the Government, on the basis of a proposal by the Parliamentary Supervisory Board, decides to lower the fluctuation limits (range) of the currency index by about 4 per cent, thus making possible a revaluation of the markka of corresponding magnitude. The new upper limit of the fluctuation range of the currency index is 102.5 and the new lower limit 96.5.

## APRIL

**Till-money credits.** The Bank of Finland raises the base amount — the share of banks' till-money holdings which is not financed by the Bank of Finland — by over FIM 60 million as from the beginning of April. The new base amount is effective until the end of March 1990.

**Amendments to the cash reserve agreement and the terms of central bank financing.** The Bank of Finland grants Interbank Ltd. the right to central bank financing with effect from

the beginning of April. The bank joins the cash reserve agreement between the Bank of Finland and the banks on February 16, 1989.

## MAY

**Export deposits.** The Government decides to terminate the temporary export deposits levied on wood-free printing paper since the beginning of February 1, 1989 with effect from the beginning of May.

**Cash reserve requirement.** The Bank of Finland raises the cash reserve requirement for certain banks. Together with the 8 per cent ratio in force hitherto, the banks' average deposit requirement now amounts to just under 8.2 per cent of the cash reserve base in April.

## JUNE

**Foreign Exchange Regulations.** The Bank of Finland relaxes the foreign exchange regulations concerning direct investments by enterprises in the financial and insurance sector as from June 1, 1989. After this date, only direct investments by private individuals and direct investments in countries with which Finland maintains payments agreements require the Bank of Finland's authorization.

**Call money market.** With effect from June 16, 1989, the Board of Management of the Bank of Finland decides to abolish the bank-specific quotas for call money credit of the banks entitled to central bank financing. At the same time, the penalty interest charged on borrowing in excess of quota, which last stood at 19 per cent, is abolished. In addition, the call money credit rate is raised from 13 per cent to 15 per cent; the call money deposit rate remains at 4 per cent.

## Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks and groups of bank. Together with the 8 per cent ratio in force hitherto, the banks' average deposit requirement now amounts to about 8.3 per cent of the cash reserve base in May.

## JULY

### Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks and groups of bank. Together with the 8 per cent ratio in force hitherto, the banks' average deposit requirement now amounts to about 8.4 per cent of the cash reserve base in June.

## SEPTEMBER

### Foreign Exchange

**Regulations.** The Bank of Finland relaxes the foreign exchange regulations concerning foreign investments and capital imports. The amendments enter into force on September 1, 1989, except for those applying to private individuals. For tax control reasons, the decisions regarding capital exports by private individuals will enter into force on a later date, however not later than July 1, 1990.

**Capital exports.** Acquisitions of dwellings and real estate abroad no longer require authorization; previously, permission was necessary if the purchase price exceeded FIM 1 million. Investments in the form of foreign securities, deposits held in accounts with foreign monetary institutions and merchandise held abroad are permitted without the permission of the Bank of Finland or quantitative restrictions. In addition, credit of more than one year may be granted to non-residents without the

Bank of Finland's permission. **Capital imports.** Non-financial companies, except housing and real estate companies, are permitted to raise foreign credit of more than one year's maturity; previously, only loans of more than five years' maturity were permitted. The authorization of the Bank of Finland is still required if a company borrows directly from a foreign lender. Suppliers' credits and prepayments in respect of imports are entirely freed from authorization. In addition, most direct investments in Finland no longer require authorization.

## FINLAND IN BRIEF

### LAND, CLIMATE AND POPULATION

Finland covers an area of more than 338 000 square kilometres. 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 4 954 400 (Dec. 31, 1988) and an average population density of 16.3 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 491 800 inhabitants, Tampere (Tammerfors) 171 000, Espoo (Esbo) 168 100, Turku (Åbo) 159 400 and Vantaa (Vanda) 151 400.

There are two official languages: 93.6 % of the population speaks Finnish as its mother tongue and 6.0 % 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 Parliament 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 pri-

vate companies. Of the gross domestic product of FIM 383 billion in basic values in 1988, 3 % was generated in agriculture and fishing, 3 % in forestry, 27 % in industry, 9 % in construction, 12 % in trade, restaurants and hotels, 8 % in transport and communications, 5 % in finance and insurance, 16 % in other private services and 17 % by producers of government services. Of total employment of 2.3 million persons, 10 % were engaged in primary production, 31 % in industry and construction and 59 % in services.

In 1988, expenditure on the gross domestic product in purchasers' values amounted to FIM 440 billion and was distributed as follows: net exports -0.3 % (exports 24.8 %, imports -25.1 %), gross fixed capital formation 25 %, private consumption 53 % and government consumption 20%. Finland's gross tax ratio (gross taxes in relation to GDP) was 38 % and the net tax ratio (net taxes in relation to GDP) 25 %, 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, 3.2 % in 1980-88 and 4.2 % in 1950-88. Finland's GDP per capita in 1988 was USD 21 200; this put Finland in fifth place among the 24 member countries of the OECD, preceded by Switzerland, Iceland, Japan and Norway.

**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 1988, the share of forest industry products in total merchandise exports was 42 %, the share of metal and engineering products 39 % and the share of other goods 19 %. Raw materials and intermediate goods (incl. crude oil) accounted for 55 % of merchandise imports, fuels for 3 %, investment goods for 19 % and consumption goods for 23 %.

**Forest resources.** Finland has fairly abundant forest resources, but only limited amounts of other raw mate-



rials. 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 58 million cubic metres in 1988.

**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. Since March 17, 1989, the fluctuation limits have been 96.5 and 102.5 (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. The remaining exchange controls apply mainly to financial transactions.

Outward direct investment is permitted without the Bank of Finland's authorization except for direct investments in countries with which Finland maintains payments agreements. Similarly, inward direct investment is permitted without the Bank of Finland's authorization except for direct investments in enterprises in the financial sector and direct investments by countries with which Finland maintains payments agreements. Foreign investors may also buy shares of listed Finnish

companies; however, foreign investment in markka-denominated bonds is normally prohibited for the present. Finnish companies may freely raise foreign credits and extend loans abroad of over one year's maturity. Finnish residents, except enterprises in the financial sector, may invest freely in foreign securities and real estate. The unlimited right to make foreign investments also applies to private individuals, but the date of its entry into force is to be determined separately. The date will not, however, be later than July 1, 1990.

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, 1988).

Finland has four major groups of deposit banks with a total of more than 3 550 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 29 foreign branches, subsidiaries and associate banks and 29 representative offices abroad. There are 211 savings banks and 267 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 insur-

ance 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, 69 % of the instruments, which totalled approximately FIM 108 billion at end 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 69 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 127 billion (at end-1988). Three foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1988 totalled FIM 93.6 billion; government bonds made up 33 % of the total. Turnover on the Stock Exchange in 1988 amounted to FIM 37 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

	1988		1989			
	July 29	Dec. 31	June 30	July 14	July 21	July 31
<b>ASSETS</b>						
<b>Gold and foreign currency claims</b>	36 290	29 753	29 969	29 964	30 101	30 100
Gold	2 128	2 128	2 128	2 128	2 128	2 128
Special drawing rights	923	1 120	858	860	864	854
IMF reserve tranche	964	940	961	947	924	919
Convertible currencies	29 282	24 492	25 528	25 294	25 339	25 345
Tied currencies	2 993	1 073	494	735	845	854
<b>Other foreign claims</b>	4 221	4 199	4 063	4 039	4 069	4 061
Markka subscription to Finland's IMF quota	2 241	2 283	2 167	2 167	2 195	2 195
Term credit	1 980	1 916	1 897	1 872	1 874	1 866
<b>Claims on financial institutions</b>	7 957	14 384	22 334	22 554	22 964	23 721
Call money credits	0	463	5	84	3	12
Certificates of deposit	1 525	7 187	15 351	14 496	15 628	17 332
Term credits	—	—	1 250	2 300	1 525	250
Till-money credits	2 875	2 920	2 518	2 476	2 616	2 936
Financing of crop failure loans	1 222	1 222	611	611	611	611
Bonds	2 072	2 325	2 361	2 349	2 343	2 343
Other claims on financial institutions	263	267	238	238	238	238
<b>Claims on the public sector</b>	997	1 128	1 136	1 114	1 114	1 113
Treasury notes and bills	—	88	10	10	10	10
Bonds	0	20	52	30	30	29
Total coinage	996	1 020	1 074	1 074	1 074	1 074
Other claims on the public sector	—	—	—	—	—	—
<b>Claims on corporations</b>	3 353	3 041	2 454	2 454	2 478	2 466
Financing of exports	606	400	40	38	37	36
Financing of domestic deliveries (KTR)	2 402	2 205	1 932	1 918	1 943	1 935
Bonds: KTR-credits	123	218	267	284	284	281
Bonds: Other	39	35	28	28	28	28
Other claims on corporations	183	183	187	187	187	187
<b>Other assets</b>	112	787	100	94	94	100
Accrued items	—	668	—	—	—	—
Other assets	112	118	100	94	94	100
<b>Total</b>	<b>52 931</b>	<b>53 291</b>	<b>60 056</b>	<b>60 219</b>	<b>60 820</b>	<b>61 562</b>
<b>LIABILITIES</b>						
<b>Foreign currency liabilities</b>	139	247	168	179	177	164
Convertible currencies	22	119	27	28	34	27
Tied currencies	118	128	141	151	143	137
<b>Other foreign liabilities</b>	3 058	3 082	2 950	2 939	2 971	2 967
IMF markka accounts	2 242	2 283	2 167	2 167	2 195	2 195
Allocations of special drawing rights	817	800	783	772	776	772
<b>Notes and coin in circulation</b>	10 444	11 550	11 737	11 836	11 850	11 774
Notes	9 536	10 601	10 747	10 841	10 854	10 775
Coin	907	949	990	996	996	999
<b>Certificates of deposit</b>	4 810	1 130	160	160	160	160
<b>Liabilities to financial institutions</b>	18 221	19 248	24 467	23 997	24 551	25 229
Call money deposits	661	128	573	119	677	739
Term deposits	—	—	—	—	—	—
Cash reserve deposits	17 487	19 039	23 500	23 500	23 500	24 116
Capital import deposits	—	—	360	340	340	340
Other liabilities to financial institutions	73	81	34	38	35	35
<b>Liabilities to the public sector</b>	1 246	1 903	1 458	1 459	1 473	1 472
Cheque accounts	1	1	1	0	1	0
Counter-cyclical fund deposit	900	900	—	—	—	—
Counter-cyclical deposits	345	981	1 319	1 319	1 319	1 319
Export deposits	—	20	137	138	152	152
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	1	1	1	1	1
<b>Liabilities to corporations</b>	6 425	6 797	9 773	10 627	10 616	10 654
Deposits for investment and ship purchase	6 086	6 447	9 289	10 144	10 133	10 137
Capital import deposits	329	349	483	483	483	517
Other liabilities to corporations	10	1	0	0	0	0
<b>Other liabilities</b>	42	1 107	52	94	54	55
Accrued items	—	1 064	—	—	—	—
Other liabilities	42	43	52	94	54	55
<b>Valuation account and reserves</b>	3 057	2 391	3 455	3 093	3 131	3 250
<b>SITRA's capital</b>	400	400	400	400	400	400
<b>Capital accounts</b>	5 088	5 436	5 436	5 436	5 436	5 436
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	88	88	436	436	436	436
Profit/loss for the accounting year	—	348	—	—	—	—
<b>Total</b>	<b>52 931</b>	<b>53 291</b>	<b>60 056</b>	<b>60 219</b>	<b>60 820</b>	<b>61 562</b>

## 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
<b>1984</b>	1 732	936	859	15 303	18 830	-337	18 493	-917	17 576	1 951	4 277	2 326
<b>1985</b>	2 081	931	775	18 572	22 359	-285	22 074	-849	21 225	1 023	4 300	3 277
<b>1986</b>	2 081	983	793	6 778	10 635	3 421	14 056	-838	13 218	1 002	2 001	999
<b>1987</b>	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
<b>1988</b>	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
<b>1988</b>												
<b>July</b>	2 128	923	964	29 260	33 275	2 875	36 150	1 163	37 313	997	1 246	249
<b>Aug.</b>	2 128	1 025	947	25 057	29 157	2 733	31 890	1 158	33 048	999	1 249	250
<b>Sept.</b>	2 128	1 022	945	24 270	28 365	1 675	30 040	1 149	31 189	1 011	1 566	555
<b>Oct.</b>	2 128	1 008	922	23 638	27 696	1 818	29 514	1 134	30 648	1 044	1 575	531
<b>Nov.</b>	2 128	1 011	939	23 754	27 832	1 340	29 172	1 111	30 283	1 064	1 581	517
<b>Dec.</b>	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
<b>1989</b>												
<b>Jan.</b>	2 128	1 066	945	26 514	30 653	2 296	32 949	1 129	34 078	1 114	2 016	902
<b>Feb.</b>	2 128	878	959	28 919	32 884	2 332	35 216	1 131	36 347	1 119	2 017	898
<b>March</b>	2 128	853	901	25 659	29 541	1 352	30 893	1 097	31 990	1 079	1 368	289
<b>April</b>	2 128	832	890	24 628	28 478	1 725	30 203	1 085	31 288	1 103	1 404	301
<b>May</b>	2 128	861	1 004	25 028	29 021	1 580	30 601	1 103	31 704	1 113	1 433	320
<b>June</b>	2 128	858	961	25 501	29 448	353	29 801	1 113	30 914	1 136	1 458	322
<b>July</b>	2 128	854	919	25 318	29 219	717	29 936	1 094	31 030	1 113	1 472	359

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 coin in circulation	Out-standing CDs issued by the Bank of Finland
	13	14	15	16	17	18	19	20	21	22	23
<b>1984</b>	.	2 802	8 696	1 563	-1 618	-2 713	4 646	2 614	2 032	7 442	.
<b>1985</b>	.	4 014	10 222	1 925	-1 386	-2 897	4 525	4 113	412	8 072	.
<b>1986</b>	2 381	6 687	9 270	2 305	-2 240	4 343	4 581	4 757	-176	8 668	.
<b>1987</b>	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970
<b>1988</b>	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130
<b>1988</b>											
<b>July</b>	1 525	-661	17 487	2 875	-3 484	-10 264	3 131	6 203	-3 072	10 443	4 810
<b>Aug.</b>	4 399	421	17 612	2 042	-3 496	-7 254	3 047	6 320	-3 273	10 253	3 450
<b>Sept.</b>	5 506	-48	17 464	2 170	-3 591	-6 245	2 965	6 385	-3 420	10 617	1 790
<b>Oct.</b>	5 605	-394	17 328	2 559	-3 569	-5 989	2 908	6 471	-3 563	10 513	1 930
<b>Nov.</b>	5 907	165	18 112	2 516	-3 554	-5 970	2 844	6 474	-3 630	10 563	1 690
<b>Dec.</b>	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130
<b>1989</b>											
<b>Jan.</b>	5 291	632	20 389	2 733	-3 447	-8 286	2 681	6 622	-3 941	10 755	1 440
<b>Feb.</b>	5 195	-101	21 328	2 657	-3 481	-10 096	2 555	6 706	-4 151	10 769	1 460
<b>March</b>	7 917	1 735	22 120	2 481	-3 017	-6 970	2 455	6 700	-4 245	10 996	980
<b>April</b>	10 166	256	22 195	2 342	-2 952	-6 479	2 386	6 935	-4 549	11 190	580
<b>May</b>	7 597	3 803	22 820	2 843	-2 716	-5 861	2 335	7 168	-4 833	11 385	180
<b>June</b>	16 601	-568	23 500	2 518	-2 816	-2 133	2 239	9 557	-7 318	11 737	160
<b>July</b>	17 582	-727	24 116	2 936	-2 817	-1 508	2 252	10 439	-8 187	11 774	160

