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# Recent changes in monetary policy instruments

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In the course of the current year, the Bank of Finland has made a number of major changes in the instruments with which it conducts monetary policy. The main change concerns the minimum reserve system, in which the Bank began to apply averaging provisions to monthly reserve requirements from 2 October. Minor modifications have also been made to the base according to which the minimum reserves are determined. Certain changes have been made to the Bank of Finland's standing facilities as a result of the introduction of the averaging provisions for required reserves.

The criteria applied by the Bank in accepting counterparties for its open market operations have been revised to conform with those applied in accepting participants in the other facilities operated by the Bank, and at the same time changes have been made in the debt instruments employed in open market operations.

## **The minimum reserve system<sup>1</sup>**

The original purpose of the minimum reserve requirement was to secure bank liquidity in the event of heavy withdrawals of deposits and thereby support financial market stability. However, the importance of minimum reserves for bank liquidity has decreased with the development of the financial markets.

The minimum reserve system is nevertheless important for monetary control because minimum reserve deposits are non-interest-bearing. Consequently, the minimum reserve requirement automatically curbs the growth of bank lending because the banks are obliged to hold a proportion of the growth in their deposit-taking as minimum reserves, which places a strain on their profitability. Moreover, minimum reserves cannot be used for new lending. If necessary, this automatic effect can be enhanced by raising or lowering the minimum reserve requirement according to the needs of monetary control.

The Bank of Finland sets the minimum reserve requirement as percentages (ratios) of the reserve

## **Main changes in the Bank of Finland's monetary policy procedures since 1987**

17 March 1987	Open market operations in certificates of deposit were initiated
1 January 1990	Conditions for accepting certificates of deposit and counterparties in open market operations were specified
1 January 1991	Repo transactions were introduced
1 July 1992	Call money credits were replaced by the liquidity credit facility
1 June 1993	Cash reserve deposits were replaced by the minimum reserve system
1 October 1994	Conditions for granting access to the Bank of Finland's current account and liquidity credit facilities were revised
1 June 1995	Debt instruments used in open market operations and criteria for selection of counterparties were revised
2 October 1995	Introduction of averaging provisions for reserve requirements

base, which is itself determined on the basis of banks' monthly balance sheets. The reserve ratios applicable to different liability items in the balance sheet are defined mainly according to monetary aggregates<sup>2</sup>. However, certain other items are included in the reserve base as well.

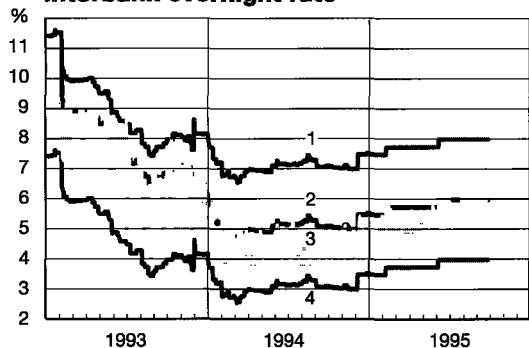
At the beginning of 1995, accounting regulations for Finnish credit institutions were revised to comply with EU directives, and this necessitated the redefining of the minimum reserve base to correspond with the new balance sheet layout. In defining the new base, it was sought to keep the reserve requirement unchanged. In the same context, efforts were made to simplify reporting on the reserve base so that it would be more closely based on balance sheet items. In addition, certain troublesome deductible items were removed.

<sup>1</sup> The cash reserve system was introduced in Finland for the first time in 1955. Up till a few years ago, the cash reserve requirement was based on agreements concluded between the banks and the Bank of Finland. The system was revised in 1993; it is now a statutory system called the minimum reserve system.

<sup>2</sup> The reserve ratio is 2 per cent for components of the narrow measure of money (M1), 1.5 per cent for additional components of the broad measure of money (M2) and 1 per cent for additional components of the broadest aggregate (M3) and for other items.

**Chart 1.**

**Standing facility interest rates and interbank overnight rate**



- 1. Liquidity credit rate
- 2. Tender rate
- 3. Interbank overnight rate
- 4. Call money deposit rate

**Reserve averaging and interest rate volatility**

The minimum reserve system operated by the Bank of Finland up till the end of September this year differed from those in many other European countries in that minimum reserves were deposited for a month at a time in special minimum reserve accounts at the central bank. In most countries, minimum reserves are deposited in banks' current accounts at the central bank and the balances can be used for making payments. These countries apply an averaging scheme under which the monthly average of the daily balances in a bank's current account must be at least equal to the amount of the minimum reserve requirement. The Bank of Finland started to apply this scheme with effect from 2 October.

The averaging of reserve requirements over a period of one month has an impact on interest rate control. The fact that under the revised system banks are able to use discretion and make active use of their views on interest rate movements in meeting the requirement during the month helps to stabilize movements in the overnight rate, in particular. This is because it pays a bank to hold larger deposits in its current account at the central bank if it expects the shortest interest rates to rise in the near future and, conversely, to hold smaller deposits if it expects interest rates to fall during the rest of the averaging period. This follows from the fact that the cost of holding deposits at the central bank increases as interest rates rise since no interest is paid on minimum reserves. This interest rate arbitrage on the part of the banks smooths out fluctuations in the overnight rate. The revision is particularly timely in Finland, where fluctuations in the overnight rate have been the largest among the EU countries.

However, in the final days of the month when the banks have less room for flexibility in meeting the requirement, interest rate fluctuations can temporarily increase, depending on how well banks have succeeded in optimizing their minimum reserve holdings over the month.

**Averaging and interest rate control**

Under the minimum reserve system operated until the end of September, banks' daily deposits at the Bank of Finland were in the region of FIM 500–1000 million. With the shift to depositing reserves in the banks' current accounts at the central bank, the amount of funds at the free disposal of the banks has increased at least to an amount corresponding to the banks' combined minimum reserve requirement, ie to some FIM 7 billion on average. Thus, the introduction of averaging has significantly eased banks' liquidity management, and reduced the need for active regulation of reserves in the banking system by the central bank.

**Changes in the standing facilities**

The purpose of the central bank's liquidity credit facility is to safeguard a bank's liquidity in the event of an end-of-day debit balance in the bank's current account at the Bank of Finland after the daily clearing of payments. Its main significance for monetary policy is that it sets limits to the fluctuation of the shortest market rates (Chart 1).

The rate of interest on liquidity credit serves as the ceiling for the one-week interest rate because the maturity of liquidity credit is currently set at seven days. It does not pay a bank to borrow in the market at a rate higher than this because it can borrow the funds from the central bank. Similarly, interbank overnight rates do not fall below the rate paid by the Bank on banks' call-money deposits at the central bank.

The introduction of averaging provisions for required reserves entailed certain changes in the standing facilities as banks no longer have call-money deposits at the Bank of Finland in the previous sense of the word. Under the new system, banks' deposits in their current accounts at the Bank are their minimum reserve deposits, which under law are non-interest-bearing. Instead of call-money deposits, a bank now has excess reserves if the monthly average of the daily balances in its current account exceeds its minimum required reserves.

If, for instance, a bank's required reserves for a certain month amount to FIM 2 billion and the monthly average of its current account balances is FIM 2 200 million, then the bank has excess reserves of FIM 200 million for the month, on which the Bank pays interest at a rate separately determined by it. Thus, the rate of interest paid on excess reserves serves as the floor for market rates in the same way as the rate of interest on call-money deposits did under the previous system.

The Bank has changed the conditions for access to the liquidity credit facility so as to allow a bank to use liquidity credit to meet its minimum reserve requirement. Previously, a bank was allowed access to liquidity credit only if its current account was overdrawn at the end of the day.

The granting of liquidity credit for meeting reserve requirements offers banks a last-resort source of liquidity for dealing with unexpected circumstances similar to that available under the former scheme, in which credit was used for covering debit balances in banks' current accounts. However, the central bank must see to it that, as a rule, banks fulfil their requirements themselves. In practice, the cost of liquidity credit and the full collateral requirement act as effective constraints on the use of liquidity credit.

The introduction of averaging also entailed a significant change to the collateral practice applied to banks' central bank borrowing. Previously, minimum reserves were used as collateral for banks' intraday overdraft limits and liquidity credits. With the transfer of minimum reserves to banks' current accounts, they are no longer available for use as collateral. Therefore banks now have to provide the Bank of Finland with other collateral, mainly Treasury bills and Bank of Finland CDs. The outstanding amount of these securities is large, currently in the region of FIM 70 billion. Banks have also lowered their intraday overdraft limits at the Bank of Finland because their liquidity has increased on average by an amount equivalent to the minimum reserves.

### **Money market operations**

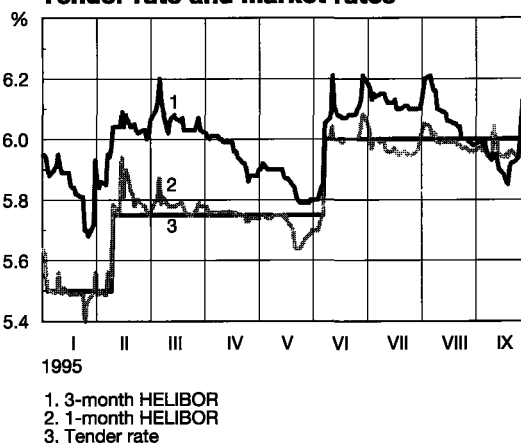
The Bank of Finland uses open market operations to influence the amount of liquidity in the banking system and the level of interest rates in the money market. Money market operations are the most important policy instruments because they determine the tender rate, the key rate of interest signalling the Bank's monetary policy stance.

The Bank uses the issue of its own 1-month CDs through tenders to absorb excess liquidity from the banking system. Whenever necessary, liquidity in the banking system can be increased through repo tenders. Both tenders can be either interest-rate tenders or volume tenders. Recently, mainly volume tenders have been used.

The interest rate determined at interest-rate tenders or pre-announced by the Bank at volume tenders, ie the tender rate, establishes a 'fixed point' for 1-month money market rates because banks can sell securities to the Bank or purchase 1-month Bank of Finland CDs at this rate. Thus, under normal circumstances, the 1-month HELIBOR does not deviate significantly from the tender rate. The differential between the tender rate and the 1-month HELIBOR is affected by interest rate expectations in the markets and the amount of liquidity in the banking system (Chart 2).

**Chart 2.**

**Tender rate and market rates**



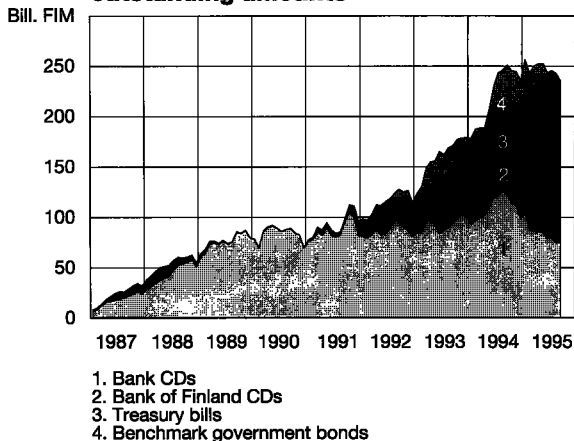
### **Counterparties in money market operations**

On 1 June, the Bank of Finland revised the criteria applied in the selection of counterparties with which it is willing to deal in its money market operations. The Bank is now prepared to accept as counterparties credit institutions which are subject to the Bank's minimum reserve requirement and which meet the criteria for operating as counterparties. Counterparties are required to have adequate technical facilities, including a current account at the Bank of Finland and a link to the Helsinki Money Market Center, and to actively engage on a significant scale in money market transactions. In addition, counterparties to outright bilateral transactions must observe the rules and code of conduct for the money market.

The Bank selects its money market counterparties so as to ensure that the impact of its money market operations on monetary policy goals is as efficient as possible. As the instruments of monetary policy and selection of counterparties also affect the status of those operating in the market, the Bank seeks to treat the various market participants equally. From the point of view of monetary policy, credit institutions subject to the minimum reserve requirement are the key group of market operators because they participate in the credit expansion process. Consequently, the minimum reserve requirement has been set as a key criterion for granting access to current account and liquidity credit facilities at the Bank. This brings the selection of counterparties for the Bank's money market operations in line with the criteria for participation in the Bank's other facilities and procedures. The reform permits the group of counterparties to be extend-

**Chart 3.**

**Securities accepted by the Bank of Finland in its open market operations, outstanding amounts**



ed, if necessary, from credit institutions subject to the minimum reserve requirement to include other institutions operating in the money market.

**Debt instruments eligible for use in money market operations**

Securities used in money market operations are selected on the basis of monetary policy efficiency and protection against risk. Therefore eligible debt instruments must meet high standards as regards their collateral value and liquidity.

When the rules governing the operation of the CD market were agreed in 1987, the Bank of Finland sought to support the development of the emerging money market by initiating operations in the CD market. At the same time, the importance of money market operations in the implementation of monetary policy increased. Up to 1994, bank CDs were the main debt instrument used by the Bank of Finland in its open market operations.

Because of the fall in the collateral value of CDs, the Bank started to prepare changes in the collateral requirements. The first step towards the introduction of tighter collateral requirements was taken in 1991, when the Bank began to undertake repo transactions with its counterparties. Bank CDs nevertheless remained the main security used. A shift towards the use of other debt instruments for intervention purposes did not take place until later, partly because of the banking crisis and the narrowness of the money market.

The Bank revised the criteria applied to debt instruments accepted for use in money market operations with effect from 1 June 1995. Government securities became the main debt instrument used in these operations. The Bank normally only accepts

Treasury bills and its own CDs for use in outright money market transactions. The securities eligible for use in repo transactions are benchmark government bonds, Bank of Finland and bank CDs and Treasury bills. The value of outstanding securities eligible for use in money market operations currently amounts to some FIM 250 billion (Chart 3).

In outright money market transactions only book-entry securities are eligible and the securities used must be as homogeneous as possible. In addition, the securities must be widely used so that the central bank's operations do not unduly affect the functioning of the market itself.

In most countries, government securities are the most widely used instruments in open market operations. However, some problems attach to their use. The Maastricht treaty prohibits the provision of central bank credit to the public sector and states that government securities should not be accorded privileged treatment. This poses a problem primarily in cases where the central bank buys such securities directly at issue, not in the secondary market as is the case in Finland. In practice, however, replacing government securities in outright transactions is difficult because they are risk-free and homogeneous. In addition, the use of other securities in open market operations is restricted in Finland by the absence of efficiently functioning markets for them.

In connection with the revisions made regarding eligible debt instruments, the haircut was introduced for repo transactions. The haircut is a widely applied international practice designed to protect the lender against the interest rate and liquidity risk associated with securities in the event that the counterparty fails to repay the funds and the creditor has to sell the collateral in the market.

5 October 1995

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# Public finances: recent trends and prospects

by **Martti Lehtonen**, Acting Head of Department  
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Bank of Finland

**A**fter a long and severe recession in the early 1990s, the Finnish economy began to recover in the middle of 1993. Since then, GDP has been growing at an annual rate of 4 to 5 per cent. However, the robust recovery of the economy as a whole has been characterized by two markedly divergent trends: while the export sector has been expanding rapidly since the second half of 1991, the turnaround in the domestic sector has come later and has been much slower. The still low level of demand in the domestic sector, together with the high rate of unemployment that has accompanied it, has been reflected in public finances in many ways<sup>1</sup>.

## Recent trends

The effects of the recession on public finances are evident in a contraction of the tax base and, in particular, in a sharp increase in outlays attributable to

<sup>1</sup> For developments in public finances in the early 1990s, see the article 'Fiscal policy measures for improving central government finances' by the same author in the October 1993 issue of the Bulletin.

unemployment. Although certain similarities in the adjustment of the various subsectors of the public sector to these conditions can be discerned, there are also sector-specific differences.

The upward pressure on public spending caused by the operation of built-in stabilizers has been strongest in the central government sector, which plays a major role in the financing of unemployment-related expenditure. Likewise, outlays on benefits paid by social security funds have increased as a result of the recession. The effect of built-in stabilizers has been accentuated by social policy reforms implemented in the second half of the 1980s, which extended the social security net and raised benefit levels. In the local government sector too, the recession mainly affected expenditure on income transfers. On the other hand, local authorities have cut back their investment expenditure and other non-statutory outlays.

By far the biggest part of expenditure in all subsectors of general government is of a statutory nature. Hence, many of the spending cuts have re-

**Table 1. Overall economic performance and public finances in Finland, 1991–1996**

	1991	1992	1993	1994	1995 <sup>f</sup>	1996 <sup>f</sup>
GDP, volume change, %	-7.1	-3.6	-1.2	4.0	5	4½
Unemployment rate, %	7.6	13.1	17.9	18.4	16½	14½
Consumer price index, change, %	4.1	2.6	2.2	1.1	1½	2½
Current account, % of GDP	-5.4	-4.6	-1.3	1.4	3	2
Net foreign debt, % of exports	159.5	179.0	166.1	143.6	122	106
Public expenditure, % of GDP	55.5	60.8	61.9	60.8	59	55
Gross tax ratio, % of GDP	46.9	46.8	45.4	47.4	45	46½
Central government outlays, excl. financial transactions, volume change, %	13.0	4.1	4.4	1.8	5	-5
General government net lending, % of GDP	-1.5	-5.9	-8.0	-5.8	-5½	-¾
– central government	-4.5	-7.6	-11.2	-11.2	-10½	-6
– local government	-0.9	-0.8	0.4	1.6	1	1¼
– social security funds	3.9	2.6	2.8	3.8	4	4
General government consolidated gross debt, % of GDP (EMU definition)	23.0	41.5	57.3	59.8	65	65
Central government gross debt, % of GDP	17.1	34.7	53.0	60.6	66½	68

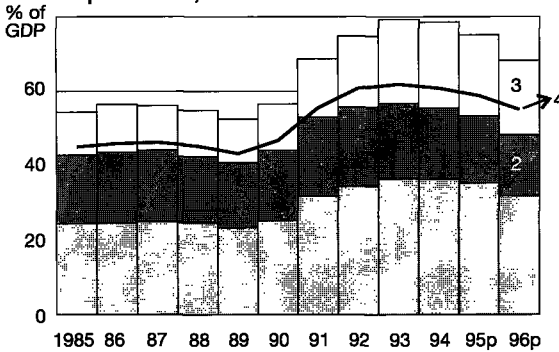
<sup>f</sup> = forecast

Sources: Statistics Finland, Ministry of Finance

**Chart 1.**

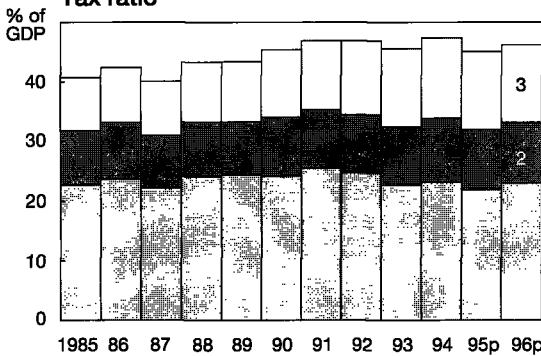
**General government finances, 1985 - 1996**

**Expenditure, excl. financial transactions**



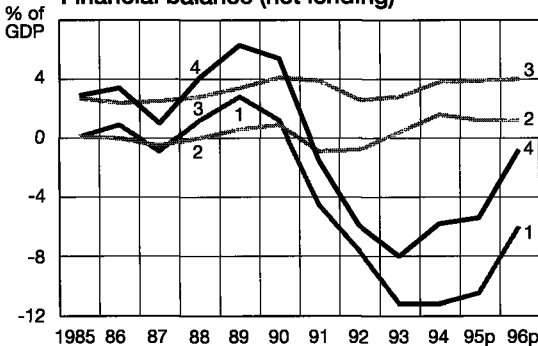
- 1. Central government
- 2. Local government
- 3. Social security funds
- 4. General government, net of transfers between subsectors of general government

**Tax ratio**



- 1. Central government
- 2. Local government
- 3. Social security funds

**Financial balance (net lending)**



- 1. Central government
  - 2. Local government
  - 3. Social security funds
  - 4. General government
- p = projection

Sources: Statistics Finland, Ministry of Finance

quired amendments to legislation. Indeed, a substantial proportion of the austerity measures have been implemented through saving programmes curbing statutory expenditure, primarily in the central government sector but indirectly in other subsectors of general government as well.

On the revenue side, recent differences in developments between the various subsectors of the public sector have been more pronounced. In the central government sector, lower tax revenue has been offset by a massive increase in borrowing. One factor which has restrained tax increases is Finland's high overall tax ratio (taxes and compulsory social security contributions as a percentage of GDP). Local authorities have also resorted to borrowing, although on a fairly limited scale. In addition, local authorities have made use of their autonomous power by raising local tax rates. From 1990 to 1995, local income tax – which in all income brackets is a flat rate of taxable income – rose on average from 16.5 to 17.5 per cent. The local authorities have also significantly tightened real estate taxation to compensate for the reduction in revenue from the taxation of capital income.

Taxation has to a large extent been tightened by raising social security contribution rates, that is, by increasing the revenue of social security funds, which have no real opportunity to resort to borrowing. Reflecting the need to finance unemployment benefits and pension outlays, employers' and employees' social security contributions have been raised from 17.5 per cent of wages and salaries in 1990 to 27 per cent in 1995.

The economic recovery has eased the public sector's financial position (Table 1 and Chart 1). The financial position of the local government sector moved into surplus in 1993 and the outstanding amount of local government debt started to decrease in 1994. In the social security funds sector too, the financial position has improved to the extent that there is now little need for any further increase in contribution rates. To ensure that this remains the case, however, decisions have been made on measures to check the growth of spending over the next few years.

The public debt problem in Finland is focused on central government finances, where the deficits have remained large – at the two-digit level in relation to GDP – despite major measures taken to rein in expenditure. All in all, the cuts in statutory spending implemented within central government finances in the period 1991–1995 amount to some FIM 35 billion, representing more than 6 per cent of GDP in 1995 (Chart 2). These saving measures have not, however, been sufficient to contain overall expenditure within the ceilings set under the medium-term budgetary framework in 1992. Rather, spending has been boosted both by items unforeseen at the time – notably support for the banking sector and outlays related to EU member-



**Table 2. Central government interest expenditure, primary balance and net lending, per cent of GDP, 1991–1996**

	1991	1992	1993	1994	1995f	1996f
Interest expenditure, net (-)	-0.3	-0.5	-2.0	-3.2	-3.4	-4.0
Primary balance <sup>1</sup> (deficit -)	-4.2	-7.1	-9.2	-8.0	-7.0	-2.0
Net lending <sup>2</sup> (deficit -)	-4.5	-7.6	-11.2	-11.2	-10.5	-6.0

Sources: Statistics Finland and Ministry of Finance  
f= forecast

<sup>1</sup> Revenue minus expenditure, excl. net interest payments and financial transactions.

<sup>2</sup> Revenue minus expenditure, excl. financial transactions.

ship<sup>2</sup> – and the sharp increase in outlays due to built-in stabilizers<sup>3</sup>.

The rapid growth of central government indebtedness has been accompanied by a marked increase in the share of interest payments in central government expenditure (Table 2 and Chart 3). As a result, the structural component of the deficit has grown. The rise in the debt/GDP ratio, and, in particular, the danger that it will continue to rise, has been reflected in risk premia on yields on government bonds and has been a factor maintaining inflation expectations. Consequently, breaking the debt spiral has been given the first priority in fiscal policy, since it is considered to be an essential requirement for sustainable economic growth and for making inroads into unemployment. The new Government, which has been in office since April, stressed this goal in its programme and in the 1996 budget, which is based on the programme.

### **A fiscal consolidation programme for central government finances covering the period 1996–1999**

Like those of the previous Government, the new Government's measures to consolidate central government finances give priority to cutting expenditure (Chart 2). First, they include savings totalling FIM 12 billion that are due to the extension on a permanent basis of the one-year savings laws enacted by the previous Government. Secondly, the Government decided on new cuts totalling more than FIM 20 billion – around 4 per cent of GDP in 1995 – to be implemented in the period 1996–1999. A large part of the expenditure items targeted for cuts, as well as the size and timing of the cuts, were specified in detail in the Government's economic programme published last April. The remaining

cuts were specified in connection with the preparation of the 1996 budget in August.

In targeting the cuts, the Government sought not only to consolidate central government finances, but also to promote structural objectives. These include:

- Reducing the size of the public sector and preventing any further rise in the tax ratio.
- Promoting employment by maintaining the current level of public services and focusing cuts on transfers.
- Targeting cuts in transfers and subsidies so that they, together with tax reforms, stimulate growth and provide incentives supporting employment.

In addition to the spending cuts, the Government has set a ceiling for central government budgetary expenditure, which in the budget proposal for 1996 amounts to FIM 193 billion.

The top priority given to halting the growth of central government indebtedness leaves very little room for easing taxation. Indeed, the stated aim of the Government is to consolidate central government finances without any increase in the overall level of taxation. Certain structural changes in taxation aimed at improving employment will nevertheless be implemented. The Government has promised to ease income taxation in stages over the period 1996–1998 by a total of FIM 5–10 billion – equivalent to 1–2 per cent of GDP. The impact of this on tax revenue will be offset by shifting the focus in taxation from direct to indirect taxes, notably environmental taxes. In addition, the tax rate applicable to interest and other capital income, as too the corporate tax rate, will be raised from the present 25 per cent to 28 per cent at the beginning of 1996.

