



# BULLETIN

BANK OF FINLAND

August 1995 Vol. 69 No. 8

The role of monetary indicators in  
the design of monetary policy

The condition of Nordic banks and  
future prospects post-crisis

Insurance companies in  
the Finnish financial markets

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Bulletin 8 • 95

**Editor-in-Chief**  
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**Edited**  
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ISSN 0784-6509

Printed by Libris Oy,  
Helsinki 1995

# The role of monetary indicators in the design of monetary policy

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**B**ecause of the long lag<sup>1</sup> involved in the implementation of monetary policy measures between the use of *instruments* and their effects on *the ultimate target*, which in the case of Finland is the underlying rate of inflation, central banks try to assess developments in the ultimate target in advance. In their assessment, they make use of economic variables which, sufficiently early and with adequate accuracy, forecast developments in the ultimate target. The purpose of such economic variables is to indicate how successfully the ultimate target is being achieved. If the variable indicates that inflation will overshoot the target, monetary policy must be tightened. If, by contrast, there is danger of deflation, monetary policy has to be relaxed.

If an economic variable proves to be useful for the purposes of assessment and it can be controlled by the central bank, it may be chosen as an *intermediate target*. The central bank can then set precise limits for developments in the intermediate target and publish them. If the intermediate target stays within these limits, the ultimate target will be achieved.

In practice, formulating monetary policy according to one or more strict intermediate targets has proven difficult in almost all countries with a floating exchange rate. Germany is the most obvious example of a country which makes use of an explicit intermediate target, the broad monetary aggregate M3<sup>2</sup>, as a basis for the formulation of its monetary policy. In many countries, including Finland, the authorities have not been able to define a binding intermediate target. Instead, they use various monetary indicators, which describe monetary conditions or, like intermediate targets, the course of development in the ultimate target<sup>3</sup>. Indicators provide a means of assessing the stance of monetary policy in relation to the ultimate target.

## **Indicators are transparent**

Monetary policy decisions must be clearly justified in public, ie monetary policy must be transparent.

<sup>1</sup> The prevailing view is that the lag is about 1–2 years.

<sup>2</sup> The closest equivalent to the German M3 in Finland is M2.

<sup>3</sup> The Bank of Finland's experiences in the initial stages of floating have been discussed by Pikkarainen (1993). These themes are also dealt with by Aaltonen, Aurikko and Kontulainen (1994). The empirical results referred to in this article are based on studies by Kuismanen and Spolander (1994 and 1995), Ripatti (1994, 1995), Ripatti and Vilmunen (1995) and Spolander (1994).

Since the central bank's forecasts are not published in many countries, it is not always straightforward to make the grounds for decisions publicly known. Furthermore, publishing detailed economic analyses would only complicate and blur the picture given of monetary policy. It is easier to explain the reasons underlying monetary policy decisions with the help of intermediate targets and indicators because they are public information and hence can be easily verified.

## **Monetary aggregates move in a more steady fashion than credit aggregates**

The usual assumption (in textbooks on monetary economics and monetary policy, in particular) is that the central bank controls some monetary aggregate. According to the quantity theory of money, the central bank influences the price level by controlling monetary aggregates, if the demand for money (velocity of circulation) is stable.

However, control of the money supply is rare in the practical conduct of monetary policy<sup>4</sup>. Central banks set their operational or immediate targets in terms of interest rates, very seldom in terms of monetary aggregates. Central banks seek to affect the demand for money through the interest rate target since the demand for money depends inversely on the yield on alternative assets. Thus the importance of monetary aggregates as an intermediate monetary policy target is based more on efforts to regulate the stock of money by influencing the demand for money through interest rates than on controlling the supply of money. But this too requires that the demand for money is stable and well known.

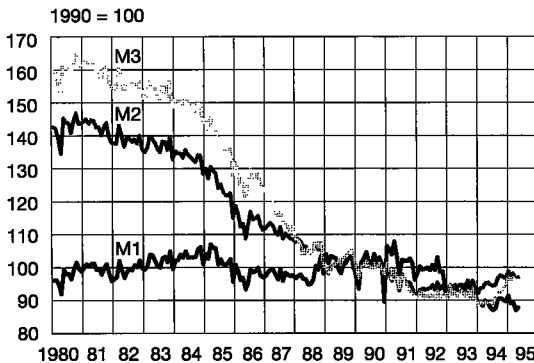
In Finland, the demand for narrow money (M1) has proven easier to control and forecast than the demand for the broader monetary aggregates (M2 and M3)<sup>5</sup>. It also seems that the floating of the markka has not affected the relation between narrow money, the price level, economic activity and interest rates. Interpretation of the broadest monetary aggregate is complicated by its volatile movements, which depend on which market participants

<sup>4</sup> The US experiences of the early 1980s, in particular, were not very encouraging in this regard.

<sup>5</sup> As a time series, the velocity of circulation on narrow money (M1) is also more stable than the velocity of circulation of M2 and M3 (Chart 1).

**Chart 1.**

**Velocity of circulation of money**



hold the outstanding CDs in the market at any one time. The broadest monetary aggregate (M3) is composed of M2 and bank and Bank of Finland CDs held by the public. If the amount of bank CDs held by the government fluctuates sharply, as it does on occasion because of the timing of the government's capital imports and expenditure, it causes large variations in M3. Consequently, more attention needs to be paid to trends in M1 and M2 than in M3 – at least as long as the government's heavy capital imports and fluctuations in its cash funds continue.

What developments in monetary aggregates reveal about inflationary pressures depends essentially on supply in the economy – the ability of the economy to supply products at a given price. According to the quantity theory of money, an increase in the stock of money will lead to a proportionate rise in the price level for a given velocity of circulation of money if aggregate supply does not increase. In practice, the economy's potential to supply goods, ie potential output, is estimated on the basis of what output would be if all productive inputs were fully utilized. If the existing level of output is well below potential output, price stability can be maintained even if the economy is growing rapidly. Non-inflationary growth depends to a large extent on the behaviour of the labour market, productive capacity in the economy, productivity and, above all, on how well the structure of output corresponds to that of demand. For instance, at present, demand in the export sector in Finland is much stronger than in the domestic sector. This implies a need to transfer resources to the export sector. Whether this constitutes a threat to price stability depends, among other things, on the availability of suitable labour (on the occupational and regional mobility of labour) and on the sufficiency of the capital base in the export sector. Even though it

may be possible to estimate the demand for money fairly reliably, problems associated with the assessment of potential output may be so difficult that assessment of whether developments in monetary aggregates are in harmony with price stability is most uncertain.

Even though monetary aggregates have grown fairly rapidly in recent years, the outstanding amount of bank credit has continually decreased. The demand for bank credit will probably start to increase when activity picks up in the small and medium-sized business sector and demand for dwellings recovers. Availability of credit is not likely to be a bottleneck for large successful companies in the export sector because they can also raise money in the securities markets or resort to internal financing.

The interpretation of the figures for bank credit also involves statistical problems. Statistics on bank credit, broad credit aggregates in particular, may give a wrong picture of developments; interpretation is complicated by large fluctuations in exchange rates when foreign currency loans are measured in markkaa, by the practice applied by banks in recording loan losses etc.

**Stumpage prices – the best asset price for forecasting consumer price inflation**

During the period the markka has been floating, the stance of monetary policy has often been justified by referring to developments in asset prices, in particular to those in stumpage (standing timber) prices, share prices and house prices (Charts 2 and 3). On the basis of historical data, stumpage prices seem to be the best leading indicator of consumer price inflation.

Recently, there has been a tendency for real stumpage prices – the relation between stumpage prices and consumer prices – to return towards their historical average level. In the early 1990s, they initially fell drastically but rose markedly in the course of 1994, in particular, together with export prices of forest industry products. Changes in stumpage prices – price rises in particular – have tended to be a good indicator of developments in consumer prices about 1 – 1½ years in advance. Thus, movements in stumpage prices have been part of the business cycle typical of Finland. It starts with a rise in the markka-denominated export prices of forest industry products. The resultant improvement in profitability is passed through to stumpage prices, then to wages and finally to consumer price inflation. Now that the markka is floating, the traditional cycle has become less pronounced – as foreign currency export prices have risen, the markka has tended to strengthen and consequently export prices have risen by notably less in markka terms.