## 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 money market instruments	Sales of money market instruments	Matured money market instruments, 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
<b>1984</b>	.	.	.	.	-767	1 606	-2 373
<b>1985</b>	.	.	.	.	201	-1 011	1 212
<b>1986</b>	.	.	.	.	1 599	-1 074	2 673
<b>1987</b>	1 263	23 658	-17 520	-4 875	-6 818	626	-12 319
<b>1988</b>	13 840	19 190	-16 850	11 500	463	-629	12 592
<b>1988</b>							
<b>July</b>	1 560	—	-2 205	3 765	-1 201	554	2 010
<b>Aug.</b>	3 520	—	-1 190	4 710	457	-625	5 792
<b>Sept.</b>	1 160	210	-1 810	2 760	-415	54	2 291
<b>Oct.</b>	1 470	470	1 000	—	-32	314	-346
<b>Nov.</b>	2 970	—	2 380	590	212	-347	1 149
<b>Dec.</b>	3 000	—	1 100	1 900	241	71	2 070
<b>1989</b>							
<b>Jan.</b>	260	1 190	1 370	-2 300	252	-45	-2 003
<b>Feb.</b>	3 260	1 125	2 125	10	-656	77	-723
<b>March</b>	8 695	170	5 095	3 430	1 785	-51	5 266
<b>April</b>	4 710	—	2 370	2 340	-1 548	-69	861
<b>May</b>	6 490	—	7 880	-1 390	3 507	-40	2 157
<b>June</b>	16 295	250	7 875	8 170	-3 798	573	3 799
<b>July</b>	16 790	240	15 170	1 380	7	166	1 221

## 2.2 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies		Net (1-2)	Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks				
	1	2	3	4	5	6
<b>1984</b>	22921	1394	21 527	2002	-19962	3 566
<b>1985</b>	16982	1733	15 249	708	-9005	6951
<b>1986</b>	11 446	1 319	10 127	-2 461	-92	7 574
<b>1987</b>	21 671	1 158	20 513	-233	-1 287	18 994
<b>1988</b>	16 488 <sup>f</sup>	1 543	14 946 <sup>f</sup>	9 086 <sup>f</sup>	-377	23 654 <sup>f</sup>
<b>1988</b>						
<b>June</b>	18 669	1 474	17 195	4 557	-606	21 146
<b>July</b>	18 309	1 505	16 805	4 678	-201	21 282
<b>Aug.</b>	19 248	1 479	17 769	2 147	-	19 916
<b>Sept.</b>	19 282	1 847	17 435	6 712	-1 216	22 930
<b>Oct.</b>	18 420	1 998	16 422	7 072	-958	22 536
<b>Nov.</b>	17 447	1 894	15 553	8 224	-863	22 914
<b>Dec.</b>	16 488 <sup>f</sup>	1 543	14 946 <sup>f</sup>	9 086 <sup>f</sup>	-377	23 654 <sup>f</sup>
<b>1989</b>						
<b>Jan.</b>	15 710	1 058	14 652	9 284	-62	23 874
<b>Feb.</b>	15 495	857	14 638	7 706	-273	22 071
<b>March</b>	14 614	871	13 742	7 221	-168	20 795
<b>April</b>	13 536	1 044	12 492	7 003	-63	19 432
<b>May</b>	13 248	1 535	11 714	9 024	-	20 737
<b>June</b>	12 859	1 408	11 451	9 781	-306	20 926

## 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
<b>1984</b>	3 176	.	3 176	3 215	.	6 324	9 539	-6 364
<b>1985</b>	5 812	.	5 812	4 527	.	9 578	14 105	-8 293
<b>1986</b>	7 117	120	7 237	1 256	.	9 189	10 445	-3 208
<b>1987</b>	481	1 581	2 062	703	4 705	10 092	15 501	-13 439
<b>1988</b>	128	2 190	2 319	621	5 044	15 159	20 824	-18 505
<b>1988</b>								
<b>July</b>	373	617	990	411	5 883	17 083	23 377	-22 387
<b>Aug.</b>	377	2 804	3 181	196	3 955	17 491	21 642	-18 462
<b>Sept.</b>	101	5 006	5 107	483	2 389	17 607	20 479	-15 372
<b>Oct.</b>	52	5 543	5 594	371	1 851	17 459	19 681	-14 087
<b>Nov.</b>	120	5 677	5 796	346	1 846	17 354	19 545	-13 749
<b>Dec.</b>	221	6 633	6 854	306	1 287	18 172	19 765	-12 911
<b>1989</b>								
<b>Jan.</b>	111	6 203	6 314	611	1 252	19 083	20 946	-14 632
<b>Feb.</b>	129	4 612	4 741	501	1 568	20 423	22 491	-17 750
<b>March</b>	711	5 175	5 886	177	1 202	21 352	22 731	-16 845
<b>April</b>	689	8 697	9 386	129	774	22 128	23 031	-13 644
<b>May</b>	1 176	8 908	10 083	127	330	22 214	22 671	-12 588
<b>June</b>	779	11 264	12 042	321	118	22 842	23 282	-11 240
<b>July</b>	46	17 049	17 095	714	160	23 520	24 394	-7 299

### 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	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10
<b>1984</b>	..	..	..	..	..	16.53	16.53	9.50	5.4	.
<b>1985</b>	..	..	..	..	..	13.37	13.37	9.04	5.6	.
<b>1986</b>	11.87	..	..	..	..	13.43	11.34	7.46	4.8	.
<b>1987</b>	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.
<b>1988</b>	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.
<b>1988</b>										
<b>July</b>	9.05	9.38	9.47	9.64	10.00	11.00	7.50	8.00	7.0	.
<b>Aug.</b>	9.97	9.96	10.00	10.13	10.42	11.00	7.50	8.00	7.0	.
<b>Sept.</b>	8.51	10.34	10.48	10.58	10.68	11.00	7.50	8.00	7.0	.
<b>Oct.</b>	7.88	10.34	10.68	10.96	11.31	12.83	4.34	8.00	7.0	.
<b>Nov.</b>	8.24	10.85	11.26	11.56	11.93	13.00	4.00	8.00	7.3	.
<b>Dec.</b>	8.41	11.21	11.55	11.85	12.14	13.00	4.00	8.00	7.6	.
<b>1989</b>										
<b>Jan.</b>	7.46	10.60	11.19	11.42	11.80	13.00	4.00	7.50	7.8	.
<b>Feb.</b>	7.91	10.12	10.78	11.10	11.53	13.00	4.00	7.50	7.8	.
<b>March</b>	9.09	10.85	11.09	11.34	11.66	13.00	4.00	7.50	8.0	.
<b>April</b>	11.37	12.08	12.11	12.11	12.15	13.00	4.00	7.50	8.0	.
<b>May</b>	11.43	11.70	11.75	11.79	11.90	13.00	4.00	7.50	8.0	0.2
<b>June</b>	9.79	11.62	11.78	11.93	12.13	13.00	4.00	7.50	8.0	0.4
<b>July</b>	10.56	11.64	11.79	11.94	12.11	15.00	4.00	7.50	8.0	0.5

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

Average of daily observations	3 currencies <sup>1</sup>				12 currencies <sup>2</sup>			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
	1	2	3	4	5	6	7	8
<b>1984</b>	7.5	7.7	8.0	8.2	..	..	..	..
<b>1985</b>	6.8	6.9	7.0	7.2	..	..	..	..
<b>1986</b>	5.9	5.9	5.9	5.8	..	..	..	..
<b>1987</b>	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
<b>1988</b>	5.9	6.0	6.2	6.4	7.8	8.0	8.1	8.3
<b>1988</b>								
<b>July</b>	6.2	6.5	6.7	6.8	7.9	8.2	8.3	8.5
<b>Aug.</b>	6.7	6.9	7.2	7.3	8.2	8.5	8.8	8.9
<b>Sept.</b>	6.6	6.8	7.0	7.1	8.4	8.5	8.7	8.8
<b>Oct.</b>	6.6	6.8	6.9	6.9	8.3	8.5	8.6	8.6
<b>Nov.</b>	6.7	6.9	7.0	7.0	8.5	8.6	8.7	8.7
<b>Dec.</b>	7.4	7.4	7.4	7.5	8.8	8.8	8.9	8.9
<b>1989</b>								
<b>Jan.</b>	7.4	7.6	7.7	7.8	8.8	8.9	8.9	9.0
<b>Feb.</b>	8.0	8.2	8.4	8.4	9.2	9.3	9.3	9.4
<b>March</b>	8.0	8.3	8.6	8.8	9.3	9.5	9.7	9.8
<b>April</b>	8.0	8.2	8.4	8.6	9.2	9.5	9.6	9.7
<b>May</b>	8.3	8.4	8.6	8.7	9.5	9.7	9.7	9.8
<b>June</b>	8.3	8.4	8.5	8.5	9.7	9.8	9.8	9.9
<b>July</b>	8.3	8.2	8.2	8.1	9.8	9.8	9.7	9.7

#### 3.3 COVERED EURO-DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
	1	2	3	4
<b>1984</b>	..	..	..	..
<b>1985</b>	12.9	12.8	12.8	12.6
<b>1986</b>	12.1	11.7	11.5	11.1
<b>1987</b>	9.8	9.9	9.9	10.1
<b>1988</b>	9.6	9.8	10.0	10.3
<b>1988</b>				
<b>July</b>	9.3	9.4	9.6	9.9
<b>Aug.</b>	9.9	9.9	10.1	10.4
<b>Sept.</b>	10.2	10.4	10.4	10.6
<b>Oct.</b>	10.2	10.5	10.8	11.0
<b>Nov.</b>	10.6	11.0	11.3	11.6
<b>Dec.</b>	10.8	11.2	11.4	11.7
<b>1989</b>				
<b>Jan.</b>	10.2	10.8	11.0	11.3
<b>Feb.</b>	10.0	10.5	10.7	11.1
<b>March</b>	10.6	10.9	11.1	11.3
<b>April</b>	11.9	11.8	11.8	11.7
<b>May</b>	11.1	11.2	11.2	11.3
<b>June</b>	11.2	11.3	11.4	11.5
<b>July</b>	11.1	11.3	11.5	11.5

<sup>1</sup> DEM 60 per cent, USD 30 per cent, GBP 10 per cent.

<sup>2</sup> Weighted according to their relative shares in the Bank of Finland currency index. Since March 1989, the index has consisted of 14 currencies.



### 3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

End of period	Lending						Deposits					
	New credits <sup>1</sup>			Average lending 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	
<b>1984</b>	..	..	..	..	10.67	10.68	5.25	8.00	9.25	6.22	15.43	7.30
<b>1985</b>	12.04	12.94	10.62	11.55	10.37	10.37	4.75	7.50	8.75	5.91	13.24	6.81
<b>1986</b>	10.89	12.30	9.76	10.64	8.82	8.81	2.75	5.75	7.00	4.43	11.84	5.35
<b>1987</b>	10.50	12.31	10.01	10.62	9.12	8.99	2.75	5.75	7.00	4.56	10.13	5.29
<b>1988</b>	10.22	12.27	10.50	10.72	10.37	10.25	3.75	6.75	8.00	5.87	9.80	6.20
<b>1988</b>												
<b>June</b>	10.28	12.50	10.55	10.78	10.07	9.89	3.75	6.75	8.00	5.37	9.46	6.20
<b>July</b>	11.29	12.60	10.72	11.08	10.08	9.91	3.75	6.75	8.00	5.45	9.44	6.30
<b>Aug.</b>	11.04	12.55	10.75	11.07	10.12	9.95	3.75	6.75	8.00	5.48	9.63	6.42
<b>Sept.</b>	12.24	12.53	10.81	11.14	10.19	10.06	3.75	6.75	8.00	5.56	9.83	6.56
<b>Oct.</b>	11.97	12.53	10.82	11.16	10.29	10.15	3.75	6.75	8.00	5.59	10.09	6.63
<b>Nov.</b>	12.08	12.62	11.02	11.33	10.33	10.21	3.75	6.75	8.00	5.66	10.39	6.77
<b>Dec.</b>	10.02	11.68	10.33	10.48	10.37	10.25	3.75	6.75	8.00	5.87	10.62	6.92
<b>1989</b>												
<b>Jan.</b>	11.63	12.37	10.58	10.95	10.09	9.90	3.50	.	5.50	..	..	..
<b>Feb.</b>	11.63	12.23	10.85	11.18	10.09	9.92	3.50	.	5.50	..	..	..
<b>March</b>	12.04	12.69	11.04	11.45	10.11	9.94	3.50	.	5.50	..	..	..
<b>April</b>	12.73	13.10	11.35	11.80	10.23	10.06	3.50	.	5.50	..	..	..
<b>May</b>	12.75	13.11	11.48	11.91	10.31	10.13	3.50	.	5.50	..	..	..
<b>June</b>	12.46	13.12	11.43	11.83	10.35	10.18	3.50	.	5.50	..	..	..

<sup>1</sup>Average 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	
<b>1984</b>	..	..	.	14.0	..	..	10.6	13.6	11.1
<b>1985</b>	..	..	.	12.7	..	..	10.1	12.7	10.6
<b>1986</b>	..	..	.	11.7	..	..	8.3	11.3	8.8
<b>1987</b>	..	..	.	11.2	11.1	11.2	8.1	10.7	7.9
<b>1988</b>	10.7	10.8	10.6	10.6	10.6	10.6	7.8 <sup>f</sup>	10.4	7.3
<b>1988</b>									
<b>June</b>	10.3	10.5	10.3	10.4	10.3	10.5	7.9 <sup>f</sup>	10.4	7.2
<b>July</b>	10.3	10.5	10.6	10.4	10.4	10.6	7.9 <sup>f</sup>	9.8	7.2
<b>Aug.</b>	10.5	10.7	10.7	10.6	10.5	10.7	8.0	10.5	7.2
<b>Sept.</b>	10.7	10.8	10.6	10.7	10.8	10.5	8.0 <sup>f</sup>	10.7	7.2
<b>Oct.</b>	11.2	11.3	10.6	10.6	10.6	10.6	7.8	10.3	7.2
<b>Nov.</b>	11.6	11.6	11.6	11.0	11.0	11.3	7.8 <sup>f</sup>	10.7	7.2
<b>Dec.</b>	11.8	11.7	11.6	11.3	11.3	11.1	7.5 <sup>f</sup>	11.3	7.2
<b>1989</b>									
<b>Jan.</b>	11.8	11.7	11.6	11.8	11.7	12.0	7.4 <sup>f</sup>	11.1	6.5
<b>Feb.</b>	11.5	11.4	11.7	11.5	11.8	11.3	7.5 <sup>f</sup>	11.5	6.5
<b>March</b>	11.6	11.6	11.8	11.8	11.5	11.8	7.7 <sup>f</sup>	11.5	6.5
<b>April</b>	11.9	11.8	11.8	11.8	11.9	11.7	7.6 <sup>f</sup>	11.6	6.5
<b>May</b>	11.8	11.7	11.8	11.8	11.9	11.8	7.9	11.6	6.5
<b>June</b>	11.9	11.7	12.3	11.8	11.8	11.7	8.1	11.5	6.5

## 4. RATES OF EXCHANGE

### 4.1 AVERAGE SPOT SELLING RATES, FIM

Average New York of daily quotations	Montreal	London	Dublin	Stockholm	Oslo	Copen- hagen	Frankfurt a.M.	Amster- dam	Brussels		
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DEM	1 NLG	1 BEC	1 BEL	
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274
<b>1985</b>	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421
<b>1986</b>	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299
<b>1987</b>	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	0.11735
<b>1988</b>	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	0.11345
<b>1988</b>											
<b>July</b>	4.383	3.634	7.489	6.403	0.6925	0.6548	0.6263	2.3806	2.1111	0.11378	0.11273
<b>Aug.</b>	4.469	3.660	7.601	6.369	0.6910	0.6498	0.6198	2.3692	2.0986	0.11314	0.11162
<b>Sept.</b>	4.427	3.611	7.462	6.371	0.6885	0.6419	0.6183	2.3732	2.1034	0.11325	0.11181
<b>Oct.</b>	4.315	3.582	7.492	6.349	0.6883	0.6401	0.6153	2.3699	2.1019	0.11311	0.11197
<b>Nov.</b>	4.151	3.416	7.512	6.350	0.6827	0.6328	0.6154	2.3737	2.1049	0.11333	0.11250
<b>Dec.</b>	4.140	3.466	7.565	6.319	0.6816	0.6365	0.6112	2.3590	2.0902	0.11262	0.11212
<b>1989</b>											
<b>Jan.</b>	4.247	3.568	7.561	6.223	0.6804	0.6385	0.6003	2.3234	2.0583	0.11098	0.11048
<b>Feb.</b>	4.299	3.623	7.550	6.206	0.6814	0.6411	0.5974	2.3231	2.0578	0.11091	0.11045
<b>March</b>	4.302	3.604	7.393	6.170	0.6756	0.6347	0.5925	2.3084	2.0459	0.11026	0.10982
<b>April</b>	4.197	3.534	7.149	6.001	0.6605	0.6190	0.5776	2.2465	1.9913	0.10737	0.10691
<b>May</b>	4.347	3.650	7.090	5.975	0.6618	0.6187	0.5737	2.2325	1.9805	0.10672	0.10639
<b>June</b>	4.437	3.706	6.899	5.985	0.6643	0.6183	0.5757	2.2397	1.9884	0.10708	0.10681
<b>July</b>	4.278	3.602	6.947	6.043	0.6622	0.6164	0.5818	2.2601	2.0043	0.10803	0.10786