A number of major tax reforms were carried out in Finland in the late 1980s and early 1990s, covering, *inter alia*, personal income taxation, corporate and capital taxation and indirect taxation (introduction of value-added tax). In the case of some of the reforms, there is, as yet, relatively little experience. Recent discussions have focused on the need to develop the different forms of taxation and the taxation system as a whole from the point of view of their incentive effects. These effects are consid-

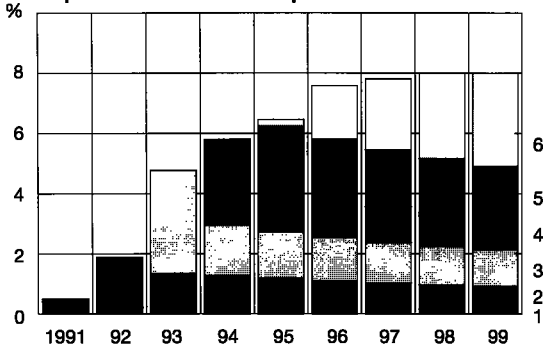
<sup>2</sup> Finland's entry into the EU has caused a 7 per cent increase in the volume of central government outlays in 1995, part of which are of a transitory nature.

<sup>3</sup> The Government in office from April 1991 to early April 1995 had, in 1992, set the goal of restricting budgetary expenditure to the level of 1991 in real terms. The budgetary framework was later revised to exclude bank support and related interest payments and outlays attributable to Finland's entry into the European Union. When these revisions are taken into account, the Government broadly achieved its goal of halting the growth of central government spending.

**Chart 2.**

**Cuts in central government statutory outlays, 1991 - 1999**

Impact of measures in per cent of GDP

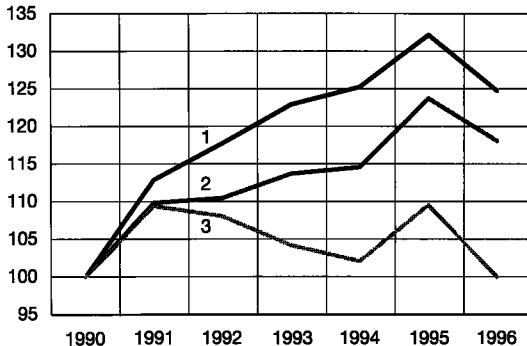


1. Implemented in 1991
2. Implemented in 1992
3. Implemented in 1993
4. Implemented in 1994
5. Implemented in 1995  
(one year cuts, to be continued in 1996 - 1999)
6. Implemented by the new Government in 1995  
and in budget for 1996 and planned additional cuts  
in 1997 - 1999

**Chart 3.**

**Volume index of central government outlays, 1990 - 1996**

1990 = 100



1. Total outlays (cash basis, excl. financial transactions)
2. Total outlays minus unemployment-related expenditure
3. Total outlays minus unemployment-related expenditure and interest on central government debt

Source: Ministry of Finance

ered to play an important role in the labour market, for example.

The financial markets have responded favourably to the Government's measures for consolidating central government finances. Between January and September this year, the differential between long-term interest rates in Finland and international long-term rates has narrowed by 1.3 percentage points. As, moreover, international interest rates have fallen, the yield on long-term government bonds has fallen from 10.2 per cent to marginally below 8 per cent in the same period.

**Marked improvement in public finances in 1996**

The budget proposal for 1996 is based on the assumption that the economic upswing will continue both in the world economy and at home. In Finland, GDP is forecast to grow fairly briskly for the third successive year, averaging over 4 per cent for the year as a whole. The current account is expected to post another year of significant surplus and inflation is forecast to remain low (Table 1).

Under the Government's programme, the profile of the spending cuts is frontloaded, with additional budgetary cuts of FIM 10 ½ billion (almost 2 per cent of GDP) scheduled for 1996 (Chart 2).<sup>4</sup> The timing of the cuts is designed to strengthen the credibility of fiscal policy, and also reflects the current good cyclical position in Finland. The bulk of the cuts consists of transfers to local authorities (FIM 3.8 billion) and households (FIM 4.5 billion), including cuts in agricultural subsidies. The restrictive effect of these measures on domestic demand will be partly offset by an increase in tax revenue in the local government sector owing to the economic upswing and an easing in personal income taxation amounting to some FIM 3 billion in net terms.<sup>5</sup>

The overall impact of fiscal policy will be distinctly restrictive. Total central government expenditure, excluding financial investments, is projected to fall by 5 per cent in real terms and by 8-9 per cent, if interest expenditure is excluded.

The growth of central government tax revenue in 1996 will be almost entirely due to factors associated with the timing of tax collection and tax refunds. The net effect of changes in tax schedules and tax rates is only minor.

Both the central government deficit (excluding financial investments) and net financing requirement, ie the borrowing required to cover the difference between gross revenue and gross expenditure (excluding debt repayments), are projected to

<sup>4</sup> The total of FIM 10 billion includes cuts of FIM 1.2 billion that have been implemented in 1995.

<sup>5</sup> The estimate takes into account the discontinuation of the extra withholding tax totalling FIM 1.3 billion applied in personal income taxation; the easing of income taxation will compensate for about 50 per cent of the cuts in transfers.

decrease notably in 1996. According to the budget proposal, the deficit (excluding financial investments) will decrease to FIM 37 billion, or around 6 per cent of GDP. As expenditure on financial investments – the largest item of which in recent years has been capital support to the banking sector – is set to decrease by FIM 6–7 billion, the net financing requirement will fall from an estimated FIM 70 billion in 1995 to FIM 41 billion in 1996, ie to 7 per cent of GDP (Table 1). Gross central government indebtedness (the ratio of debt to GDP) will continue to grow, albeit at a slower pace than in the past few years.

Local authorities are expected to continue to be prudent as regards increasing their outlays, an attitude that will be reinforced by a reduction of nearly FIM 4 billion – equivalent to 4 per cent of local government revenue – in central government transfers to the local government sector. The growth of local tax revenue will largely offset the reduction in state-aids to the local government sector. Hence, local government finances will remain in surplus and the indebtedness of the sector will fall further.

Demographic factors, mainly related to the rising number of beneficiaries of pension benefits, the growth of earnings on which pensions are based<sup>6</sup> and the indexing of pensions will sustain the growth of earnings-related pensions. Other transfers will fall in 1996.

The funding that takes place within the earnings-related pension schemes continues to be a significant source of financial saving. Changes in the pension schemes will curb the future growth of pension outlays and thus enable faster growth of the funds, despite the fact that the rising trend in contributions to these schemes has been halted. True, there will be a further slight rise in contributions in 1996: the rate of both employers' and employees' contributions is to be raised by 0.3 percentage point.

The marked contraction in the central government budget deficit and the increase in the financial surplus of the social security funds will contribute to a reduction in the financial deficit of the

<sup>6</sup> In the private sector, this trend will continue until 2002 when it will be possible to earn a full pension (60 per cent of earnings) after 40 years of employment.

<sup>7</sup> For a more comprehensive survey of public sector finances over the next few years, see the article 'Finland's convergence programme' by Johnny Akerholm in this issue of the Bulletin.

public sector as whole; the deficit is estimated to shrink to less than 1 per cent of GDP in 1996. Thus, Finland would comfortably meet the EMU convergence criterion concerning fiscal balance laid down in the Maastricht Treaty, according to which the ratio of the deficit (general government net lending) to GDP must not exceed 3 per cent. The continuing accumulation of central government debt will slow markedly and the rise in the ratio of general government consolidated debt to GDP will come to a halt (Table 1).

### **Medium-term outlook<sup>7</sup>**

In keeping with the requirement laid down for member states of the EU, the Finnish Government has drawn up a convergence programme in which it assesses Finland's chances of meeting the criteria set for joining the third stage of EMU. The assessment is based on a calculation according to which GDP in the OECD area is assumed to grow at an annual average rate of 2 ½ per cent in 1997–1999. In this baseline scenario, Finland's GDP is estimated to grow at an average annual rate of 3 per cent over the same period. The reduction in expenditure outlined in the Government's economic programme and the increase in tax revenue due to the economic recovery will create conditions conducive to a reduction in central government deficits towards the end of the 1990s. According to this scenario, the public sector as a whole would move into financial surplus and the debt/GDP ratio would start to fall. A more favourable overall performance of the economy would speed up fiscal consolidation or allow more scope for easing of taxation, for example.

The risk in the opposite direction is that economic growth would be slower than outlined in the baseline scenario. Owing to the heavy indebtedness of the economy, the level of real interest rates will also have a very significant impact on future developments in central government finances. It has been attempted to target the spending cuts so that the consolidation of central government finances could also be achieved in conditions of fairly slow growth.

9 October 1995

# Finland's convergence programme

by **Johnny Åkerholm**  
 Director General  
 Economics Department  
 Ministry of Finance

In April 1995, Finland's incoming Government declared that meeting the convergence criteria set out in the Maastricht Treaty would be a prime goal of economic policy during its term of office, and that Finland sought to be among the first countries to join Economic and Monetary Union (EMU).

Accordingly, at the beginning of September, the Government approved a programme covering the period up to the end of 1999 that is designed to enable Finland to fulfil these criteria. The programme has been submitted to Parliament for comments and is now being scrutinized by the EU.

The programme shows that Finland has good chances of meeting the convergence criteria. The inflation and interest rate criteria have already been satisfied, the general government deficit is projected to fall below the reference value in 1996 and gross government indebtedness (the ratio of debt to GDP) is projected to start falling towards 60 per cent in the same year.

## The fiscal policy measures

Even before it took office, the Government, which is a five-party coalition commanding a more than 2/3 majority in Parliament, decided to continue the austerity measures introduced by the previous Government (entailing cuts totalling some 6 1/2 per cent of GDP) and to introduce new measures entailing cuts of some FIM 20 billion (3 1/2 per cent of GDP).

Furthermore, the Government decided that fiscal consolidation should be achieved without any increase in the overall level of taxation. The structure of taxation was, however, to be changed in order to encourage working and employment. In practice, this involves taking steps to ease income taxation and increase environmental and other indirect taxes. In addition, the capital and corporate tax rates will be raised from 25 to 28 per cent in 1996.

The planned savings profile is frontloaded, partly because of Finland's prevailing good cyclical position, partly in order to reduce the future interest burden. Thus, budgetary cuts amounting to some FIM 10 1/2 billion are scheduled to be implemented in 1996 while the rest will be spread over the period 1997-1999.

The necessary measures were included in the Government's budget proposal for 1996, which

was presented to Parliament on 5 September. It is estimated that the expenditure cuts contained in the budget proposal will give rise to further savings totalling FIM 4 billion in the subsequent years. The remaining cuts of FIM 5 1/2 billion were also decided in August in connection with the preparation of the 1996 budget. The major part of the effects of these measures will be felt in 1997 (Table).

The spending cuts focus heavily on transfer payments. The single most important item is transfers to local authorities, which will be cut by just under FIM 4 billion in 1996 and by some FIM 6 1/2 billion over the whole period. But there will also be reductions in child benefits, student grants, national pensions and other social security benefits. Similarly, subsidies to industry and agriculture will be cut.

All in all, the cuts affecting the local government and household sectors are of roughly the same magnitude while these affecting the business sector are somewhat smaller.

**Table. Central government expenditure cuts, 1996-1999**

Structural expenditure cuts decided by the Government

Million FIM	1996	1997	1998	1999	Cumulative total
Central government transfers to local government	3 800	1 500	1 300		6 600
Unemployment benefits	1 000	850	550	100	2 500
Other transfers to households	2 600	600	600	550	4 350
Subsidies to trade, agriculture and transport	2 150	500	700	800	4 150
Defence, development aid, central government expenditure and state lottery revenue	950	600	500	800	2 850
<b>Total</b>	<b>10 500</b>	<b>4 050</b>	<b>3 650</b>	<b>2 250</b>	<b>20 450</b>
				Other savings	1 200
				<b>Total</b>	<b>21 650</b>

## Key projections of the convergence programme

The convergence programme includes various projections of developments in public deficits and public indebtedness on the assumption that the budgetary measures outlined above are in place. In the baseline scenario it is assumed that the industrialized economies will grow at an annual rate of some 2½ per cent in the period up to the end of 1999 and that they will be able to keep the rate of consumer price inflation at 2½ per cent. It is further assumed that the implementation of such an ambitious consolidation programme will enable some marginal reduction in long and short-term interest rates from the levels prevailing in summer 1995.

Under these assumptions, the Finnish economy is expected to grow by some 4½ per cent in 1996, and then to gradually fall back to a growth rate averaging just over 3 per cent in the subsequent years. Though this will go some way towards reducing the prevailing output gap, the Finnish economy will, on these assumptions, still be operating at a level in 1999 which is substantially below the long-term trend (Chart 1).

A growth rate of this magnitude would nevertheless be enough to bring general government finances almost back into balance in 1996 and to generate growing surpluses from 1997 onwards. It is noteworthy that the improvement is particularly strong in 1996. This is, of course, partly due to the concentration of budgetary cuts in that year, but it also reflects the adverse effects of a whole range of temporary and exceptional factors in 1995 (two tax refunds, changes in tax collection procedures and temporary outlays related to Finland's entry into the EU).

The rapid improvement in the budget balance will also prevent general government gross debt in relation to GDP from rising beyond the level of just over 65 per cent reached in 1996 (Charts 2 and 3).

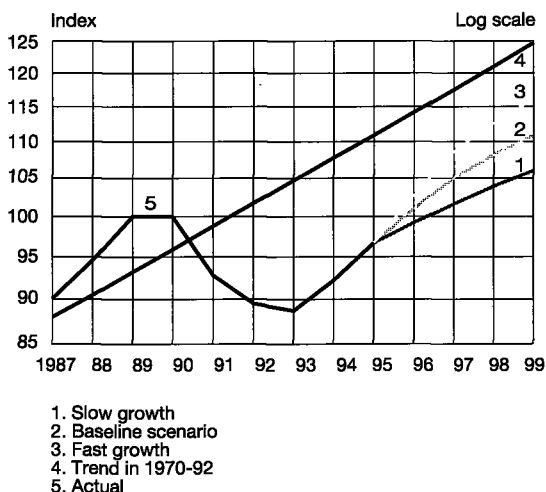
Clearly, these outcomes are sensitive to the assumption about the growth rate of the economy; slower-than-projected growth would restrict the broadening of the tax base, keep the unemployment rate and hence outlays related to unemployment at a higher level and lead to a cumulative increase in interest payments.

To investigate the sensitivity of the results to different growth scenarios, an analysis assuming different growth rates was carried out. The results reveal that, even if the annual growth rate were to fall short of the baseline assumption by more than one percentage point, the budget balance would still improve and the convergence criteria be met in 1996. In this case too the budget would move into surplus, albeit not until 1998. As a result, government indebtedness would start to fall in 1998, and remain at about 65 per cent 1999. As one might expect, the criteria would be met even more easily, if growth turned out to be higher than in the baseline scenario.

Chart 1.

### GDP: trend and alternative scenarios

1990 = 100



The outcome, as such, is less sensitive to developments in domestic interest rates (except, of course, to the extent that these affect economic growth). More than half of government debt is denominated in foreign currency and hence completely immune to domestic interest rate developments, while the bulk of the markka-denominated debt is in the form of long-term instruments.

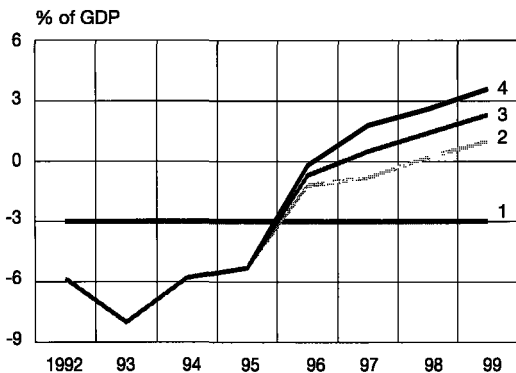
However, when assessing developments in the general government financial position, one should bear in mind that the pension funds show a permanent surplus (approximately 4 per cent of GDP), reflecting the need to meet pension payments in the next century. Since the local government sector is close to balance, this means that Finland could meet the Maastricht criteria but still be able to run a substantial deficit in central government finances. But this would generate an unsustainable increase in central government debt. Hence, the Maastricht criterion for fiscal balance is not strict enough for Finnish circumstances.

It is also worth noting that, because of the uneven sectoral developments within general government, some uncertainty attaches to the debt figures. Government gross debt will not increase if the pension funds invest in central government securities. The calculations are based on the assumption that these investments will be substantially smaller in the future than over the last few years. If they were to continue at a high level, gross debt would be smaller than projected.

**Chart 2.**

**General government net lending**

(Maastricht definition)

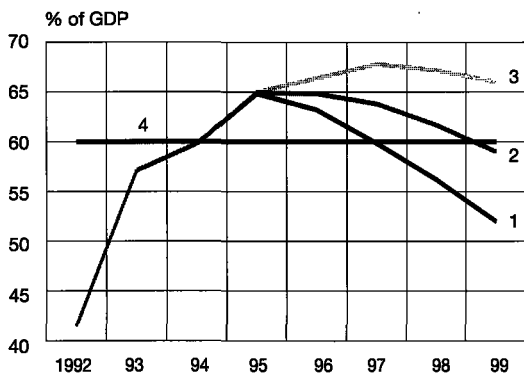


- 1. Convergence criterion
- 2. Slow growth
- 3. Baseline scenario
- 4. Fast growth

**Chart 3.**

**General government gross debt**

(Maastricht definition)



- 1. Fast growth
- 2. Baseline scenario
- 3. Slow growth
- 4. Convergence criterion

**Other convergence criteria**

The programme is based on the assumption that an improvement in public finances would also best serve the achievement of the other Maastricht criteria. Inflation is already low, although partly due to temporary factors (eg reductions in food prices following Finland's entry into the EU); headline inflation is currently around ½ per cent and underlying inflation (targeted by the Bank of Finland) is zero.

The Government declared its commitment to low inflation in its programme published in April this year, and in that connection the labour market organizations also expressed their support for the low inflation goal. In line with this, the labour market organizations and the Government have made concerted efforts to bring about a long-term pay settlement that would contribute to keeping inflation low in the years ahead. (See item in this issue of the Bulletin.)

A healthy budgetary position and low inflation will, in turn, provide a good basis for meeting the interest rate criterion and for maintaining stable exchange rates.

**The convergence programme is to be followed by an employment programme**

The calculations in the convergence programme indicate that the rate of economic growth foreseen in the baseline scenario will not be enough to enable the Government's key target of halving unemployment by 1999 to be met. Rather, achievement of this target requires fast growth. To this end, the Government is currently drawing up an employment programme, which is due to be published by the end of October. This programme is based on the convergence programme and attempts to identify the structural factors inhibiting the functioning of markets and preventing growth from reaching the rate assumed in the high-growth scenario. Achievement of the high-growth scenario would suffice to halve unemployment.

2 October 1995

## **Incomes policy agreement**

The incomes policy agreement reached by the central labour market organizations on 10 September 1995 was approved at union level on 29 September. The agreement is in force until 31 January 1998. According to the agreement, wages and salaries will be raised by about 1.8 per cent or by a minimum of FIM 180 a month on 1 November 1995. On 1 October 1996, wages and salaries will be raised by about 1.3 per cent or by a minimum of FIM 180 a month. The agreement includes a clause providing for special treatment of low-pay sectors with predominantly female workers, which will increase labour costs by 0.4 per cent in the economy as a whole in 1997.

The agreement also includes an index clause providing for pay increases after 1 October 1996. The clause will be triggered if consumer prices rise by more than 2.6 per cent in the period between August 1995 and July 1996; however, no pay increases will be made if the rise in excess of the trigger level is 0.4 per cent or less. In addition, the agreement contains a clause designed to prevent a widening in pay differentials.

The Government has undertaken to cut taxes on wages and salaries in 1997 in order to support moderate pay developments.

## **Survey on foreign exchange and derivatives markets, spring 1995**

Every three years, the Bank for International Settlements (BIS) conducts a survey of activity in national foreign exchange and derivatives markets in order to determine the size and structure of global foreign exchange and derivatives markets. In this connection, the Bank of Finland carried out a study of the financial institutions operating in Finland in spring 1995. The financial institutions were requested to provide data on the amounts of their foreign exchange and derivatives transactions in April and their outstanding contracts at the end of March. The results for foreign exchange transactions are now available; the figures for derivatives transactions

will be released in November. The BIS will publish the results of the entire survey in March 1996.

**Average daily turnover in foreign exchange transactions FIM 23 billion.** In April, the average daily turnover in foreign exchange transactions of financial institutions operating in Finland was slightly less than FIM 23 billion. Total turnover data have been adjusted to avoid double counting of trades between financial institutions. The turnover consisted almost entirely of spot deals and foreign exchange swaps, with each accounting for 48 per cent of the total. Forward transactions accounted for only 4 per cent of turnover.

Compared with the 1992 survey, it appears that average daily turnover has declined slightly. But compared with the 1989 survey, the nominal value of foreign exchange transactions has increased by more than 30 per cent. The share of spot transactions in total turnover has decreased from the late 1980s, while that of swap transactions has increased.

**DEM the most traded currency in spot business.** Of total turnover, 39 per cent comprised transactions against the markka. As regards currency pairs, the highest turnover in monetary terms was between the US dollar and the markka. Turnover in different instruments, however, focused on different currencies. The Deutschmark played a key role in the spot market: most spot transactions were in the currency pairs FIM/DEM, USD/DEM and SEK/DEM. The Deutschmark also dominated forward trading. In foreign exchange swaps, however, the most traded currency pair was the markka against the US dollar by a clear margin.

**Finnish bank's counterparty most often a foreign financial institution.** In April, 75 per cent of spot transactions and foreign exchange swaps were with foreign financial institutions. 55 per cent of financial institutions' forward trading was with Finnish companies and 27 per cent with foreign financial institutions. The share of foreign exchange transactions between financial institutions operating in Finland has declined in recent years, accounting for only 10 per cent of total turnover in April. Foreign exchange trading with non-resident companies was also very modest. As indicated by the survey, foreign exchange trading in Finland has been concentrated among a few intermediaries:

75 per cent of business in all the above-mentioned areas was done by the four largest banks.

**Outstanding forward and foreign exchange swap contracts total FIM 304 billion.** The nominal value of forward and foreign exchange swap contracts outstanding at the end of March amounted to some FIM 304 billion. More than half of the contracts had been concluded with foreign banks

and 26 per cent with Finnish companies. Contracts between banks operating in Finland accounted for only 17 per cent of the total. The US dollar was the countercurrency in as much as 72 per cent of the contracts. Forward and swap maturities were fairly short: for foreign exchange swaps generally less than one week, for forward contracts more than a week but less than a year.



# Measures concerning monetary and foreign exchange policy and the financial markets

1994

## NOVEMBER

**Banks' access to the Bank of Finland's current account and liquidity credit facilities.** At the beginning of November, the Bank of Finland modifies the conditions governing access by banks and other credit institutions to current account and liquidity credit facilities at the central bank. In addition, the partial collateralization requirement previously imposed on intraday credit limits is replaced by the requirement of full collateralization.

**Tax-exempt deposits.** On 18 November, Parliament approves an amendment of the law on the tax relief of deposits and bonds whereby the tax-exempt status of 24-month deposits is extended to apply to deposits made up to the end of 1995.

**The Bank of Finland decides to sign the EMS agreement without entry into the ERM.** On 23 November, the Bank of Finland decides to sign the agreements between the central banks of the EU member states on the European Monetary System (EMS) and Short-Term Monetary Support (STMS). The agreements will enter into force as of the date Finland's membership of the EU becomes effective. The Board of the Bank of Finland also decides to propose to the central banks of the EU member states that the existing bilateral swap agreements with EU central banks be terminated with effect from the date of entry into force of the EMS and STMS agreements.

## DECEMBER

**Tender rate.** On 9 December, the Bank of Finland raises its tender rate from 5.0 per cent to 5.5 per cent. The tender rate serves as a benchmark for short-term money market rates.

**Support to Skopbank.** On 21 December, the Government grants capital support to Skopbank by purchasing preferred capital certificates issued by Skopbank to the total value of FIM 450 million.

1995

## FEBRUARY

**Tender rate.** On 10 February, the Bank of Finland raises its tender rate from 5.5 per cent to 5.75 per cent.

## MARCH

**Increase in the capital of Asset Management Company Arsenal Ltd.** On 23 March, the Government decides to raise the share capital of Asset Management Company Arsenal Ltd by FIM 8 billion. The capital injection is necessary to cover losses incurred during the year.

## APRIL

**Long-term reference rates.** On 21 April, the Bank of Finland recommends that the three- and five-year reference rates calculated by it should no longer be used as reference rates for new loans.

## JUNE

**HELIBOR rates.** As from 1 June, the method of calculating the HELIBOR rates is revised. As a rule, all the banks which have been accepted by the Bank of Finland as counterparties in its money market operations are taken into account in the calculation; the highest and lowest rates quoted for each maturity are omitted.

**Counterparties in the Bank of Finland's money market operations and the instruments employed.** On 1 June 1995, the Bank of Finland revises the criteria applied in the selection of counterparties for its money market operations and accords priority status to risk-free securities.

**Weekly repo auctions discontinued.** On 1 June 1995, the Bank of Finland discontinues the weekly tenders (repo auctions) which it arranges for market makers in benchmark government bonds.

**Skopbank to be sold to Svenska Handelsbanken.** On the proposal of the Government Guarantee Fund, the Government approves, on 2 June 1995, an arrangement whereby the sound parts of Skopbank will be sold to the Swedish bank Svenska Handelsbanken. The deal involves mainly the parent bank Skopbank's good loans and

guarantees as well as the share capital of Industrialization Fund of Finland Ltd and SKOP Finance Ltd., which are part of the Skopbank group. Also included in the deal are Skopbank subsidiaries Finnish Real Estate Bank Ltd and the credit card company Aktiiviraha Oy.