The demand for timber is influenced both by the strong increase in the volume of exports and the marked strengthening of export prices in the forest industries. Past experience shows that some

70 per cent of the rise in export prices in the paper industry has been reflected in a rise in stumpage prices. The supply of timber, on the other hand, is held in check by the low level of interest rates, ie low yield on investments other than forest holdings. This also raises the price of timber. Monetary policy can also be used to influence stumpage prices; this takes place via interest and exchange rates.

Changes in house and share prices have not been particularly good indicators of future consumer price inflation even though some growth peaks in these variables have preceded inflation peaks. Sharp fluctuations in share prices, in particular, have often given 'wrong' signals in the past and thus obscured the ability of share prices to forecast inflation. The surge in house prices at the end of the 1980s and equally drastic decline in the 1990s differ clearly from the previous link between housing prices and inflation.

**Long-term interest rates reflect inflation expectations and uncertainty about inflation**

In Finland, long-term interest rates fell throughout the period from the start of the markka's float (September 1992) to the beginning of February 1994. The upward trend in international long-term interest rates that started in February 1994 has been strongly reflected in Finnish interest rates.

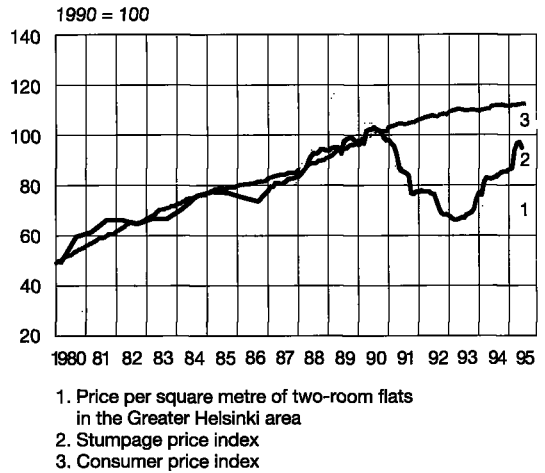
It is often claimed that long-term interest rates are not important in the Finnish economy. In support of this claim it is argued that new bank loans are only very rarely tied to long-term interest rates or that companies issued hardly any markka-denominated bonds in 1994. However, according to the expectations theory of the term structure of interest rates, long-term interest rates indicate how short-term interest rates are expected to develop in the future. Thus high long-term interest rates reflect expectations of high short-term interest rates in the future. These expectations, in turn, strongly influence long-term investment and consumption decisions.

According to the interest rate parity of a closed economy (Fisher equation), a change in the nominal interest rate can be divided into three components: a change in the required real interest rate, in inflation expectations and in the risk premium. The risk premium can be thought to include several factors, such as the risk premium arising from uncertainty about inflation and the liquidity premium related to the depth of the market.

It has proven difficult to identify the above-mentioned factors. Even economic research lacks suitable instruments for a reliable assessment of the importance of these various factors. It should also be borne in mind that the Fisher equation is an arbitrage condition, ie it expresses the relationship between the factors concerned but it does not indicate which factors affect the real interest rate, inflation expectations and the risk premium. An under-

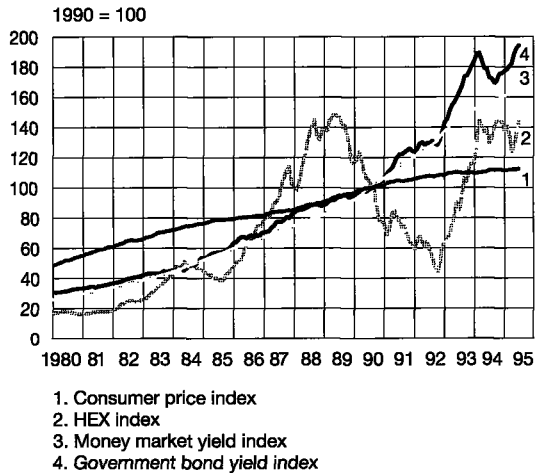
**Chart 2.**

**Asset prices**



**Chart 3.**

**Asset prices**

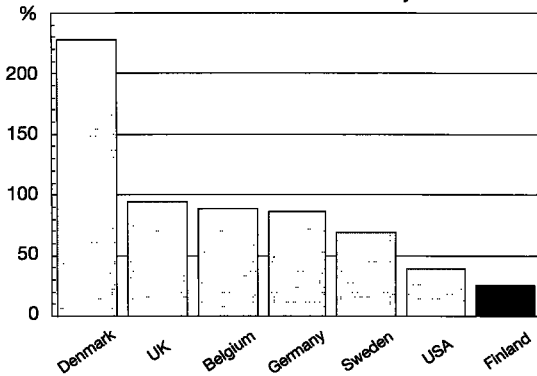


standing of the background factors requires a broader theoretical framework but it may not be easy to reach agreement on what form the framework should take.

International integration of capital markets leads to a situation where the required real rate of interest tends to be virtually the same in different countries. The international real interest rate is determined on the basis of the equilibrium between global investment and saving, not on the basis of the equilibrium between investment and saving in one single country.

**Chart 4.**

**Value of bonds in relation to the value of GDP in selected countries, end-1993**



The international real interest rate can be measured with the help of index-linked bonds, which are available in some markets. Evidence from the United Kingdom suggests that the international real interest rate has risen by about one percentage point since the beginning of 1994. Thus, any increase in nominal long-term interest rates exceeding one percentage point reflects an increase in inflation expectations and the risk premium.

In Finland, the extent to which the thinness<sup>6</sup> of the bond market accounts for the rise in long-term interest rates has been the subject of a lively debate. The Finnish bond market is still thin by international standards (Chart 4). It is interesting to note that long-term interest rates rose most in early 1994 in those countries where they had just previously experienced the sharpest declines. Thus, from time to time, bond markets have initially overreacted and then subsequently returned towards the equilibrium determined by economic fundamentals. Such overreactions are more likely to take place in a thin market than in a deep one.

Changes in the international real interest rate, inflation expectations and uncertainty about inflation evoke very different economic policy responses. Monetary policy cannot be used to influence the international real interest rate. If a rise in the real interest rate in a particular country reflects imbalances in public sector finances in that country, the authorities must react by attempting to reduce public debt.

A rise in inflation expectations reflects lack of market confidence in the monetary policy conducted and the monetary authorities. If inflation expectations rise, monetary policy must be tightened. In contrast, growing uncertainty about inflation can be

interpreted to mean that the markets are uncertain about the stance and operating rules of monetary policy. Thus, the authorities should respond to an increase in the risk premium by clarifying its operating rules.

**Surveys are also used to measure inflation expectations**

Besides the information contained in long-term interest rates, inflation expectations can be measured by means of surveys. In Finland, surveys of inflation expectations are regularly conducted by Statistics Finland, the Confederation of Finnish Industry and Employers and Helsingin Sanomat, the main national daily newspaper in Finland.

The surveys of expectations carried out by Statistics Finland and Helsingin Sanomat both provide a fairly accurate forecast of actual changes in inflation; however, because of the relatively short time series for the Statistics Finland data, conclusions based on them are not very reliable. The survey of the Confederation of Finnish Industry and Employers provides a more reliable forecast of wholesale and producer prices than of consumer prices.

**Monetary conditions index takes into account both the effect of interest rates and the exchange rate**

Monetary policy influences the economy via two channels: the central bank's operations in the money market affect interest rates and interest rates, in turn, affect the exchange rate. Under a floating exchange rate regime, monetary conditions (degree of tightness) may change either via a change in the interest rate level or a change in the exchange rate. The central bank is unable (in the longer term) to control changes in the exchange rate.

The Bank of Finland monitors monetary conditions using an index which takes into account both the effect of interest rates and exchange rates on aggregate demand.<sup>7</sup> However, many problems attach to the calculation and interpretation of the index.

Estimating the weight structure of the index may be difficult for reasons related both to econometrics and past developments in the Finnish economy. According to some estimates calculated by the Bank of Finland, a one percentage point decline (rise) in interest rates has the same effect on aggregate demand as a 2½ per cent depreciation (appreciation) of the exchange rate. However, the estimates are very sensitive to the model used. According to the IMF's calculations, the ratio is 1:5½ in Finland. According to calculations made by Sveriges Riksbank, the central bank of Sweden, the ratio is 1:3-4 in Sweden (Hansson and Lindberg, 1994).