Average of daily quotations	Zurich	Paris	Rome	Vienna	Lisbon	Raykjavik	Madrid	Tokyo	Moscow	Mel- bourne	ECU	SDR
	1 CHF	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 JPY	1 SUR	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22	23
<b>1984</b>	2.5642	0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.14739
<b>1985</b>	2.5360	0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879
<b>1986</b>	2.8349	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
<b>1987</b>	2.9563	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
<b>1988</b>	2.8700	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	0.03273	6.891	3.309	4.954	5.61826
<b>1988</b>												
<b>July</b>	2.8657	0.7077	0.00323	0.3388	0.0295	0.0977	0.0360	0.03296	7.026	3.523	4.947	5.70985
<b>Aug.</b>	2.8246	0.7014	0.00321	0.3373	0.0294	0.0981	0.0362	0.03344	7.091	3.620	4.931	5.76379
<b>Sept.</b>	2.8112	0.6992	0.00320	0.3377	0.0291	0.0971	0.0358	0.03295	7.038	3.527	4.917	5.71616
<b>Oct.</b>	2.7995	0.6963	0.00319	0.3374	0.0290	0.0940	0.0360	0.03347	6.998	3.509	4.911	5.68200
<b>Nov.</b>	2.8293	0.6965	0.00321	0.3378	0.0288	0.0931	0.0362	0.03372	6.890	3.548	4.918	5.62011
<b>Dec.</b>	2.8009	0.6921	0.00321	0.3357	0.0288	0.0929	0.0366	0.03349	6.862	3.573	4.899	5.59952
<b>1989</b>												
<b>Jan.</b>	2.7332	0.6831	0.00318	0.3308	0.0286	0.0887	0.0372	0.03346	6.896	3.712	4.840	5.61726
<b>Feb.</b>	2.7314	0.6838	0.00319	0.3305	0.0286	0.0870	0.0373	0.03369	6.943	3.704	4.838	5.64865
<b>March</b>	2.6830	0.6824	0.00316	0.3284	0.0283	0.0842	0.0372	0.03305	6.896	3.530	4.801	5.60538
<b>April</b>	2.5518	0.6659	0.00308	0.3195	0.0275	0.0819	0.0363	0.03181	6.702	3.395	4.672	5.44433
<b>May</b>	2.5138	0.6615	0.00308	0.3176	0.0273	0.0814	0.0359	0.03151	6.770	3.374	4.644	5.48599
<b>June</b>	2.5942	0.6616	0.00310	0.3185	0.0271	0.0789	0.0351	0.03079	6.831	3.367	4.639	5.49166
<b>July</b>	2.6243	0.6679	0.00314	0.3214	0.0273	0.0762	0.0361	0.03047	6.759	3.260	4.678	5.42928

## 4.2. CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index	Other currency indices		Currency	Weights of the Bank of Finland currency index As from June 30, 1989
		Payments currency index	MERM Index		
	1	2	3		4
<b>1984</b>	102.8	108.5	111.6	<b>USD</b>	7.8
<b>1985</b>	102.5	109.4	112.5	<b>GBP</b>	13.4
<b>1986</b>	103.9	106.3	110.4	<b>SEK</b>	19.3
<b>1987</b>	103.3	103.2	106.1	<b>NOK</b>	4.4
<b>1988</b>	102.0	101.0	104.7	<b>DKK</b>	4.6
				<b>DEM</b>	19.4
<b>1988</b>				<b>NLG</b>	4.7
<b>July</b>	102.7	102.3	106.6	<b>BEC</b>	3.1
<b>Aug.</b>	102.7	102.7	107.2	<b>CHF</b>	2.5
<b>Sept.</b>	102.2	102.1	106.4	<b>FRF</b>	6.5
<b>Oct.</b>	102.0	101.5	105.8	<b>ITL</b>	4.9
<b>Nov.</b>	101.6	100.5	104.5	<b>ATS</b>	1.6
<b>Dec.</b>	101.4	100.2	104.2	<b>ESP</b>	1.8
				<b>JPY</b>	6.0
<b>1989</b>					
<b>Jan.</b>	100.9	100.2	104.6		
<b>Feb.</b>	101.0	100.5	105.2		
<b>March</b>	100.1	99.8	104.4		
<b>April</b>	97.4	97.1	101.6		
<b>May</b>	97.3	97.6	102.4		
<b>June</b>	97.2	97.9	102.8		
<b>July</b>	97.4	97.5	101.7		

## 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
<b>1984</b>	16975	108118		125093	4960	11287	141340
<b>1985</b>	19268	125366	1781	146415	6192	13998	166605
<b>1986</b>	18393	137521	3423	159337	4306	17271	180914
<b>1987</b>	20377	155115	5243	180735	3923	17892	202550
<b>1988*</b>	24831	194181	5089	224101	4643	41028	269772
<b>1988*</b>							
<b>April</b>	22028	159921	5850	187799	4870	32965	225634
<b>May</b>	23753	161340	5835	190928	4280	32383	227592
<b>June</b>	26163	164253	5900	196317	4169	27307	227793
<b>July</b>	24369	166174	5910	196454	4362	37097	237913
<b>Aug.</b>	24438	167010	5904	197352	4406	39645	241402
<b>Sept.</b>	23358	168233	6211	197801	4310	39761	241872
<b>Oct.</b>	25168	170139	6530	201837	4783	42652	249271
<b>Nov.</b>	23389	171714	6602	201706	5028	44564	251298
<b>Dec.</b>	24831	194181	5089	224101	4643	41028	269772
<b>1989*</b>							
<b>Jan.</b>	24190	194308	5842	224339	4647	48256	277243
<b>Feb.</b>	26235	194929	6433	227597	5022	48346	280965
<b>March</b>	25618	193825	6932	226375	4754	51153	282281
<b>April</b>	25872	196936	7408	230216	5430	55898	291543

### 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
<b>1984</b>	5233	7644	111280	124157	20363	144520
<b>1985</b>	6313	7471	132668	146451	24704	171155
<b>1986</b>	7542	6354	152335	166231	25016	191246
<b>1987</b>	8507	5177	178698	192382	36954	229336
<b>1988*</b>	11358	5920	234268	251545	50267	301812
<b>1988*</b>						
<b>April</b>	9298	4796	192940	207033	42291	249324
<b>May</b>	9300	4756	196938	210994	44725	255718
<b>June</b>	9643	4809	200832	215283	47807	263090
<b>July</b>	9436	4722	203911	218068	47301	265370
<b>Aug.</b>	9907	4767	207885	222560	47085	269644
<b>Sept.</b>	10634	4755	212246	227635	47583	275218
<b>Oct.</b>	10647	4796	216684	232127	47913	280040
<b>Nov.</b>	10898	4902	221029	236830	48558	285388
<b>Dec.</b>	11358	5920	234268	251545	50267	301812
<b>1989*</b>						
<b>Jan.</b>	11765	5334	237080	254179	53142	307320
<b>Feb.</b>	11783	5044	239508	256335	56542	312877
<b>March</b>	12595	5122	241505	259223	56288	315511
<b>April</b>	12836	5129	240936	258901	57559	316460

### 5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M <sub>1</sub>	M <sub>2</sub> (1+4+5)
		Claims on the central government	Claims on the public	Total (2+3)			
	1	2	3	4	5	6	7
<b>1984</b>	-2575	-5483	176694	171211	-26978	24945	141658
<b>1985</b>	-6641	-8694	209231	200537	-27244	27694	166652
<b>1986</b>	-16784	-13884	237514	223630	-27522	27838	179324
<b>1987</b>	-25484	-14977	277068	262090	-36145	30342	200461
<b>1988*</b>	-40670	-15691	351266	335574	-48866	35232	246039
<b>1988*</b>							
<b>April</b>	-26376	-14601	295527	280926	-44961	32144	209589
<b>May</b>	-29452	-13068	302073	289005	-47122	34237	212432
<b>June</b>	-31339	-14240	308714	294474	-44552	36824	218583
<b>July</b>	-31862	-13831	312650	298819	-47602	35182	219356
<b>Aug.</b>	-33160	-14690	317063	302373	-49570	34831	219644
<b>Sept.</b>	-37256	-15307	322509	307202	-49841	34097	220105
<b>Oct.</b>	-38414	-15174	327518	312344	-50503	35538	223428
<b>Nov.</b>	-38919	-16343	333845	317502	-54941	33856	223642
<b>Dec.</b>	-40670	-15691	351266	335574	-48866	35232	246039
<b>1989*</b>							
<b>Jan.</b>	-40982	-13442	357990	344548	-57430	34954	246137
<b>Feb.</b>	-41631	-13958	364157	350199	-58568	37294	250000
<b>March</b>	-43785	-16112	368215	352103	-59371	36810	248947
<b>April</b>	-45413	-13377	372459	359082	-61635	37559	252034

### 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
<b>1984</b>	16513	2666	5767	24946	12037	4520	2766	19323	44269	33816	6300
<b>1985</b>	17316	2703	5658	25677	14994	4107	2203	21304	46981	36032	6383
<b>1986</b>	17905	3038	6038	26981	18059	4481	2474	25013	51994	38028	11686
<b>1987</b>	20407	2697	5576	28680	22121	4692	3018	29831	58511	40035	11553
<b>1988</b>	20202	1804	4273	26279	24243	5272	2290	31805	58084	42990	15858
<b>1988</b>											
<b>June</b>	21356	2244	5135	28735	23833	4871	4035	32739	61474	41461	11713
<b>July</b>	20860	2236	5156	28252	23838	4969	3910	32717	60969	41781	11993
<b>Aug.</b>	20652	1865	5129	27646	23834	4983	3850	32667	60313	41693	12504
<b>Sept.</b>	20200	1847	5098	27145	23767	4979	3580	32326	59471	43141	13073
<b>Oct.</b>	20015	1833	5100	26948	24056	4980	3310	32346	59294	43357	13886
<b>Nov.</b>	19643	1814	4324	25781	24079	4984	2980	32043	57824	43349	15683
<b>Dec.</b>	20202	1804	4273	26279	24243	5272	2290	31805	58084	42990	15858
<b>1989</b>											
<b>Jan.</b>	20208	1790	4216	26214	23563	5261	2130	30954	57168	43531	13022
<b>Feb.</b>	19999	1486	4158	25643	23877	5225	1930	31032	56675	43990	13926
<b>March</b>	19285	1234	3893	24412	24399	5219	1630	31248	55660	44071	17893
<b>April</b>	18236	1219	3678	23133	24508	4975	1280	30763	53896	44371	15128
<b>May</b>	19333	1239	3564	24136	24351	4806	980	30137	54273	..	14374
<b>June</b>	18759	1249	3400	23408	24539	4810	780	30129	53537	..	..

## 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 placings	
						Taxable	Taxfree		
1	2	3	4	5	6	7	8	9	
<b>1984</b>	2528	6167	5073	112	32	1947	5336	6629	13912
<b>1985</b>	4799	9112	5994	435	33	8070	6394	5909	20373
<b>1986</b>	4976	10638	6532	422	105	5987	7487	9199	22674
<b>1987</b>	4477	9510	8119	206	69	9409	8830	4142	22380
<b>1988</b>	3027	8418	6889	268	61	7861	6522	4280	18663
<b>1988</b>									
<b>June</b>	113	832	40	13	—	756	40	202	998
<b>July</b>	523	360	10	74	—	445	10	512	967
<b>Aug.</b>	314	474	576	100	—	772	576	116	1463
<b>Sept.</b>	13	903	127	—	—	378	482	183	1042
<b>Oct.</b>	324	706	656	15	—	930	656	115	1701
<b>Nov.</b>	14	1240	183	—	—	873	183	381	1437
<b>Dec.</b>	838	808	174	3	50	638	174	1062	1874
<b>1989</b>									
<b>Jan.</b>	738	1451	1075	47	—	1284	1293	734	3311
<b>Feb.</b>	153	1403	1800	7	—	2683	400	280	3362
<b>March</b>	391	1785	—	6	—	1234	381	566	2181
<b>April</b>	274	345	982	13	—	375	—	1239	1614
<b>May</b>	353	458	450	56	—	495	450	371	1316
<b>June</b>	502	2602	—	15	—	1111	—	2008	3119

### 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 placings	
						Taxable	Taxfree		
1	2	3	4	5	6	7	8	9	
<b>1984</b>	6766	19960	14904	247	43	3531	15148	23242	41921
<b>1985</b>	10482	26173	18575	661	56	10967	19002	25977	55947
<b>1986</b>	14075	31902	22091	1042	177	16432	23314	29541	69287
<b>1987</b>	17509	36773	26518	1200	232	24831	28229	29172	82232
<b>1988*</b>	19222	42927	28953	1412	292	31970	30064	30771	92805
<b>1988*</b>									
<b>II</b>	17901	39712	28428	1250	246	28457	29627	29453	87537
<b>III</b>	18407	40650	28478	1416	246	29804	29588	29805	89197
<b>IV</b>	19222	42927	28953	1412	292	31970	30064	30771	92805
<b>1989*</b>									
<b>I</b>	20237	46069	28907	1417	392	35733	29416	31874	97023
<b>II</b>	20675	49118	28907	1473	384	37747	29384	33426	100557

## 5.6 HELSINKI STOCK EXCHANGE

During period	Turnover, mill. FIM			Share prices Unitas index <sup>1</sup> , 1975 = 100		
	Shares and subscription rights	Bonds and debentures	Total (1+2)	Banks	Industry	Overall index
	1	2	3	4	5	6
<b>1984</b>	2508	5007	7515	193	273	259
<b>1985</b>	3114	9046	12160	184	234	229
<b>1986</b>	9488	6479	15968	254	357	350
<b>1987</b>	26641	4604	31245	319	603	546
<b>1988</b>	31734	5718	37452	404	734	677
<b>1988</b>						
<b>April</b>	2527	357	2884	373	707	645
<b>May</b>	2618	649	3266	386	738	672
<b>June</b>	4134	1689	5823	429	784	720
<b>July</b>	3765	353	4117	453	806	747
<b>Aug.</b>	3614	298	3911	458	809	752
<b>Sept.</b>	2149	270	2419	432	763	704
<b>Oct.</b>	1979	191	2170	421	751	696
<b>Nov.</b>	2271	205	2475	445	787	731
<b>Dec.</b>	3475	966	4441	443	786	732
<b>1989</b>						
<b>Jan.</b>	2622	314	2936	439	792	736
<b>Feb.</b>	5491	883	6373	447	829	771
<b>March</b>	4530	463	4993	467	838	784
<b>April</b>	3520	171	3691	489	854	807