**Tender rate.** On 9 June, the Bank of Finland raises its tender rate from 5.75 per cent to 6.00 per cent.

## OCTOBER

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**The minimum reserve system.** The Bank of Finland decides to revise the banks' minimum

reserve system as from 2 October 1995 so that the minimum reserve requirement is henceforth based on a monthly average.

**Tender rate.** On 5 October, the Bank of Finland lowers its tender rate from 6 per cent to 5.5 per cent.

## NOVEMBER

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**Base rate.** The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 5.25 per cent to 5.00 per cent with effect from 1 November.



# 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 Russia 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 5 098 427 (31 December 1994) and an average population density of 16.6 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 516 100 inhabitants, Espoo (Esbo) 186 600, Tampere (Tammerfors) 179 300, Vantaa (Vanda) 164 600 and Turku (Åbo) 162 300.

There are two official languages: 93.1 % of the population speaks Finnish as its mother tongue and 5.8 % 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 6 December 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, 1 March 1994 to 1 March 2000, is Mr Martti Ahtisaari.

Parliament, comprising 200 members, is elected by universal suffrage for a period of four years. Following the parliamentary elections of 1995, the seats of the various parties in Parliament are distributed as follows:

Social Democratic Party 63; Centre Party 44; National Coalition Party 39; Left Wing Alliance 22; Swedish People's Party 12; Green League 9; Christian League 7; Progressive Finnish Party 2; Rural Party 1; and Ecological Party 1.

Of the 18 ministerial posts in the present Government appointed in April 1995, 7 are held by the Social Democratic Party, 5 by the National Coalition Party, 2 by the Left Wing Alliance, 2 by the Swedish People's Party, 1 by the Green League and 1 by an expert with no party affiliation. The Prime Minister is Mr Paavo Lipponen of the Social Democratic Party.

Finland is divided into 455 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of four years.

## International relations

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, the AfDB in 1982, the MIGA in 1988, the Council of Europe in 1989, the EBRD in 1991 and the EU in 1995.

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. The agreement on the European Economic Area (EEA) between the member countries of EFTA and the European Union came into effect at the beginning of 1994. Finland's negotiations to join the European Union were concluded in spring 1994. The accession treaty was signed in Corfu in June. In autumn 1994, a consultative referendum was held in which the majority of the voters (56.9 %) were in favour of membership. The Finnish Parliament ratified the accession treaty in November. The accession treaty having been ratified by each Member State, Finland became a member of the European Union on 1 January 1995. 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.

Finland's development cooperation programmes channel assistance via international organizations and, bilaterally, to a number of African, Asian and Latin American countries.

## The economy

**Output and employment.** Of the gross domestic product of FIM 444 billion in basic values in 1994, 3 % was generated in agriculture and fishing, 3 % in forestry, 25 % in industry, 5 % in construction, 11 % in trade, restaurants and hotels, 9 % in transport and communications, 3 % in finance and insurance, 21 % in other private services and 20 % by producers of government services. Of total employment of 2.0 million persons in 1994, 8 % were engaged in primary production, 27 % in industry and construction and 65 % in services.

In 1994, expenditure on the gross domestic product in purchasers' values amounted to FIM 508 billion and was distributed as follows: net exports 6 % (exports 35.7 %, imports -29.5 %), gross fixed capital formation 14 %, private consumption 56 % and government consumption 22 %. Finland's tax ratio (gross taxes including compulsory employment pension contributions relative to GDP) was 47 per cent, which is somewhat below the average for the Nordic countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 3.6 % in 1990-94. Finland's GDP per capita in 1994 was USD 19 100.

**Foreign trade.** OECD countries absorb the bulk of Finnish merchandise exports. In 1990-94, their share was, on average, 78.3 %, of which the share of EC countries was 48.8 percentage points and that of EFTA countries 18.8 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union/Russia) accounted for 9.9 % and the rest of the world for 11.8 %. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1994, the share of forest industry products in total merchandise exports was 36 %, the share of metal and engineering products 44 % and the share of other goods 20 %. Raw materials and intermediate goods (incl. crude oil) accounted for 60 % of merchandise imports, fuels for 5 %, investment goods for 14 % and consumption goods for 20 %.

**Forest resources.** Finland has fairly abundant forest resources, but only limited amounts of other raw materials. The growing stock comprises 1 910 million cubic metres, of which 45 % is pine, 37 % spruce and 18 % broad-leaved species, chiefly birch.

The annual growth increment totals 78 million cubic metres and the total drain was about 62 million cubic metres in 1994.

**Energy.** In 1993, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 45 %, heating for 22 %, transportation for 13 % and other purposes for 20 %. The sources of primary energy in 1993 were as follows: oil 28 %, coal 11 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 32 %, others 14 %. Compared internationally (1992), Finland's consumption of 5.6 toe (OECD definition) per capita was 1.7 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 42 %, as compared with 61 % in western Europe on average.

## **Finance and banking**

**Currency.** Finland has had its own monetary system since 1865. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). From 1 November 1977 to 7 June 1991 the external value of the markka was officially expressed in terms of a trade-weighted currency index, which was permitted to fluctuate within a prescribed range (from 30 November 1988 the range was 6 percentage points). From 7 June 1991 to 7 September 1992, the markka was pegged to the European Currency Unit, the ECU. The fluctuation margins and the midpoint were set so as to correspond to the fluctuation margins and midpoint of the old currency index. The midpoint was first 4.87580 (FIM/ECU). Owing to the devaluation of the markka on 15 November 1991, the midpoint was increased to 5.55841 and the fluctuation limits to 5.39166 and 5.72516. On 8 September 1992, the Bank of Finland decided to

temporarily abandon the limits of the fluctuation range and allow the markka to float. On 13 November 1992, the Government, on the basis of the amended Currency Act, authorized the Bank of Finland to float the markka for an indefinite period.

**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 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 and open market operations in the money and foreign exchange market. 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 4 branch offices in other towns.

**Other banks** (31 December 1994). Finland has three major groups of deposit banks with a total of about 2 149 offices. There are three big commercial banks with national branch networks and ten smaller ones. The commercial banks have a total of 27 foreign branches, subsidiaries and associate banks and 31 representative offices abroad. There are 40 savings banks and 302 cooperative banks with their own extensive branch networks. In addition, foreign banks have four branches and eight representative offices in Finland.

**Financial market.** Of the total stock of FIM 683 billion in outstanding domestic credit at the end of September 1994, 53 % was provided by deposit banks, 23 % by insurance companies, 5 % by other private credit institutions, 7 % by public financial institutions and 12 % 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, 77 % of the instruments, which totalled approximately FIM 174 billion at end-1994, were bank certificates of deposit (including central bank paper). Other negotiable money market instruments consist of Treasury bills, commercial paper and local authority paper.

There are 66 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 181 billion (at end-1994). Domestic bonds and debentures in circulation at end-1994 totalled FIM 200 billion; government bonds made up 47 % of the total. Turnover on the Stock Exchange in 1994 amounted to FIM 71 billion; the share of shares and subscription rights in the total was approximately 97 %.



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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

	1994		1995		
	31 Dec.	8 Sept.	15 Sept.	22 Sept.	29 Sept.
<b>ASSETS</b>					
<b>Gold and foreign currency claims</b>	52 743	50 489	50 445	49 983	48 395
Gold	2 180	1 742	1 742	1 742	1 742
Special drawing rights	1 537	1 269	1 144	1 358	1 457
IMF reserve tranche	1 354	1 578	1 586	1 570	1 579
ECU-claim on the European Monetary Institute		3 307	3 336	3 341	3 323
Foreign currency claims	47 672	42 592	42 635	41 972	40 294
<b>Other foreign claims</b>	4 595	4 186	4 186	4 186	4 186
Markka subscription to Finland's quota in the IMF	4 595	4 129	4 129	4 129	4 129
Share in the European Monetary Institute		57	57	57	57
<b>Claims on financial institutions</b>	2 520	5 020	8 583	6 521	7 315
Liquidity credits	—	—	3 671	—	—
Certificates of deposit	443	—	—	—	—
Securities with repurchase commitments	1 037	4 202	4 113	5 743	6 261
Term credits	—	—	—	—	—
Bonds	802	581	560	541	541
Other claims on financial institutions	238	238	238	238	513
<b>Claims on the public sector</b>	1 806	1 798	1 798	1 800	1 797
Treasury bills	—	—	—	—	—
Total coinage	1 806	1 798	1 798	1 800	1 797
<b>Claims on corporations</b>	3 149	3 082	3 082	3 081	3 078
Financing of domestic deliveries (KTR)	316	221	221	220	217
Other claims on corporations	2 833	2 861	2 861	2 861	2 861
<b>Other assets</b>	6 524	5 894	5 910	5 781	5 855
Loans for stabilizing the money market	4 532	4 532	4 532	4 532	4 532
Accrued items	1 832	1 208	1 223	1 094	1 166
Other assets	159	154	155	155	157
<b>Valuation account</b>	—	1 781	1 443	1 833	2 120
<b>Capitalized expenditures and losses due to safeguarding the stability of the money market</b>	1 400	1 400	1 400	1 400	1 400
<b>Total</b>	<b>72 737</b>	<b>73 650</b>	<b>76 847</b>	<b>74 587</b>	<b>74 146</b>
<b>LIABILITIES</b>					
<b>Foreign currency liabilities</b>	130	885	887	957	959
<b>Other foreign liabilities</b>	5 579	5 056	5 060	5 050	5 056
IMF markka accounts	4 595	4 129	4 129	4 129	4 129
Allocations of special drawing rights	985	927	931	921	927
Other foreign liabilities	—	—	—	—	—
<b>Notes and coin in circulation</b>	14 315	14 271	14 241	14 209	14 229
Notes	12 675	12 587	12 557	12 524	12 546
Coin	1 640	1 684	1 685	1 684	1 684
<b>Certificates of deposit</b>	35 236	37 005	37 005	37 990	37 321
<b>Liabilities to financial institutions</b>	7 912	7 352	10 579	7 316	7 504
Call money deposits	1 387	778	4 005	743	672
Term deposits	—	—	—	—	—
Minimum reserve deposits	6 526	6 574	6 574	6 574	6 557
Other liabilities to financial institutions	—	0	0	0	275
<b>Liabilities to the public sector</b>	93	62	63	63	76
Cheque accounts	0	0	1	1	1
Deposits of the Government Guarantee Fund	93	61	62	62	75
Other liabilities to the public sector	—	—	—	—	—
<b>Liabilities to corporations</b>	1 548	1 183	1 180	1 173	1 169
Deposits for investment and ship purchase	1 548	1 183	1 180	1 173	1 169
<b>Other liabilities</b>	461	374	369	367	370
Accrued items	437	337	338	338	337
Other liabilities	24	38	31	28	33
<b>Valuation account</b>	—	—	—	—	—
<b>Provisions</b>	1 698	1 698	1 698	1 698	1 698
Pension provision	1 329	1 329	1 329	1 329	1 329
Other provisions	369	369	369	369	369
<b>Capital accounts</b>	5 764	5 764	5 764	5 764	5 764
SPrimary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Net earnings	—	—	—	—	—
<b>Total</b>	<b>72 737</b>	<b>73 650</b>	<b>76 847</b>	<b>74 587</b>	<b>74 146</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	ECU-claim on the European Monetary Institute	Foreign currency claims	Foreign exchange reserves (1+2+3+4+5)	Other claims, net	Net claims (6+7)	Claims	Liabilities	Net claims (9-10)
	1	2	3	4	5	6	7	8	9	10	11
<b>1990</b>	2 180	791	783	.	33 478	37 232	-1 273	35 960	1 314	1 321	-7
<b>1991</b>	2 180	932	1 136	.	29 381	33 629	- 424	33 204	1 375	3	1 372
<b>1992</b>	2 180	564	1 732	.	25 041	29 517	-2 998	26 519	2 446	90	2 356
<b>1993</b>	2 180	664	1 747	.	28 882	33 473	-1 324	32 148	1 788	784	1 004
<b>1994</b>	2 180	1 537	1 354	.	47 672	52 743	-1 114	51 629	1 806	93	1 713
<b>1994</b>											
<b>Sept.</b>	2 180	618	1 407	.	48 947	53 153	-1 178	51 975	1 847	60	1 787
<b>Oct.</b>	2 180	1 249	1 338	.	48 610	53 377	-1 139	52 238	1 864	115	1 749
<b>Nov.</b>	2 180	1 461	1 388	.	49 154	54 184	-1 121	53 063	1 872	51	1 821
<b>Dec.</b>	2 180	1 537	1 354	.	47 672	52 743	-1 114	51 629	1 806	93	1 713
<b>1995</b>											
<b>Jan.</b>	1 742	1 370	1 366	3 700	46 627	54 805	-1 490	53 315	1 767	184	1 583
<b>Feb.</b>	1 742	1 775	1 326	3 606	45 608	54 058	-1 544	52 514	1 765	68	1 697
<b>March</b>	1 742	1 616	1 329	3 619	45 185	53 492	-1 149	52 343	1 763	68	1 695
<b>April</b>	1 742	1 295	1 290	3 460	42 535	50 321	-1 583	48 738	1 773	101	1 672
<b>May</b>	1 742	1 028	1 437	3 481	42 847	50 536	-1 644	48 892	1 772	194	1 578
<b>June</b>	1 742	1 278	1 425	3 477	43 484	51 407	-1 617	49 790	1 793	554	1 239
<b>July</b>	1 742	1 383	1 518	3 361	43 659	51 662	-1 945	49 717	1 797	53	1 744
<b>Aug.</b>	1 742	1 275	1 584	3 333	43 816	51 750	-1 902	49 848	1 804	56	1 748
<b>Sept.</b>	1 742	1 457	1 579	3 323	40 294	48 395	-1 829	46 566	1 797	76	1 721

End of period	Domestic financial sector					Corporate sector			Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	Term claims on deposit banks, net	Liquidity position of deposit banks <sup>1</sup>	Minimum reserve deposits of deposit banks <sup>2</sup>	Other claims on financial institutions, net	Net claims (12+13+14+15)	Claims in the form of special financing	Special deposits and other items, net	Net claims (17+18)		
	12	13	14	15	16	17	18	19	20	21
<b>1990</b>	9 411	- 418	-17 401	5 744	-2 665	1 477	-9 724	-8 247	14 555	0
<b>1991</b>	11 882	-2 206	-10 361	5 531	4 846	1 086	-6 854	-5 768	14 528	8 880
<b>1992</b>	3 738	- 550	-13 165	4 572	-5 405	747	-2 651	-1 904	14 508	4 880
<b>1993</b>	7 337	-1 802	-6 398	1 339	476	496	720	1 216	14 994	14 837
<b>1994</b>	1 480	-1 387	-6 526	1 040	-5 392	316	1 285	1 601	14 315	35 236
<b>1994</b>										
<b>Sept.</b>	3 485	-1 421	-6 550	1 173	-3 313	360	1 124	1 484	13 906	36 856
<b>Oct.</b>	1 829	- 945	-7 029	1 111	-5 034	345	1 186	1 531	13 900	36 948
<b>Nov.</b>	492	-2 026	-6 674	1 094	-7 113	331	1 222	1 553	13 776	34 406
<b>Dec.</b>	1 480	-1 387	-6 526	1 040	-5 392	316	1 285	1 601	14 315	35 236
<b>1995</b>										
<b>Jan.</b>	944	- 719	-6 511	1 003	-5 284	307	1 354	1 661	13 592	36 282
<b>Feb.</b>	2 328	-1 618	-6 521	947	-4 863	295	1 447	1 742	14 087	36 943
<b>March</b>	2 701	-1 048	-6 516	937	-3 926	285	1 501	1 786	13 846	37 991
<b>April</b>	2 922	-1 124	-6 798	906	-4 094	273	1 561	1 834	14 121	35 448
<b>May</b>	2 242	- 794	-6 523	886	-4 189	259	1 599	1 858	14 270	34 742
<b>June</b>	3 019	- 707	-6 646	852	-3 482	244	1 638	1 882	14 374	35 555
<b>July</b>	3 425	- 525	-6 765	829	-3 037	235	1 653	1 888	14 544	36 982
<b>Aug.</b>	3 053	- 624	-6 574	823	-3 322	224	1 669	1 893	14 325	36 809
<b>Sept.</b>	6 261	- 672	-6 557	779	- 189	217	1 692	1 909	14 229	37 321

<sup>1</sup> Call money claims on deposit banks, net, until 2 July 1992.

<sup>2</sup> Cash reserve deposits prior to 1 July 1993.

## 2. The Bank of Finland's operations in the money and foreign exchange markets and the banks' forward exchange position

### 2.1 Banks' liquidity position

at the Bank of Finland, mill. FIM

Average of daily observations	Call money deposits	Liquidity credits <sup>1</sup>	Liquidity position, net <sup>1</sup> (1-2)
	1	2	3
1990	806	132	674
1991	881	985	-103
1992	2 103	437	1 666
1993	831	425	407
1994	1 393	10	1 383
1994			
Sept.	2 089	0	2 089
Oct.	1 442	0	1 442
Nov.	2 038	0	2 038
Dec.	1 160	0	1 160
1995			
Jan.	1 196	0	1 196
Feb.	1 210	4	1 206
March	1 750	0	1 750
April	853	0	853
May	833	2	831
June	607	30	577
July	803	0	803
Aug.	873	204	669
Sept.	1 067	922	146

<sup>1</sup> Call money credits and call money position until 2 July 1992.

### 2.2 The Bank of Finland's minimum reserve system<sup>2</sup>

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM Total
	On deposits repayable on demand, %	On other deposits, %	On other items, %		
	1	2	3	4	5
1990	.	.	.	7.0	17 401
1991	.	.	.	4.0	10 361
1992	.	.	.	5.0	13 165
1993	2.0	1.5	1.0	.	6 398
1994	2.0	1.5	1.0	.	6 526
1994					
Sept.	2.0	1.5	1.0	.	6 550
Oct.	2.0	1.5	1.0	.	7 029
Nov.	2.0	1.5	1.0	.	6 674
Dec.	2.0	1.5	1.0	.	6 526
1995					
Jan.	2.0	1.5	1.0	.	6 511
Feb.	2.0	1.5	1.0	.	6 521
March	2.0	1.5	1.0	.	6 516
April	2.0	1.5	1.0	.	6 798
May	2.0	1.5	1.0	.	6 523
June	2.0	1.5	1.0	.	6 646
July	2.0	1.5	1.0	.	6 765
Aug.	2.0	1.5	1.0	.	6 574
Sept.	2.0	1.5	1.0	.	6 557

<sup>2</sup> Cash reserve system prior to 1 July 1993.

### 2.3 The Bank of Finland's money market transactions, mill. FIM

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1990	163 326	26 379	160 797	-23 850
1991	109 568	30 380	81 969	-2 781
1992	76 230	137 940	-60 417	-1 293
1993	86 521	146 899	-50 486	-9 892
1994	35 540	351 820	-295 165	-21 115
1994				
Sept.	590	36 860	-33 510	-2 760
Oct.	330	38 290	-36 210	-1 750
Nov.	1 630	35 210	-34 400	820
Dec.	1 470	34 680	-34 790	1 580
1995				
Jan.	2 580	36 050	-31 590	-1 880
Feb.	3 490	36 940	-34 710	1 260
March	4 260	40 440	-35 360	-820
April	2 400	34 970	-35 680	3 110
May	3 710	32 780	-28 590	-480
June	3 060	35 556	-32 401	-95
July	3 385	36 980	-32 530	-1 065
Aug.	3 040	36 810	-33 550	-220
Sept.	9 350	37 350	-33 740	5 740

## 2.4 The Bank of Finland's transactions in convertible currencies, mill. FIM

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	-69 940	-14 820	12 820	12 260
1992	20 050	-70 640	-1 650	390	45 060
1993	25 120	-45 080	7 460	-6 910	33 240
1994	20 930	-12 900	9 060	-8 930	24 660
1994					
Aug.	-	-4 270	-2 960	2 990	- 530
Sept.	-	-1 440	2 420	-2 340	5 350
Oct.	5 110	- 220	5 070	-5 090	2 280
Nov.	210	-520	770	- 530	60
Dec.	1 750	-300	870	-1 120	- 960
1995					
Jan.	-	- 190	3 290	-3 260	4 360
Feb.	-	-90	- 280	-90	720
March	-	-1 440	-1 710	1 350	-50
April	400	-	-2 650	6 290	-6 010
May	-	-	-1 230	1 300	-1 040
June	-	-	-1 120	1 110	- 813
July	-	-	-2 470	2 450	-2 072
Aug.	4 000	- 780	3 510	-3 410	-70

## 2.5 Forward exchange contracts between Finnish markkaa and other currencies, mill. FIM

Stock at end of period	Finnish banks' forward contracts						Non-residents' forward contracts with Finnish customers (excl. Finnish banks)			The Bank of Finland's forward contracts	
	With Finnish customers (excl. Finnish banks)			With foreign customers			Total				
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net (1-2)	Currency purchases from foreign customers	Currency sales to foreign customers	Net (4-5)	Net (3+6)	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net (8-9)	Net currency sales
	1	2	3	4	5	6	7	8	9	10	11
1990	11 609	4 979	6 631	21 179	11 079	10 100	16 731	237	55	183	-6 098
1991	33 004	36 352	-3 348	40 056	37 505	2 550	- 798	1 404	645	759	8 953
1992	39 195	32 939	6 256	21 142	32 339	-11 197	-4 941	1 614	1 929	- 315	7 133
1993	38 373	23 721	14 652	14 346	21 895	-7 548	7 104	11 632	2 173	9 459	1 939
1994	51 096	22 093	29 003	19 236	32 791	-13 555	15 448	18 372	4 780	13 592	-6 080
1994											
Aug.	39 846	19 930	19 916	19 572	32 036	-12 464	7 452	14 542	3 735	10 807	3 002
Sept.	40 197	20 368	19 829	18 637	29 261	-10 624	9 205	14 177	3 389	10 788	671
Oct.	44 821	19 418	25 403	20 662	30 252	-9 589	15 814	14 945	2 659	12 286	-4 436
Nov.	46 460	21 508	24 952	18 515	28 808	-10 293	14 659	16 058	4 036	12 023	-5 075
Dec.	51 096	22 093	29 003	19 236	32 791	-13 555	15 448	18 372	4 780	13 592	-6 080
1995											
Jan.	53 808	22 928	30 880	21 342	31 748	-10 407	20 473	19 972	4 698	15 274	-9 436
Feb.	54 500	23 006	31 494	21 161	36 433	-15 273	16 221	20 618	3 533	17 086	-9 485
March	57 611	25 712	31 899	23 283	36 466	-13 182	18 717	20 806	4 775	16 030	-8 055
April	57 779	24 331	33 447	22 063	33 135	-11 073	22 374	19 221	5 194	14 027	-4 909
May	59 058	24 236	34 822	23 178	33 876	-10 698	24 124	17 363	5 967	11 395	-3 562
June	56 010	21 745	34 265	22 744	36 052	-13 308	20 957	17 184	5 360	11 824	-2 461
July	54 311	20 649	33 662	22 825	33 288	-10 463	23 199	16 028	4 688	11 340	0
Aug.	58 236	19 237	39 000	24 721	37 101	-12 379	26 621	16 288	5 142	11 146	-3 416

### 3. Rates of interest

#### 3.1 Money market rates and rates applied by the Bank of Finland, per cent

Average of daily observations	Interbank overnight rate	HELIBOR				Bank of Finland rates		
		1 month	3 months	6 months	12 months	Liquidity credit rate <sup>1</sup>	Call money deposit rate	Base rate
		1	2	3	4	5	6	7
<b>1990</b>	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
<b>1991</b>	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
<b>1992</b>	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
<b>1993</b>	7.71	7.85	7.73	7.59	7.47	8.95	4.95	6.85
<b>1994</b>	4.38	5.11	5.35	5.78	6.33	7.11	3.11	5.27
<b>1994</b>								
<b>Sept.</b>	4.07	5.07	5.57	6.36	7.25	7.13	3.13	5.25
<b>Oct.</b>	4.10	5.07	5.39	5.82	6.69	7.08	3.08	5.25
<b>Nov.</b>	4.30	5.07	5.43	6.05	6.79	7.06	3.06	5.25
<b>Dec.</b>	4.57	5.41	5.70	6.18	7.02	7.38	3.38	5.25
<b>1995</b>								
<b>Jan.</b>	4.43	5.50	5.85	6.32	7.14	7.50	3.50	5.25
<b>Feb.</b>	5.27	5.71	5.99	6.32	6.97	7.66	3.66	5.25
<b>March</b>	4.66	5.78	6.06	6.48	7.07	7.75	3.75	5.25
<b>April</b>	5.00	5.75	5.97	6.31	6.82	7.75	3.75	5.25
<b>May</b>	5.06	5.72	5.87	6.06	6.45	7.75	3.75	5.25
<b>June</b>	5.77	5.93	6.02	6.21	6.57	7.93	3.93	5.25
<b>July</b>	5.40	5.97	6.13	6.40	6.80	8.00	4.00	5.25
<b>Aug.</b>	6.04	5.99	6.08	6.25	6.56	8.00	4.00	5.25
<b>Sept.</b>	6.20	5.97	5.95	5.97	6.04	8.00	4.00	5.25

<sup>1</sup> Call money credit rate until 2 July 1992.