<sup>7</sup> In Charts 5 and 6, monetary conditions ease when the curve is rising and tighten when the curve is falling. The interest rate used in the charts is the three-month HELIBOR and the exchange rate is the trade-weighted exchange rate index. In Chart 5, nominal quantities have been deflated by the consumer price index.

<sup>6</sup> A thin market is one where the number of individual instruments and trading volumes are so small that even a single purchase or sale may have an impact on prices.

In calculating the index it is assumed that depreciation of the markka leads to an expansion of economic activity. However, in recent years the depreciation of the markka has had a strongly curbing effect on activity in the domestic sector, in particular, because of the large outstanding amount of foreign currency debt. The nominal exchange rate of the markka has appreciated markedly since spring 1993. This has largely corrected the excessive depreciation that preceded it and has hardly had a particularly significant curbing effect on activity. Now that conditions in the economy are returning to normal and the markka's exchange rate is close to its equilibrium level, the index provides a more accurate picture of the combined effect of interest rates and the exchange rate on aggregate demand than in the period 1992–1994.

The problem with estimating monetary conditions or the combined effect of interest rates and the exchange rate is that other factors in the economy are assumed to remain constant. For instance, rises in export or stumpage prices and excessive pay increases create pressures on price stability. The index does not take these effects into account; rather, their inclusion requires more extensive macroeconomic analysis.

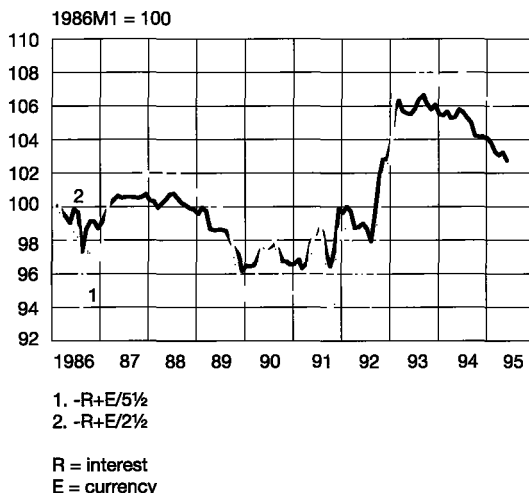
15 August 1995

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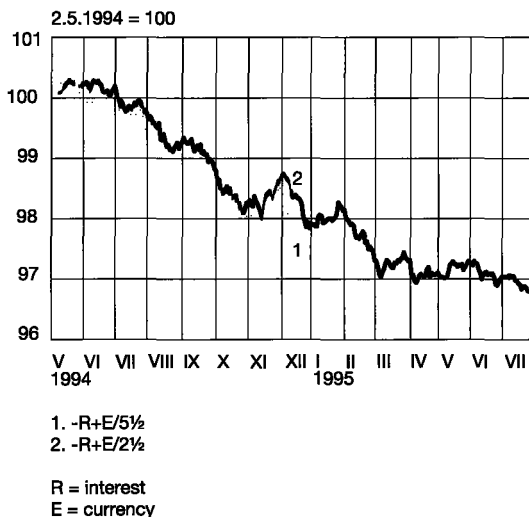
**Chart 5.**

### Monetary conditions index (real)



**Chart 6.**

### Monetary conditions index (nominal)



### **Which economic variables are leading indicators of price inflation?**

The ability of various macroeconomic variables to serve as leading indicators of consumer price inflation has been discussed by Ripatti (1995), *inter alia*. Because the effects of monetary policy measures operate with a lag, the most useful variables are those which indicate future movements in inflation more than twelve months ahead and whose relation to the price level has remained stable. In such cases the difference between the indicator and price level cannot become permanent. However, when evaluating the results of Ripatti's study, it should be remembered that the approach applied is based on pairwise analyses, which may change when other factors affecting inflation are taken into account. The relationship between inflation and macroeconomic variables may also be more complicated than the (linear) one considered in the study.

The results summarized in the table confirm the established view. Interest rates<sup>9</sup> provide an indication of future inflation well in advance. As regards the prices of various capital goods, the closest relationship is between stumpage prices and consumer prices. This is further confirmed by the fact that real stumpage prices seem to have remained constant despite some temporary exceptions – albeit sometimes of a few years' duration.

The earnings level, broad monetary aggregates, markka bank lending and variables describing the capacity utilization rate also give early warning of future inflation. However, unlike the above-mentioned variables, they lack a long-term relationship with consumer prices and so one cannot rule out the possibility that developments in the price level and the variables (in pairwise analysis) diverge from each other in the longer term. If the level of economic activity is also taken into account in examining developments in monetary aggregates and consumer prices, the performance of monetary aggregates as indicators improves. There then prevails a long-term relationship between broad money (M2), in particular, and consumer prices.

Movements in the wholesale price and producer price indices, exchange rates, total bank lending and export prices serve as a guide to future movements in consumer price inflation. But though many of these variables are good indicators of inflation they cannot provide a forecast sufficiently far in advance. Efforts can, of course, be made to influence eg the exchange rate with monetary policy measures, in which case inflationary pressures can be influenced fairly quickly.

A perhaps rather surprising result is that import prices cannot forecast inflation in pairwise analysis. The reason for this may be the fact that margins in trade have adjusted as import prices have changed to the extent that no statistically relevant dependency can be discovered. Raw-material prices fluctuate more than consumer prices and thus may give a wrong picture of future consumer price inflation. Share prices also fluctuate more than consumer prices, and this may easily lead to wrong signals. There is no long-term stable relationship between the unemployment rate and consumer prices. In pairwise analysis, there is no permanent relationship between narrow money (M1) and the price level. However, when the effect of total output and the interest rate level on the stock of money (demand for money) is taken into account, there is a one-to-one relationship between M1 and the price level (Ripatti, 1994). Among the other variables included in the pairwise analysis but which were unable to forecast inflation were contractual wages and the terms of trade.

<sup>9</sup> Interest rates are examined in the form of a yield index and so they encompass the same course of development as the level of consumer prices.

**Table. What certain economic variables tell about consumer price inflation<sup>9</sup>**

Economic variable  
Number of years it precedes inflation<sup>10</sup>

#### **Economic variables which forecast inflation more than six months in advance and which do not deviate from developments in the consumer price level even in the long term**

Stumpage prices	1
Bond yield index	1½
Money market yield index	1½

#### **Economic variables which forecast inflation more than six months in advance**

The share of industrial companies which report they have no unused capacity in the quarterly survey of the Confederation of Finnish Industry and Employers	1
Earnings level index	1
Broad money (M2)	1
Broadest money (M3)	1
Markka bank lending	1
3-month market interest rate	1

#### **Economic variables which forecast inflation less than six months in advance**

Bank lending	¼
Steepness of yield curve	¼
Wholesale price index	¼
Producer price index of industry	¼
Exchange rate (trade-weighted exchange rate index)	¼
Real exchange rate (trade-weighted exchange rate index deflated by consumer prices)	¼
Export prices	¼

#### **Economic variables which do not deviate from developments in the consumer price level even in the long term and do not forecast inflation in the short term**

House prices (second-hand two-room flats in the Greater Helsinki area)	–
Public debt	–

#### **Economic variables which do not clearly forecast inflation**

Import price index	–
Contractual wage index	–
Raw material prices	–
Terms of trade	–
Unemployment rate	–
Narrow money (M1)	–
Level of long-term interest rates	–
Share prices	–

<sup>9</sup> The pairwise analysis of inflation and economic variables is based on Ripatti's study (1995). In addition to the variables shown here, the study considers a number of other, more rarely used economic variables.

<sup>10</sup> The figure refers to how far back in time (measured in years) past values of the macroeconomic variable concerned have had an impact on inflation, taking into account the previous values of inflation and the macroeconomic variable concerned.



# The condition of Nordic banks and future prospects post-crisis

by Heikki Koskenkylä, Dr Soc Sc (Econ)  
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In the last few years, the Nordic countries have suffered from a severe banking crisis. The crisis was worst in Finland, Norway and Sweden, but banks in Denmark and Iceland also posted losses in the early 1990s. Finnish banks recorded the largest losses, and their results for 1994 were still in the red.