<sup>1</sup> Average of daily observations

## 6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

### 6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, receipts f.o.b.	Trans- port receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Invest- ment income	Trans- fers and other income	Current account of receipts (6+7+8)	Imports of goods, c.i.f.	Trans- port ex- pend- iture	Travel ex- pend- iture	Other services ex- pend- iture	
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>1984</b>	78961	6580	3039	5610	15229	94190	4537	3624	102351	73496	2572	4250	5819	
<b>1985</b>	82475	6216	3258	6224	15698	98173	5847	3791	107811	80764	2545	5031	6554	
<b>1986</b>	81066	5757	3195	5616	14568	95634	4510	3609	103752	76736	2160	5587	5415	
<b>1987*</b>	83826	6370	3736	6099	16204	100030	5075	3231	108336	81867	2610	6811	6488	
<b>1988*</b>	91299	7146	4257	6333	17736	109035	7752	3396	120183	91234	3576	7913	7500	
<b>1986</b>														
<b>IV</b>	22652	1394	726	2319	4439	27091	1241	926	29258	19995	588	1367	1555	
<b>1987*</b>														
<b>I</b>	20038	1474	660	1253	3387	23425	1127	876	25427	19528	572	1467	1473	
<b>II</b>	21302	1644	929	1382	3955	25257	1175	797	27229	20508	673	1688	1529	
<b>III</b>	20849	1698	1339	1573	4610	25459	1115	781	27355	20258	670	1915	1467	
<b>IV</b>	21638	1554	808	1890	4252	25890	1659	777	28325	21573	694	1741	2019	
<b>1988*</b>														
<b>I</b>	20513	1663	777	1511	3951	24464	1804	818	27086	19684	715	1830	2041	
<b>II</b>	22565	1828	1041	1456	4325	26890	1781	864	29535	23185	831	1917	1760	
<b>III</b>	21617	1913	1486	1518	4916	26533	1944	883	29361	23769	1013	2210	1813	
<b>IV</b>	26603	1743	954	1848	4544	31148	2223	831	34201	24597	1017	1956	1886	
<b>1989*</b>														
<b>I</b>	24909	1884	865	1678	4427	29336	2164	866	32365	24277	753	2081	2147	
During period	Services ex- pend- iture, total (11+12+13)	Imports of goods (10+14)	Invest- ment ex- pend- iture	Trans- fers and other ex- pend- iture	Current account ex- pend- iture (15+16+17)	Trade account (1-10)	Trans- port (2-11)	Travel (3-12)	Other ser- vices (4-13)	Services account (20+21+22)	Goods and ser- vices account (19+23)	Invest- ment, net (7-16)	Trans- fers and others, net (8-17)	Current account = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1984</b>	12641	86137	11298	5010	102445	5465	4008	-1211	-209	2588	8053	-6761	-1385	-93
<b>1985</b>	14130	94893	12134	5300	112327	1711	3671	-1773	-330	1568	3279	-6287	-1509	-4517
<b>1986</b>	13162	89898	11719	5964	107580	4329	3597	-2392	201	1406	5735	-7209	-2355	-3828
<b>1987*</b>	15909	97775	12617	5860	116251	1960	3760	-3075	-390	296	2255	-7542	-2629	-7915
<b>1988*</b>	18989	110223	15769	6771	132763	64	3570	-3656	-1167	-1252	-1188	-8017	-3375	-12580
<b>1986</b>														
<b>IV</b>	3510	23504	2982	1711	28198	2657	806	-641	764	929	3586	-1741	-785	1060
<b>1987*</b>														
<b>I</b>	3512	23040	2901	1745	27686	509	901	-806	-220	-125	385	-1774	-869	-2259
<b>II</b>	3890	24398	3624	1288	29309	794	971	-759	-147	65	859	-2450	-490	-2081
<b>III</b>	4052	24310	2660	1303	28274	591	1028	-576	106	558	1149	-1545	-522	-919
<b>IV</b>	4455	26027	3431	1523	30982	65	860	-933	-129	-203	-138	-1773	-747	-2657
<b>1988*</b>														
<b>I</b>	4585	24269	3882	1919	30070	828	948	-1053	-529	-634	194	-2077	-1100	-2983
<b>II</b>	4508	27692	3863	1501	33056	-619	997	-876	-304	-183	-802	-2082	-637	-3521
<b>III</b>	5037	28805	3511	1503	33819	-2151	900	-725	-296	-120	-2272	-1567	-620	-4459
<b>IV</b>	4859	29456	4514	1848	35818	2007	725	-1003	-38	-315	1692	-2291	-1017	-1617
<b>1989*</b>														
<b>I</b>	4982	29259	4375	2182	35815	632	1130	-1216	-469	-555	77	-2211	-1316	-3450



## 6.2 CAPITAL ACCOUNT, MILL. FIM

During period	Direct investment in Finland	Portfolio investment in government Finland	Long-term credits				Imports of other long-term capital (3+4+5)	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 (8-13)	Long-term capital account (8-13)
			Central government	Author-ized banks	Others	Total (3+4)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1984</b>	324	1492	2598	2861	1090	6549	68	8433	2479	408	1682	-1960	2609	5824
<b>1985</b>	392	4264	1556	1489	442	3487	140	8283	2073	1329	-1313	1026	3115	5168
<b>1986</b>	1627	646	-63	5935	-482	5390	87	7750	3641	2347	-381	702	6309	1441
<b>1987*</b>	424	1429	2284	5700	2526	10510	91	12454	3741	3294	158	3103	10296	2158
<b>1988*</b>	835	-182	-1690	9796	9076	17182	85	17920	7845	1307	675	1899	11726	6194
<b>1986</b>														
<b>IV</b>	1212	48	47	2237	-245	2039	52	3351	1207	-82	-141	170	1154	2179
<b>1987*</b>														
<b>I</b>	134	357	1638	1755	874	4267	79	4837	779	1076	261	2486	4602	236
<b>II</b>	215	357	-443	1529	1260	2346	-55	2863	934	1339	-144	55	2184	680
<b>III</b>	24	357	-1019	945	549	475	12	868	682	519	106	82	1389	-520
<b>IV</b>	51	358	2108	1471	-157	3422	55	3886	1346	360	-65	482	2123	1764
<b>1988*</b>														
<b>I</b>	64	6	-857	361	3230	2734	89	2893	997	245	6	572	1820	1073
<b>II</b>	301	-212	1171	2356	1599	5126	-42	5173	2996	344	180	431	3951	1222
<b>III</b>	88	-43	-1571	3011	885	2325	-19	2351	1661	375	89	380	2505	-154
<b>IV</b>	382	67	-433	4068	3362	6997	57	7503	2191	343	400	515	3449	4054
<b>1989*</b>														
<b>I</b>	-171	713	-141	5951	2199	8009	42	8593	1442	1680	1395	1057	5574	3019

During period	Basic balance	Short-term capital imports of authorized banks	Import liabilities and payments re-exports	Imports of short-term capital re-(16+17)	Short-term capital exports of authorized banks	Export receiv-ables and payments related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. or omissions	Short-term capital account (18-21+22)	Overall balance excl. reserve movements (15+23)	Change in central bank's foreign exchange reserves		Of which:	
											Convertible reserves	Tied reserves		
	15	16	17	18	19	20	21	22	23	24	25	26	27	
<b>1984</b>	5730	16080	944	17024	13614	-2811	10803	-2676	3545	9275	-9275	-10142	867	
<b>1985</b>	651	6890	350	7240	323	1732	2055	-2092	3093	3744	-3744	-3729	-15	
<b>1986</b>	-2387	6019	-3796	2222	9933	-92	9841	2075	-5544	-7930	7930	11678	-3748	
<b>1987*</b>	-5757	19324	-665	18659	-7343	-183	-7526	-4692	21493	15736	-15736	-17817	2081	
<b>1988*</b>	-6386	10695	-1161	9535	5970	453	6423	3457	6569	183	-183	-517	334	
<b>1986</b>														
<b>IV</b>	3257	1571	-1609	-38	230	-31	199	-2339	-2576	681	-681	117	-798	
<b>1987*</b>														
<b>I</b>	-2023	3682	1076	4757	-5911	-118	-6029	-2527	8259	6236	-6236	-7020	785	
<b>II</b>	-1401	7667	82	7748	1510	-118	1392	1281	7638	6237	-6237	-5569	-667	
<b>III</b>	-1439	8738	-355	8383	3494	27	3521	-2787	2076	637	-637	-2407	1771	
<b>IV</b>	-893	-763	-1468	-2230	-6436	27	-6410	-659	3520	2627	-2627	-2820	193	
<b>1988*</b>														
<b>I</b>	-1911	6501	-1602	4899	2966	-802	2164	1516	4251	2341	-2341	-1295	-1046	
<b>II</b>	-2300	11731	539	12270	4363	-802	3561	-1692	7018	4718	-4718	-4662	-57	
<b>III</b>	-4613	-547	803	256	3405	1029	4434	1703	-2475	-7088	7088	6337	751	
<b>IV</b>	2438	-6990	-901	-7890	-4764	1029	-3735	1929	-2226	212	-212	-897	685	
<b>1989*</b>														
<b>I</b>	-431	8165	-52	8113	4016	-540	3476	-2386	2251	1820	-1820	-1372	-449	S15

### 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
<b>1984</b>	2905	2013	24928	5960	37227	68116	512	73546	8689	1021 <sup>f</sup>	8920	2097	20727 <sup>f</sup>	52819 <sup>f</sup>
<b>1985</b>	3274	6313	25678	6410	34276	66364	652	76603	10524	2350 <sup>f</sup>	6539	3053	22466 <sup>f</sup>	54137 <sup>f</sup>
<b>1986</b>	4892	7420 <sup>f</sup>	26292	11992	32044	70330	739	83381 <sup>f</sup>	13727	4697 <sup>f</sup>	5649	3685	27758 <sup>f</sup>	55623 <sup>f</sup>
<b>1987*</b>	5285	7099	27861	17365	33088	78314	830	91527	16651	7991	5240	6618	36500	55027
<b>1988*</b>	6424	7251	26011	27427	41787	95227	915	109817	24429	9298	6688	8555	48970	60847
<b>1986</b>														
<b>IV</b>	4892	7420	26292	11992	32044	70330	739	83381	13727	4697	5649	3685	27758	55623
<b>1987*</b>														
<b>I</b>	5018	7777	27391	13472	32074	72939	818	86552	14191	5773	5648	6105	31717	54835
<b>II</b>	5229	8134	26862	14991	33280	75132	763	89258	15098	7112	5513	6164	33887	55371
<b>III</b>	5243	8491	25627	15825	33511	74963	775	89472	15633	7631	5571	6229	35064	54408
<b>IV</b>	5285	7099	27861	17365	33088	78314	830	91527	16651	7991	5240	6618	36500	55027
<b>1988*</b>														
<b>I</b>	5308	7105	26637	17594	35884	80114	919	93446	17538	8236	5250	7183	38207	55239
<b>II</b>	5410	6893	28390	20464	38230	87083	877	100263	20928	8580	5629	7712	42849	57414
<b>III</b>	5521	6850	27007	23707	39278	89993	858	103222	22521	8955	5752	8122	45350	57872
<b>IV</b>	6424	7251	26011	27427	41787	95227	915	109817	24429	9298	6688	8555	48970	60847
<b>1989*</b>														
<b>I</b>	6233	7945	25357	32799	43289	101448	957	116583	25355	10978	8025	9590	53948	62635

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)					
	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1984</b>	4562	55695	17988	78245	22912	42068 <sup>f</sup>	13083 <sup>f</sup>	78063 <sup>f</sup>	182 <sup>f</sup>	53001 <sup>f</sup>	11586	4613	11.3
<b>1985</b>	4070	51374	17474 <sup>f</sup>	72918 <sup>f</sup>	25183	36208 <sup>f</sup>	18450 <sup>f</sup>	79841 <sup>f</sup>	-6922 <sup>f</sup>	47215 <sup>f</sup>	11287	4808	10.5
<b>1986</b>	3455	56881	14483 <sup>f</sup>	74819 <sup>f</sup>	16613	46141 <sup>f</sup>	19279 <sup>f</sup>	82034 <sup>f</sup>	-7215 <sup>f</sup>	48408 <sup>f</sup>	13462	6018	13.0
<b>1987*</b>	3362	73132	16898	93392	31134	38798	18060	87993	5400	60427	14203	6516	13.1
<b>1988*</b>	3341	83828	15157	102327	32037	44768	20691	97497	4830	65677	14573	6479	12.6
<b>1986</b>													
<b>IV</b>	3455	56881	14483	74819	16613	46141	19279	82034	-7215	48408	3737	1890	12.8
<b>1987*</b>													
<b>I</b>	3521	59536	17323	80380	22482	40231	19092	81805	-1425	53410	3203	1411	12.6
<b>II</b>	3490	67208	17719	88417	28680	41741	19700	90121	-1704	53667	3994	1496	14.7
<b>III</b>	3607	75547	18654	97808	29291	45235	19478	94004	3804	58212	2771	1217	10.1
<b>IV</b>	3362	73132	16898	93392	31134	38798	18060	87993	5400	60427	4236	2392	15.0
<b>1988*</b>													
<b>I</b>	3467	79633	14073	97173	33515	41764	18491	93770	3403	58642	3870	1773	14.3
<b>II</b>	3177	91364	14651	109193	39025	46127	17439	102591	6602	64016	3390	1289	11.5
<b>III</b>	3539	90817	16765	111118	32750	49532	20292	102573	8545	66417	3816	2230	13.0
<b>IV</b>	3341	83828	15157	102327	32037	44768	20691	97497	4830	65677	3497	1187	10.2
<b>1989*</b>													
<b>I</b>	3278	91992	15940	111211	33376	48784	20110	102270	8940	71575	3467	1232	10.7

## 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
<b>1984</b>	34012	13366	25440	728	73546	17624	1243 <sup>f</sup>	1678	182	20727 <sup>f</sup>	52819 <sup>f</sup>
<b>1985</b>	35709	13980	26330	585	76603	17102	3131 <sup>f</sup>	1955	279	22466 <sup>f</sup>	54137 <sup>f</sup>
<b>1986</b>	35671 <sup>f</sup>	20169	27031	509	83381 <sup>f</sup>	19209	5721 <sup>f</sup>	2309	520	27758 <sup>f</sup>	55623 <sup>f</sup>
<b>1987*</b>	35593	26734	28691	511	91527	23377	9740	2653	730	36500	55027
<b>1988*</b>	41263	41128	26926	499	109817	31037	12977	3101	1855	48970	60847
<b>1986</b>											
<b>IV</b>	35671	20169	27031	509	83381	19209	5721	2309	520	27758	55623
<b>1987*</b>											
<b>I</b>	36001	21860	28209	481	86552	19729	8958	2458	572	31717	54835
<b>II</b>	37201	23960	27625	474	89258	21371	9431	2465	621	33887	55371
<b>III</b>	37293	25240	26402	538	89472	22571	9297	2519	677	35064	54408
<b>IV</b>	35593	26734	28691	511	91527	23377	9740	2653	730	36500	55027
<b>1988*</b>											
<b>I</b>	37289	28097	27556	506	93446	23616	10717	2851	1023	38207	55239
<b>II</b>	39035	31460	29267	503	100263	27172	11469	2887	1322	42849	57414
<b>III</b>	39381	35469	27865	506	103222	28974	11845	2938	1594	45350	57872
<b>IV</b>	41263	41128	26926	499	109817	31037	12977	3101	1855	48970	60847
<b>1989*</b>											
<b>I</b>	41774	47978	26314	515	116583	32275	16375	3299	1999	53948	62635

## 7. FOREIGN TRADE<sup>1</sup>

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

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
	1	2	3
1984	80904	74682	6222
1985	84028	81520	2508
1986	82579	77601	4978
1987	85516	82807	2709
1988*	92902	92118	784
1988*			
June	6709	7657	-948
July	6404	7014	-610
Aug.	7198	8332	-1134
Sept.	8406	8645	-239
Oct.	8587	8351	236
Nov.	9904	8113	1791
Dec.	8514	8354	160
1989*			
Jan.	8261	8248	13
Feb.	8251	7598	653
March	8803	8699	104
April	8931	8344	587
May	7678	8647	-969
June	7148	8037	-889

### 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
1984	114	98	134	131	102
1985	115	104	138	135	102
1986	116	110	135	121	111
1987	117	119	138	119	116
1988*	121	130	145	122	119
1988*					
1986					
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	113	114	140	120	117
II	123	133	141	121	117
III	113	134	147	123	119
IV	136	137	150	124	121
1989*					
I	123	132	156	128	122

### 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	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1984	7145	23573	10176	22998	17012	35162	16900	10993	11454	173
1985	6728	25030	9803	24412	18055	38676	17770	11675	12967	432
1986	6947	24600	7858	26115	17059	39292	10070	12898	15069	272
1987	7470	27058	7770	26230	16988	40961	9619	14138	17478	611
1988*	7567	30474	8450	29225	17186	45934	7389	17274	20828	693
1988*										
June	626	2270	599	1889	1325	3734	729	1588	1578	28
July	537	2340	628	1758	1141	3385	643	1334	1576	76
Aug.	545	2649	647	1920	1437	4120	732	1457	1954	69
Sept.	611	2865	781	2503	1646	3990	852	1939	1853	11
Oct.	690	2751	800	2749	1597	4168	632	1577	1922	52
Nov.	686	2851	730	3972	1665	4227	492	1369	1858	167
Dec.	751	2788	799	2673	1503	4154	586	1704	1701	209
1989*										
Jan	600	2578	810	2645	1628	4348	408	1519	1893	80
Feb.	604	2621	832	2704	1490	3830	515	1315	1912	26
March	624	2953	760	2775	1691	4363	569	1496	2248	23
April	661	2728	673	3309	1560	4095	532	1624	1962	131
May	669	2714	634	2198	1463	4162	689	1829	1840	127
June	598	2519	587	1993	1451	3931	602	1784	1706	14