#### 3.2 The Bank of Finland's liquidity facility

	The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points	
	1	2	3	4	
<b>1992<sup>1</sup></b>	13.85	<b>1992</b>	+1.00	7	-3.00
<b>1993</b>	7.87	<b>1993</b>	+2.00	7	-2.00
<b>1994</b>	5.11	<b>1994</b>	+2.00	7	-2.00
<b>1994</b>		<b>1994</b>			
<b>Sept.</b>	5.13	<b>Sept.</b>	+2.00	7	-2.00
<b>Oct.</b>	5.08	<b>Oct.</b>	+2.00	7	-2.00
<b>Nov.</b>	5.06	<b>Nov.</b>	+2.00	7	-2.00
<b>Dec.</b>	5.38	<b>Dec.</b>	+2.00	7	-2.00
<b>1995</b>		<b>1995</b>			
<b>Jan.</b>	5.50	<b>Jan.</b>	+2.00	7	-2.00
<b>Feb.</b>	5.66	<b>Feb.</b>	+2.00	7	-2.00
<b>March</b>	5.75	<b>March</b>	+2.00	7	-2.00
<b>April</b>	5.75	<b>April</b>	+2.00	7	-2.00
<b>May</b>	5.75	<b>May</b>	+2.00	7	-2.00
<b>June</b>	5.93	<b>June</b>	+2.00	7	-2.00
<b>July</b>	6.00	<b>July</b>	+2.00	7	-2.00
<b>Aug.</b>	6.00	<b>Aug.</b>	+2.00	7	-2.00
<b>Sept.</b>	6.00	<b>Sept.</b>	+2.00	7	-2.00
08.12.1994	5.01				
09.12.1994	5.50				
29.12.1994	5.55				
04.01.1995	5.50				
10.02.1995	5.75				
09.06.1995	6.00				
05.10.1995	5.50				

<sup>1</sup> July-December.

#### 3.3 Weighted Eurorates and commercial ECU interest rate, per cent

Average of daily observations	ECU			Commercial ECU
	3 currencies			
	3 months			
	1	2	3	
<b>1990</b>	10.5	9.1	10.4	
<b>1991</b>	10.1	8.5	9.9	
<b>1992</b>	10.4	7.8	10.6	
<b>1993</b>	8.0	6.0	8.1	
<b>1994</b>	5.9	5.2	6.1	
<b>1994</b>				
<b>Sept.</b>	5.8	5.2	5.9	
<b>Oct.</b>	5.8	5.4	6.0	
<b>Nov.</b>	5.8	5.5	5.9	
<b>Dec.</b>	6.1	5.8	6.3	
<b>1995</b>				
<b>Jan.</b>	6.0	5.6	6.3	
<b>Feb.</b>	6.0	5.6	6.1	
<b>March</b>	6.7	5.6	6.9	
<b>April</b>	6.3	5.3	6.4	
<b>May</b>	6.2	5.2	6.3	
<b>June</b>	6.1	5.2	6.2	
<b>July</b>	5.9	5.2	6.1	
<b>Aug.</b>	5.7	5.1	5.9	
<b>Sept.</b>	5.6	4.9	5.6	

### 3.4 Rates of interest applied by banks, per cent

Average for period	Lending						Markka deposits and other markka funding					
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits <sup>1</sup>	36-month tax-exempt deposits <sup>1</sup>	Other tax-exempt deposits, max. rate of interest <sup>1</sup>	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	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	
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1993	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
1994	7.32	11.55	7.13	7.35	8.18	7.91	3.25	4.25	2.00	2.99	5.96	4.01
1994												
Aug.	8.37	11.80	7.81	8.04	8.20	7.97	3.25	4.25	2.00	3.05	5.98	4.11
Sept.	7.61	11.75	7.66	7.86	8.19	7.96	3.25	4.25	2.00	3.04	5.99	4.11
Oct.	8.26	11.61	7.28	7.49	8.15	7.91	3.25	4.25	2.00	3.05	6.10	4.10
Nov.	7.75	11.72	7.01	7.21	8.09	7.83	3.25	4.25	2.00	3.04	6.09	4.08
Dec.	7.62	10.69	6.44	6.71	8.05	7.76	3.25	4.25	2.00	3.11	6.17	4.10
1995												
Jan.	7.79	11.55	7.22	7.40	8.11	7.84	3.25	4.25	2.00	3.15	6.27	4.18
Feb.	8.46	11.54	7.29	7.50	8.11	7.83	3.25	4.25	2.00	3.17	6.33	4.18
March	8.40	11.58	7.62	7.80	8.16	7.89	3.25	4.25	2.00	3.22	6.41	4.22
April	7.80	11.39	7.54	7.68	8.17	7.90	3.25	4.25	2.00	3.23	6.45	4.23
May	8.15	11.52	7.54	7.71	8.16	7.89	3.25	4.25	2.00	3.23	6.45	4.23
June	8.13	11.61	7.43	7.60	8.14	7.85	3.25	4.25	2.00	3.21	6.53	4.13
July	9.68	11.63	7.81	8.00	8.16	7.87	3.25	4.25	2.00	3.22	6.54	4.15
Aug.	8.98	11.58	7.80	7.98	8.14	7.84	3.25	4.25	2.00	3.21	6.52	4.16

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

### 3.5 Yields on bonds and shares, per cent

Period	Bonds				Shares
	Reference rates calculated by the Bank of Finland		Taxable government bonds		Share yield
	3 years	5 years	5 years	10 years	
1	2	3	4	5	
1990	13.7	13.5	13.3	.	4.0
1991	12.3	12.2	11.8	.	3.9
1992	13.1	13.0	12.0	11.5	3.1
1993	8.5	8.9	8.2	8.8	1.8
1994	8.5	9.3	8.4	9.0	1.4
1994					
Aug.	10.3	11.0	10.0	10.6	1.4
Sept.	10.2	11.0	9.9	10.5	1.4
Oct.	9.5	10.5	9.4	10.1	1.5
Nov.	9.6	10.5	9.5	10.2	1.5
Dec.	9.6	10.5	9.5	10.2	1.7
1995					
Jan.	9.5	10.3	9.4	10.2	1.3
Feb.	9.3	10.2	9.3	10.2	1.5
March	9.2	10.1	9.2	10.2	2.3
April	8.7	9.4	8.4	9.4	2.6
May	8.2	8.9	7.8	8.8	3.3
June	8.3	8.9	7.7	8.7	3.1
July	8.5	9.0	7.8	8.7	2.8
Aug.	8.1	8.6	7.3	8.3	2.3

## 4. Rates of exchange

### 4.1 Middle rates, FIM

Average of daily quotations	New York 1 USD	Montreal 1 CAD	London 1 GBP	Dublin 1 IEP	Stockholm 1 SEK	Oslo 1 NOK	Copenhagen 1 DKK	Reykjavik 1 ISK	Frankfurt am Main 1 DEM	Amsterdam 1 NLG	Brussels 1 BEF	Zurich 1 CHF
	1	2	3	4	5	6	7	8	9	10	11	12
1990	3.8233	3.277	6.808	6.325	0.6459	0.6110	0.6181	0.0656	2.3664	2.1002	0.1145	2.7576
1991	4.0457	3.533	7.131	6.511	0.6684	0.6236	0.6322	0.0684	2.4380	2.1634	0.1184	2.8208
1992	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	0.0778	2.8769	2.5552	0.1397	3.2000
1993	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	0.0846	3.4584	3.0787	0.1655	3.8706
1994	5.2184	3.824	7.982	7.799	0.6758	0.7393	0.8207	0.0745	3.2169	2.8684	0.1561	3.8179
1994												
Jan.	4.9691	3.669	7.767	7.667	0.6591	0.7303	0.8128	0.0731	3.2038	2.8578	0.1557	3.8447
Oct.	4.6761	3.464	7.506	7.416	0.6440	0.7061	0.7855	0.0697	3.0745	2.7443	0.1494	3.6959
Nov.	4.7172	3.458	7.500	7.385	0.6418	0.7015	0.7833	0.0699	3.0659	2.7353	0.1490	3.6448
Dec.	4.8455	3.488	7.554	7.435	0.6447	0.7068	0.7864	0.0704	3.0823	2.7528	0.1499	3.6450
1995												
Jan.	4.7358	3.352	7.458	7.375	0.6344	0.7071	0.7851	0.0698	3.0930	2.7591	0.1501	3.6782
Feb.	4.6433	3.315	7.300	7.256	0.6288	0.7041	0.7832	0.0697	3.0913	2.7576	0.1501	3.6526
March	4.3769	3.111	7.004	6.993	0.6021	0.6979	0.7770	0.0680	3.1138	2.7768	0.1509	3.7378
April	4.2650	3.096	6.862	6.948	0.5810	0.6889	0.7855	0.0676	3.0947	2.7641	0.1505	3.7580
May	4.3155	3.172	6.854	6.999	0.5919	0.6860	0.7832	0.0673	3.0663	2.7390	0.1490	3.6980
June	4.2983	3.120	6.853	7.004	0.5920	0.6891	0.7858	0.0678	3.0668	2.7406	0.1493	3.7104
July	4.2488	3.121	6.776	6.968	0.5917	0.6882	0.7852	0.0674	3.0587	2.7305	0.1488	3.6755
Aug.	4.3000	3.173	6.743	6.902	0.5949	0.6784	0.7680	0.0666	2.9773	2.6583	0.1448	3.5959
Sept.	4.3717	3.240	6.810	6.953	0.6127	0.6829	0.7710	0.0665	2.9902	2.6693	0.1454	3.6750

Average of daily quotations	Paris 1 FRF	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Madrid 1 ESP	Athens 1 GRD	Tallinn 1 EEK	Tokyo 1 JPY	Melbourne 1 AUD	ECU Commercial 1 XEU	SDR 1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1990	0.7024	0.00319	0.3363	0.0268	0.0375	..	..	0.02647	2.988	4.864	5.18322
1991	0.7169	0.00326	0.3464	0.0280	0.0389	0.022	..	0.03008	3.152	5.003	5.52771
1992	0.8486	0.00364	0.4088	0.0332	0.0438	0.024	0.4060	0.03546	3.289	5.798	6.31546
1993	1.0096	0.00364	0.4916	0.0356	0.0451	0.025	0.4323	0.05168	3.885	6.685	7.98641
1994	0.9406	0.00324	0.4573	0.0314	0.0390	0.021	0.4021	0.05106	3.814	6.175	7.46629
1994											
Sept.	0.9367	0.00317	0.4552	0.0314	0.0386	0.0211	0.4005	0.05029	3.684	6.113	7.27337
Oct.	0.8983	0.00302	0.4369	0.0301	0.0370	0.0201	0.3843	0.04747	3.452	5.865	6.90651
Nov.	0.8930	0.00298	0.4355	0.0300	0.0368	0.0199	0.3832	0.04813	3.559	5.838	6.93950
Dec.	0.8949	0.00297	0.4379	0.0301	0.0366	0.0199	0.3853	0.04838	3.752	5.874	7.03528
1995											
Jan.	0.8946	0.00294	0.4396	0.0300	0.0357	0.0199	0.3866	0.04752	3.625	5.859	6.94337
Feb.	0.8889	0.00287	0.4393	0.0299	0.0356	0.0197	0.3864	0.04725	3.460	5.811	6.86328
March	0.8790	0.00259	0.4424	0.0296	0.0341	0.0192	0.3892	0.04833	3.216	5.700	6.72357
April	0.8814	0.00249	0.4398	0.0293	0.0343	0.0190	0.3868	0.05101	3.139	5.671	6.71986
May	0.8670	0.00261	0.4360	0.0291	0.0350	0.0189	0.3833	0.05078	3.143	5.647	6.72395
June	0.8736	0.00262	0.4362	0.0291	0.0353	0.0190	0.3833	0.05083	3.094	5.665	6.72042
July	0.8788	0.00264	0.4349	0.0291	0.0355	0.0189	0.3823	0.04871	3.088	5.662	6.61807
Aug.	0.8654	0.00268	0.4234	0.0287	0.0349	0.0185	0.3722	0.04547	3.186	5.569	6.49492
Sept.	0.8670	0.00271	0.4251	0.0287	0.0348	0.0186	0.3738	0.04353	3.298	5.580	6.40629

#### 4.2 Markka value of the ECU and currency indices

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4
<b>1990</b>	4.85697	97.3	96.8	97.3
<b>1991</b>	5.00580	101.4	101.4	102.8
<b>1992</b>	5.80140	116.4	115.7	117.3
<b>1993</b>	6.69420	132.4	136.0 <sup>r</sup>	141.8
<b>1994</b>	6.19108	123.2	125.5 <sup>r</sup>	131.8
<b>1994</b>				
<b>Sept.</b>	6.13918	121.3	122.3 <sup>r</sup>	128.7
<b>Oct.</b>	5.89314	116.5	116.7 <sup>r</sup>	122.6
<b>Nov.</b>	5.86886	116.3	116.9 <sup>r</sup>	122.9
<b>Dec.</b>	5.89101	117.0	118.4 <sup>r</sup>	124.2
<b>1995</b>				
<b>Jan.</b>	5.87972	115.9	117.1 <sup>r</sup>	122.6
<b>Feb.</b>	5.84352	114.9	115.8 <sup>r</sup>	121.3
<b>March</b>	5.76731	112.4	112.3 <sup>r</sup>	118.2
<b>April</b>	5.72937	111.2	110.5 <sup>r</sup>	117.4
<b>May</b>	5.70402	111.3	110.9 <sup>r</sup>	118.0
<b>June</b>	5.71859	111.5	110.8 <sup>r</sup>	117.9
<b>July</b>	5.71263	110.9	110.1 <sup>r</sup>	116.7
<b>Aug.</b>	5.60862	109.4	109.4 <sup>r</sup>	115.2
<b>Sept.</b>	5.63392	110.3	110.6 <sup>r</sup>	115.6

## 5. Other domestic financing

### 5.1 Bank funding from the public, mill. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
<b>1990</b>	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
<b>1991</b>	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
<b>1992</b>	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
<b>1993</b>	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
<b>1994</b>	41 200	99 691	108 922	19 838	269 650	12 774	282 424	44 228	326 651
<b>1994</b>									
<b>May</b>	41 132	97 145	106 163	22 337	266 778	14 281	281 059	75 753	356 811
<b>June</b>	42 094	98 377	105 973	21 679	268 123	14 353	282 476	72 209	354 685
<b>July</b>	43 391	98 775	106 511	21 391	270 067	16 517	286 584	70 634	357 218
<b>Aug.</b>	44 503	97 970	107 529	20 969	270 970	14 957	285 927	64 382	350 309
<b>Sept.</b>	40 588	97 976	107 427	20 722	266 712	12 839	279 551	56 424	335 974
<b>Oct.</b>	41 393	98 519	107 168	20 272	267 352	14 479	281 832	52 354	334 186
<b>Nov.</b>	42 319	98 059	107 511	20 141	268 030	11 895	279 925	46 810	326 735
<b>Dec.</b>	41 200	99 691	108 922	19 838	269 650	12 774	282 424	44 228	326 651
<b>1995</b>									
<b>Jan.</b>	41 912	100 114	109 274	19 729	271 028	11 588	282 616	37 173	319 788
<b>Feb.</b>	42 583	103 613	108 069	19 960	274 225	12 844	287 069	44 259	331 328
<b>March</b>	43 698	104 071	108 784	20 259	276 812	12 769	289 581	47 289	336 870
<b>April</b>	45 487	104 920	108 622	20 467	279 495	11 987	291 483	55 118	346 601
<b>May</b>	45 373	103 337	108 316	20 671	277 697	12 264	289 961	48 998	338 959

### 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>1990</b>	19 152	5 777	260 790	285 720	103 134	388 853
<b>1991</b>	18 037	4 712	262 859	285 609	107 714	393 323
<b>1992</b>	16 045	3 335	252 163	271 544	95 168	366 712
<b>1993</b>	14 217	2 223	248 406	264 846	66 931	331 777
<b>1994</b>	13 241	1 301	242 417	256 958	45 138	302 096
<b>1994</b>						
<b>May</b>	14 079	1 736	246 531	262 345	58 233	320 578
<b>June</b>	14 139	1 763	245 939	261 841	57 756	319 597
<b>July</b>	14 061	1 733	245 591	261 386	56 128	317 513
<b>Aug.</b>	13 859	1 680	244 474	260 013	53 977	313 990
<b>Sept.</b>	14 068	1 642	243 874	259 584	51 258	310 842
<b>Oct.</b>	13 583	1 594	244 191	259 368	47 775	307 143
<b>Nov.</b>	13 274	1 522	244 044	258 840	46 902	305 742
<b>Dec.</b>	13 241	1 301	242 417	256 958	45 138	302 096
<b>1995</b>						
<b>Jan.</b>	12 991	1 240	242 556	256 787	43 726	300 513
<b>Feb.</b>	12 951	1 190	242 803	256 944	42 579	299 523
<b>March</b>	12 797	1 157	242 000	255 954	42 316	298 270
<b>April</b>	12 657	1 159	242 911	256 727	39 550	296 277
<b>May</b>	12 448	1 145	242 338	255 930	38 260	294 190



### 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)	M <sub>3</sub>
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1990	-82 881	-19 072	453 720	434 648	-85 385	141 524	266 383	291 045
1991	-86 555	-6 516	470 852	464 336	-102 540	130 644	275 241	310 924
1992	-68 099	81	439 937	440 018	-97 909	134 829	274 011	310 733
1993	-25 989	1 848	403 742	405 589	-100 006	141 759	279 595	322 408
1994	12 844	6 092	364 359	370 451	-96 600	154 357	286 696	328 509
1994								
Aug.	4 260	655	383 389	384 044	-101 500	154 836	286 804	336 027
Sept.	12 224	-2 345	374 845	372 501	-102 004	151 193	282 721	333 572
Oct.	12 826	3 250	370 923	374 174	-103 332	152 568	283 668	335 896
Nov.	12 535	3 611	369 603	373 214	-101 461	152 745	284 288	331 096
Dec.	12 844	6 092	364 359	370 451	-96 600	154 357	286 696	328 509
1995								
Jan.	..	..	..	..	..	153 993	285 771	325 743
Feb.	..	..	..	..	..	158 107	289 245	328 804
March	..	..	..	..	..	159 929	292 215	332 244
April	..	..	..	..	..	163 101	295 579	331 882
May	..	..	..	..	..	162 089	294 022	332 613
June	..	..	..	..	..	164 625	296 565	340 068
July	..	..	..	..	..	164 332	296 311	342 995
Aug.	..	..	..	..	..	163 223	295 142	337 207

### 5.4 Liabilities and assets of the central government, mill. FIM

End of period	Foreign currency-denominated debt			Markka-denominated debt				Total central government debt (3+8)	Out-standing lending	Cash funds	
	Bonds	Other debt	Total (1+2)	Public bonds	Other long-term liabilities	Treasury notes and bills	Miscellaneous items				Total (4+5+6+7)
	1	2	3	4	5	6	7	8	9	10	11
1990	20 917	3 876	24 793	23 982	8 263	-	.	32 245	57 038	48 121	23 114
1991	38 703	4 943	43 646	31 018	12 208	5 180	.	48 406	92 052	55 165	15 956
1992	100 244	6 143	106 387	40 578	13 555	14 762	.	68 895	175 282	61 671	19 781
1993	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	66 439	36 487
1994	160 587	15 975	176 562	93 008	17 100	33 153	-5 945	137 316	313 878	66 851	43 012
1994											
Aug.	165 170	11 698	176 868	79 587	16 870	28 551	-5 485	119 523	296 391	66 903	37 525
Sept.	167 196	12 111	179 307	82 349	16 865	31 514	-5 455	125 273	304 580	67 284	41 848
Oct.	160 626	15 042	175 668	84 786	16 865	31 666	-5 487	127 830	303 498	67 459	39 910
Nov.	163 035	16 371	179 406	88 690	16 794	32 656	-5 479	132 661	312 067	66 924	42 051
Dec.	160 587	15 975	176 562	93 008	17 100	33 153	-5 945	137 316	313 878	66 851	43 012
1995											
Jan.	167 765	16 137	183 902	96 649	17 080	38 658	-6 019	146 368	330 270	67 186	52 460
Feb.	165 516	15 884	181 400	105 442	17 080	37 320	-6 039	153 803	335 203	67 382	54 954
March	166 342	17 306	183 648	115 230	17 053	38 990	-6 041	165 232	348 880	67 593	47 978
April	163 779	14 335	178 114	119 148	16 433	41 596	-5 599	171 578	349 692	68 109	47 895
May	164 510	14 515	179 025	121 943	16 399	40 535	-5 585	173 292	352 317	67 767	43 954
June	164 086	14 555	178 641	122 461	15 788	36 529	-5 587	169 191	347 832	68 114	32 648
July	160 563	14 192	174 755	122 953	15 781	35 526	-5 627	168 633	343 388	67 947	30 029
Aug.	159 404	13 799	173 203	129 417	17 531	34 804	-5 641	176 111	349 314	..	31 864

## 5.5 Markka bond market

### A) Issues, mill. FIM

During period	Corporations	Financial institutions	Central government	Local government	Others	Total (1+2+3+4+5)
	1	2	3	4	5	6
1990	4 640	17 891	4 420	490	1 007	28 447
1991	7 277	25 737	11 073	1 320	-	45 407
1992	6 984	15 043	12 965	2 674	4	37 671
1993	11 691	10 481	36 512	2 235	63	60 981
1994*	4 053	9 899	31 553	593	-	46 099
1994*						
Aug.	-	1 721	2 410	-	-	4 131
Sept.	-	356	4 173	-	-	4 530
Oct.	-	1 042	3 044	-	-	4 087
Nov.	400	891	4 137	-	-	5 428
Dec.	-	663	4 525	-	-	5 187
1995*						
Jan.	100	333	5 109	-	-	5 542
Feb.	53	244	9 230	-	-	9 526
March	354	459	10 543	26	-	11 382
April	1	118	3 943	-	-	4 061
May	22	228	3 852	-	-	4 103
June	100	1 115	2 329	-	-	3 544
July	-	-	505	-	-	505
Aug.	1	110	6 796	-	-	6 907

### B) Stock, 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	
1990	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1991	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992	26 624	82 153	44 005	5 238	3 358	89 382	13 918	58 078	161 378
1993	32 459	73 893	73 682	6 884	2 009	119 552	10 391	58 984	188 927
1994*	30 179	66 467	94 865	6 981	953	141 935	7 581	49 929	199 445
1994*									
Aug.	32 156	69 291	81 448	7 126	964	130 413	8 190	52 382	190 985
Sept.	31 217	68 312	84 211	7 120	963	132 507	7 848	51 468	191 823
Oct.	30 278	68 293	86 648	7 110	953	134 732	7 616	50 934	193 282
Nov.	30 505	67 586	90 548	7 030	950	138 626	7 588	50 405	196 619
Dec.	30 179	66 467	94 865	6 981	953	141 935	7 581	49 929	199 445
1995*									
Jan.	29 808	66 232	98 507	6 879	953	145 960	6 946	49 473	202 379
Feb.	29 569	63 960	107 300	6 841	933	153 390	6 715	48 498	208 603
March	29 286	62 318	117 085	6 849	926	162 634	6 234	47 596	216 464
April	29 110	61 849	120 406	6 841	925	166 375	6 223	46 533	219 131
May	28 789	61 439	123 235	6 500	918	168 603	5 885	46 393	220 881
June	28 448	61 545	123 754	6 439	916	168 118	5 877	47 107	221 102
July	27 777	60 882	124 177	6 387	666	169 259	5 873	44 757	219 889
Aug.	27 557	59 776	130 640	6 378	666	174 872	5 545	44 600	225 017

### C) Turnover, mill. FIM

During period	Interbank transactions	Transactions between banks and customers	Primary dealers' transactions in benchmark government bonds		
			Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
<b>1990</b>	5 401	6 058	.	.	.
<b>1991</b>	3 343	29 134	.	.	.
<b>1992</b>	18 383	58 757	10 744	12 156	13 354
<b>1993</b>	47 803	246 104	42 945	95 647	117 489
<b>1994</b>	184 599	359 697	173 096	150 908	176 647
<b>1994</b>					
Sept.	12 393	24 397	12 307	9 424	13 922
Oct.	13 514	29 003	13 361	12 045	14 624
Nov.	12 351	24 444	11 742	9 818	13 363
Dec.	7 842	17 304	7 531	6 784	9 281
<b>1995</b>					
Jan.	8 855	30 706	8 481	12 246	16 423
Feb.	7 716	28 452	7 287	10 833	14 291
March	14 858	35 736	11 622	14 835	19 126
April	16 904	32 257	14 802	12 917	15 353
May	12 869	39 905	10 693	16 951	17 208
June	14 530	33 598	12 355	14 317	14 300
July	5 792	17 266	5 681	7 115	9 607
Aug.	11 210	42 367	10 698	20 105	20 057
Sept.	19 708	50 201	18 676	22 799	24 815

### 5.6 Helsinki Stock Exchange

Average of daily observations	Share prices							Turnover <sup>1</sup> , mill. FIM		
	HEX index (28 Dec., 1990=1000)							Shares and sub- scrip- tion rights	Bonds and debentures	Total
	All-share index	By industry								
		Banks and finance	Insurance and investment	Manu- facturing	Of which:					
				Forest industries	Metal and engineering	Conglomerates				
	1	2	3	4	5	6	7	8	9	10
<b>1990</b>	1 332	1 263	1 185	1 376	1 436	1 282	1 474	15 521	4 550	20 071
<b>1991</b>	962	901	898	1 003	1 075	1 076	1 021	6 339	1 315	7 655
<b>1992</b>	772	425	467	943	1 123	1 206	890	10 277	15 377	25 654
<b>1993</b>	1 240	608	644	1 601	1 695	1 749	1 751	46 337	59 977	106 314
<b>1994</b>	1 847	719	802	2 464	2 284	2 675	3 068	68 671	2 147	70 818
<b>1994</b>										
Sept.	1 908	652	697	2 601	2 513	2 738	3 336	4 856	132	4 988
Oct.	1 917	645	714	2 612	2 351	2 657	3 512	7 761	216	7 977
Nov.	1 908	604	694	2 617	2 207	2 568	3 672	5 629	102	5 731
Dec.	1 832	576	640	2 524	2 128	2 375	3 589	5 100	70	5 170
<b>1995</b>										
Jan.	1 869	524	598	2 616	2 224	2 381	3 788	5 582	130	5 712
Feb.	1 802	543	577	2 512	2 146	2 240	3 645	7 016	132	7 148
March	1 648	509	533	2 292	1 905	2 038	3 343	5 464	76	5 540
April	1 688	497	556	2 365	2 040	2 138	3 408	5 340	92	5 432
May	1 829	516	613	2 587	2 072	2 259	3 896	5 823	122	5 946
June	1 919	560	631	2 731	2 113	2 154	4 401	7 843	65	7 908
July	2 107	526	694	3 066	2 289	2 346	4 858	7 114	24	7 138
Aug.	2 155	506	709	3 149	2 218	2 443	4 832	7 010	56	7 066
Sept.	2 231	504	751	3 276	2 176	2 492	5 045	8 649	59	8 708

<sup>1</sup> During period.