Loan losses have decreased considerably in all the Nordic countries since 1993. This has been primarily due to the recovery of the Nordic economies, which accelerated notably in 1994 (Table 1).

The economic recession was clearly most severe in Finland and Sweden. In Denmark and Norway, GDP did not decrease during any of the recession years. Consequently, Finland and Sweden recorded the largest loan losses relative to GDP, with Finland doing slightly worse than Sweden (Table 2).

In late 1980s and early 1990s, the Norwegian banking crisis seemed to be clearly the most severe among the Nordic countries, but it turned out that the overall situation in the Finnish and Swedish banking sectors was far worse. Last year, Finland recorded the largest loan losses relative to GDP of all the Nordic countries.

The origins of the Nordic banking crises relate to weak economic conditions, deregulation of financial markets, strong growth of bank lending and

Chart 1.

Change in loan stock, 1982 - 1994

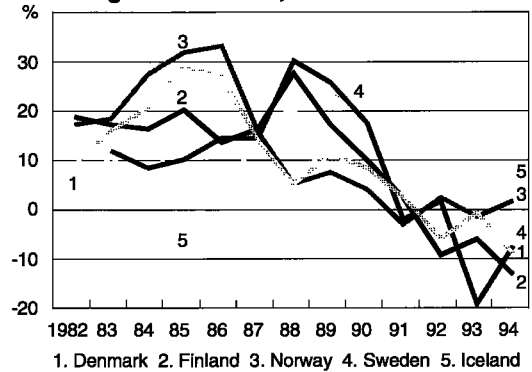


Table 1. Percentage change in real GDP in the Nordic countries, 1990-1994

	Iceland	Norway	Sweden	Finland	Denmark
1989	0.2	0.6	2.4	5.7	0.6
1990	1.1	1.7	1.4	0.0	2.0
1991	1.0	1.6	-1.1	-7.1	1.0
1992	-3.4	3.3	-1.9	-3.8	1.2
1993	0.8	2.5	-2.1	-2.6	0.8
1994	1.9	3.6	2.3	3.8	4.7

Table 2. Nordic banks' loan losses as a percentage of GDP, 1989-1994

	Iceland	Norway	Sweden	Finland	Denmark
1989	0.6	1.7	0.2	0.4	1.2
1990	0.7	1.9	0.8	0.5	1.6
1991	0.7	3.1	2.5	1.6	1.6
1992	1.9	1.8	4.9	4.6	1.9
1993	1.5	1.4	3.2	4.0	1.7
1994	1.1	0.2	1.0	2.1	0.8
Average	1.1	1.7	2.1	2.2	1.5

inadequate risk management, supervisory problems, and insufficient oversight by the bank owners and other interest groups. Moreover, the legislation governing the financial markets was not generally commensurate with the conditions and demands of liberalized financial markets. The origins of the banking crisis have been discussed in more detail in a previous article.<sup>1</sup>

## Growth of lending and balance sheets

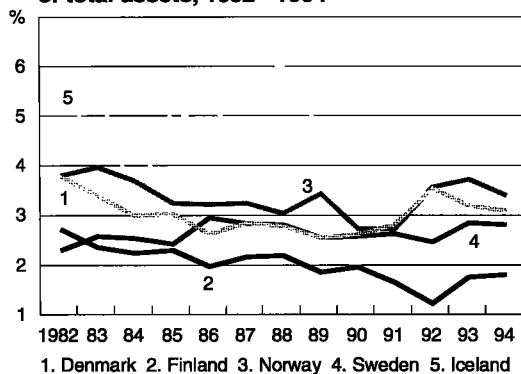
Chart 1 shows the nominal rate of growth of Nordic banks' loan stocks from 1982 to 1994. Denmark and Norway recorded high growth rates already in the mid-1980s, before the other Nordic countries. As regards average growth rates of lending, there are no essential differences between Finland, Norway and Sweden. However, Finnish banks' balance sheets expanded the most rapidly.

At the beginning of the 1990s, bank lending started to decline in all the Nordic countries except Iceland. Despite favourable economic developments, the demand for loans has continued to be

<sup>1</sup> Heikki Koskenkylä, The Nordic Banking Crisis, *Bank of Finland Bulletin* No. 8:1994.

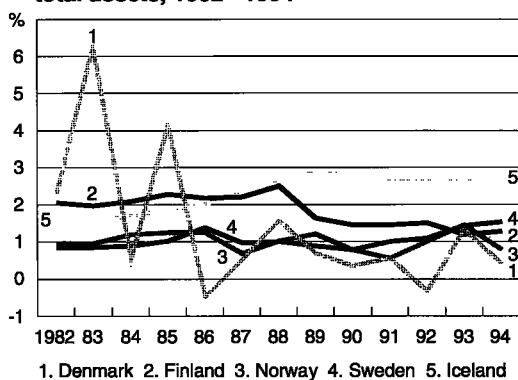
**Chart 2.**

**Net interest income as a percentage of total assets, 1982 - 1994**



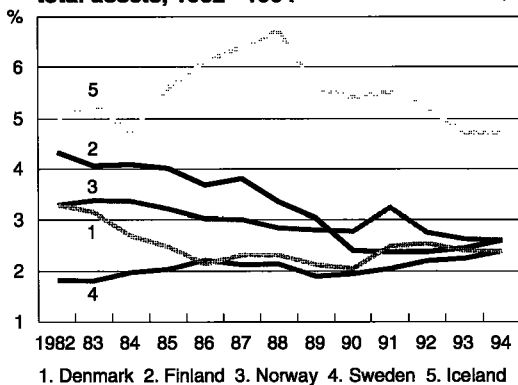
**Chart 3.**

**Other income as a percentage of total assets, 1982 - 1994**



**Chart 4.**

**Other expenses as a percentage of total assets, 1982 - 1994**



sluggish in Denmark, Finland and Sweden. In these three countries, bank loan stocks contracted substantially even in 1994. Companies have financed their investments mainly with profits and new share capital, while aiming at further reductions in indebtedness. In Iceland and Norway, the demand for bank loans recovered in 1994.

**Banks' net operating income and loan losses**

Among the Nordic banks, Finnish banks clearly have the lowest ratio of net interest income to total assets (Chart 2). Low net interest income has already become a structural problem among Finnish banks. From 1982 to 1992 there was a downward trend in the net interest income ratio, after which it has improved slightly.

Icelandic banks have the highest net interest income ratio, and the ratios for Danish and Norwegian banks are also quite high. In Denmark, Norway and Sweden, the ratio has clearly increased since the banking crisis.

The low net interest income ratio of Finnish banks is mainly due to the still large amount of non-performing assets and the linkage of old outstanding loans to the Bank of Finland's base rate. It is also explained by the growth of balance sheet items carrying a very small interest rate margin, for example certificates of deposit and foreign currency loans. In 1994, Finland recorded by far the largest amounts of nonperforming and poorly performing loans among the Nordic countries. The decline in interest rate margins threatens to push down banks' net interest income ratios in the future in all the Nordic countries (see below).

Developments in the ratio of banks' other income to total assets have followed a broadly similar pattern in all the Nordic countries except Denmark (Chart 3). In Denmark, variations in banks' other income have been very large. This is explained by the fact that Danish banks have particularly large holdings of bonds, for which market value changes are reported annually in the profit and loss account. This means that even unrealized gains and losses are reported. Accordingly, the rise in long-term interest rates decreased banks' other income last year, especially in Denmark and Norway. By contrast, in Finland, Iceland and Sweden, there was an increase in the ratio of banks' other income to total assets in 1994. However, these countries also recorded unrealized capital losses on fixed-interest investments owing to the increase in long-term interest rates.

Compared with the other Nordic countries, the ratio of Finnish banks' other income to total assets has been high. During the last few years, however, the ratio has come down approximately to the level of Denmark, Norway and Sweden.