## 7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1988		1989* January-May		1988		1989* January-May	
	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
<b>All OECD countries</b>	69766	75.1	31658	13.0	71296	77.4	32788	15.9
<b>OECD Europe</b>	60456	65.1	27163	10.4	57589	62.5	26459	16.0
Of which:								
Austria	940	1.0	457	22.2	1140	1.2	491	11.8
Belgium and Luxembourg	1830	2.0	869	8.5	2332	2.5	1180	30.1
Denmark	3292	3.5	1407	0.6	2699	2.9	1215	13.0
France	4954	5.3	2289	5.5	3757	4.1	1633	7.3
Federal Republic of Germany	10089	10.9	4441	8.2	15540	16.9	7294	16.6
Italy	2520	2.7	1314	24.6	4095	4.4	1929	17.4
Netherlands	3394	3.7	1652	18.2	2988	3.2	1329	8.0
Norway	3243	3.5	1198	-14.1	2182	2.4	986	13.0
Spain	1447	1.6	749	30.1	1023	1.1	467	12.3
Sweden	13172	14.2	5996	16.8	12269	13.3	5666	20.5
Switzerland	1594	1.7	675	-3.1	1718	1.9	725	10.9
United Kingdom	12120	13.0	5313	12.5	6220	6.8	2754	13.9
<b>Other OECD</b>	9310	10.0	4495	31.3	13707	14.9	6330	15.4
Of which:								
Canada	1125	1.2	601	58.2	658	0.7	357	53.9
Japan	1681	1.8	855	33.5	6799	7.4	3175	11.4
United States	5361	5.8	2473	23.8	5820	6.3	2643	16.0
<b>CMEA countries</b>	15408	16.6	7167	11.5	13553	14.7	5657	18.3
Of which:								
Soviet Union	13910	15.0	6457	9.1	11153	12.1	4541	15.7
<b>Developing countries</b>	6990	7.5	2741	5.4	6068	6.6	2693	22.4
<b>OPEC countries</b>	1486	1.6	602	13.2	589	0.6	177	-21.0
<b>Other</b>	5504	5.9	2138	3.3	5479	5.9	2516	27.3
<b>Other countries</b>	738	0.8	359	183.4	1201	1.3	398	7.7
<b>TOTAL</b>	92902	100.0	41924	12.8	92118	100.0	41536	16.5
Of which:								
<b>EEC countries</b>	41117	44.3	18687	11.1	40103	43.5	18473	15.0
<b>EFTA countries</b>	19088	20.5	8373	9.2	17397	18.9	7940	18.2

<sup>1</sup>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
<b>1984</b>	176038	64872	67584	10202	-2647 <sup>r</sup>	316049 <sup>r</sup>	96993	88857	324185 <sup>r</sup>
<b>1985</b>	181664	68218	69599	10453	1772 <sup>r</sup>	331706 <sup>r</sup>	98173	94893	334986 <sup>r</sup>
<b>1986</b>	189113	70325	69328	10738	810 <sup>r</sup>	340314 <sup>r</sup>	99498	97795	342017 <sup>r</sup>
<b>1987*</b>	199981	73458	72761	11654	2246	360100	102127	106568	355659
<b>1988*</b>	210071	75453	79850	12049	9301	386724	106124	118772	374076
<b>1986</b>									
<b>IV</b>	47709	17902	17540	2764	-1338	84577	27060	24740	86897
<b>1987*</b>									
<b>I</b>	48801	18078	17794	2860	618	88151	25249	26313	87087
<b>II</b>	49839	18284	18343	2765	671	89902	25452	25943	89411
<b>III</b>	50046	18484	17989	3072	-216	89376	26130	26755	88751
<b>IV</b>	51295	18612	18635	2957	1173	92671	25296	27557	90410
<b>1988*</b>									
<b>I</b>	51773	18618	19099	2924	1040	93453	25948	27697	91705
<b>II</b>	51982	18784	19578	2917	2942	96204	25974	29363	92815
<b>III</b>	52988	18960	20560	3145	3090	98743	25835	31171	93407
<b>IV</b>	53328	19090	20613	3063	2228	98323	28367	30542	96149
<b>1989*</b>									
<b>I</b>	53277	19173	20604	2933	2941	98928	28648	31617	95959

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

Period	Total industry	Mining and quarrying	Manufacturing	Wood and paper industries	Metal and engineering industries	Other manufacturing	Energy and water supply
	(100.0)	(1.6)	(87.9)	(16.5)	(30.0)	(41.4)	(10.5)
	1	2	3	4	5	6	7
<b>1984</b>	96.1	118.7	96.6	101.7	92.5	97.5	111.2
<b>1985</b>	100.4	99.8	100.4	100.1	100.6	100.3	100.2
<b>1986</b>	101.9	102.8	102.0	102.3	103.0	101.2	100.4
<b>1987*</b>	107.2	99.9	107.2	106.5	110.2	105.4	107.8
<b>1988*</b>	111.1	110.6	111.2	114.5	114.8	107.3	110.3
<b>1988*</b>							
<b>May</b>	110.4	127.2	110.6	109.5	113.3	109.1	106.4
<b>June</b>	111.8	134.0	111.5	113.0	115.8	107.8	110.3
<b>July</b>	108.9	108.0	110.8	110.9	119.6	105.3	96.5
<b>Aug.</b>	110.0	98.6	109.9	113.0	113.6	106.0	112.3
<b>Sept.</b>	112.8	106.9	112.9	116.9	118.3	107.5	111.2
<b>Oct.</b>	113.4	105.0	113.3	118.3	118.3	107.6	114.5
<b>Nov.</b>	114.8	116.4	113.9	120.9	119.6	106.7	120.5
<b>Dec.</b>	113.7	120.8	112.1	120.6	116.2	105.1	123.4
<b>1989*</b>							
<b>Jan.</b>	113.0	119.8	114.6	121.3	121.5	106.5	102.9
<b>Feb.</b>	114.5	114.6	115.9	120.0	120.5	111.1	103.9
<b>March</b>	115.0	119.2	116.1	120.6	122.3	108.5	106.2
<b>April</b>	112.9	113.6	113.0	123.6	119.7	104.3	112.9
<b>May</b>	116.2	127.1	116.3	121.6	121.5	110.7	112.9

### 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
<b>1984</b>	97.2	96.8	101.8	104.1	112.8	96.2	98.6	96.9
<b>1985</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>1986</b>	104.7	102.5	94.0	88.4	99.9	99.5	105.2	101.8
<b>1987*</b>	111.3	107.7	95.6	89.0	101.0	102.6	114.3	106.3
<b>1988*</b>	117.0	113.2	108.6	106.0	113.4	110.6	135.0	110.1
<b>1988*</b>								
<b>April</b>	116.3	108.7	..	..	..	..	..	107.9
<b>May</b>	111.8	114.7	..	..	..	..	..	109.6
<b>June</b>	115.8	111.1	..	..	..	..	..	109.7
<b>July</b>	117.2	110.5	..	..	..	..	..	110.0
<b>Aug.</b>	118.3	116.6	..	..	..	..	..	110.9
<b>Sept.</b>	122.4	111.2	..	..	..	..	..	111.6
<b>Oct.</b>	120.0	115.3	..	..	..	..	..	111.3
<b>Nov.</b>	118.5	117.6	..	..	..	..	..	112.9
<b>Dec.</b>	122.5	114.7	..	..	..	..	..	112.2
<b>I</b>	113.7	112.5	105.7	92.6	115.3	116.2	111.6	108.4
<b>II</b>	114.6	111.5	105.2	102.2	106.8	112.6	140.7	109.1
<b>III</b>	119.3	112.8	108.7	110.3	107.4	103.3	142.6	110.8
<b>IV</b>	120.3	115.9	114.9	118.9	123.8	110.5	146.5	112.1
<b>1989*</b>								
<b>Jan.</b>	116.7	121.6	..	..	..	..	..	113.1
<b>Feb.</b>	124.1	118.4	..	..	..	..	..	112.6
<b>March</b>	124.6	121.8	..	..	..	..	..	113.0
<b>April</b>	118.1	117.5	..	..	..	..	..	113.1
<b>I</b>	121.8	120.6	121.0	120.8	134.7	106.0	133.9	112.9

## 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			Domes- tic goods	Import- ed goods		Export- ed goods	Home mar- ket goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1984</b>	92.4	92.0	92.9	92.7	93.0	92.0	95.1	95.3	94.8	97.1	96.0	98.1	95.1	94.6
<b>1985</b>	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
<b>1986</b>	106.9	106.6	106.2	106.6	107.8	107.2	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
<b>1987<sup>1</sup></b>	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
<b>1988<sup>1</sup></b>	124.7	124.5	122.7	128.8	122.5	127.8	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
<b>1988<sup>1</sup></b>														
<b>June</b>	..	..	..	..	..	..	112.9	101.3	104.7	89.1	101.1	103.1	100.2	116.6
<b>July</b>	..	..	..	..	..	..	112.9	102.0	105.4	89.6	102.1	104.3	101.1	117.0
<b>Aug.</b>	..	..	..	..	..	..	113.1	102.4	105.8	90.3	102.7	105.5	101.4	117.5
<b>Sept.</b>	..	..	..	..	..	..	114.2	102.4	105.7	90.0	102.9	105.7	101.5	118.7
<b>Oct.</b>	..	..	..	..	..	..	114.3	103.2	106.9	89.7	103.8	107.0	102.3	119.2
<b>Nov.</b>	..	..	..	..	..	..	114.5	103.5	107.2	89.8	103.9	106.9	102.5	119.8
<b>Dec.</b>	..	..	..	..	..	..	115.4	104.0	107.7	90.5	104.3	107.4	102.8	119.9
<b>I</b>	118.8	118.4	116.9	122.7	117.1	121.8	110.1	99.5	102.7	87.7	99.5	100.4	99.1	112.0
<b>II</b>	125.3	125.1	123.4	130.1	122.7	129.1	112.2	100.7	104.0	88.9	100.7	102.4	99.9	115.9
<b>III</b>	126.2	126.1	124.0	130.2	124.0	129.2	113.4	102.3	105.6	90.0	102.6	105.2	101.3	117.7
<b>IV</b>	128.4	128.4	126.5	132.0	126.0	131.1	114.7	103.6	107.3	90.0	104.0	107.1	102.5	119.6
<b>1989<sup>1</sup></b>														
<b>Jan.</b>	..	..	..	..	..	..	116.0	104.8	108.4	91.7	105.2	108.4	103.6	121.6
<b>Feb.</b>	..	..	..	..	..	..	116.6	105.5	109.0	92.4	105.8	109.6	103.9	121.9
<b>March</b>	..	..	..	..	..	..	117.9	105.9	109.3	93.4	106.3	110.2	104.4	123.4
<b>April</b>	..	..	..	..	..	..	119.1	107.0	110.6	93.6	107.1	109.9	105.8	124.3
<b>May</b>	..	..	..	..	..	..	119.5	107.4	111.3	93.2	107.8	110.1	106.6	124.9
<b>June</b>	..	..	..	..	..	..	120.6	107.4	111.4	92.6	107.9	110.4	106.8	124.6
<b>I</b>	131.3	131.0	130.1	134.8	130.0	133.9	116.8	105.4	108.9	92.5	105.8	109.4	104.0	122.3

<sup>1</sup>Preliminary 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
<b>1984</b>	68.9	2546	2414	378	2035	294	600	183	1337	132	5.2
<b>1985</b>	69.2	2566	2437	361	2076	280	597	178	1380	129	5.0
<b>1986</b>	69.1	2574	2431	359	2071	266	589	185	1391	138	5.4
<b>1987</b>	68.6	2554	2423	372	2051	251	569	184	1419	130	5.1
<b>1988</b>	68.4	2546	2431	368	2062	238	553	188	1452	116	4.5
<b>1988</b>											
<b>May</b>	68.3	2540	2415	369	2046	243	546	178	1449	125	4.9
<b>June</b>	68.7	2557	2440	368	2072	232	552	195	1462	117	4.6
<b>July</b>	68.5	2547	2431	366	2065	229	552	200	1450	115	4.5
<b>Aug.</b>	68.0	2531	2409	354	2055	245	562	174	1428	121	4.8
<b>Sept.</b>	68.4	2545	2438	368	2070	231	538	201	1468	107	4.2
<b>Oct.</b>	68.7	2554	2448	375	2072	225	544	201	1478	106	4.1
<b>Nov.</b>	68.6	2553	2438	360	2077	231	559	166	1481	115	4.5
<b>Dec.</b>	68.2	2539	2436	370	2065	234	550	196	1456	103	4.1
<b>1989</b>											
<b>Jan.</b>	69.0	2567	2479	370	2109	224	553	204	1497	88	3.4
<b>Feb.</b>	69.1	2573	2483	368	2115	236	548	182	1517	90	3.5
<b>March</b>	68.0	2530	2444	364	2081	232	553	215	1444	86	3.4
<b>April</b>	69.2	2579	2487	377	2110	234	544	207	1503	91	3.5
<b>May</b>	69.6	2592	2505	361	2145	224	585	188	1508	86	3.3

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
<b>1984</b>	22526	42737	598	9711	75572	1894	77466	10752	88218	22155	44333	18444	24836
<b>1985</b>	25750	47578	546	10415	84290	2071	86361	11189	97550	24835	49269	21183	26866
<b>1986</b>	28079	51733	323	11640	91774	2209	93983	14744	108727	26354	52845	23215	28131
<b>1987</b>	29454	57312	455	12437	99658	2482	102139	17484	119623	29419	59498	26456	30964
<b>1988</b>	35339	66348	473	13629	115789	2557	118346	12809	131154	32266	65502	29757	33108
<b>1988</b>													
<b>April</b>	3203	4517	44	1122	8886	85	8971	2089	11060	2341	4958	2682	2141
<b>May</b>	2659	5470	21	1787	9936	302	10238	834	11072	2760	6409	2640	3405
<b>June</b>	2994	5733	46	1012	9785	132	9917	1490	11407	2842	5368	2755	2376
<b>July</b>	3488	5896	35	871	10290	70	10360	109	10469	3191	4617	2370	2090
<b>Aug.</b>	3333	6295	62	1022	10712	488	11200	589	11789	2607	5279	2361	2801
<b>Sept.</b>	2811	5242	23	896	8972	145	9117	1667	10784	2665	4689	2359	2211
<b>Oct.</b>	3052	5247	41	1294	9634	234	9868	657	10525	2759	5088	2487	2451
<b>Nov.</b>	2900	6315	45	1277	10536	394	10931	355	11286	2753	6717	2711	3846
<b>Dec.</b>	3116	7486	57	1555	12214	537	12751	1031	13781	3012	5193	2542	2142
<b>1989</b>													
<b>Jan.</b>	3090	5482	1	1180	9754	6	9760	..	..	2764	5635	2433	3066
<b>Feb.</b>	2792	6185	86	824	9887	67	9953	..	..	2708	6177	2464	3446
<b>March</b>	3375	5613	37	1014	10040	1713	11754	..	..	2736	5297	2589	2413
<b>April</b>	3881	6221	36	1266	11405	63	11468	..	..	2911	6055	3337	2532
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		
<b>1984</b>	5455	4220	76162	4717	80878	5552	86430	-590	-3412	-8964	1788		
<b>1985</b>	5700	4936	84739	4982	89722	7682	97404	-449	-3361	-11043	145		
<b>1986</b>	6111	5058	90368	4913	95281	10541	105822	1406	-1298	-11839	2905		
<b>1987</b>	7089	4732	100738	5672	106410	9880	116289	-1080	-4270	-14150	3334		
<b>1988</b>	7565	5614	110946	6529	117476	10956	128432	4842	870	-10086	2723		
<b>1988</b>													
<b>April</b>	492	617	8407	341	8747	674	9421	479	224	-450	1639		
<b>May</b>	690	760	10619	623	11242	1044	12286	-684	-1004	-2048	-1214		
<b>June</b>	660	317	9186	603	9789	818	10607	598	128	-690	800		
<b>July</b>	568	112	8487	467	8954	787	9741	1803	1406	619	728		
<b>Aug.</b>	609	478	8972	450	9422	1177	10599	1740	1778	601	1190		
<b>Sept.</b>	772	445	8570	1623	10193	866	11059	402	-1076	-1942	-275		
<b>Oct.</b>	642	558	9047	483	9531	672	10203	587	337	-335	322		
<b>Nov.</b>	645	199	10313	428	10741	1594	12335	223	190	-1404	-1049		
<b>Dec.</b>	811	208	9224	316	9540	708	10248	2990	3211	2503	3533		
<b>1989</b>													
<b>Jan.</b>	580	743	9722	681	10403	..	..	32	-643	..	-1524		
<b>Feb.</b>	501	288	9675	557	10232	..	..	212	-278	..	-912		
<b>March</b>	620	645	9299	1845	11143	..	..	742	610	..	748		
<b>April</b>	544	941	10451	379	10830	..	..	954	638	..	-875		

# 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** Money market instruments (Columns 1-3) denote bank certificates of deposit, Treasury bills and banks' fixed-term deposits with the Bank of Finland. Matured money market instruments, net, comprise both purchased and sold instruments.