## 6. Balance of payments, foreign liabilities and assets

### 6.1 Current account, mill. FIM

During period	Exports of goods, fob	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account receipts (6+7+8)	Imports of goods, cif	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1990</b>	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 601	136 166	101 967	4 363	10 766	9 503
<b>1991</b>	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
<b>1992</b>	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
<b>1993*</b>	132 550	10 430	7 079	9 379	26 888	159 438	6 137	6 506	172 080	101 559	5 646	9 237	17 008
<b>1994*</b>	151 751	11 385	6 811	11 275	29 472	181 223	9 888	4 919	196 031	118 300	5 862	8 194	16 800
<b>1993*</b>													
I	31 016	2 366	1 351	2 778	6 495	37 511	1 862	1 470	40 844	25 715	1 303	2 401	4 445
II	32 625	2 646	1 763	2 281	6 690	39 315	1 753	1 756	42 824	24 818	1 351	2 276	4 015
III	32 116	2 832	2 203	2 102	7 138	39 253	1 250	1 584	42 088	23 992	1 473	2 242	4 206
IV	36 793	2 586	1 761	2 218	6 565	43 358	1 271	1 695	46 324	27 034	1 520	2 319	4 341
<b>1994*</b>													
I	34 382	2 663	1 425	2 707	6 795	41 177	1 682	1 289	44 149	24 767	1 295	1 899	4 213
II	38 486	2 902	1 747	2 517	7 166	45 652	3 331	1 190	50 173	29 458	1 455	2 038	3 967
III	37 322	3 092	2 076	2 828	7 996	45 318	1 998	1 180	48 496	28 743	1 549	2 102	3 899
IV	41 561	2 728	1 563	3 223	7 514	49 075	2 878	1 260	53 213	35 332	1 563	2 154	4 721
<b>1995*</b>													
I	41 956	2 733	1 388	3 772	7 893	49 849	3 559	1 716	55 124	30 031	1 479	2 271	4 717
II	46 100	3 042	1 772	3 369	8 184	54 284	3 943	1 694	59 921	33 400	1 434	2 696	4 457

During period	Services expenditure, total (11+12+13)	Imports of goods and services (10+14)	Investment expenditure	Transfers and other expenditure	Current account expenditure (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21+22)	Goods and services account (19+23)	Investment income, net (7-16)	Transfers and others, net (8-17)	Current account (24+25+26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1990</b>	24 632	126 599	26 973	9 107	162 680	-2 218	3 984	-6 117	-3 422	-5 555	-7 772	-14 234	-4 506	-26 513
<b>1991</b>	26 074	112 421	28 674	10 229	151 325	4 752	3 534	-6 044	-5 374	-7 885	-3 132	-18 671	-4 893	-26 696
<b>1992</b>	28 690	121 878	30 424	10 347	162 649	12 622	4 283	-4 873	-5 639	-6 228	6 394	-24 001	-4 428	-22 035
<b>1993*</b>	31 891	133 450	34 580	10 390	178 421	30 991	4 784	-2 159	-7 629	-5 004	25 988	-28 443	-3 885	-6 340
<b>1994*</b>	30 856	149 156	31 286	8 596	189 038	33 452	5 523	-1 382	-5 525	-1 384	32 067	-21 398	-3 676	6 993
<b>1993*</b>														
I	8 149	33 864	10 137	2 808	46 809	5 301	1 063	-1 049	-1 667	-1 654	3 648	-8 275	-1 338	-5 965
II	7 642	32 461	10 493	2 393	45 347	7 806	1 295	-512	-1 735	-952	6 854	-8 740	-637	-2 523
III	7 921	31 913	6 805	2 640	41 358	8 124	1 360	-39	-2 104	-783	7 341	-5 555	-1 055	730
IV	8 180	35 213	7 145	2 549	44 907	9 760	1 066	-558	-2 123	-1 615	8 145	-5 874	-854	1 417
<b>1994*</b>														
I	7 407	32 175	9 345	2 683	44 203	9 614	1 368	-474	-1 506	-612	9 002	-7 663	-1 393	-54
II	7 460	36 918	8 581	1 959	47 457	9 028	1 447	-291	-1 450	-294	8 734	-5 249	-769	2 716
III	7 550	36 293	6 159	1 971	44 423	8 580	1 542	-26	-1 071	446	9 025	-4 162	-791	4 073
IV	8 438	43 770	7 201	1 984	52 954	6 230	1 166	-591	-1 498	-924	5 306	-4 324	-724	258
<b>1995*</b>														
I	8 467	38 498	9 403	3 542	51 443	11 925	1 254	-883	-945	-574	11 351	-5 844	-1 826	3 681
II	8 587	41 987	10 299	2 941	55 227	12 700	1 609	-924	-1 088	-403	12 297	-6 356	-1 246	4 695

## 6.2 Capital and financial account, mill. FIM

During period	Imports of capital												Total (1+7+12)	
	Direct investment in Finland	Portfolio investment					Other investment					Total (8+9+10+11)		
		Shares	Bonds	Of which: markka denominated bonds	Money market instruments	Financial derivatives	Total (2+3+5+6)	Trade credits	Loans	Currency and deposits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13		
1990	3 010	376	22 280	1 440	-923	..	21 733	1 156	16 635	-725	17 307	34 372	59 115	
1991	-997	47	38 751	11 786	-4 511	..	34 287	-3 987	7 496	131	-9 737	-6 098	27 192	
1992	1 822	397	39 309	-5 312	-1 791	..	37 915	3 639	2	1 690	-17 415	-12 084	27 653	
1993*	4 945	12 748	30 353	3 616	-4 382	..	38 719	4 467	5 357	-5 347	-24 454	-19 977	23 687	
1994*	8 403	13 400	21 977	-5 783	-1 565	-65	33 748	2 722	647	-232	-1 160	1 977	44 128	
1993*														
I	439	1 405	15 542	320	-2 314	..	14 632	1 900	7 326	901	-8 593	1 533	16 604	
II	927	1 515	16 269	3 420	-1 348	..	16 435	-196	815	-1 268	-6 612	-7 261	10 101	
III	631	6 529	2 267	2 523	-2 755	..	6 041	-836	-1 495	1 671	-8 143	-8 803	-2 131	
IV	2 948	3 300	-3 725	-2 646	2 036	..	1 611	3 599	-1 289	-6 650	-1 106	-5 446	-887	
1994*														
I	3 893	4 389	4 669	526	-1 587	31	7 501	-908	-3 980	772	6 687	2 572	13 966	
II	3 061	2 404	5 341	-3 808	3 118	268	11 132	-868	1 312	-1 748	-3 078	-4 383	9 810	
III	2 362	5 181	16 528	783	-2 253	-383	19 073	177	-1 363	964	-5 534	-5 756	15 679	
IV	-913	1 426	-4 562	-3 283	-843	20	-3 958	4 321	4 678	-220	765	9 544	4 673	
1995*														
I	2 718	406	-1 530	-3 092	-1 976	234	-2 866	-2 113	-499	9	8 544	5 940	5 792	
II	-1 081	3 099	-10 282	-4 126	-707	633	-7 257	410	-3 344	-766	-1 287	-4 987	-13 324	
During period	Exports of capital												Errors and omissions	Change in central bank's reserve assets (in-crease -)
	Direct investment abroad	Portfolio investment					Other investment					Total (14+19+24)		
		Shares	Bonds	Money market instruments	Financial derivatives	Total (15+16+17+18)	Trade credits	Loans	Currency and deposits	Other	Total (20+21+22+23)			
14	15	16	17	18	19	20	21	22	23	24	25	26	27	
1990	10 353	2	575	1 171	..	1 748	-1 565	2 953	935	-3 480	-1 157	10 944	-6 240	-15 417
1991	-501	-369	-3	1 499	..	1 128	-726	2 341	1 054	6 587	9 256	9 883	2 012	7 375
1992	-3 372	46	321	2 748	..	3 115	3 634	3 409	3 745	3 259	14 048	13 790	-1 008	9 180
1993*	8 050	873	767	1 932	..	3 571	1 923	-839	-6 063	14 698	9 720	21 341	5 214	-1 219
1994*	20 887	-43	-4 702	-859	-276	-5 881	2 435	-7 460	1 856	5 826	2 657	17 664	-7 952	-25 504
1993*														
I	614	158	2 823	-577	..	2 404	1 623	-726	-1 516	15 515	14 896	17 914	1 689	5 586
II	709	2	-1 095	-972	..	-2 065	518	-185	247	-3 766	-3 186	-4 543	-1 437	-10 684
III	-845	77	-841	3 975	..	3 211	-190	-1 008	1 514	9 514	9 829	12 195	2 577	11 019
IV	7 572	636	-120	-494	..	21	-28	1 081	-6 308	-6 564	-11 819	-4 226	2 385	-7 141
1994*														
I	5 378	43	-662	211	-201	-609	-1 294	-1 849	2 612	-5 814	-6 345	-1 576	-5 209	-10 279
II	5 506	-68	-3 273	-4 446	-27	-7 814	1 735	-2 625	-460	6 191	4 841	2 533	180	-10 172
III	4 500	-18	-1 173	420	-52	-824	-414	-251	-268	9 847	8 914	12 590	-3 241	-3 921
IV	5 503	0	407	2 956	4	3 367	2 408	-2 734	-28	-4 399	-4 753	4 117	318	-1 132
1995*														
I	1 735	-217	1 609	-2 244	-98	-950	983	-1 210	-2 174	11 503	9 103	9 887	2 105	-1 691
II	1 531	177	-323	-3 138	81	-3 203	2 157	-341	-477	-7 399	-6 060	-7 732	-390	1 288

### 6.3 Finland's international investment position, mill. FIM

Position at end of period	Liabilities												Total liabilities (1+7+12)
	Direct investment in Finland	Portfolio investment					Total (2+3+5+6)	Other investment					
		Shares	Bonds	Of which: markka denominated bonds	Money market instruments	Financial derivatives		Trade credits	Loans	Currency and deposits	Other	Total (8+9+10+11)	
1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>1990</b>	18 651	5 052	95 530	6 385	23 856	..	124 438	13 915	51 937	7 969	89 662	163 483	306 572
<b>1991</b>	17 443	4 149	141 055	19 036	22 079	..	167 283	9 532	68 892	8 555	84 036	171 015	355 741
<b>1992</b>	19 348	5 138	211 361	14 366	19 391	..	235 889	13 305	78 330	11 880	78 804	182 320	437 557
<b>1993*</b>	24 391	30 375	263 864	26 288	14 995	-6 103	303 131	18 206	93 124	4 025	54 188	169 543	497 064
<b>1994*</b>	32 173	60 558	256 275	21 028	10 450	-6 877	320 406	20 527	84 826	3 430	46 566	155 350	507 929
<b>1993*</b>													
I	19 812	8 121	253 159	16 281	17 007	..	278 287	15 193	96 786	13 135	76 093	201 207	499 306
II	20 763	11 901	254 886	21 118	15 573	..	282 360	14 897	93 408	11 461	67 494	187 260	490 383
III	21 418	22 725	265 540	23 460	13 090	..	301 355	14 091	95 327	13 276	61 106	183 799	506 573
IV	24 391	30 375	263 864	26 288	14 995	-6 103	303 131	18 206	93 124	4 025	54 188	169 543	497 064
<b>1994*</b>													
I	27 791	39 079	266 672	28 950	12 244	-8 855	309 140	17 116	87 372	4 724	58 746	167 958	504 889
II	30 864	42 719	269 689	22 831	15 286	-8 809	318 885	16 230	88 589	2 964	55 420	163 203	512 952
III	33 131	56 036	269 901	24 895	11 909	-7 591	330 255	16 277	81 907	3 752	47 152	149 088	512 474
IV	32 173	60 558	256 275	21 028	10 450	-6 877	320 406	20 527	84 826	3 430	46 566	155 350	507 929
<b>1995*</b>													
I	34 772	53 488	252 116	19 837	7 222	-7 526	305 300	18 199	82 765	3 369	53 418	157 751	497 824
II	33 653	79 430	240 801	16 203	5 965	-8 329	317 867	18 576	78 969	2 580	51 237	151 362	502 882

Position at end of period	Assets											Total assets (14+19+24)
	Direct investment abroad	Portfolio investment					Total (15+16+17+18)	Other investment				
		Shares	Bonds	Money market instruments	Financial derivatives	Trade credits		Loans	Currency and deposits	Other	Total (20+21+22+23)	
14	15	16	17	18	19	20	21	22	23	24	25	
<b>1990</b>	40 800	762	6 447	2 173	..	9 383	16 549	24 825	5 726	65 754	112 854	163 037
<b>1991</b>	44 823	426	7 004	4 154	..	11 584	16 388	28 504	7 647	72 498	125 037	181 444
<b>1992</b>	44 921	469	8 697	7 917	..	17 083	21 389	35 251	12 665	76 647	145 952	207 955
<b>1993*</b>	53 090	1 285	10 706	11 028	446	23 465	26 350	35 981	5 701	88 579	156 611	233 166
<b>1994*</b>	67 314	1 034	4 751	9 115	487	15 388	26 678	24 847	7 055	106 465	165 046	247 748
<b>1993*</b>												
I	51 575	676	11 952	7 766	..	20 394	23 664	36 976	12 275	92 392	165 307	237 277
II	47 722	671	10 801	6 627	..	18 099	23 888	34 148	12 159	97 321	167 516	233 337
III	48 332	759	10 074	10 689	..	21 522	23 857	34 208	13 929	98 044	170 039	239 893
IV	53 090	1 285	10 706	11 028	446	23 465	26 350	35 981	5 701	88 579	156 611	233 166
<b>1994*</b>												
I	57 925	1 236	9 576	10 910	622	22 343	24 718	32 788	8 107	90 621	156 234	236 502
II	63 578	1 146	5 953	6 338	550	13 987	26 392	29 981	7 449	105 988	169 811	247 376
III	65 251	1 055	4 311	6 087	561	12 014	24 682	28 350	6 955	112 579	172 566	249 831
IV	67 314	1 034	4 751	9 115	487	15 388	26 678	24 847	7 055	106 465	165 046	247 748
<b>1995*</b>												
I	68 416	672	5 485	5 768	119	12 044	27 850	22 692	4 989	115 389	170 920	251 380
II	69 090	850	5 407	2 507	114	8 878	29 797	22 175	4 562	105 126	161 660	239 627

6.4 Finland's net international investment position (liabilities less assets), by sector, mill. FIM

Position at end of period	Corporate sector	Banks	Bank of Finland	Other financial institutions	Central government	Local government	Net (1+2+3+4+5+6)	Net interest and dividend expenditure	Net interest and dividend expenditure in relation to current account receipts, %
	1	2	3	4	5	6	7	8	9
<b>1990</b>	34 853	110 111	-36 700	9 910	24 751	610	143 535	13 130	9.7
<b>1991</b>	28 483	107 434	-34 046	18 960	52 748	719	174 298	15 671	12.7
<b>1992</b>	30 501	82 343	-27 546	28 283	113 674	2 347	229 602	19 011	13.6
<b>1993*</b>	51 382	45 658	-33 279	29 737	167 444	2 956	263 898	21 897	12.8
<b>1994*</b>	74 111	31 978	-52 606	21 194	182 517	2 987	260 182	19 498	10.2
<b>1993*</b>									
<b>I</b>	35 201	65 514	-27 782	29 660	156 500	2 937	262 029	6 640	16.3
<b>II</b>	37 584	61 511	-37 288	27 269	165 160	2 810	257 046	7 103	16.6
<b>III</b>	45 851	44 622	-27 318	27 224	173 332	2 967	266 680	3 918	9.3
<b>IV</b>	51 382	45 658	-33 279	29 737	167 444	2 956	263 898	4 237	9.1
<b>1994*</b>									
<b>I</b>	59 637	51 321	-42 504	27 617	169 083	3 233	268 387	7 188	16.3
<b>II</b>	58 444	50 407	-52 617	24 973	181 120	3 248	265 576	4 774	9.5
<b>III</b>	69 660	32 687	-52 998	23 923	186 302	3 069	262 643	3 687	7.6
<b>IV</b>	74 111	31 978	-52 606	21 194	182 517	2 987	260 182	3 849	7.2
<b>1995*</b>									
<b>I</b>	66 204	21 435	-53 298	20 046	189 003	3 053	246 444	5 619	10.2
<b>II</b>	87 410	25 085	-50 742	19 026	179 276	3 199	263 255	6 131	10.2

## 7. Foreign trade

### 7.1 Exports, imports and the trade balance, mill. FIM

During period	Exports, fob	Imports, cif	Balance (1-2)
	1	2	3
1990	101 327	103 027	-1 700
1991	92 842	87 744	5 098
1992	107 463	94 947	12 516
1993	134 112	103 167	30 945
1994*	153 859	120 200	33 659
1994*			
Aug.	11 557	9 884	1 673
Sept.	13 165	10 162	3 003
Oct.	13 397	10 087	3 310
Nov.	13 982	10 968	3 014
Dec. <sup>1</sup>	14 713	14 757	-44
1995 <sup>1</sup>			
Jan.	12 956	7 931	5 025
Feb.	13 700	10 400	3 300
March	15 300	11 700	3 600
April	15 000	10 600	4 400
May	14 800	12 000	2 800
June	16 300	10 800	5 500
July	12 600	9 600	3 000
Aug.	13 300	11 300	2 000

<sup>1</sup> See Notes and explanations to the statistical section.

### 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
1990	125	138	154	128	120
1991	114	115	154	131	118
1992	124	112	164	145	113
1993	147	109	172	163	106
1994*	166	130	175	158	111
1992					
III	117	102	163	142	115
IV	133	116	171	154	111
1993					
I	135	108	176	165	106
II	143	105	174	165	105
III	141	101	174	165	105
IV	165	116	170	161	105
1994*					
I	155	107	170	161	106
II	168	129	175	158	111
III	161	124	178	161	111
IV	180	156	176	158	112

### 7.3 Foreign trade by main groups, mill. FIM

During period	Exports by industries, fob					Imports by use of goods, cif				
	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
								Investment goods	Consumer goods	
	1	2	3	4	5	6	7	8	9	10
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
1993	10 910	37 430	14 205	48 158	23 409	54 792	10 904	15 396	21 066	1 009
1994*	14 114	41 300	15 639	55 558	27 248	65 899	11 628	17 147	24 606	920
1994*										
Jan.	980	3 012	1 295	4 308	2 286	4 538	698	1 205	1 821	60
Feb.	1 018	3 060	1 060	3 741	2 029	4 229	608	925	1 621	33
March	1 026	3 623	1 248	4 061	2 166	5 198	752	1 314	2 206	45
April	1 165	3 487	1 156	4 338	2 197	4 823	968	1 662	1 913	49
May	1 431	3 506	1 511	4 538	2 371	6 075	1 290	1 317	2 232	15
June	1 318	3 358	1 289	4 882	2 458	5 513	867	1 192	1 950	77
July	1 015	3 287	1 315	5 802	1 712	4 823	955	1 227	1 792	382
Aug.	935	3 437	1 258	3 816	2 111	5 419	1 029	1 386	2 031	19
Sept.	1 313	3 586	1 354	4 320	2 592	5 656	1 054	1 384	2 027	41
Oct.	1 268	3 566	1 313	4 937	2 313	5 645	803	1 485	2 051	103
Nov.	1 357	3 719	1 453	4 968	2 485	6 191	1 012	1 557	2 180	28
Dec.	1 290	3 662	1 400	5 883	2 478	7 790	1 597	2 492	2 783	95
1995 <sup>1</sup>										
Jan.	1 203	4 133	1 171	4 464	1 985	4 796	377	1 113	1 557	88



## 7.4 Foreign trade by regions and countries

Region and country	Exports, fob				Imports, cif			
	1994*		1995* January		1994*		1995* January	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of 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>	115 277	74.9	..	..	93 014	77.4	..	..
<b>OECD Europe</b>	97 873	63.6	8 352	11.0	74 466	62.0	5 219	2.0
Of which:								
Austria	1 597	1.0	137.0	28.5	1 347	1.1	97.0	11.9
Belgium and Luxembourg	3 457	2.2	468	59.5	3 284	2.7	277	-0.1
Denmark	5 283	3.4	445	-20.1	3 661	3.0	258	-1.7
France	7 774	5.1	620	7.9	4 902	4.1	362	-1.8
Germany	20 662	13.4	1 724	12.0	17 713	14.7	1 304	10.5
Italy	4 591	3.0	573	73.7	4 660	3.9	299	10.0
Netherlands	7 866	5.1	668	-2.8	4 339	3.6	349	14.7
Norway	4 862	3.2	377	0.8	5 745	4.8	332	-28.1
Spain	3 547	2.3	385	56.3	1 576	1.3	111	-25.5
Sweden	16 818	10.9	1 116	-7.8	12 522	10.4	963	16.8
Switzerland	2 325	1.5	184	-2.9	2 105	1.8	132	-9.0
United Kingdom	15 907	10.3	1 419	26.2	10 004	8.3	570	-9.0
<b>Other OECD</b>	17 404	11.3	..	..	18 548	15.4	..	..
Of which:								
Canada	1 031	0.7	72	1.8	837	0.7	55	-14.7
Japan	3 174	2.1	276	49.1	7 809	6.5	442	-23.7
United States	11 033	7.2	861	16.7	9 163	7.6	561	-14.7
<b>Non-OECD European countries</b>	18 428	12.0	1 206	-16.5	14 970	12.5	837	-5.0
Of which:								
Russia	7 994	5.2	496	-34.7	10 661	8.9	624	-4.4
<b>Other countries</b>	20 154	13.1	..	..	12 216	10.2	..	..
Of which:								
<b>OPEC countries</b>	2 446	1.6	..	..	590	0.5	..	..
<b>TOTAL</b>	153 859	100.0	12 956	9.0	120 200	100.0	7 931	-4.6
Of which:								
<b>EC countries</b>	71 489	46.5	7 898	15.2	52 447	43.6	4 823	7.4
<b>EFTA countries</b>	25 725	16.7	578	1.7	21 812	18.1	464	-24.0

## 8. Domestic economic developments

### 8.1 Supply and use of resources, mill. FIM, 1990 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
1990	269 754	108 535	121 858	17 286	5 769	523 202	118 828	126 600	515 430
1991	260 031	111 256	93 722	17 243	-2 451	479 801	110 965	111 755	479 011
1992	247 363	108 799	75 338	16 899	4 534	452 933	122 059	112 989	462 003
1993	240 177	103 028	60 638	13 890	10 131	427 864	142 459	113 752	456 571
1994*	244 493	102 385	60 362	12 519	23 113	442 872	160 294	128 104	475 062
1993									
I	60 204	25 936	15 788	3 632	2 687	108 247	34 729	30 014	112 962
II	59 522	25 852	15 515	3 413	1 215	105 517	34 401	26 799	113 119
III	59 781	25 778	14 723	3 577	3 149	107 008	36 280	28 534	114 754
IV	60 670	25 462	14 612	3 268	3 080	107 092	37 049	28 405	115 736
1994*									
I	61 172	25 404	14 290	3 284	2 106	106 256	37 769	28 714	115 311
II	60 280	25 563	14 602	3 220	5 981	109 646	39 963	30 916	118 693
III	61 050	25 502	15 565	3 046	6 661	111 824	41 059	32 755	120 128
IV	61 991	25 916	15 905	2 969	8 365	115 146	41 503	35 719	120 930
1995*									
I	63 262	25 294	17 182	2 824	4 167	112 729	44 265	34 188	122 806
II	64 012	25 826	16 671	2 703	4 340	113 552	45 080	35 097	123 535

### 8.2 Volume of industrial production, 1990=100 (seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.5)	(9.1)
	1	2	3	4	5	6	7
1990	100.2	99.8	100.2	100.1	100.4	100.1	100.0
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992	92.4	88.4	91.4	94.6	91.1	90.2	103.0
1993	97.4	86.1	96.4	104.5	99.7	90.8	107.9
1994*	107.9	96.1	107.4	115.5	118.4	95.8	114.3
1994*							
July	108.6	171.7	106.7	117.0	114.6	96.8	114.3
Aug.	108.9	157.2	107.1	114.9	117.1	95.5	122.1
Sept.	111.3	119.3	110.9	115.8	129.7	96.7	117.0
Oct.	112.4	105.6	112.6	116.7	130.2	97.6	113.7
Nov.	112.4	106.0	112.6	115.2	132.0	97.7	111.3
Dec.	111.6	101.7	111.5	119.0	128.7	96.2	114.2
1995*							
Jan.	114.0	84.3	114.4	118.8	134.0	97.5	113.1
Feb.	114.8	88.6	115.9	120.7	134.8	99.4	107.0
March	117.1	89.6	118.0	120.3	137.4	99.4	111.1
April	115.9	85.8	116.4	119.5	138.8	97.7	113.7
May	116.6	62.3	117.4	119.5	144.1	96.8	115.5
June	116.6	83.1	117.3	118.7	141.7	98.1	115.1
July	113.2	86.9	113.6	125.6	127.3	98.7	118.7