The ratio of banks' other expenses to total assets has declined most sharply in Finland, but most of the decline took place before the banking crisis

(Chart 4). Since the crisis, the declining trend in Finland has bottomed out, which may be regarded as surprising considering the severity of the Finnish banking crisis. The numbers of staff and bank branches have been reduced considerably, but these developments have not yet been reflected to any great extent in the trend of expenses. It is likely that the effect on expenses will be visible only several years down the road. However, in Denmark, Iceland and Norway, the ratio of other expenses to total assets has decreased clearly in the last few years. In these countries, banks have been more successful in cutting their expenses than in Finland and Sweden, although the need has been even more acute in the two latter countries. It is evident that the severance packages connected with staff reduction have been far more generous in Finland and Sweden than in the other Nordic countries.

The loan loss ratio decreased sharply in all the Nordic countries after 1992-1993 (Chart 5). In Denmark, Norway and Sweden, the ratio almost reached its normal level, ie less than one per cent. In Norway, the loan loss ratio was at an exceptionally low level in 1994, amounting to 0.2 per cent. Among the Nordic countries, the Finnish and Icelandic banks recorded the largest loan loss ratios in 1994.

Chart 6 shows the ratio of banks' net operating income to total assets. As a result of the banking crisis, the net operating income of banks was negative in all the Nordic countries in the early 1990s. Relative to total assets, the largest losses were registered in Finland and Sweden. During the last couple of years, banks' results have clearly improved in all the Nordic countries. Danish and Norwegian banks posted positive net operating incomes both in 1993 and 1994. By contrast, the performance of Danish banks declined last year owing to the aforementioned decrease in other income related to unrealized capital losses on bond investments. Swedish banks showed profits last year for the first time since 1990. Among the Nordic countries, only Finnish banks' results were negative last year.

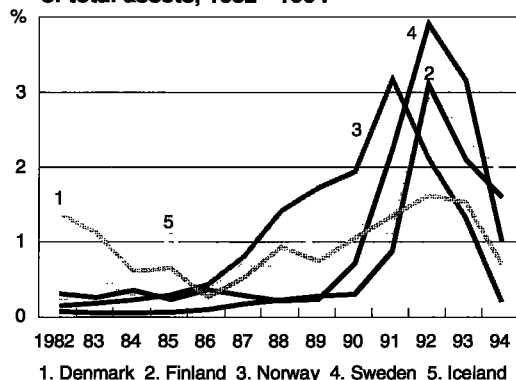
Chart 7 shows loan losses per inhabitant, ie per capita, measured in a common currency (FIM).

### **Developments in the numbers of banks, bank branches and bank employees in the Nordic countries**

During the last few years, the numbers of banks, bank branches and bank employees have decreased in all the Nordic countries (Charts 8, 9 and 10). The number of banks has declined the most in Finland and Sweden. In these countries, there have been two groups of local banks (cooperative banks and savings banks) comprising numerous small independent banks. Two mergers have taken place in the two Swedish local bank groups, resulting in the creation of two large banks (Sparbanken Sverige and Föreningsbanken). Both of these banks

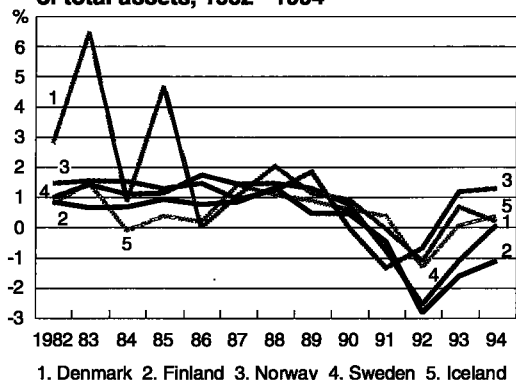
**Chart 5.**

**Loan and guarantee losses as a percentage of total assets, 1982 - 1994**



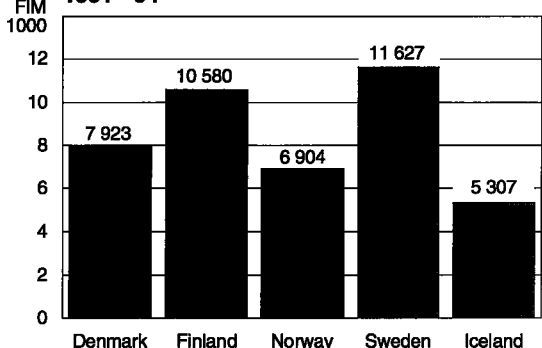
**Chart 6.**

**Net operating income as a percentage of total assets, 1982 - 1994**



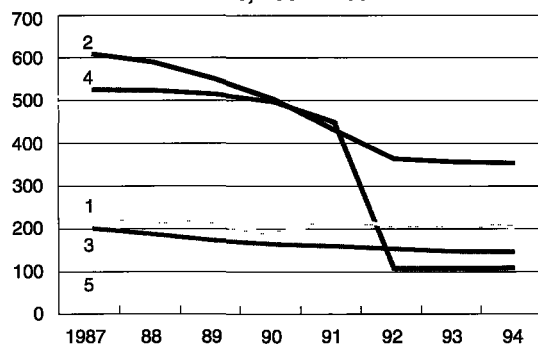
**Chart 7.**

**Total loan losses in FIM per inhabitant, 1991 - 94**



**Chart 8.**

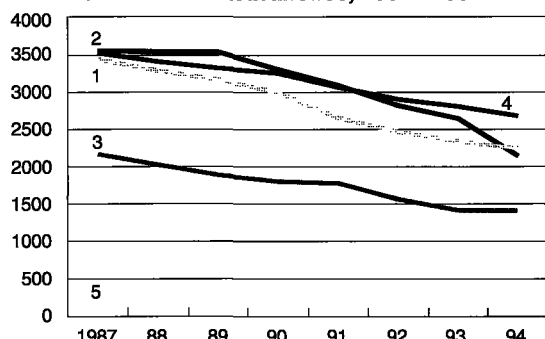
**Number of banks, 1987 - 1994**



1. Denmark 2. Finland 3. Norway 4. Sweden 5. Iceland

**Chart 9.**

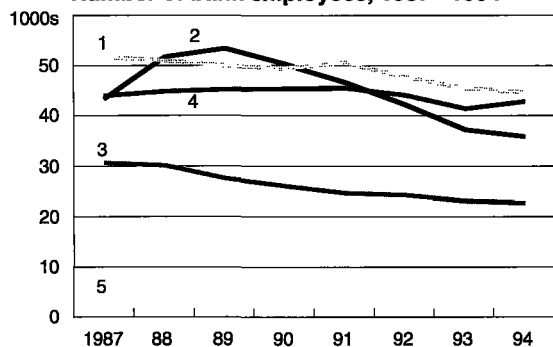
**Number of bank branches, 1987 - 1994**



1. Denmark 2. Finland 3. Norway 4. Sweden 5. Iceland

**Chart 10.**

**Number of bank employees, 1987 - 1994**



1. Denmark 2. Finland 3. Norway 4. Sweden 5. Iceland

are now listed on the Stockholm stock exchange. About 90 small savings banks remained outside the merger.

As a result of the banking crisis, most of the savings banks in Finland disappeared. About 40 small and medium-sized independent savings banks remain. There have been several mergers also in the cooperative bank group. The most important bank merger in the Nordic countries took place this year in Finland, when Kansallis-Osake-Pankki (KOP) and Union Bank of Finland/Unitas merged to form the new Merita Bank.

In Denmark and Norway there have also been several mergers, especially among small banks. On the other hand, several small commercial banks have been established during the last few years, especially in Norway and Sweden. Owing to the large number of small cooperative banks in Finland, there are now far more independent banks in Finland than in the other Nordic countries. In Iceland, there are four commercial banks and 29 savings banks. Two of the commercial banks are state-owned.

The number of bank branches has declined considerably in the Nordic countries. The decline has been the most notable in Denmark and Finland, where the banking networks have been the most dense in the Nordic countries.

The banking crises have also forced banks to cut their staff levels radically. The number of bank employees has declined most in Denmark and Finland. However, relative to population, the number of bank employees in these two countries is still higher than in the other Nordic countries. The number of bank employees per capita is the smallest in Norway and Sweden.

### **Nordic banks' capital adequacy has improved**

The capital adequacy of Nordic banks remained quite good despite the banking crisis. However, in Finland, Norway and Sweden, this was achieved with the help of considerable state support. Table 3 shows the Nordic banks' risk-weighted capital adequacy ratios according to the BIS definition.