**Table 2.3** Bank CDs held by the Bank of Finland (Column 2) include term credits. Holdings of CDs issued by the Bank of Finland (Column 5) include term liabilities.

## 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 arithmetic averages of monthly observations. As from January 1989, Postipankki Oy has been included in the calculation of the average rate on the commercial banks' outstanding stock of loans. *Deposits.* The rates of interest applied to deposit accounts (Columns 7-9) 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 10) 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 11) 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 remain-

ing 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 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 14 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 14 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 8.1 billion at the end of 1988.

**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. As from the June-July 1989 issue of the Bulletin, portfolio investment abroad (Column 10) also includes investments in long-term bonds and shares by Finnish authorized banks. These were previously included in short-term capital exports of authorized banks. 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.

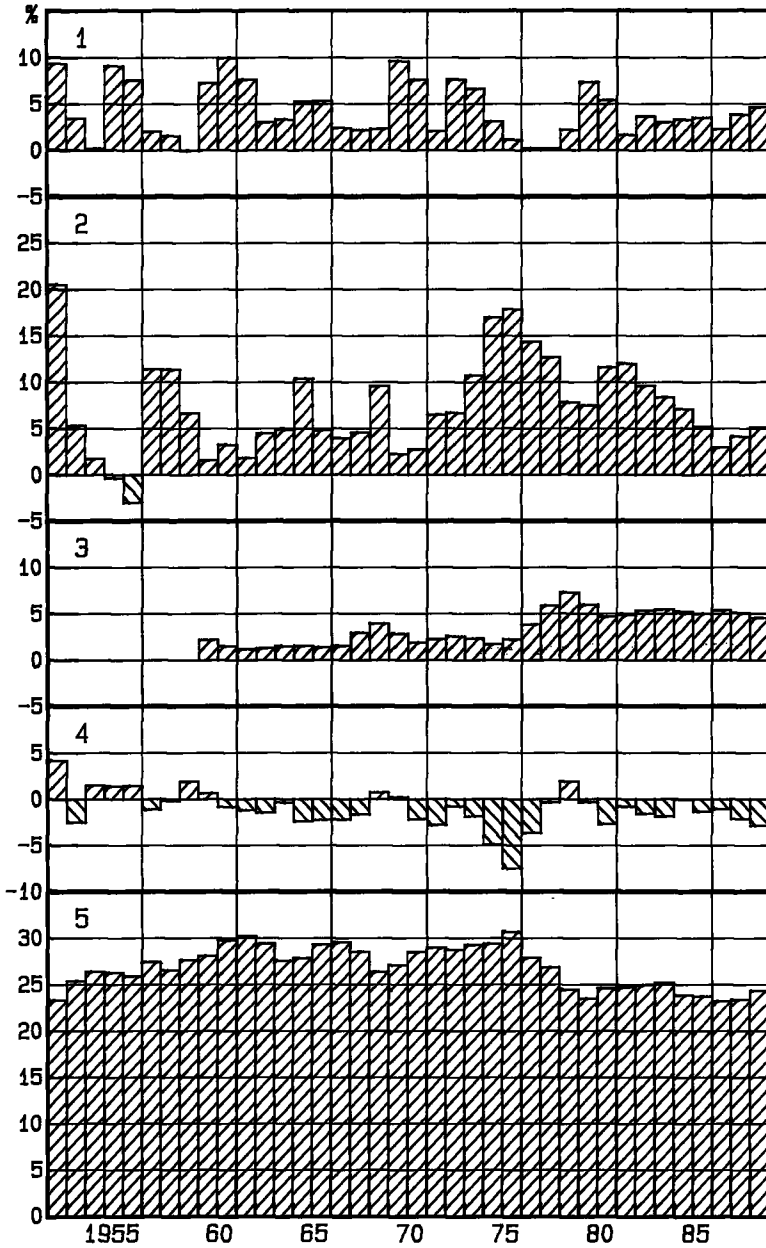
**Table 8.3** The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

**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.

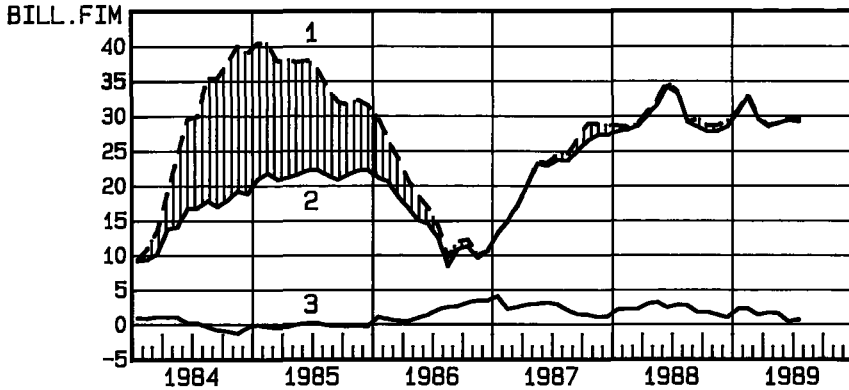
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Banks' central bank position	S29
5. Overnight rates	S30
6. HELIBOR rates of interest	S30
7. Rates of interest applied by the Bank of Finland	S30
8. 3-month covered Eurodollar 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



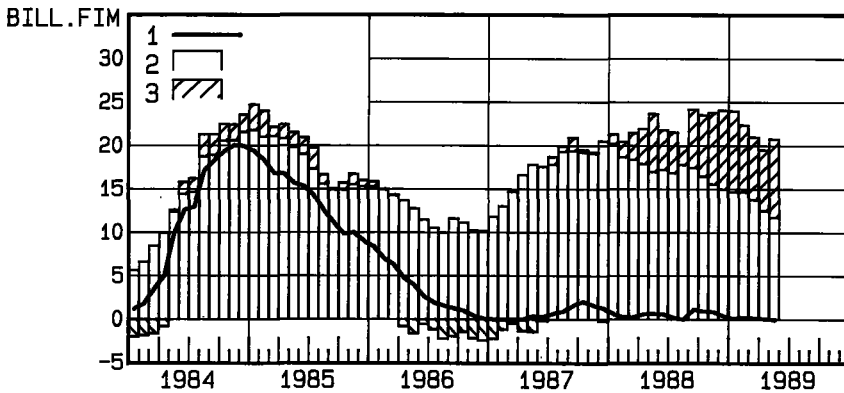
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



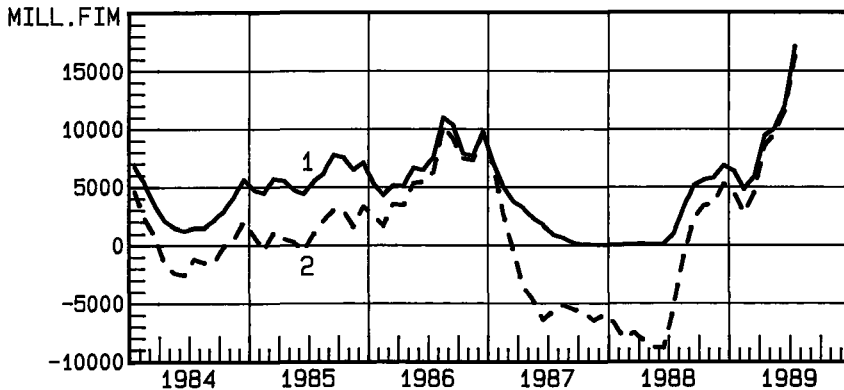
1. Convertible foreign exchange reserves plus forward position
2. Convertible foreign exchange reserves
3. Tied currencies

## 3. FORWARD MARKET



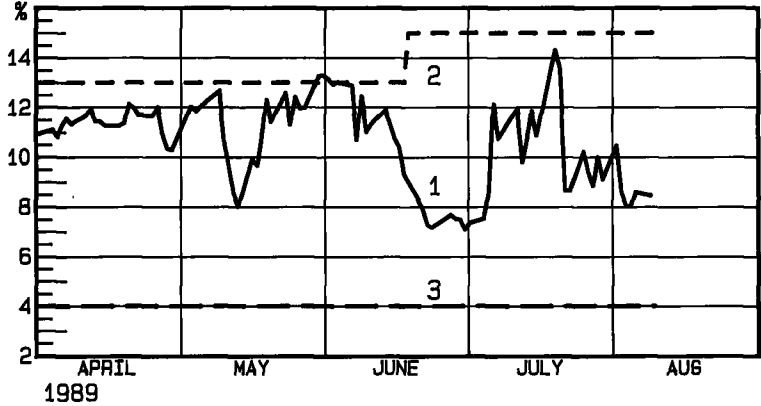
1. Forward exchange purchased by the Bank of Finland from banks
2. Forward exchange sold by companies to banks
3. Forward exchange sold by foreign banks to banks

## 4. BANKS' CENTRAL BANK POSITION



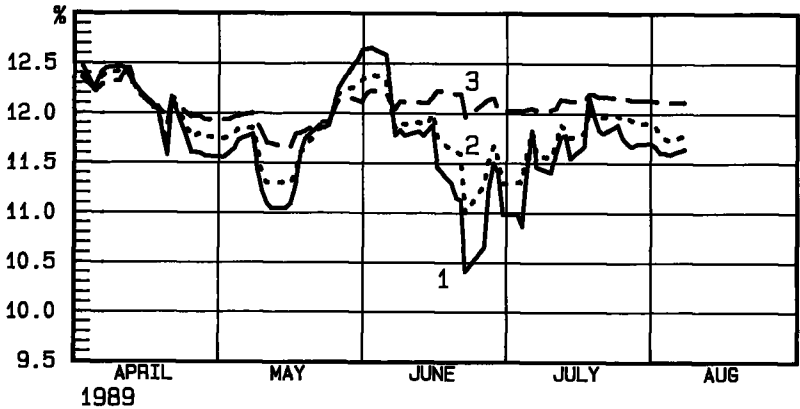
1. Gross debt to the Bank of Finland
2. Net debt to the Bank of Finland (excl. cash reserve deposits)

5. OVERNIGHT RATES



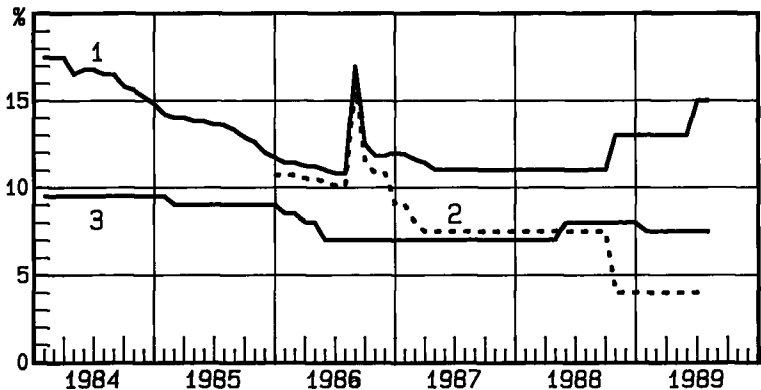
- 1. Inter-bank overnight rate
  - 2. Call money credit rate
  - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



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

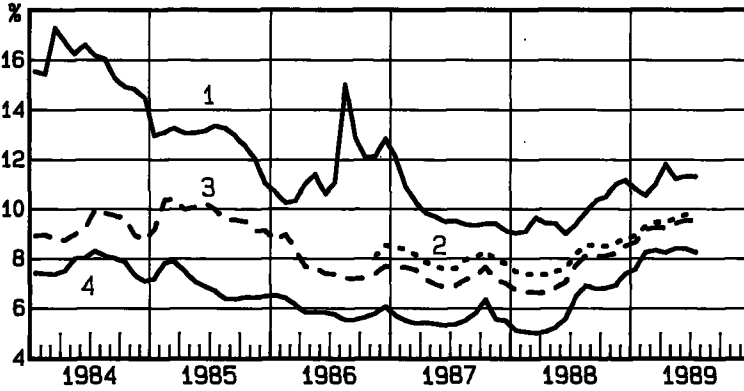
7. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

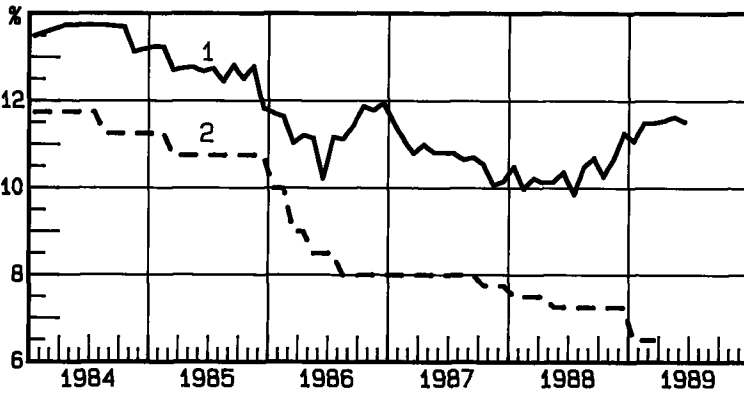


**8. 3-MONTH COVERED EURODOLLAR RATE AND 3-MONTH CURRENCY BASKET RATES**



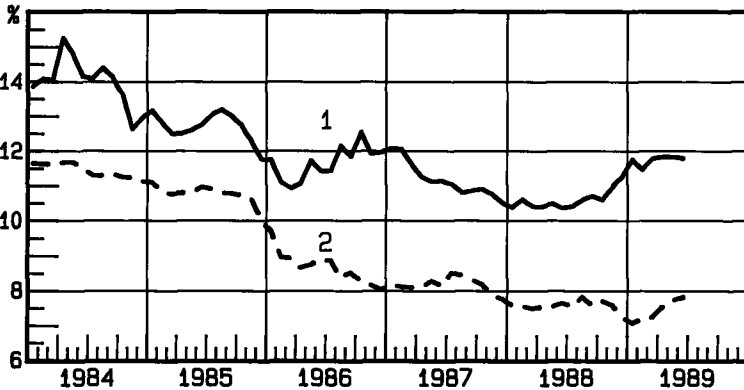
- 1. Covered Eurodollar rate
- 2. 12-currency basket rate
- 3. 8-currency basket rate
- 4. 3-currency basket rate

**9. RATES ON NEW ISSUES OF BONDS AND DEBENTURES**



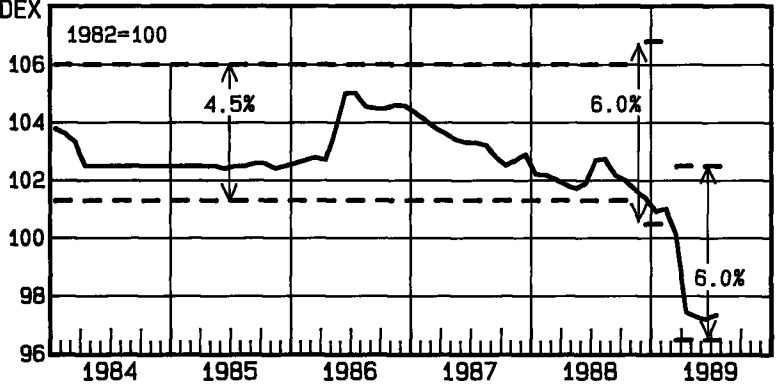
- 1. Rates on new fixed-rate debentures
- 2. Rates on new 10-year tax-free government bonds