### 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>1990</b>	119.9	111.6	127.3	124.8	161.7	122.1	144.6	117.5
<b>1991</b>	99.4	103.5	103.9	94.4	127.7	109.9	102.1	110.3
<b>1992</b>	87.2	92.9	79.5	73.8	76.2	87.5	84.5	107.0
<b>1993</b>	82.5	87.6	59.5	60.5	52.9	59.8	83.2	105.5
<b>1994*</b>	87.6	89.3	53.5	56.7	57.2	48.7	97.3	109.8
<b>1994*</b>								
<b>June</b>	88.0	89.3	..	..	..	..	..	109.6
<b>July</b>	86.8	86.9	..	..	..	..	..	109.3
<b>Aug.</b>	90.7	89.3	..	..	..	..	..	110.0
<b>Sept.</b>	90.7	91.1	..	..	..	..	..	110.8
<b>Oct.</b>	89.1	89.0	..	..	..	..	..	111.8
<b>Nov.</b>	91.6	89.9	..	..	..	..	..	111.8
<b>Dec.</b>	90.4	91.3	..	..	..	..	..	112.6
<b>1994*</b>								
<b>II</b>	86.8	88.8	51.4	56.1	48.3	46.2	97.8	109.7
<b>III</b>	89.4	89.1	54.1	53.8	64.4	47.9	84.4	110.0
<b>IV</b>	90.4	90.1	53.7	51.8	71.0	48.9	132.9	112.1
<b>1995*</b>								
<b>Jan.</b>	90.2	92.8	..	..	..	..	..	114.5
<b>Feb.</b>	91.0	93.3	..	..	..	..	..	114.3
<b>March</b>	90.1	91.5	..	..	..	..	..	115.9
<b>April</b>	87.7	92.2	..	..	..	..	..	114.6
<b>May</b>	91.6	94.1	..	..	..	..	..	114.7
<b>June</b>	89.8	92.7	..	..	..	..	..	113.6
<b>1995*</b>								
<b>I</b>	90.4	92.5	52.5	54.5	79.3	42.2	..	114.9
<b>II</b>	89.7	93.0	53.3	55.2	95.7	40.7	..	114.3

## 8.4 Wages and prices, 1990=100

Period	Index of wage and salary earnings	By sectors			Consumer price index	Indicator of underlying inflation	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private	Of which: Manufacturing (SIC 3)	Public				Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1990</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
<b>1991</b>	106.4	106.4	106.1	106.4	104.3	104.1	100.0	99.8	100.8	99.4	98.5	99.8	102.2
<b>1992</b>	108.4	108.1	108.3	109.0	107.4	107.1	101.4	99.5	108.5	101.6	102.7	101.1	100.4
<b>1993<sup>1</sup></b>	109.2	108.8	110.0	110.1	109.7	109.9	104.8	100.8	119.3	105.5	109.2	103.9	100.7
<b>1994<sup>1</sup></b>	111.5	111.6	115.0	111.3	110.9	111.4	106.2	102.8	118.7	107.1	110.1	105.8	102.2
<b>1994</b>													
<b>Aug.</b>	..	..	..	..	111.6	111.7	106.8	103.3	119.5	108.2	112.0	106.5	102.4
<b>Sept.</b>	..	..	..	..	111.8	112.0	107.0	103.7	119.3	108.4	112.0	106.8	102.5
<b>Oct.</b>	..	..	..	..	111.9	112.1	107.1	104.0	118.2	108.4	111.0	107.3	102.9
<b>Nov.</b>	..	..	..	..	111.6	111.7	107.1	104.1	118.5	108.4	111.3	107.2	102.9
<b>Dec.</b>	..	..	..	..	111.5	111.7	107.2	104.3	118.0	108.7	111.5	107.4	102.8
<b>1994<sup>1</sup></b>													
<b>II</b>	111.2	111.3	114.6	111.1	110.6	111.3	105.9	102.3	119.3	106.4	109.1	105.2	101.9
<b>III</b>	111.5	111.7	115.3	111.3	111.6	111.7	106.8	103.4	119.4	108.1	111.6	106.5	102.3
<b>IV</b>	112.5	112.9	116.9	112.0	111.7	111.8	107.1	104.1	118.2	108.5	111.3	107.3	102.9
<b>1995</b>													
<b>Jan.</b>	..	..	..	..	111.4	110.8	107.0	104.1	117.8	109.1	113.2	107.3	103.2
<b>Feb.</b>	..	..	..	..	111.8	111.5	107.5	104.2	119.5	109.5	114.7	107.2	103.6
<b>March</b>	..	..	..	..	111.8	111.4	107.5	104.4	119.1	109.4	114.6	107.1	103.5
<b>April</b>	..	..	..	..	111.9	111.5	108.0	104.9	119.2	110.1	116.0	107.5	103.7
<b>May</b>	..	..	..	..	112.0	111.4	108.3	105.2	119.5	110.8	117.6	107.8	103.6
<b>June</b>	..	..	..	..	112.4	111.5	108.1	105.2	119.1	110.8	117.9	107.8	103.5
<b>July</b>	..	..	..	..	112.3	111.4	107.8	104.9	118.5	110.9	118.7	107.6	103.6
<b>Aug.</b>	..	..	..	..	112.1	..	105.8	102.4	118.5	111.1	118.9	107.8	103.6
<b>1995<sup>1</sup></b>													
<b>I</b>	114.7	115.8	121.2	113.1	111.7	111.2	107.3	104.2	118.8	109.3	114.2	107.2	103.4
<b>II</b>	116.3	117.3	123.5	114.7	112.1	111.5	108.1	105.1	119.3	110.6	117.2	107.7	103.6

<sup>1</sup> Preliminary figures for columns 1-4.

## 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			
		%	1000 persons								%	
		1	2	3	4	5	6	7	8	9	10	11
<b>1990</b>	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4	
<b>1991</b>	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6	
<b>1992</b>	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1	
<b>1993</b>	65.3	2 484	2 041	312	1 729	173	423	124	1 319	444	17.9	
<b>1994</b>	64.8	2 480	2 024	312	1 712	167	426	113	1 317	456	18.4	
<b>1994</b>												
<b>Aug.</b>	64.7	2 478	2 034	311	1 722	167	436	114	1 316	445	17.9	
<b>Sept.</b>	65.1	2 492	2 044	320	1 724	170	439	113	1 321	448	18.0	
<b>Oct.</b>	64.8	2 484	2 043	308	1 735	160	436	122	1 325	441	17.8	
<b>Nov.</b>	64.6	2 475	2 039	310	1 729	167	433	111	1 327	436	17.6	
<b>Dec.</b>	64.9	2 487	2 051	309	1 742	164	438	118	1 332	435	17.5	
<b>1995</b>												
<b>Jan.</b>	64.8	2 485	2 043	298	1 745	162	444	123	1 313	442	17.8	
<b>Feb.</b>	64.5	2 474	2 049	291	1 758	164	435	119	1 331	425	17.2	
<b>March</b>	64.9	2 488	2 070	295	1 775	161	453	124	1 332	418	16.8	
<b>April</b>	65.3	2 505	2 067	292	1 775	160	457	125	1 325	438	17.5	
<b>May</b>	65.4	2 510	2 067	311	1 756	164	453	114	1 336	442	17.6	
<b>June</b>	65.3	2 505	2 073	305	1 768	162	464	122	1 326	433	17.3	
<b>July</b>	65.6	2 517	2 078	302	1 776	153	466	119	1 340	440	17.5	
<b>Aug.</b>	64.9	2 491	2 064	317	1 747	161	449	120	1 334	427	17.1	

## 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)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
<b>1990</b>	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
<b>1991</b>	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
<b>1992</b>	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 291	105 184	42 990	59 180
<b>1993</b>	31 667	67 291	1 443	28 823	129 224	7 366	136 593	46 880	108 608	42 720	63 535
<b>1994</b>	34 588	68 124	1 792	24 095	128 599	7 308	135 900	48 750	108 155	40 388	65 519
<b>1994</b>											
<b>July</b>	3 059	5 980	237	1 756	11 032	898	11 929	4 200	8 475	3 195	5 083
<b>Aug.</b>	2 915	6 837	138	1 336	11 226	198	11 424	3 046	8 170	3 115	4 806
<b>Sept.</b>	2 671	5 289	127	1 489	9 576	81	9 658	3 866	8 399	3 147	5 182
<b>Oct.</b>	2 736	5 834	101	1 243	9 914	228	10 141	3 859	11 109	3 138	7 867
<b>Nov.</b>	2 632	5 608	72	1 956	10 268	975	11 243	4 013	8 368	3 164	5 009
<b>Dec.</b>	3 490	5 710	113	3 766	13 079	484	13 563	7 273	7 912	3 648	3 942
<b>1995</b>											
<b>Jan.</b>	2 850	6 369	80	1 059	10 358	31	10 388	3 190	9 872	3 099	5 712
<b>Feb.</b>	- 924	6 038	93	3 238	8 445	62	8 507	4 109	7 744	3 020	4 092
<b>March</b>	4 153	3 485	30	2 688	10 356	171	10 528	4 627	11 724	3 410	8 061
<b>April</b>	3 055	5 675	59	3 621	12 410	2 738	15 147	4 162	10 804	4 578	5 480
<b>May</b>	4 352	5 120	58	3 588	13 118	713	13 832	4 240	11 641	4 358	6 634
<b>June</b>	3 068	4 755	958	2 619	11 400	87	11 486	4 581	10 309	3 382	6 293
<b>July</b>	3 578	5 996	52	1 851	11 477	481	11 958	4 686	7 838	3 104	4 126
During period	Expenditure					Financial balance					
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)		
										12	13
	12	13	14	15	16	17	18	19	20		
<b>1990</b>	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879		
<b>1991</b>	5 370	6 368	158 044	13 328	171 372	-23 420	-32 304	25 659	-6 645		
<b>1992</b>	5 042	8 499	168 016	35 501	203 516	-41 400	-71 847	70 691	-1 155		
<b>1993</b>	4 306	18 076	177 870	19 753	197 623	-48 646	-61 030	84 036	23 009		
<b>1994</b>	3 737	22 358	183 000	17 886	200 760	-54 401	-64 860	73 193	8 336		
<b>1994</b>											
<b>July</b>	353	1 181	14 209	365	14 575	-3 177	-2 646	14 635	11 990		
<b>Aug.</b>	298	1 216	12 730	633	13 363	-1 504	-1 939	-1 348	-3 287		
<b>Sept.</b>	321	1 748	14 334	6 490	20 824	-4 758	-11 166	13 203	2 037		
<b>Oct.</b>	314	1 705	16 987	555	17 541	-7 073	-7 400	4 430	-2 969		
<b>Nov.</b>	344	1 060	13 785	587	14 372	-3 517	-3 129	5 473	2 344		
<b>Dec.</b>	625	1 718	17 528	2 155	19 683	-4 449	-6 120	5 236	- 884		
<b>1995</b>											
<b>Jan.</b>	180	4 018	17 260	407	17 668	-6 902	-7 280	13 669	6 389		
<b>Feb.</b>	244	1 367	13 464	647	14 111	-5 019	-5 604	9 435	3 832		
<b>March</b>	187	3 601	20 139	443	20 583	-9 783	-10 055	12 242	2 186		
<b>April</b>	158	2 007	17 131	7 292	24 423	-4 721	-9 276	2 225	-7 051		
<b>May</b>	218	1 445	17 544	2 454	19 999	-4 426	-6 167	1 719	-4 448		
<b>June</b>	262	3 222	18 374	2 487	20 861	-6 974	-9 375	-3 851	-13 226		
<b>July</b>	258	1 361	14 143	707	14 851	-2 666	-2 893	-1 344	-4 236		

# 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 claims on deposit banks, net (Column 12) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments + term credits – term deposits. Liquidity position of deposit banks (Column 13): see explanation to Table 2.1. Other claims on financial institutions, net (Column 15) = till-money credits to deposit banks (until May 1993) + bonds + other claims on financial institutions – other liabilities to financial institutions.

### 2 The Bank of Finland's operations in the money and foreign exchange markets and the banks' forward exchange position

**Table 2.1** Banks with access to central bank financing can make call money deposits with the Bank of Finland without limit. They can also obtain liquidity credit with a maturity of 1 day, 7 days, 14 days, 21 days or 28 days. The maturity is determined by the Bank of Finland.

**Table 2.2** The minimum reserve requirement is reported for the month by the end of which the deposit must be made with the Bank of Finland. The requirement is determined on the basis of the reserve base for the previous month. No interest is paid on minimum reserve deposits.

**Table 2.3** Money market instruments are the instruments used by the Bank of Finland in its money market operations. Matured money market instruments, net, comprise both instruments purchased and sold. Money market transactions are recorded according to trade dates.

**Table 2.4** Foreign exchange transactions are recorded according to trade dates. In addition to spot transactions (Columns 1, 2, 4 and 5) the Bank of Finland's foreign exchange reserves are affected by interest payment and by changes in both the prices of securities and exchange rates. Spot transactions related to forward contracts (Column 4) refer to the combined effects on the foreign

exchange reserves of forward transactions in the form of swaps and maturing forward transactions. The central government's foreign exchange transactions (Column 5) comprise transactions related to drawings and redemptions of government loans and associated interest payments.

**Table 2.5** The markka value of forward contracts is given.

### 3 Rates of interest

**Table 3.1** The interbank overnight rate (Column 1) is weighted using amounts of interbank deposits as weights. Since 1 June 1995, HELIBOR rates (Helsinki Interbank Offered Rate) (Columns 2–5) have been calculated on the basis of the bid rates (offered rates for funds) quoted for their own certificates of deposit by all the banks that have been accepted by the Bank of Finland as counterparties in money market operations. An additional condition is that a bank gives regular quotations. The highest and lowest rates quoted for each maturity are omitted and an arithmetic average calculated for the remaining rates. The quotations are taken daily at 1 p.m.

**Table 3.2** The Bank of Finland's tender rate (Column 1) is determined in tenders held by the Bank of Finland, in which the banks are asked to make bids or offers for money market instruments with a maturity of one month. The tender rate is the weighted average of accepted bids or offers, expressed as a simple annual interest rate. If, when requesting bids or offers, the Bank of Finland announces an acceptable interest rate (fixed-rate tender), the tender rate is the same as the rate announced by the Bank. The monthly and annual values for the tender rate are the arithmetic means of calendar day figures.

Banks with access to central bank financing can make call money deposits with the Bank of Finland without limit. In addition, they can obtain liquidity credit from the Bank of Finland with a maturity of 1 day, 7 days, 14 days, 21 days or 28 days. The maturity of liquidity credit is determined by the Bank of Finland. The rate of interest on liquidity credit is obtained by adding together the Bank of Finland's tender rate and the interest rate margin for liquidity credit. The call money deposit rate is obtained by subtracting the interest rate margin for call money deposits from the Bank of Finland's tender rate. The monthly and annual values for maturity and interest rate margins are the last values recorded in each month or year.

**Table 3.3** The rates shown are based on the lending rates quoted for the respective currencies in the Euro-market. ECU (Column 1): the weights of the ECU basket. 3 currencies (Column 2): DEM 60, USD 30 and GBP 10 per cent.

**Table 3.4** *Lending.* New credits (Columns 1–4): rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts. Annual rates are arithmetic average of monthly observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. *Deposits.* 24-month and 36-month tax-exempt deposits (Columns 7 and 8): from May

(September) 1992, 24-month (36-month) deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less two percentage points (one percentage point). In the period from January 1989 to April 1992, 24-month deposits (Column 7) were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less one percentage point. Other tax-exempt deposits (Column 9): in the period from January 1989 to April 1992, deposits other than 24-month deposits were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less 4 percentage points. From May 1992, deposits other than 24-month or 36-month deposits are tax-exempt if they carry a maximum rate of interest as prescribed by law. The maximum rate was first set at 4.5 per cent. From 6 May 1993 it has been 2.5 per cent. All markka deposits (Column 10): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 11): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 12); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

**Table 3.5** Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. Yields on taxable government bonds (Columns 3 and 4) are calculated by the Bank of Finland in a similar fashion. Until January 1992, the yield on 5-year taxable government bonds (Column 3) was calculated on a bullet bond due on 15 March 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on 15 January 1999 with a coupon rate of 11 per cent. Until June 1993, the yield on 10-year taxable government bonds (Column 4) is calculated on a housing bond (bullet) due on 15 March 2002 with a coupon rate of 10.75 per cent. From July 1993 onwards the yield is calculated on a bullet bond due on 15 March 2004 with a coupon rate of 9.50 per cent. The share yield (Column 5) is the weighted effective yield on shares quoted on the Helsinki Stock Exchange. Source: Statistics Finland.

#### 4 Rates of exchange

**Table 4.2** FIM/ECU (Column 1): The markka value of the ECU is calculated as the sum of the dollar amounts of the currencies in the ECU valued at current market rates, for which daily quotations at noon Finnish time are used. Since 8 September 1992 the markka has been floating. Trade-weighted currency index (Column 2): The weights are moving averages of the shares of (currently) 14 countries in Finland's foreign merchandise trade (only convertible currencies are included). The payments currency index (Column 3): The weights are moving averages of shares of payments currencies (14 convertible currencies) in Finland's foreign trade. The MERM index (Column 4): The weights are fixed 1977 weights computed on the basis of the IMF's world trade model; 14 currencies are included in this index.

#### 5 Other domestic financing

**Table 5.1** Source: Statistics Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and the local government sector. The table is based on new classifications of Statistics Finland applied since March 1991. Series before March 1991 have been reclassified by the Bank of Finland to conform with the present table, except for columns 3 and 4 where disaggregation was not possible and combined

figures are shown. Time deposits (Column 3) consist of all fixed-term deposits. Other deposits (Column 4) include mainly investment accounts with no specific time-period. Other funding (Column 8) comprises CDs, promissory notes and bonds. The figures for banks' holdings of CDs issued by other banks, as well as the CD holdings of the Bank of Finland and the central government have been netted out; netting out is done by the Bank of Finland. Hence, this column includes some liabilities held by entities not covered by the above definition of the public.

**Table 5.2** Source: Statistics 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. foreign claims of banks' foreign branches) - the Bank of Finland's foreign liabilities - banks' foreign liabilities (incl. - foreign liabilities of 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 granted from state funds through banks. 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 (incl. private sector time deposits with the Bank of Finland) + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures, bank CDs held by the public, other market funding and foreign currency deposits by the public).  $M_1$  (Column 6) = currency in circulation - banks' till money + markka cheque and postal giro account deposits and transactions account deposits held by the public.  $M_2$  (Column 7) =  $M_1$  + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland).  $M_3$  (Column 8) =  $M_2$  + bank CDs held by the public.

**Table 5.4** Source: State Treasury Office. Other foreign currency-denominated debt (Column 2) consists of other bonds and debentures and long-term promissory notes. Other bonds and debentures are so-called private placements; long-term promissory notes are bank loans. *Miscellaneous items* (Column 7) include, *inter alia*, the liability for coinage (total coinage), promissory notes given to international financial organizations and, as a minus item, the liability to the State Pension Fund. Outstanding lending (Column 10) comprises the stock of 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 5.5** Source: Table A: Financial Supervision from the beginning of 1994. Table B: Statistics Finland from the beginning of 1991. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Interbank transactions (Column 1) and transactions (purchases and



sales) between banks and customers (Column 2) are transactions by primary dealers and banks entitled to central bank financing. As from 14 July 1995 the following act as primary dealers: Alfred Berg Pankkiiriliike Oy, Evli Fixed Income Securities, Goldman Sachs International, Merita Bank, Okobank, Postipankki, Skandinaviska Enskilda Banken, Svenska Handelsbanken AB (publ), Branch Operation in Finland and Unibank A/S. Purchases from and sales to others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers. Bank of Finland releases data daily (page SPFI on Reuters and page 20981 on Telerate) on the trading in benchmark government bonds among primary dealers and between primary dealers and their customers.

**Table 5.6** Source: The Helsinki Stock Exchange.

## 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. The trade figures for 1995 have been estimated on the basis of a survey of firms carried out by the Bank of Finland. The official foreign trade statistics published by the Board of Customs are delayed owing to changes in statistical systems caused by Finland's entry into the EU. The figures for investment income and expenditure (Columns 7 and 16) include reinvested earnings on direct investment. Preliminary data on reinvested earnings in the previous year have been included in the current account figures. (The annual figure is divided evenly between quarterly figures.)

**Tables 6.2–6.4** Since the beginning of 1994, the former capital account of Finland's balance of payments has been compiled according to the IMF's new recommendations (IMF Balance of Payments Manual, Fifth Edition, 1993). As a result of the new classification, the contents of many of the items in the capital and financial account have been revised to some extent. In the same context, a number of other revisions and clarifications have been made. The main changes are listed below.

**Table 6.2** Short-term foreign exchange transfers related to cash management flows between direct investors and their direct investment enterprises are classified as direct investment (Columns 1 and 14). Loans received by resident direct investors from group 'in-house' finance companies located abroad (intra-group loans) are also classified as direct investment (Column 14). Money market instruments are classified as portfolio investment (Columns 5 and 17). Premiums and margin payments arising from transactions in financial derivatives are included as a new item under portfolio investment (Columns 6 and 18). Financial derivatives also include payments arising from currency and interest rate swaps related to loans, ie outstanding loans are recorded according to the original loan contract. Medium-term notes (MTNs) are included under bonds (Columns 3 and 16). The category other investment (Columns 8–12 and 20–24) covers transactions related to trade credits, loans, currency and deposits and other assets and liabilities. Transactions in assets and liabilities related to short- and long-term supplier credits and advance payments related to imports and exports are recorded under trade credits (Columns 8 and 20). The item 'Other' (Columns 11 and 23) includes transactions in short- and long-term assets and liabilities of different sectors not covered by any of the items above. In addition, this category includes changes in the central

government's subscriptions to and quotas in international organizations as well as transactions in the Bank of Finland's short- and long-term assets and liabilities (excl. reserve items). The most important sub-item under the item 'other' comprises banks' other short-term assets and liabilities (in practice interbank deposits). The central bank's reserve assets (Column 27) comprise gold, special drawing rights (SDRs), the reserve position in the IMF and convertible currency claims. A negative figure implies an increase in reserves.

**Table 6.3** The data are classified as in Table 6.2. The items have been translated into markkaa using the spot rates for each date; thus the figures include the impact of changes in exchange rates.

**Table 6.4** This contains data on Finland's net international investment position (liabilities less assets) classified by sector.

## 7 Foreign trade

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

**Table 7.1** The exceptionally large foreign trade figures for December 1994 are largely due to a one-off timing change in the compilation of foreign trade statistics caused by Finland's entry into the EU. This increased the value of imports by some FIM 3 billion and the value of exports by just under FIM 1 billion.

The trade figures for February–August 1995 have been estimated on the basis of a survey of firms carried out by the Bank of Finland. The official foreign trade statistics published by the Board of Customs are delayed owing to changes in statistical systems caused by Finland's entry into the EU.

**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: Statistics Finland. Seasonal adjustment is carried out by the Bank of Finland.

**Table 8.2** The indices of industrial production are adjusted for the number of working days in each month. This causes in small differences the annual averages from the corresponding unadjusted figures. For this reason the indices for 1990 also differ marginally from conventional base-year figures, ie 100.0.

**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.

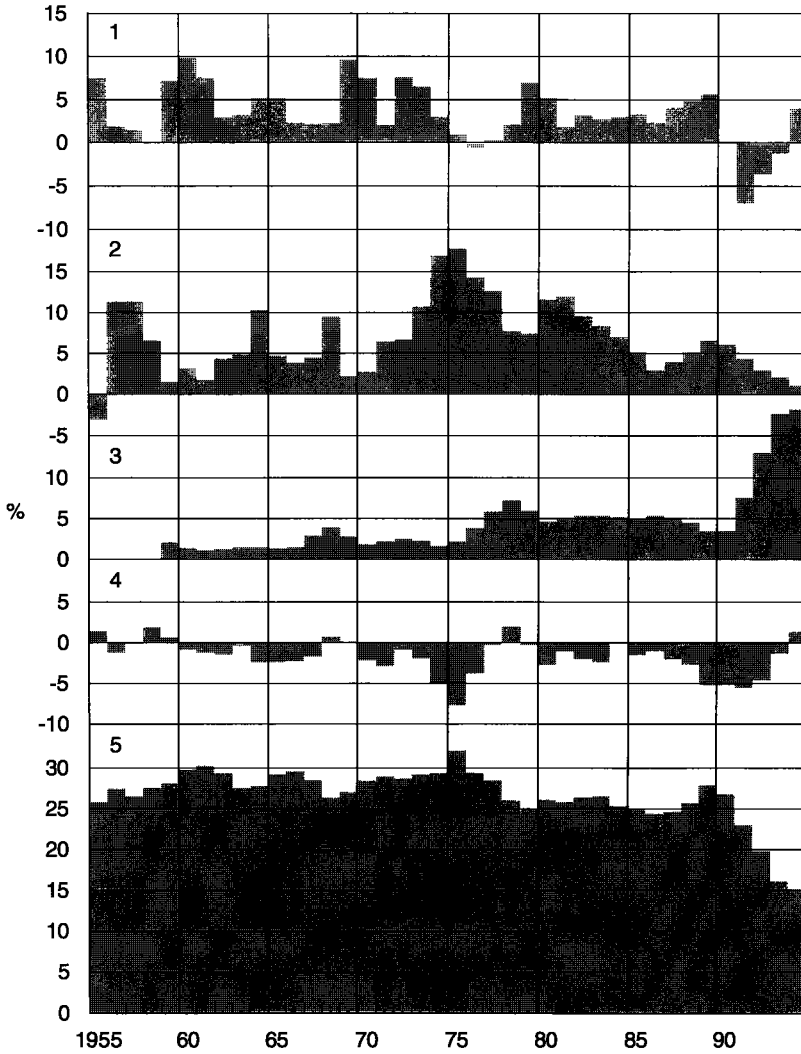
**Table 8.4** The indicator of underlying inflation (Column 6) is the consumer price index from which the effect of indirect taxes, subsidies and housing-related capital costs (house prices and mortgage interest payments) has been removed (see the article by Pentti Pikkarainen and Timo Tyrväinen in the June – July 1993 issue of the Bulletin). Statistics Finland calculates the indicator and publishes it together with the consumer price index on the 15th of every month (or the next business day). It is lagged by one month in comparison with the consumer price index.