In 1993 and to a significant extent in 1994, banks' capital adequacy improved in all the Nordic countries. The high capital ratio of Danish banks is based solely on the banks' own funds. The improvement in capital adequacy has been achieved through increases in share capital and partly through banks' strong performance and a reduc-

**Table 3. Banks' BIS capital adequacy ratios in the Nordic countries, 1991-1994, per cent**

	Iceland	Norway	Sweden	Finland	Denmark
1991	9.5	7.9	13.1	9.3	11.6
1992	8.9	9.9	11.0	10.4	12.4
1993	10.7	12.2	14.9	10.8	12.5
1994	11.2	13.7	16.5	11.7	13.7

tion in risky balance sheet items. The last-mentioned development is due to the decrease in loan stocks and their replacement by low-risk and risk-free bond holdings, especially government bonds and housing bonds.

### **Public support of banks**

During the years of crisis, the state and to an extent the central banks have provided support to the banking sector, especially in Finland, Norway and Sweden. In Denmark and Iceland, public support of banks has been rather modest. In Iceland, one large commercial bank has received support (Landsbanki).

The Government Guarantee Fund (GGF) was established in Finland in 1992. Prior to that, the Bank of Finland participated in supporting a commercial bank (Skopbank) from the beginning of autumn 1991. Only the main features of public support and bank support organizations are covered in the following<sup>2</sup>.

The Swedish bank support authority, Bankstödnämnden, was established in 1993. It has been responsible for all the bank support provided in Sweden. The Swedish central bank has not directly participated in the support of Swedish banks.

In Norway, two separate bank support authorities were set up in 1991. These authorities are Statens Banksikringsfond (Government Bank Insurance Fund) and Statens Bankinvesteringsfond (Government Bank Investment Fund). The former has provided bank support mainly through the banks' own security funds and the latter only through direct capital investment in banks. The Norwegian central bank also participated in the provision of bank support as did, to a lesser extent, the central banks of Denmark and Iceland. Support from the banks' own security funds was most substantial in Norway, where the security funds were able to provide bank support out of their own funds totalling about NOK 8 billion. In Finland, the corresponding support to commercial banks and savings banks was very small, but the cooperative bank group was able to provide considerable support to cooperative banks (about FIM 4 billion) out of its own security fund reserves.

In 1991 and 1992, the three largest Norwegian commercial banks were taken over by the state and their old share capital was written off. At 31 December 1994, the Norwegian state's holdings in these banks were as follows: Den norske Bank (DnB) 72 per cent, Christiania Bank 68.9 per cent and Fokus Bank 97.9 per cent.

In autumn 1994, the Norwegian Parliament (Stortinget) decided that the state will maintain its majority shareholding in DnB and Christiania at least until the next parliamentary election (1997) after which it may continue to retain a majority holding. By contrast, Fokus Bank can be reprivatized as

soon as possible. In the future, the Norwegian state's holdings in banks are to be consolidated in the Government Bank Investment Fund, whereas the Government Bank Insurance Fund is to operate only for a fixed period of time. The Norwegian government has not issued a general and public guarantee of banks' commitments, as have the Finnish and Swedish governments. Neither have any asset management companies ("bad banks") been established in Norway, as has been done in Finland and Sweden. In Norway, the banking crisis was handled by a quick takeover of large commercial banks by the state. In the case of savings banks, there was no need for a state takeover. The Norwegian banking crisis hit the commercial banks to a far greater extent than the savings banks.

In Sweden, the government extended a broad guarantee covering all commitments of the banks except for their equity capital (December 1992). Two asset management companies were established in Sweden, Securum and Retriva, which handle the bad assets of Nordbanken and Gota Bank respectively. These asset management companies have played an important role in managing the Swedish banking crisis. The large private commercial banks (Handelsbanken and S-E Banken) have survived without state support. State support has been given in one form or another (loans, guarantees or capital injections) to Nordbanken, Gota Bank, Föreningsbanken and some of the savings banks. The aim is to reprivatize the merged Nordbanken and Gota bank as soon as possible.

In Finland, public support has been provided to banks in four different forms. After the Bank of Finland took control of Skopbank in autumn 1991, it recapitalized the bank and bought its largest risk exposures. The funds committed to these operations amounted to about FIM 15.6 billion. In 1992, Skopbank was sold to the GGF. Thus far, almost FIM 6 billion has been recovered from the sale of Skopbank's assets.

In 1992, the state invested about FIM 8 billion in preferred capital certificates issued by the banks. This was done in order to secure the banks' continued capacity to lend.

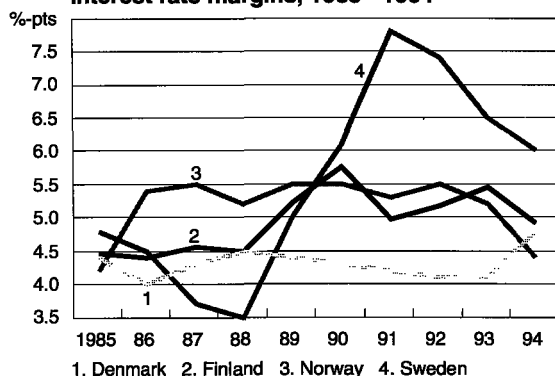
The GGF and the state ensured the solvency of Skopbank and the Savings Bank of Finland by purchasing their shares and preferred capital certificates to a total of about FIM 21 billion. Of this amount, about FIM 6 billion was recovered in 1993 in connection with the split-up and sale of the Savings Bank of Finland, and about FIM 0.5 billion was recovered in June 1995 through the sale of Skopbank's performing assets.

In connection with the sale of the Savings Bank of Finland, the asset management company Arsenal Ltd was established. Thus far, the state has provided Arsenal with FIM 19 billion in equity capital and has issued guarantees totalling FIM 28 billion to safeguard its funding. Thus the total support provided to Arsenal amounts to FIM 47 billion.

<sup>2</sup> The article mentioned in footnote No. 1 discusses in detail bank support and bank support organizations in the Nordic countries.

Chart 11.

Interest rate margins, 1985 - 1994



When the STS-Bank was merged with Kansallis-Osake-Pankki in 1993, some FIM 3 billion worth of GGF funds were committed to STS-Bank's asset management company, Siltapankki. All in all, the banks in Finland have received support amounting to about FIM 83 billion, of which some FIM 51 billion has been disbursed, and FIM 32 billion comprises guarantees. So far, about FIM 12 billion of the disbursed support has been recovered. Skopbank's performing assets were sold to the Swedish bank Handelsbanken in June 1995, and the remainder of the bank will be organized as the third Finnish asset management company.

**Comparison of bank support in the Nordic countries**

Public support has been provided in all the Nordic countries in connection with the banking crises of the early 1990s. Table 4 gives a brief overview of bank support in the Nordic countries.

Relative to GDP, the Finnish banks have received substantially more support than the other Nordic banks. The second highest amount of support has been provided in Sweden. The amount of public support provided in Norway has remained very small, especially when compared with Finland

**Table 4. Public bank support, in total and as a percentage of GDP in the Nordic countries, 1989-1995, in national currencies (at 1993 values)**

	Iceland	Norway	Sweden	Finland	Denmark
Billions of national currency units	4.2	16.9	88.8 (75.0)	83.2 (51.4)	4.2
Per cent of GDP (at 1993 values)	1.0	2.6	6.1 (5.2)	17.2 (10.7)	0.5

The amount of support disbursed is shown in parentheses, other support consists mainly of guarantees.

and Sweden. In Denmark and Iceland, the state has had to provide very little bank support.

Finland's Government Guarantee Fund has estimated that the public sector's final losses will range from FIM 42 billion to FIM 49 billion. These figures do not include interest costs, which so far have amounted to about FIM 7 billion. The recovery of bank support depends primarily on economic development, the level of interest rates and recovery of the real estate market. The asset management companies own a very large amount of real estate assets.

In Sweden, bank support will be recovered mainly through the sale of Nordbanken (estimated price SEK 10-15 billion) and possibly to some extent through Securum/Retriva. According to unofficial estimates, the final losses in Sweden may amount to SEK 45-55 billion. In Norway, the state is likely to recover all of its bank support, but mostly over the long term, with the possible privatization of the commercial banks DnB and Christiania. The Norwegian State may, in the end, even earn a profit on its bank support investment, if DnB and Christiania are sufficiently profitable when they are privatized.