**10. SECONDARY MARKET RATES ON BONDS AND DEBENTURES**



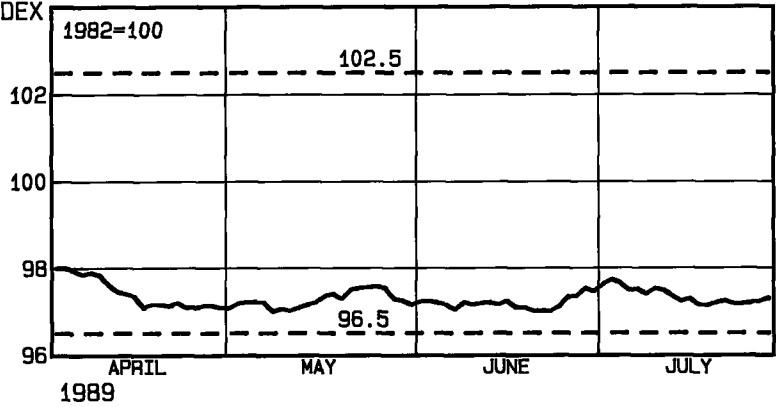
- 1. Secondary market rate on (3-6 year) fixed-rate debentures
- 2. Secondary market rate on (9-10 year) taxfree government bonds

11. BANK OF FINLAND CURRENCY INDEX



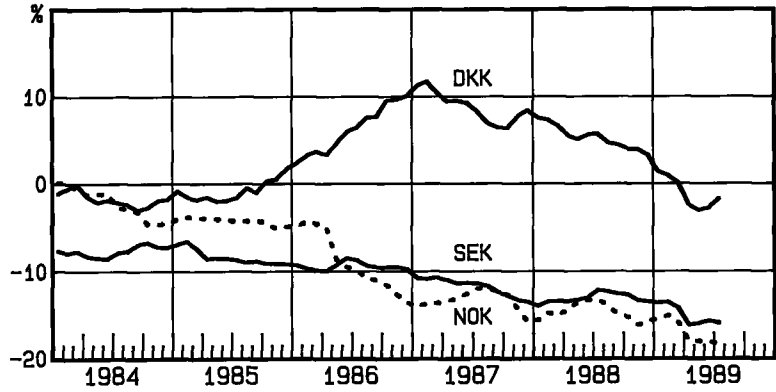
4.5 % and 6.0 % = fluctuation range of the index  
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX



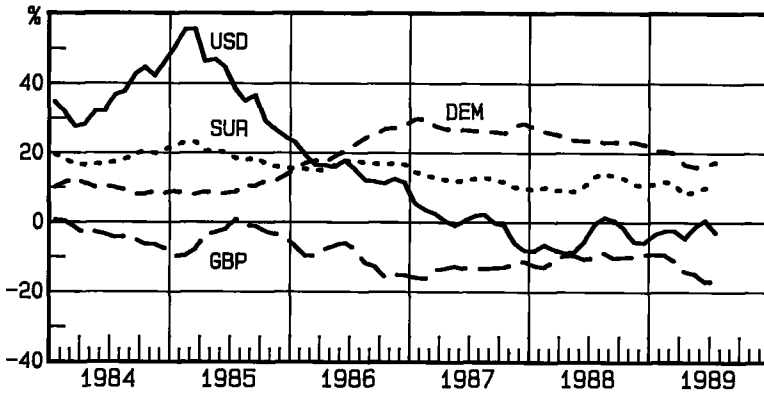
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



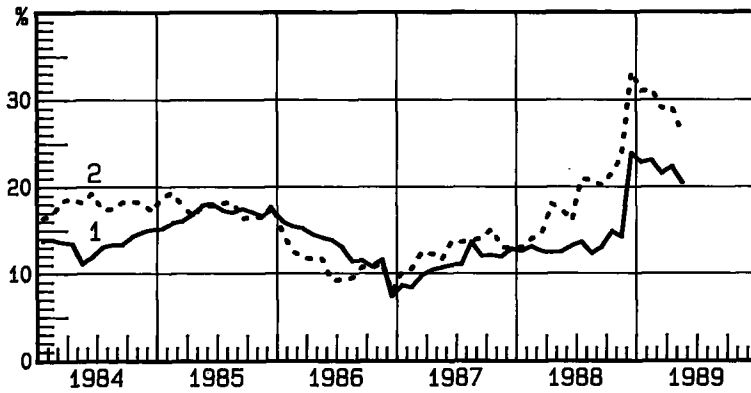
Monthly changes in markka selling rates calculated from the average rates for January 1982

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



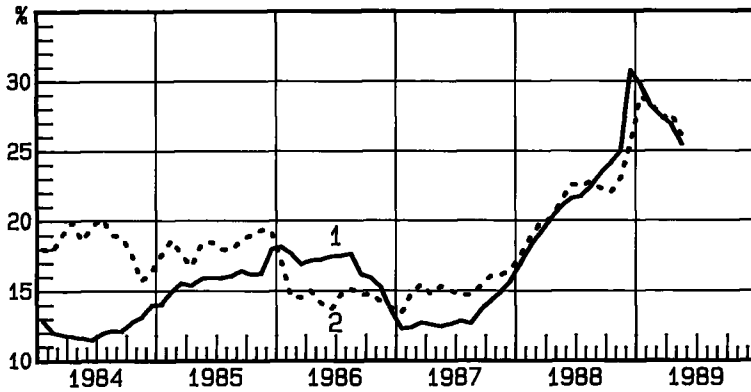
Monthly changes in markka selling rates calculated from the average rates for January 1982

15. BANK DEPOSITS FROM THE PUBLIC



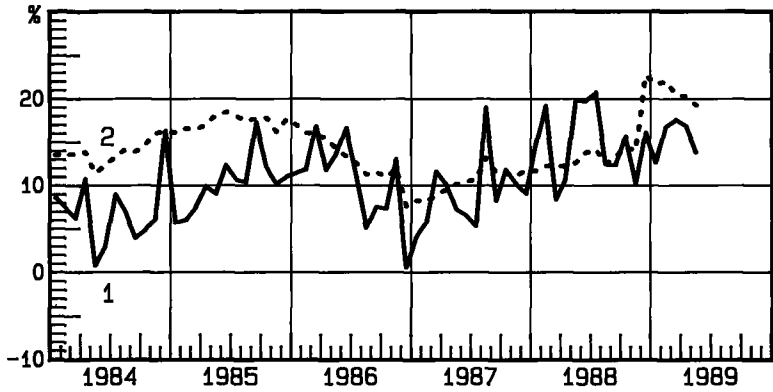
1. Regulated deposits  
2. Total deposits  
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



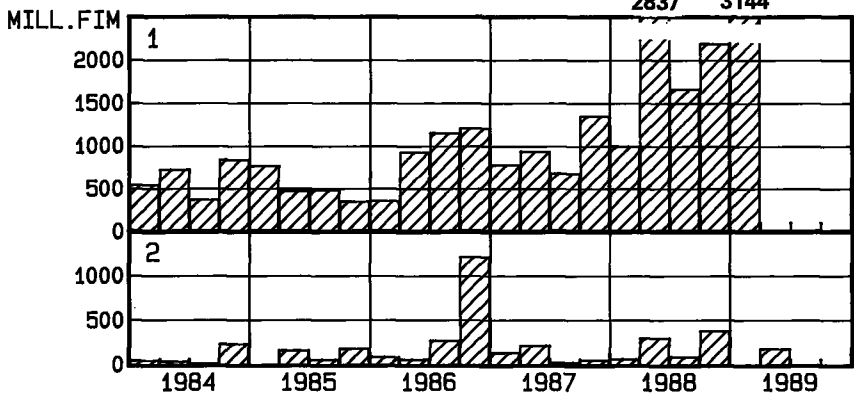
1. Markka lending  
2. Total lending  
Change from the corresponding month of the previous year, per cent

17. MONEY SUPPLY



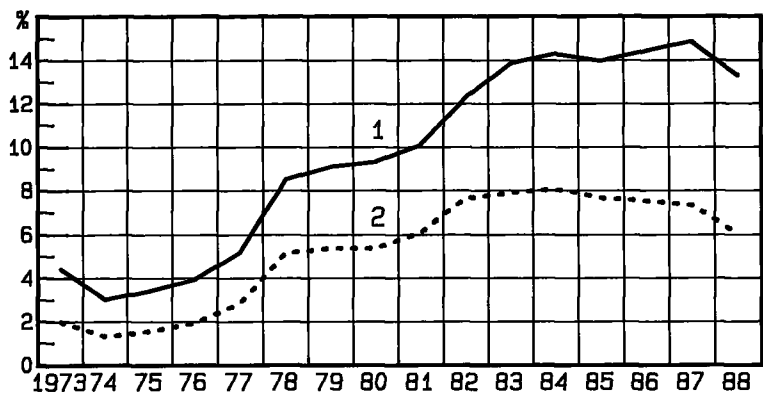
- 1. Narrow money supply (M1)
  - 2. Broad money supply (M2)
- Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



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

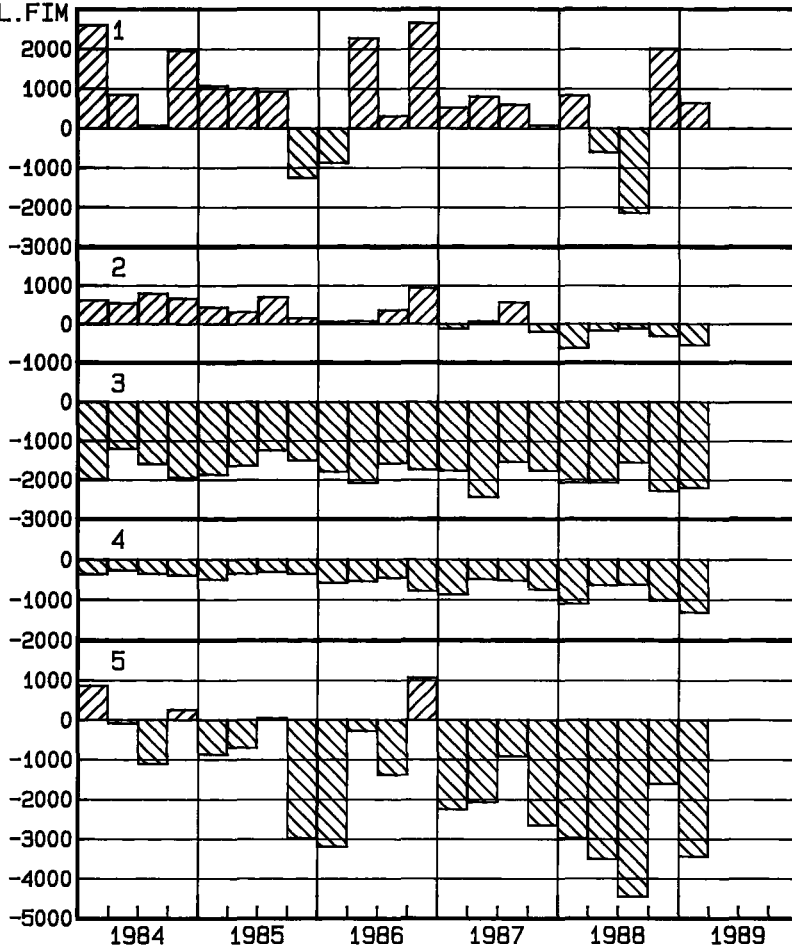
19. CENTRAL GOVERNMENT DEBT



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

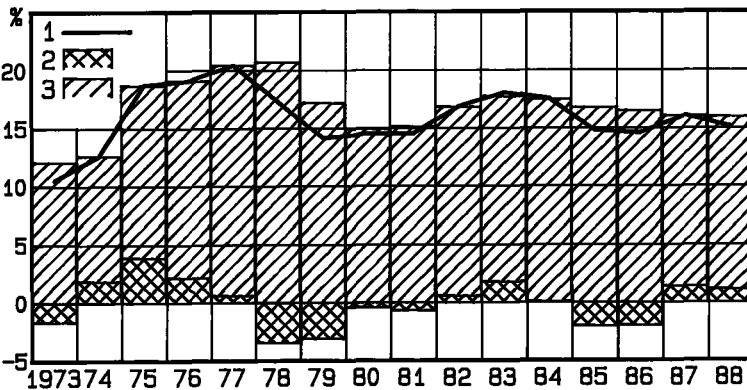
## 20. CURRENT ACCOUNT

MILL. FIM



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

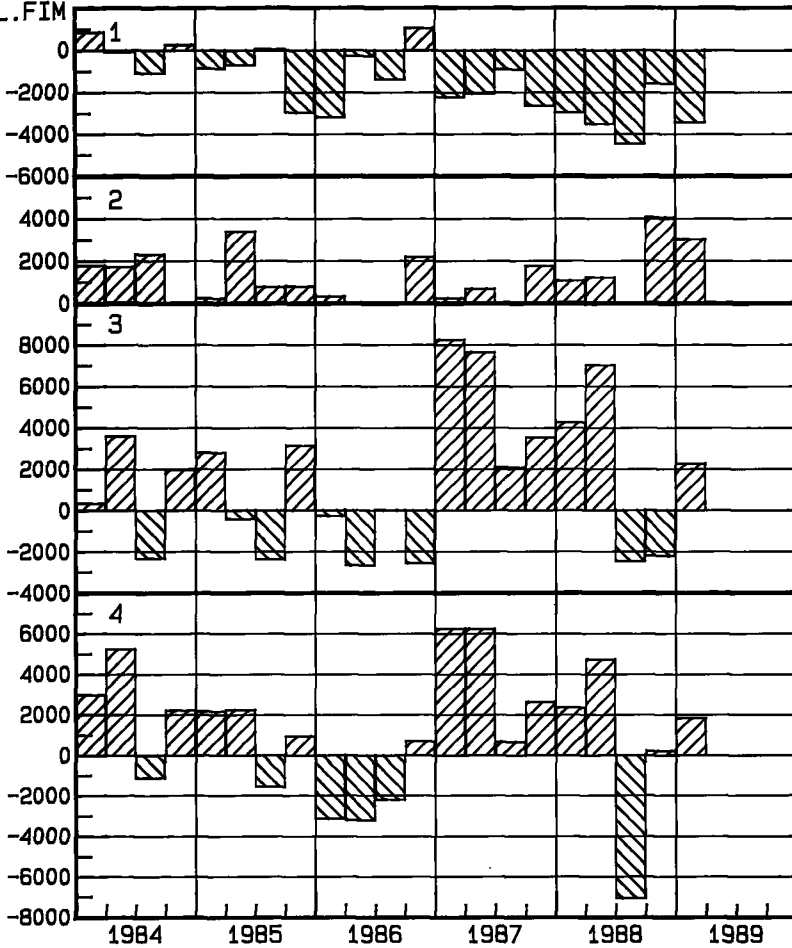
## 21. FOREIGN DEBT



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

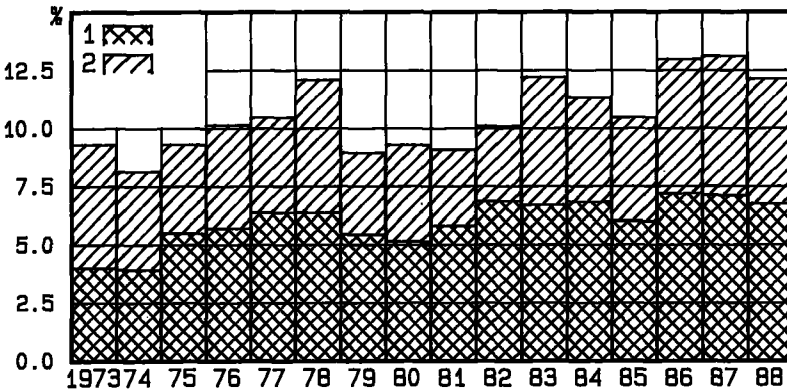
## 22. BALANCE OF PAYMENTS

MILL. FIM



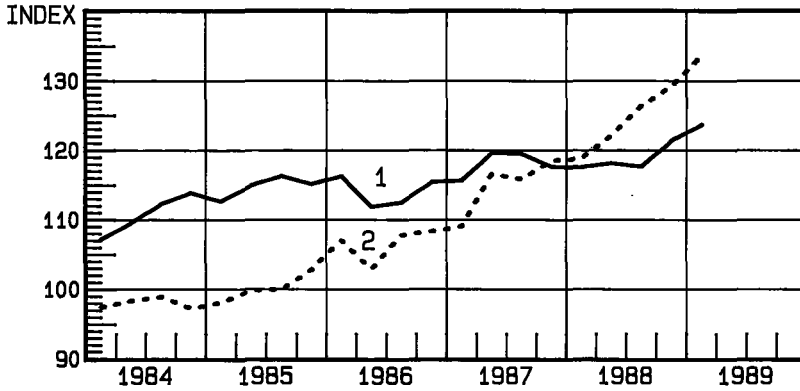
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance = change in the foreign exchange reserves of the Bank of Finland