**Table 8.6** Source: Ministry of Finance.



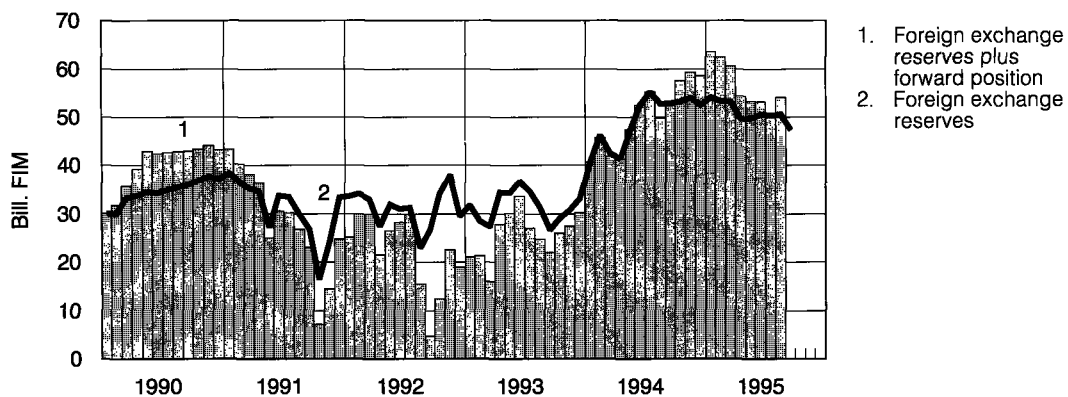
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## 1. Long-term indicators

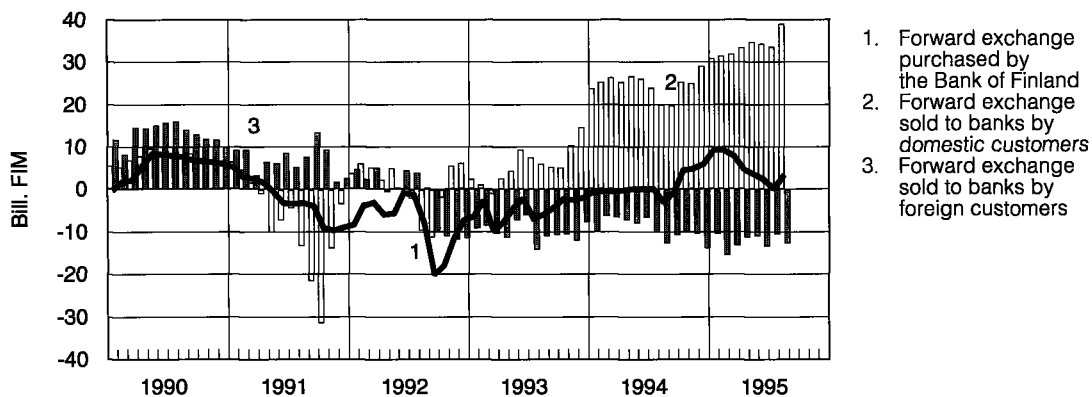


1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

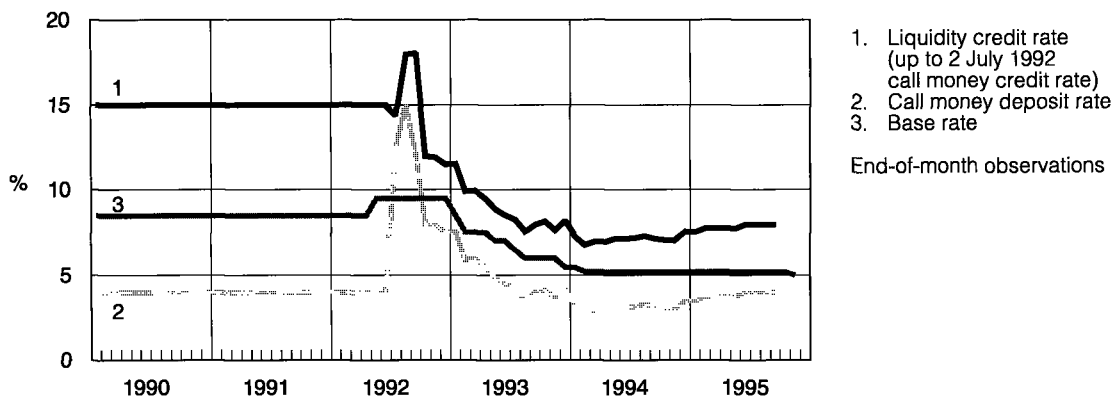
## 2. The Bank of Finland's foreign exchange reserves and forward position



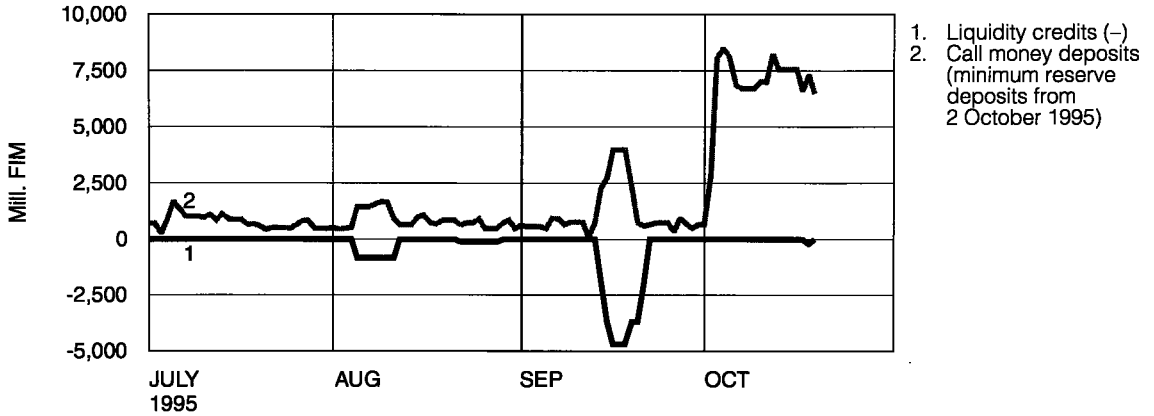
## 3. Forward market



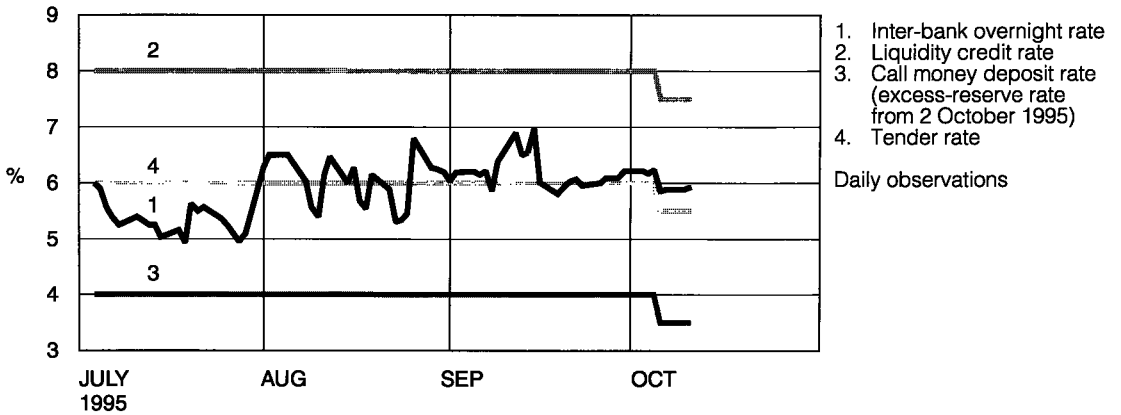
## 4. Rates of interest set by the Bank of Finland



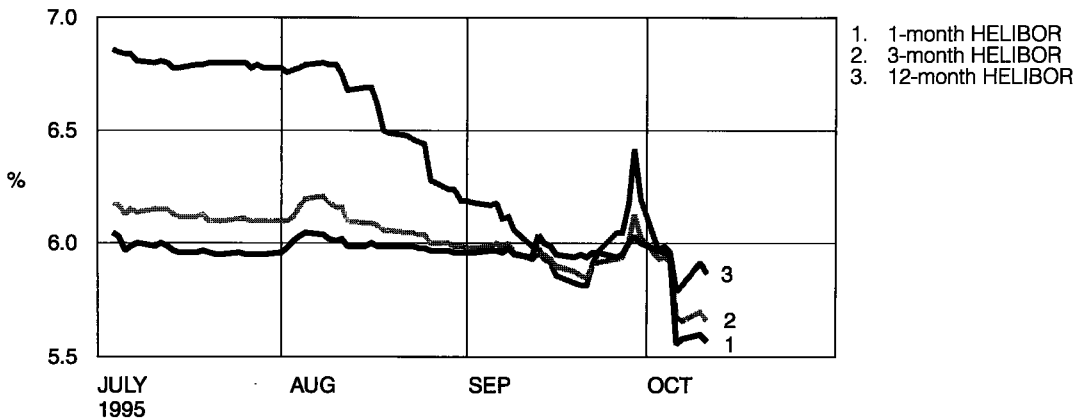
## 5. Banks' liquidity position at the Bank of Finland



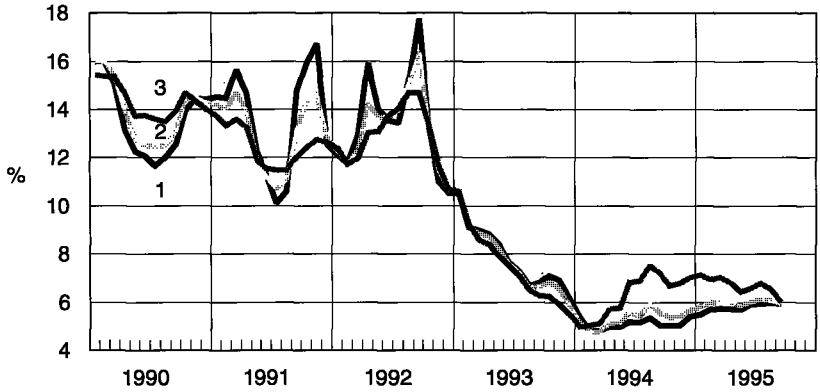
## 6. Liquidity management interest rates



## 7. HELIBOR rates of interest, daily

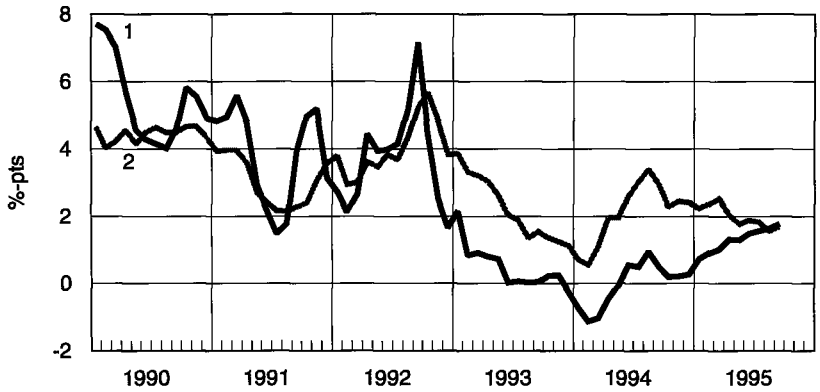


### 8. HELIBOR rates of interest, monthly



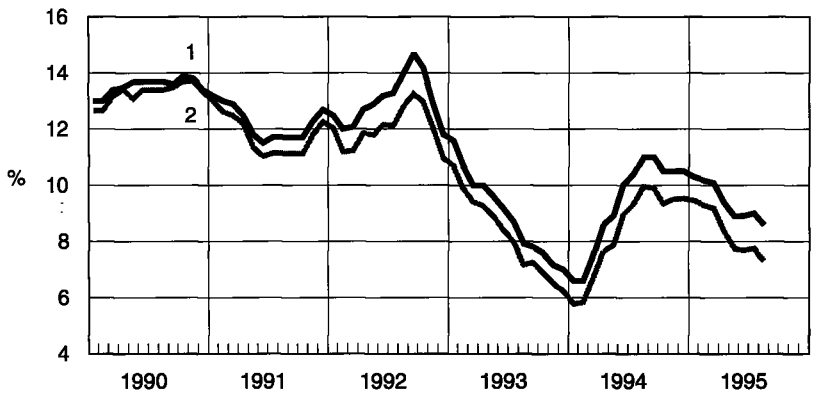
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

### 9. Differential between Finnish and German interest rates



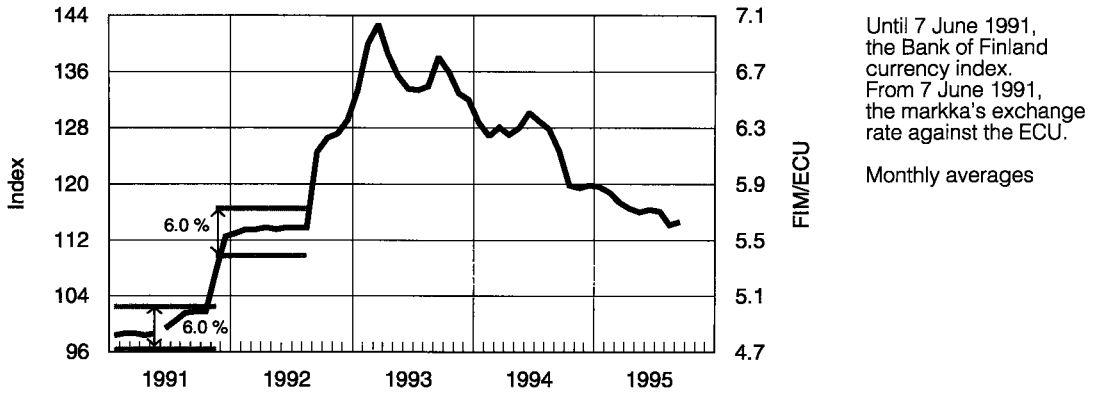
- 1. 3-month HELIBOR minus 3-month DEM eurorate
- 2. 5-year Finnish government bond yield minus 5-year German government bond yield

### 10. Bond yields

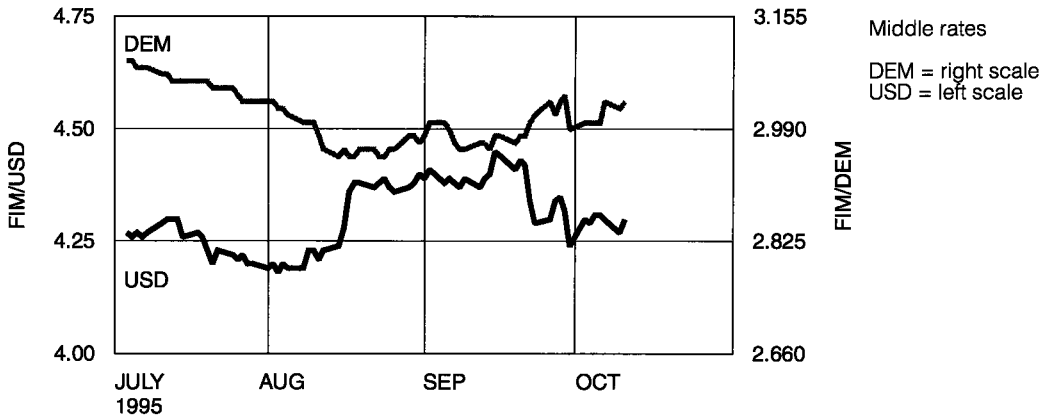


- 1. Bank of Finland's 5-year reference rate
- 2. Yield on (4-5 year) taxable government bonds

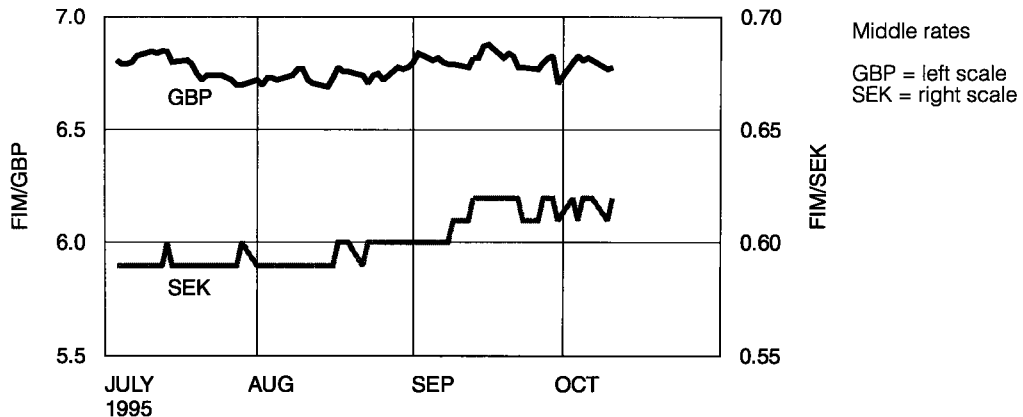
### 11. Bank of Finland currency index and the markka value of the ECU



### 12. Daily spot rates for the markka against the Deutschmark and the US dollar

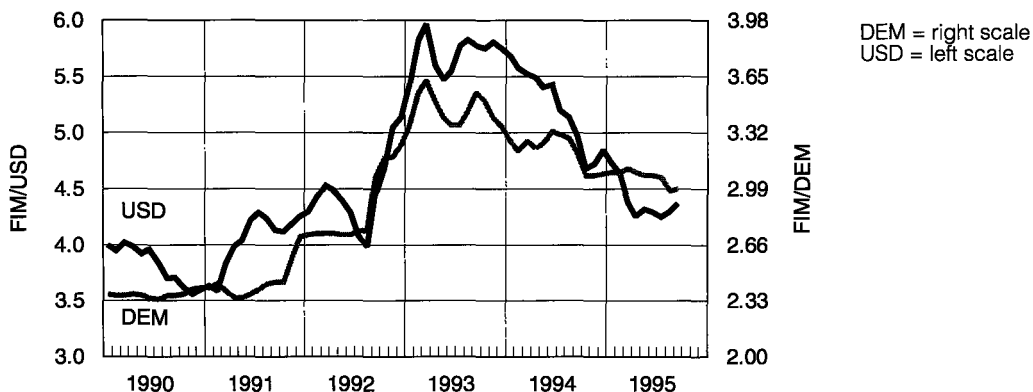


### 13. Daily spot rates for the markka against the pound sterling and the Swedish krona

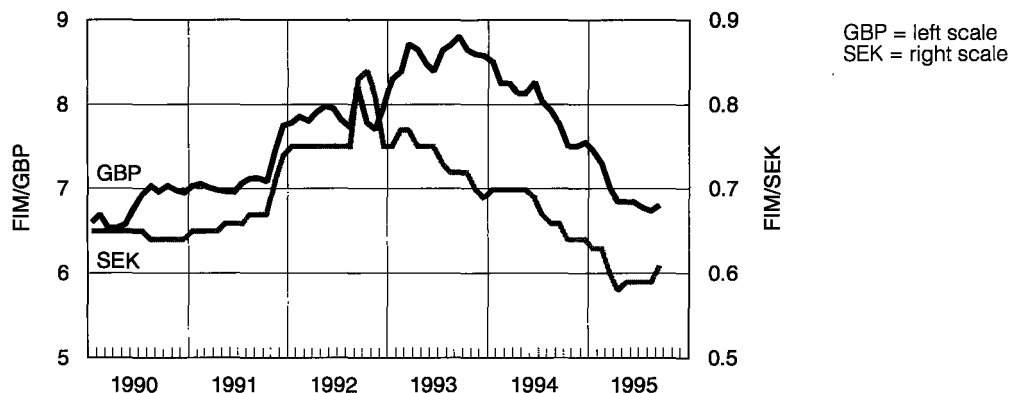




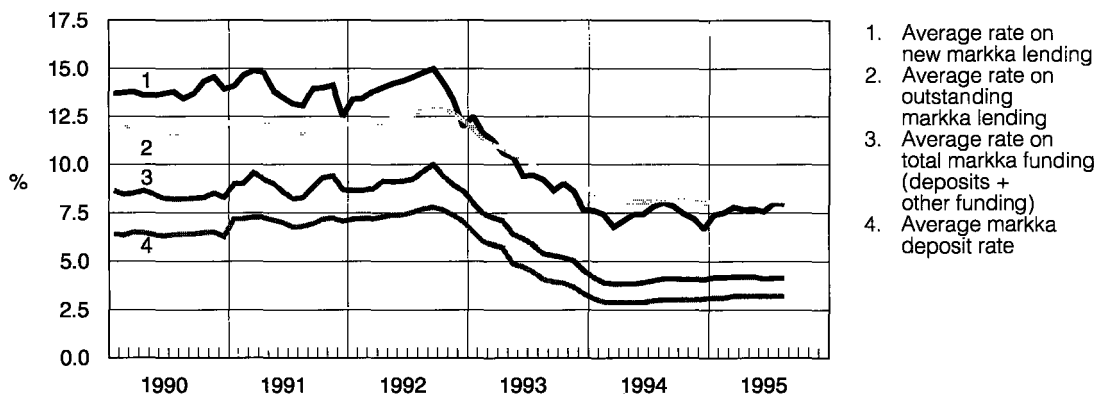
### 14. Monthly spot rates for the markka against the Deutschmark and the US dollar



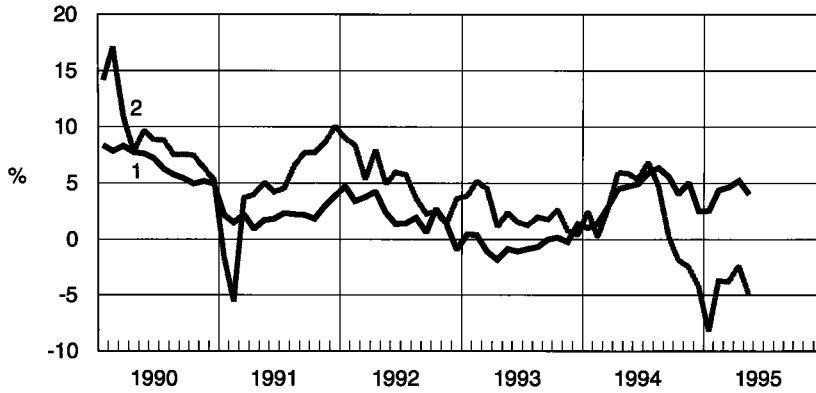
### 15. Monthly spot rates for the markka against the pound sterling and the Swedish krona