**Nordic banks' future prospects and competitive situation**

At the moment, Nordic banks' prospects seem quite bright after many difficult years. In Finland, however, the banks still have problems. In the Nordic countries other than Finland, banks are already now fairly profitable on average, and their capital adequacy is very good even by international standards. Banks' results for the first quarter of 1995 and their estimated profits for the whole year indicate positive results in all the Nordic countries except Finland. In Finland, the banks' results for 1995 are still estimated to be negative, but they are likely to show a small profit in 1996.

Although the banks' situation has now eased, except in Finland, many problems lie ahead. Competition in the banking sector has clearly stiffened and it is estimated that the demand for loans will continue to be very sluggish. In the next few years, foreign banks will increase their supply of services in the Nordic countries. Banks must continue to cut costs and improve the efficiency of their operations. This means that the numbers of staff and bank branches must be reduced. The need to reduce banks' staff is especially strong in Denmark and Finland, where the banks have clearly more employees than the other Nordic banks, in relative terms. It has been estimated that in the next few years, the total number of bank employees in Finland will be reduced by a further 10 000, to about 26 000. All the large Finnish banks - Postipankki, Merita and the cooperative bank group - need to reduce their personnel.

The weak demand for loans has increased bank competition. This is also reflected in declining

**Table 5. Largest banks (or banking groups) in the Nordic countries and their key indicators**

	KOP/SYP = Merita	Posti- pankki	Okobank Group	Den Danske Bank	Uni Dan- mark	Spar- banken Sverige	Handels- banken	S-E- Banken	Nord- banken	Den norske Bank (DnB)	Kredit- kassen (Chris- tiania)
	(F)	(F)	(F)	(D)	(D)	(S)	(S)	(S)	(S)	(N)	(N)
Total assets, billion FIM	310	114	163	265	180	300	250	265	220	110	90
Capital adequacy, %	10	10.7	10.3	13.0	11.8	12.7	13.7	14.2	13.7	11.2	12.8
Employees	18 000	6 100	11 800	12 500	11 000	9 900	7 000	10 500	7 500	6 100	4 300
Bank branches	770	90 <sup>1</sup>	993	480	450	600	480	320	345	170	145
Efficiency (income/ expenses), %	1.5	1.2	1.7	2.2	1.6	2.0	2.3	2.0	2.1	1.8	1.7
Efficiency (expenses/total assets), %	2.1	2.6	2.5	1.8	2.5	1.7	1.3	1.9	1.9	2.3	2.4

<sup>1</sup> In addition, 950 post offices.

F = Finland, D = Denmark, S = Sweden, N = Norway

interest rate margins. Chart 11 shows the interest rate margins in different Nordic countries. The margins shown are the differences between the average lending and deposit rates in each country's own currency. The figures for Denmark apparently include some foreign currency-denominated items. Interest rate margins have clearly come down in Finland, Norway and Sweden. The declining trend has continued in the first half of 1995. In Denmark, the interest rate margin widened in 1994. Interest rate margins in the Nordic countries will continue to be subject to downward pressure, which will undermine banks' profitability and force them to further streamline their operations.

It can be expected that structural changes in the banking sector will continue in the Nordic countries. There will be more mergers in the next few years at least among small banks, but possibly also among larger ones. In Norway, several merger projects concerning mostly small and medium-size banks are under way. New small commercial banks may emerge, also in Nordic countries other than Sweden. These banks will be 'niche banks' specializing in narrow but profitable sectors of the banking market.

Even the largest Nordic banks are not very large by international standards. Merita Bank, which is now the largest bank in the Nordic countries in terms of total assets, ranks 100th in international comparison and 30th among the European banks. Table 5 shows the largest banks in the Nor-

dic countries. Their total assets are given in Finnish markkaa.

Sweden has the highest number of large banks. The largest banks in Norway are clearly smaller than the largest banks in the other Nordic countries. The number of bank employees relative to total assets differs a great deal between the large Nordic banks. In this respect, Norwegian and Swedish banks appear to be the most efficient. This viewpoint is also supported by the other efficiency measures. The Danish and Finnish banks would therefore seem to have the most urgent need to streamline operations and cut costs.

All the large banks are in a very strong capital position, some even rank as excellent. Many large Nordic banks have recently declared the Nordic market as their home market. In the future, the competition between the Nordic banks in the Nordic banking market will be very tough. Future mergers, even between large banks, would not come as a surprise.

28 June 1995

# Insurance companies in the Finnish financial markets

by **Tapani Myllymäki**, Research Manager  
Federation of Finnish Insurance Companies

Insurance companies play a key role in the Finnish insurance system. At the end of 1994, insurance institutions held combined funds of FIM 258 billion, of which insurance company funds accounted for nearly 70 per cent. The high share of the latter partly reflects the fact that a significant portion of statutory pension insurance in the private sector in Finland is handled by insurance companies. The remainder – some 30 per cent – primarily consists of pension funds and other pension institutions (Chart 1).

At present, 50 domestic and 6 foreign insurance companies are licensed to operate in Finland. Most of the domestic companies operate as groups.

The premium income of insurance companies, two-thirds of which consists of various classes of statutory insurance, has grown at a faster rate than the economy as a whole. At the beginning of the 1960s, premium income was 2.5 per cent of GDP, while today the figure is 7 per cent. Growth is largely due to the development of earnings-related pension systems. Over the long term, statutory pension

insurance has in fact grown more rapidly than the insurance sector as a whole.

In 1994, statutory pension insurance accounted for 55 per cent (FIM 35.5 billion) of insurance companies' total premium income, non-life insurance for 34 per cent and voluntary pension insurance and life insurance combined for 11 per cent (Chart 2). Foreign insurance accounted for 7 per cent of the non-life premium income.

Table 1 gives salient figures on the volume and breakdown of the operations of insurance companies in 1994.

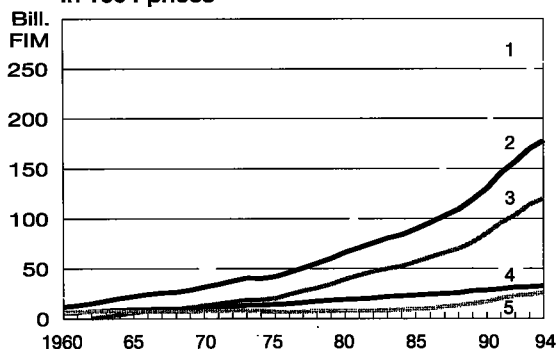
## New legislation governing investment activity

As Table 1 shows, income from investment activity plays a major role in the financing of the insurance industry in Finland. In 1994, income from investment accounted for nearly one-quarter of the turnover of insurance companies. This is partly explained by the large proportion of funded statutory insurance classes.

**Chart 1.**

### Insurance funds, 1960 - 1994

In 1994 prices



1. Insurance institutions
2. Insurance companies;  
1960 = 58.3 %, 1965 = 63.5 %, 1970 = 64.6 %, 1975 = 68.3 %, 1980 = 69.3 %, 1985 = 68.1 %, 1990 = 67.6 %, 1994 = 69.1 %
3. Statutory pension insurance
4. Non-life insurance
5. Life and other pension insurance

**Table 1. Salient figures on insurance companies in 1994\***

Premium income (excluding credit losses in respect of premiums), bill. FIM	34.9
Income from investments, bill. FIM	10.3
Turnover, bill. FIM	45.2
– breakdown of turnover, %	
– pension insurance companies	59
– non-life insurance companies	30
– life insurance companies	11
Claims expenditure, bill. FIM	35.8
Underwriting reserves, bill. FIM	178.1
Insurance companies' share of total lending in Finland, %	
– to the public	12.3
– to enterprises	21.2
Number of employees	approx. 11 300
Number of insurance companies	
– domestic	50
– foreign	6

\*Preliminary data.



Since insurance companies invest mainly the funds of insurance customers, ie assets covering underwriting reserves, strict limits on investment activity are laid down in legislation.

Provisions on the covering of underwriting reserves are included in the EU's third insurance directive. In Finland these provisions have been included in the Insurance Companies Act, a decree and ministerial regulations and they also apply to pension companies, which are not otherwise covered by the directives. As regards the act and the decree, the new provisions took effect on 1 April 1995. Lower-level regulations will take effect in autumn 1995.