## 23. DEBT SERVICE RATIO



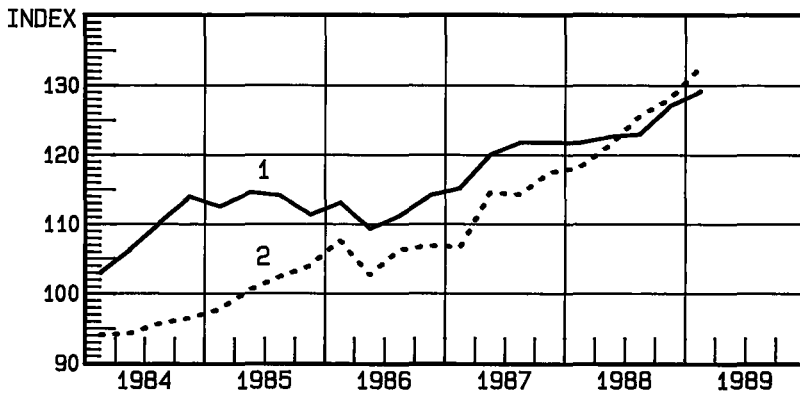
1. Interest payments
  2. Redemptions
- As a percentage of current account earnings

### 24. FOREIGN TRADE



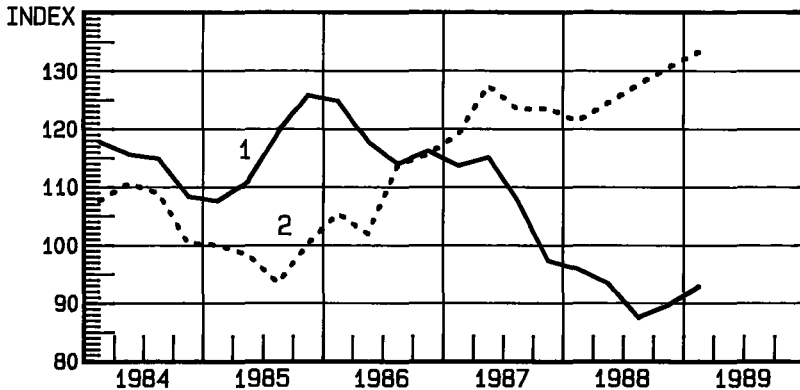
1. Total exports  
2. Total imports  
Volume index, 1980 = 100,  
four-quarter moving average  
shown as at the last quarter

### 25. WESTERN TRADE



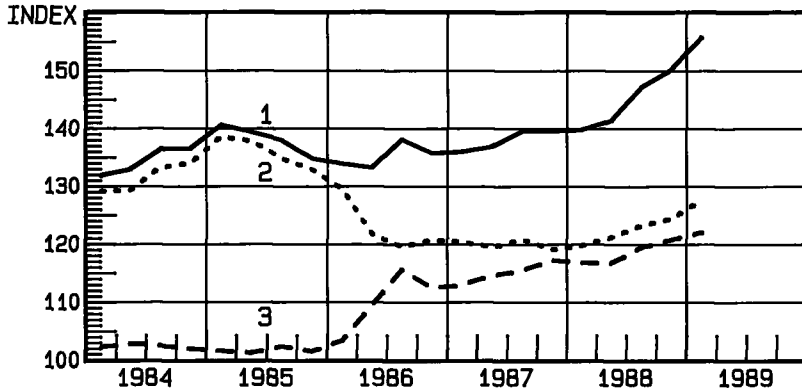
1. Western exports  
2. Western imports  
Volume index, 1980 = 100,  
four-quarter moving average  
shown as at the last quarter

### 26. BILATERAL TRADE



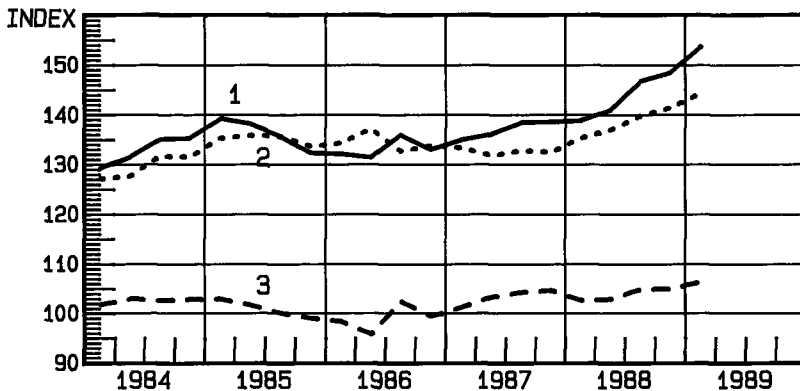
1. Bilateral exports  
2. Bilateral imports  
Volume index, 1980 = 100,  
four-quarter moving average  
shown as at the last quarter

27. FOREIGN TRADE: PRICES AND TERMS OF TRADE



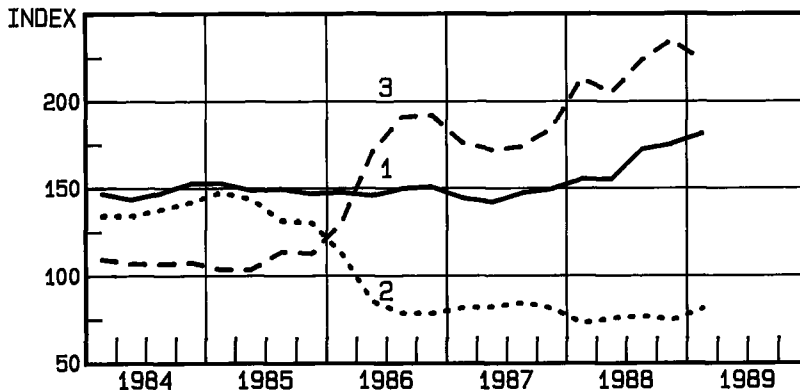
- 1. Unit value index of exports
  - 2. Unit value index of imports
  - 3. Terms of trade
- 1980 = 100

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

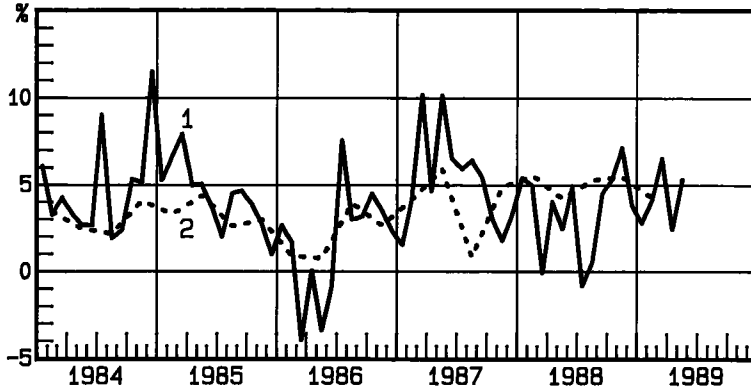
29. BILATERAL TRADE: PRICES AND TERMS OF TRADE



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

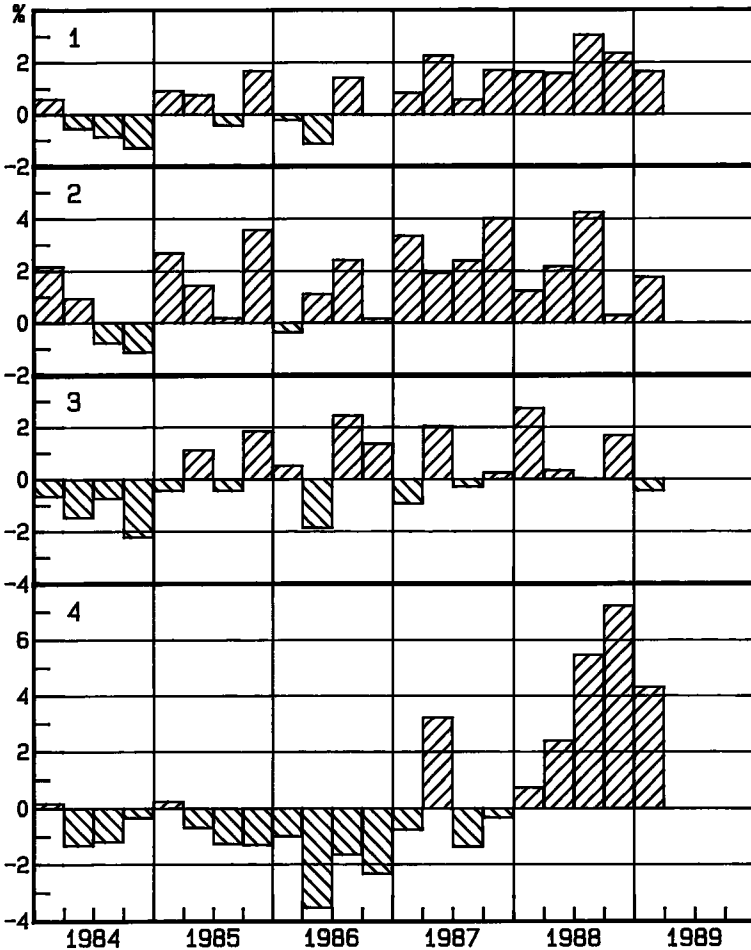


### 30. PRODUCTION



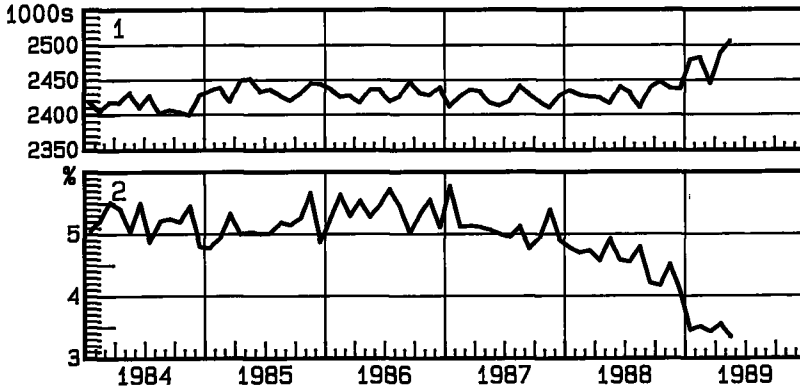
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

### 31. FIXED INVESTMENT



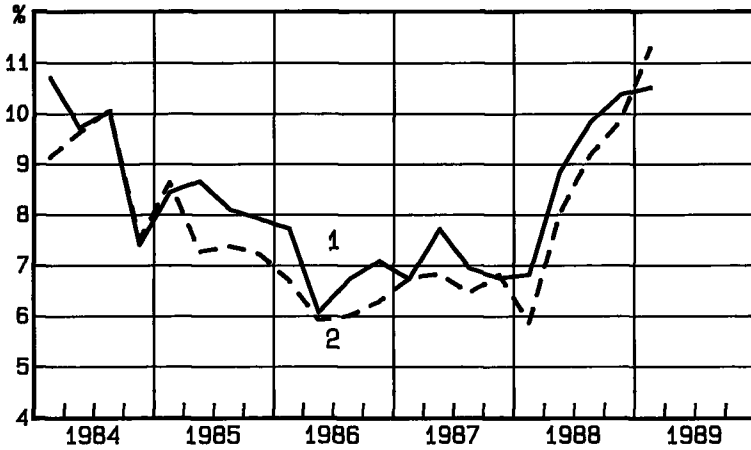
1. Total fixed investment
  2. Investment in machinery and equipment
  3. Building investment, excl. residential buildings
  4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

### 32. EMPLOYMENT AND THE UNEMPLOYMENT RATE

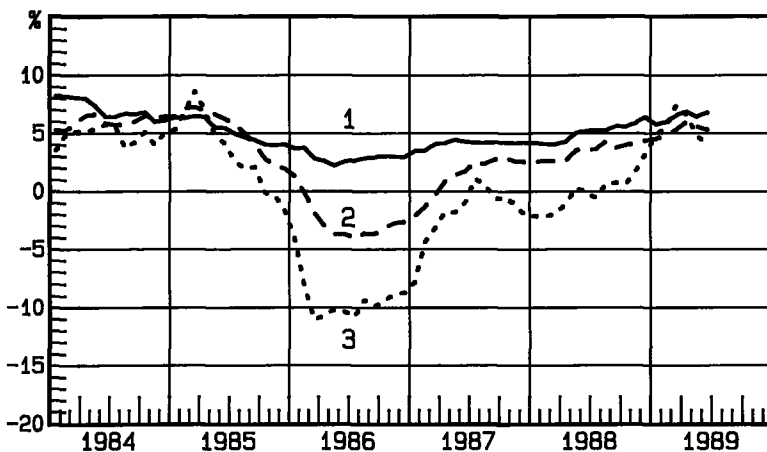


- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

### 33. PRICES AND WAGES

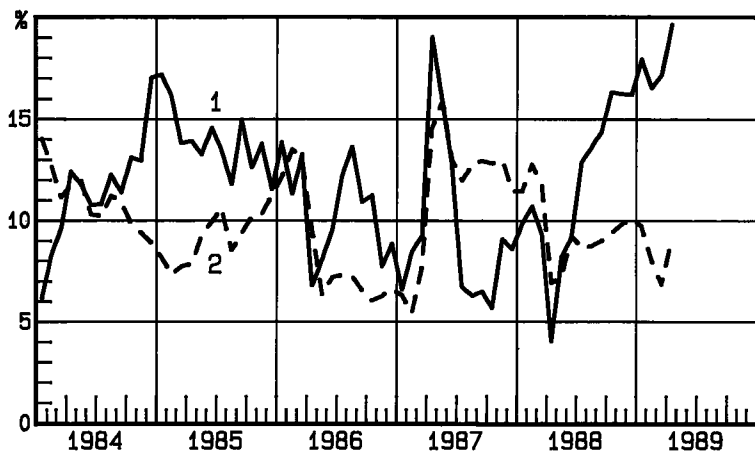


- 1. Index of wage and salary earnings, all wage and salary earners
  - 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



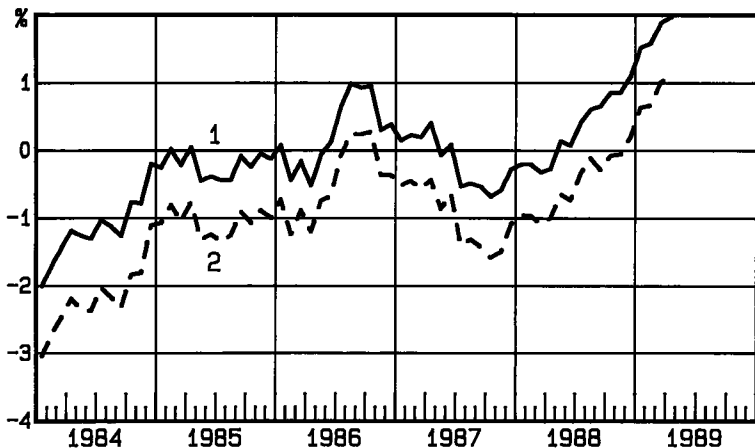
- 1. Consumer price index
  - 2. Wholesale price index
  - 3. Import price index
- Change from the corresponding month of the previous year

### 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







# BANK OF FINLAND

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PERTTI HIETALA, Vice Chairman  
MATTI MAIJALA

ANTTI KALLIOMÄKI  
HEIKKI PERHO

ERKKI PYSTYNEN  
JUSSI RANTA

HENRIK WESTERLUND  
PAAVO VÄYRYNEN

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ESKO OLLILA

PENTTI UUSIVIRTA

KALEVI SORSA  
Speaker of Parliament, on leave of absence

ELE ALENIUS

MARKKU PUNTILA, Acting Member

HARRI HOLKERI  
Prime Minister, on leave of absence

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Administration Department URPO LEVO  
Data Processing Department RIITTA JOKINEN

Payment Instruments Department  
REIJO MÄKINEN  
Personnel Department ANTON MÄKELÄ  
Branches

SIRKKA HÄMÄLÄINEN

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Market Operations Department KARI PEKONEN

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RAIMO HYVÄRINEN  
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HEIKKI T. HÄMÄLÄINEN,  
Secretary to the Parliamentary Supervisory  
Board and the Board of Management

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