### 16. Banks' markka lending rates and markka funding rates



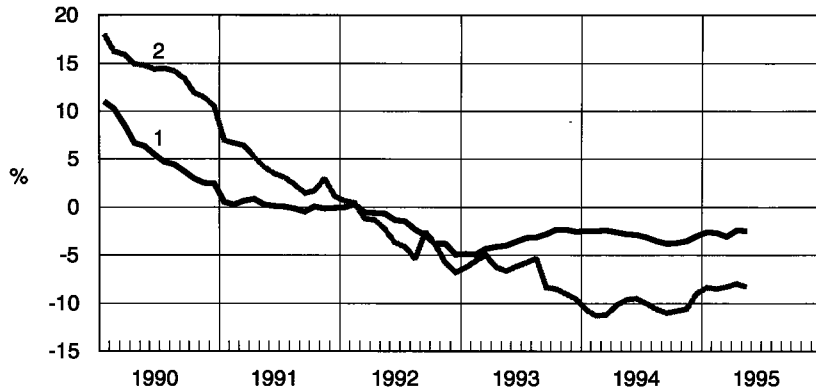
### 17. Bank funding from the public



- 1. Markka deposits
- 2. Total funding

Change from the corresponding month of the previous year, per cent

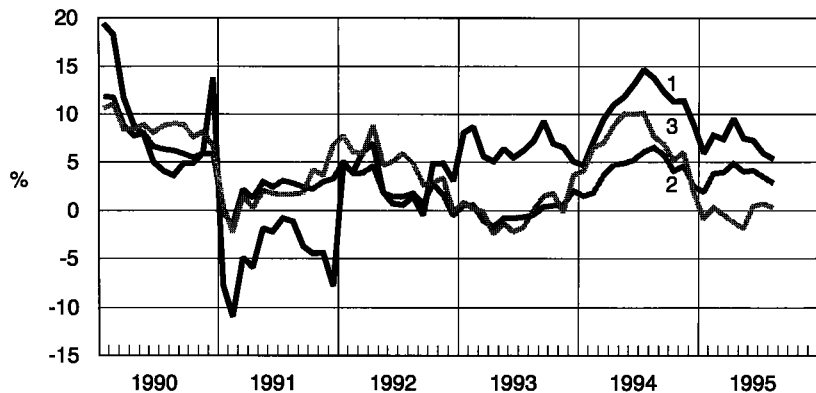
### 18. Bank lending to the public



- 1. Markka lending
- 2. Total lending

Change from the corresponding month of the previous year, per cent

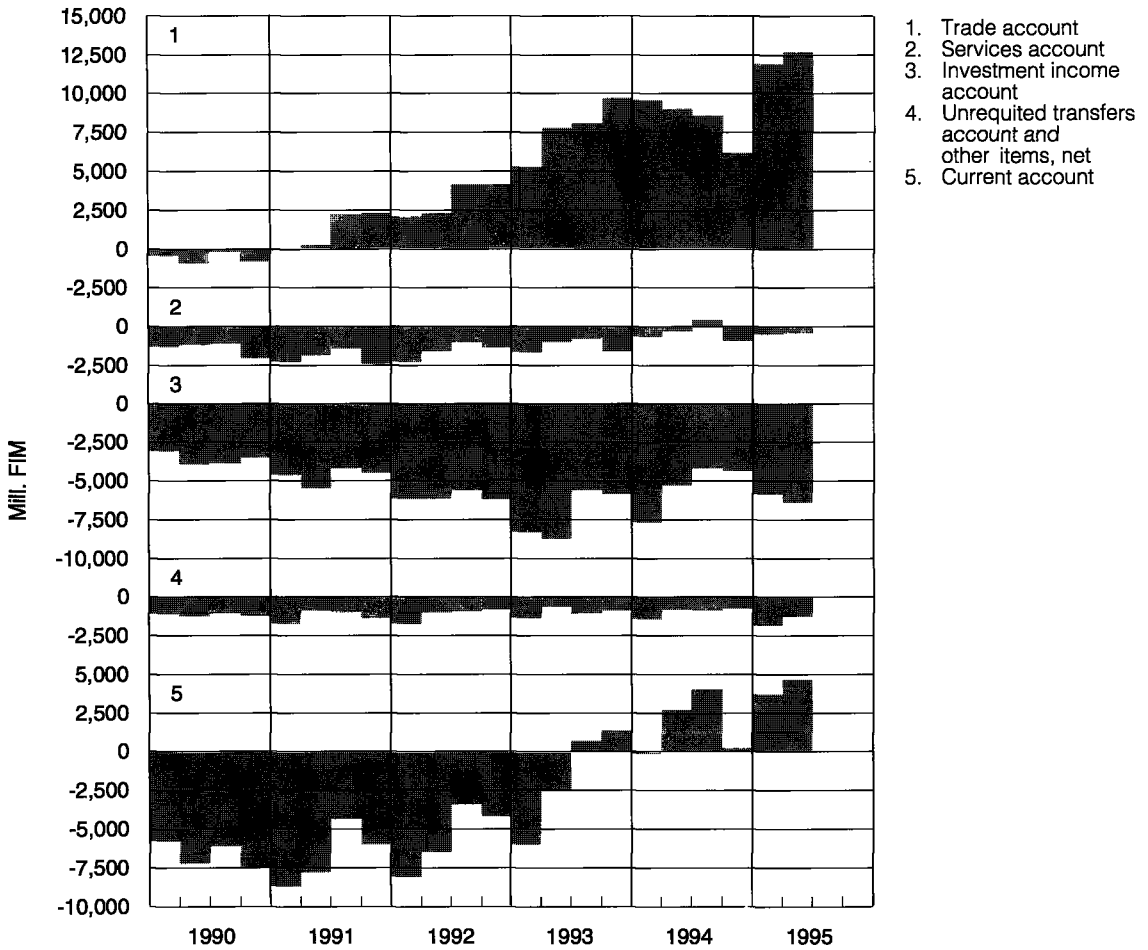
### 19. Money supply



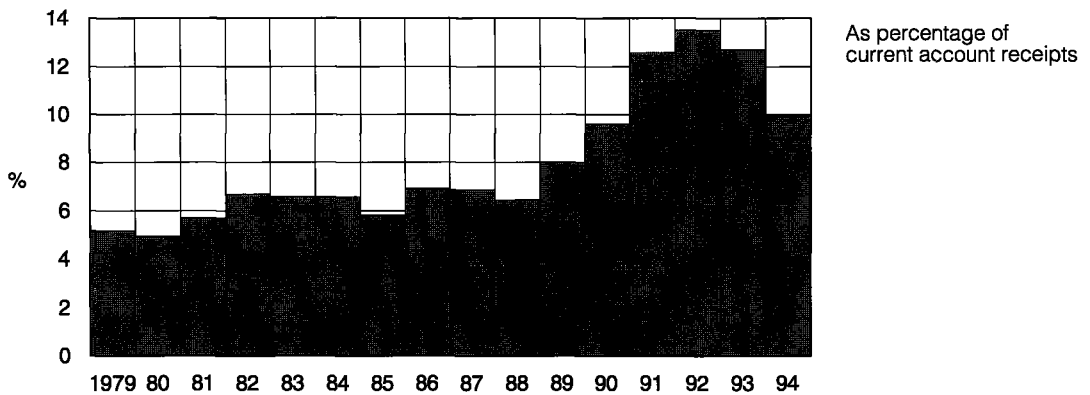
- 1. Narrow money (M1)
- 2. Broad money (M2)
- 3. M2 + bank CDs held by the public (M3)

Change from the corresponding month of the previous year, per cent

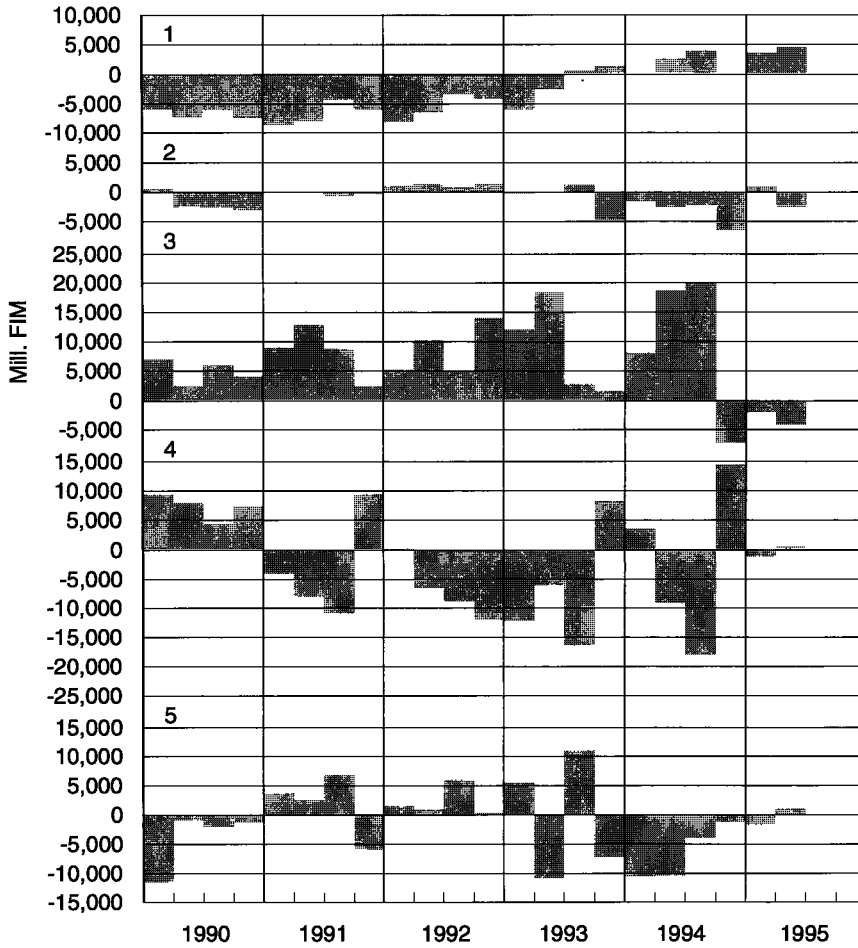
## 20. Current account



## 21. Net interest and dividend expenditure

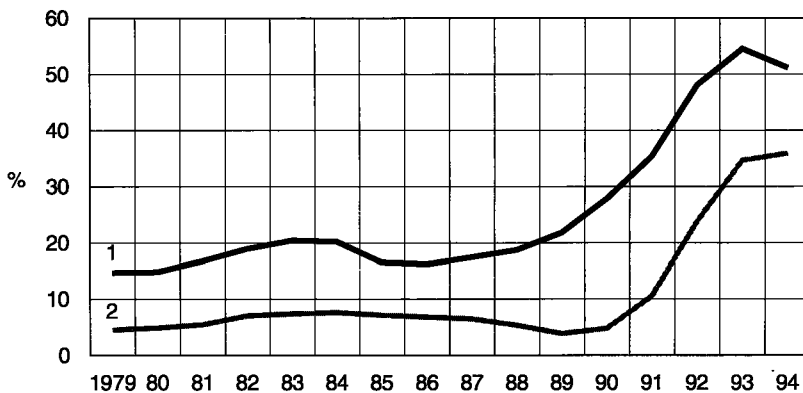


## 22. Balance of payments



1. Current account
2. Direct investment
3. Portfolio investment
4. Other investment
5. Change in central bank's reserve assets (increase = -)

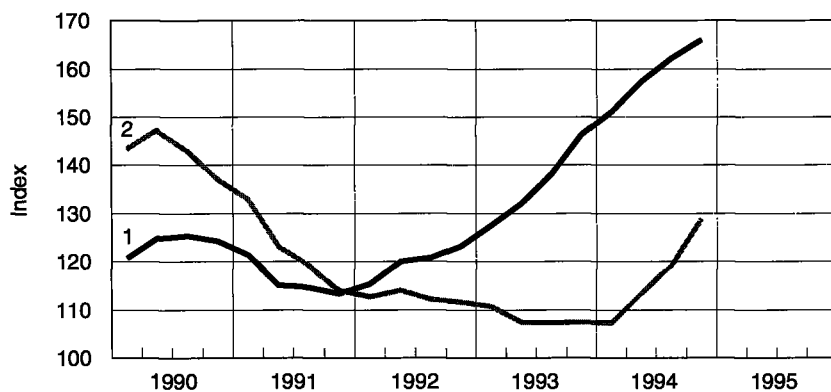
## 23. Finland's net international investment position



1. Total
2. Of which:  
central government

The stock of external liabilities minus the stock of external assets, as a percentage of GDP

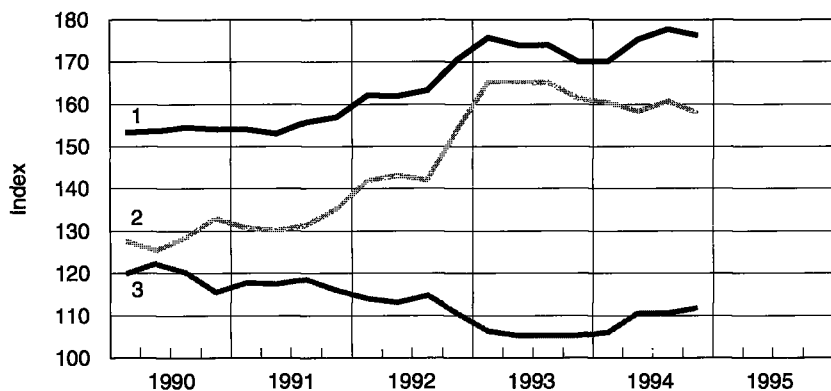
## 24. Foreign trade



1. Total exports
2. Total imports

Volume index, 1980 = 100, four-quarter moving average plotted at the last quarter

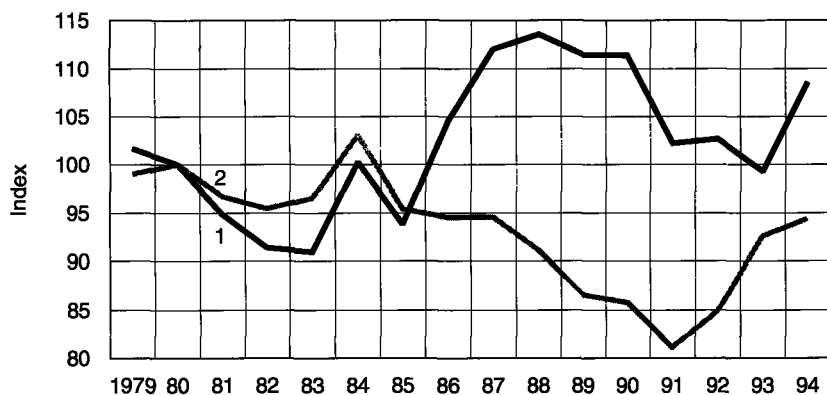
## 25. Foreign trade: prices and terms of trade



1. Unit value index of exports
2. Unit value index of imports
3. Terms of trade

1980 = 100

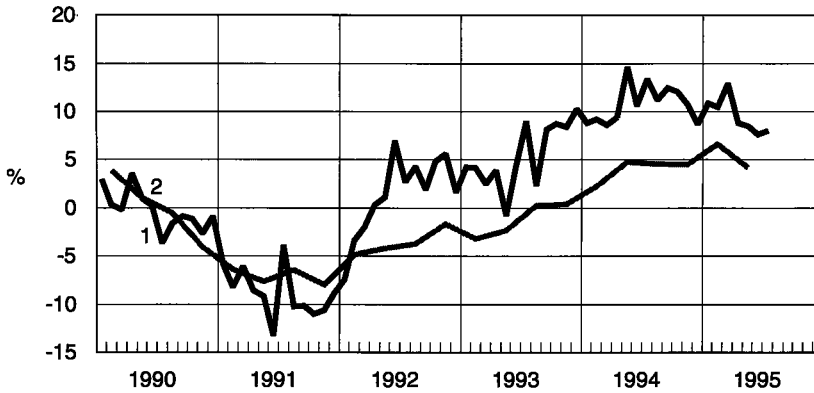
## 26. Finland's export performance



1. Value of exports to OECD countries in relation to imports of OECD countries
2. Volume of exports to OECD countries in relation to imports of OECD countries

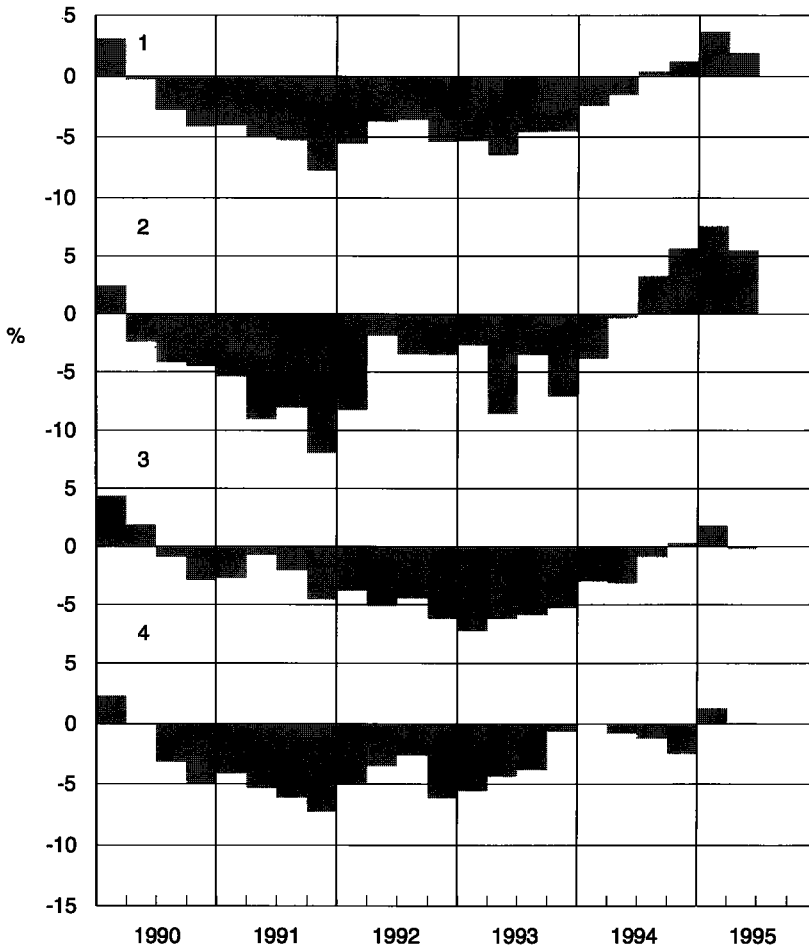
1980 = 100

## 27. 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

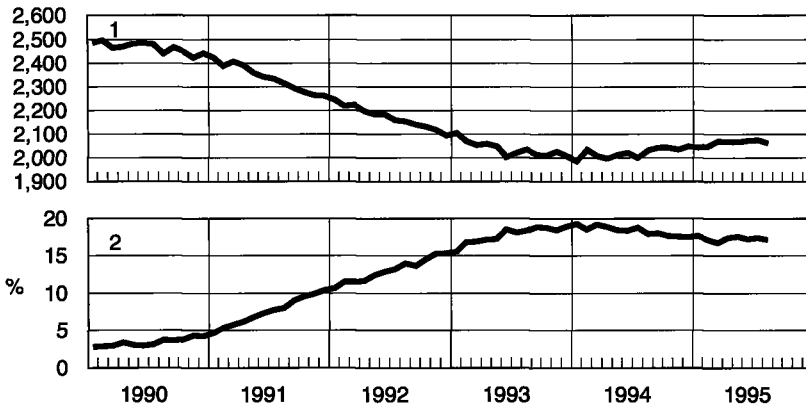
## 28. Fixed investment



1. Total fixed investment
2. Investment in machinery and equipment
3. Building investment, excl. residential buildings
4. Residential buildings

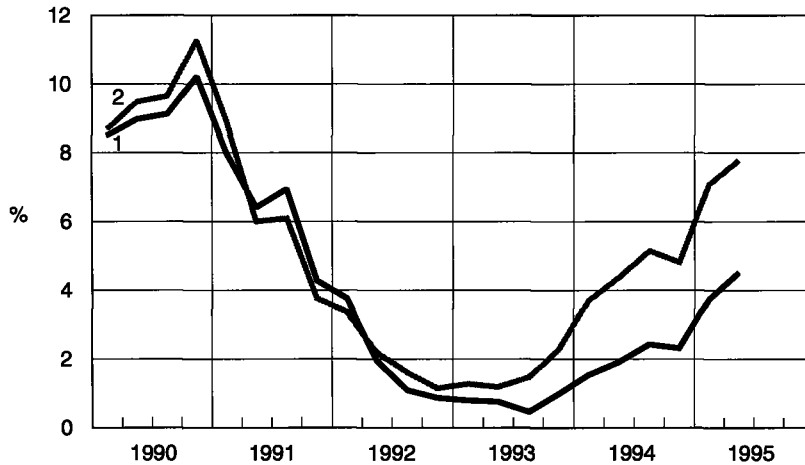
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

## 29. Employment and unemployment rate



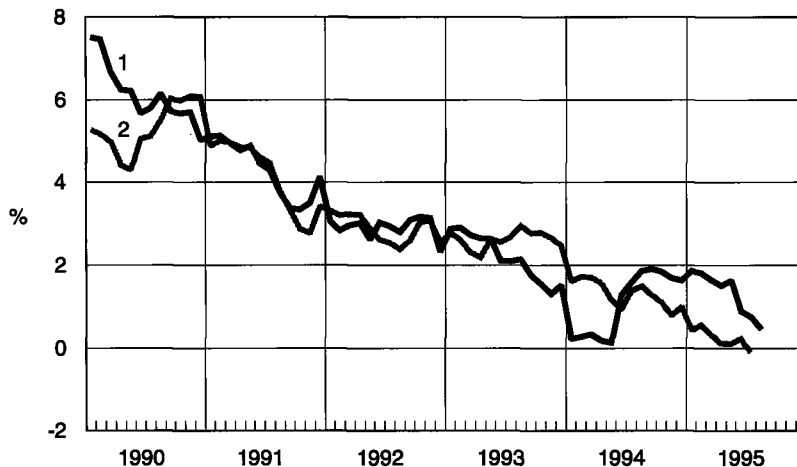
1. Employment, 1000 persons
2. Unemployment rate, per cent

## 30. Prices and wages



1. Index of wage and salary earnings, all wage and salary earners
2. Index of wage and salary earnings, manufacturing workers

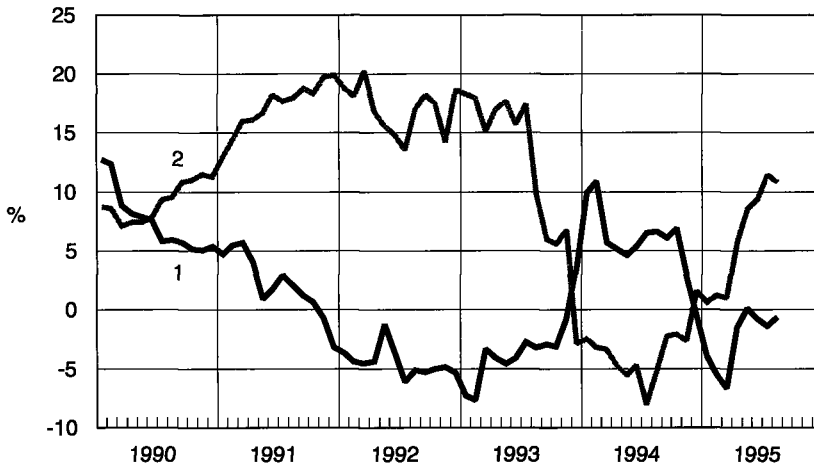
Change from the corresponding quarter of the previous year, per cent



1. Consumer price index
2. Indicator of underlying inflation

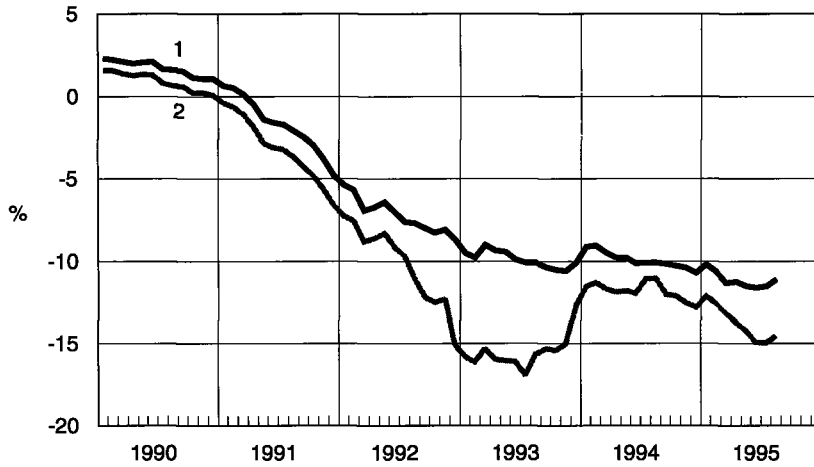
Change from the corresponding month of the previous year, per cent

### 31. Central government finances



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

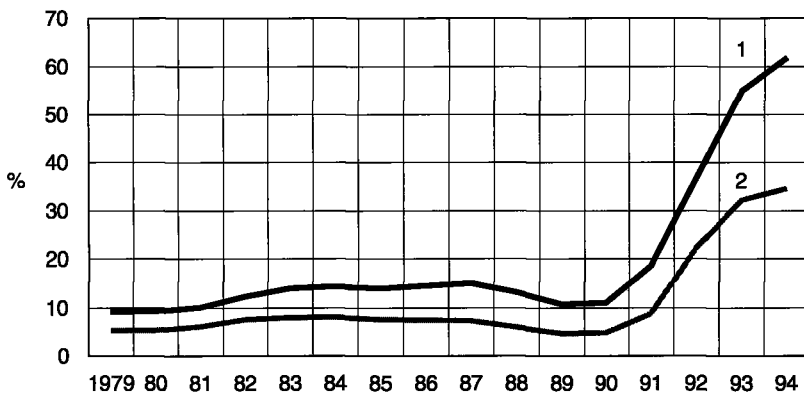
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

12-month moving total as a percentage of GDP, plotted at the last month

### 32. Central government debt



1. Total debt
2. Of which: foreign currency-denominated debt

As a percentage of GDP



# BANK OF FINLAND

1 September 1995

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## THE PARLIAMENTARY SUPERVISORY BOARD

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MATTI PUHAKKA, Vice Chairman  
OLAVI ALA-NISSILÄ

KIMMO SASI  
TUULIKKI HÄMÄLÄINEN  
MAURI PEKKARINEN

JOHANNES KOSKINEN  
ESKO SEPPÄNEN  
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SIRKKA HÄMÄLÄINEN, Chairman

HARRI HOLKERI

KALEVI SORSA

ESKO OLLILA

MATTI VANHALA

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## DIRECTOR

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PENTTI KOIVIKKO

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Monetary Policy PENTTI PIKKARAINEN

Administration URPO LEVO

Organization and Management Development  
PIRKKO POHJOISAHO-AARTI

Data Processing PERTTI SIMOLA

Payments and Settlement RAIMO HYVÄRINEN

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in addition to own duties

Payment Instruments ANTTI HEINONEN

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Eastern European Economies PEKKA SUTELA, ad. int.

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Management Secretarial Staff HEIKKI T. HÄMÄLÄINEN,  
Secretary to the Parliamentary Supervisory Board  
and the Board of Management

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## BRANCH OFFICES

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Kuopio, Oulu, Tampere, Turku

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**SETEC OY** (security printing house fully owned by the Bank of Finland)

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VELI TARVAINEN, Managing Director

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