The basic principle is that a company engaged in providing direct insurance must cover all its underwriting reserves (excluding items such as the shares of reinsurers up to the limit approved by the Ministry of Social Affairs and Health) with assets related to the asset items prescribed by the legislation. For non-life insurance companies, this means a substantial increase in the scope of the provisions governing cover, for such provisions previously applied on average to 30–60 per cent of a non-life insurance company's underwriting reserves.

Cover for underwriting reserves depends on the type of insurance operations carried out by the company concerned, and the security, yield and convertibility into cash of the assets included in cover must be ensured accordingly. They must be suitably diverse and spread over a broad spectrum.

Assets serving as cover are mainly valued at market values.

Foreign investments are now eligible for inclusion in cover. However, in general, they qualify as cover only to the extent that they are made in an EEA state. Since the underwriting reserves of Finnish companies are generally denominated in markkaa, regulations concerning foreign exchange positions also limit such investment in practice.

The main goal of the regulations is to prevent excessive risk concentrations. The decree stipulates the maximum amounts (a percentage of gross underwriting reserves) for different types of investments. The limits concern both investment types and individual investments.

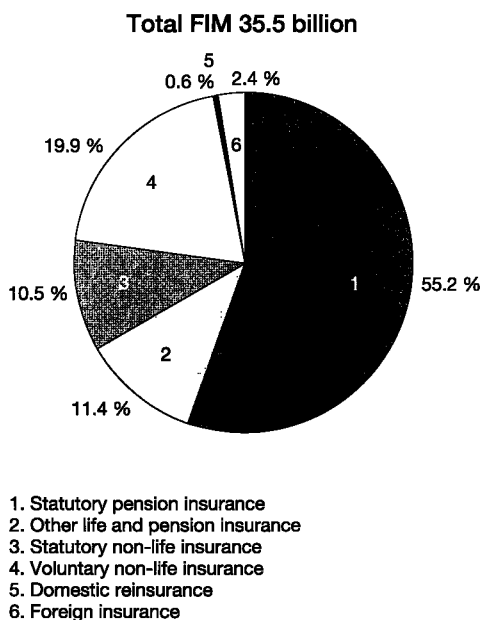
Table 2 gives a rough outline of the key restrictions contained in the decree.

The main principle applied in limiting individual investments is that a maximum of 5 or 10 per cent of the underwriting reserve can be invested in a single outlet, for example one company. The limit for an exposure to a single local authority or for a single real estate holding is 10 per cent.

However, the status of the issuer of a security etc. affects the restrictions on exposures, depending on whether the security is listed in an EEA state or whether collateral which qualifies as cover has been posted.

**Chart 2.**

**Breakdown of premium income in 1994**



**Table 2. Maximum amounts of asset items eligible as cover for underwriting reserves, as per cent of underwriting reserves**

Asset item	Maximum %
A debt security or guarantee of an EEA country, deposit bank, insurance company or local authority	100
A debt security or guarantee of an EEA credit institution or listed EEA company or listed debt securities of undertakings other than those mentioned above that are listed in an EEA state	50
Shares and participations in EEA companies and shares in other undertakings listed in an EEA state	50
Real estate and buildings in the EEA, holdings in EEA real estate undertakings (plus loans secured by mortgages)	40 (70)
Other investments	25
– of which unsecured debt securities <sup>1</sup>	5
Unlisted shares and bonds	10

<sup>1</sup> Does not concern bonds and other money or capital market instruments.

Meeting the new regulations will not generally pose a problem for Finnish companies, at least not in the longer term.

### **Significant changes in the investment portfolio in recent years**

The economic recession in Finland in the early 1990s and capital market developments have led to significant changes in the structure of the investment portfolio of insurance companies.

During the recession, investment activity in Finland was at a depressed level for several years. This, together with a shortage of collateral, was reflected in the investment activities of insurance companies as a collapse in demand for loans. Developments in the capital markets have also had an effect. Large enterprises, in particular, are now able to raise their financing directly from the markets, either in Finland or abroad.

Insurance companies have offset the low demand for loans to clients by investing in long-term government bonds and money market instruments. In contrast, investments in real estate and shares have been of relatively minor significance in recent years.

Traditionally, lending to enterprises has dominated the investment activity of pension insurance companies, in particular. This is due to the relending arrangement under the statutory employment pension scheme in the private sector (TEL) whereby employers with adequate collateral can pay part of their employment pension contributions by issuing promissory notes (the maximum for 1995 is 51 per cent of the combined pension premium of the employer and employee). While legally this constitutes an arrangement for lending to companies, in content it is actually an arrangement whereby employment pension premiums are paid over an extended period. The trend in recent years is apparent from the fact that lending to customers (TEL-relending and other loans to customers) comprised 78 per cent of the investment portfolio of pension insurance companies at the end of 1992 as opposed to only 57 per cent at the end of 1994 (Chart 3). The share of lending to customers in the portfolios of life and non-life insurance companies is substantially smaller, approximately one-fifth.

In recent years, the emphasis in investment activity has been on bonds, primarily government bonds. Indeed, the share of bonds in the combined investment portfolio of insurance companies has risen by 16 percentage points in just two years and was 26 per cent at the end of 1994. The increase in investment in bonds has been affected both by reassessments of investment policy and increased supply. It was not until the government started to issue significant volumes of bonds that an extensive market for long-term bonds developed in Finland. Government bonds suit the investment policy of insurance companies by virtue of their security. Yields have also been good, using for example the

minimum yield requirement for investment by pension companies as the criterion (calculated interest rate), which is 6.5 per cent at present.

Real estate investments by insurance companies have been of fairly minor significance in recent years. The worst recession in the property market is probably now over, and values have stabilized after declining for some years. Nevertheless companies still hold large volumes of vacant rental premises. On the basis of the experience of recent years, many companies want to reduce the proportion of real estate in their portfolios, and so there is no desire to make sizeable new investments in this area.

### **The outlook for investment activity**

The investment portfolios of Finnish insurance companies differ considerably in structure from the portfolios of their counterparts in most other European countries. The most striking difference is the large proportion of direct loans to customers in Finland.

Apart from the TEL-relending system, this reflects the long undeveloped state of money and capital markets in Finland. As also the forms of corporate financing available to small and medium-sized companies diversify, the share of direct lending to customers in insurance companies' investment portfolios is likely to diminish further. This will not necessarily mean a reduction in corporate financing by insurance companies. Rather, direct lending will be converted, for example, into investments in marketable corporate debt securities. Development of a market of this kind is being hindered by the lack of a domestic credit rating system in Finland.

It has been proposed in various contexts that insurance companies – particularly pension insurance companies – should shift their investments more towards equity-based financing. Increased financing of this kind in the investment activity of pension companies, particularly over the long term, would be desirable both as regards the economy as a whole and the employment pension system. The main reason for the small volume of investment in equities is that the risk-bearing capacity of pension companies with respect to depreciation in value is low because of their weak capital structure (limited solvency margin). A more significant increase in equity investment would require greater risk-bearing capacity.

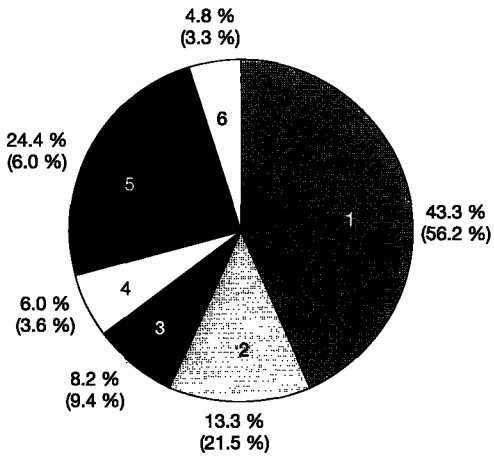
Along with the new regulations on covering underwriting reserves, investments in the shares of unlisted companies are now also eligible for use as cover, albeit to a very limited extent. Insurance companies have undertaken such investments by investing in venture capital undertakings. However, total investment of this kind amounts to only a few hundred million markkaa.

Foreign investments (primarily in the EEA) also qualify as cover by virtue of the new legislation. It is clear that at least non-life and life insurance com-

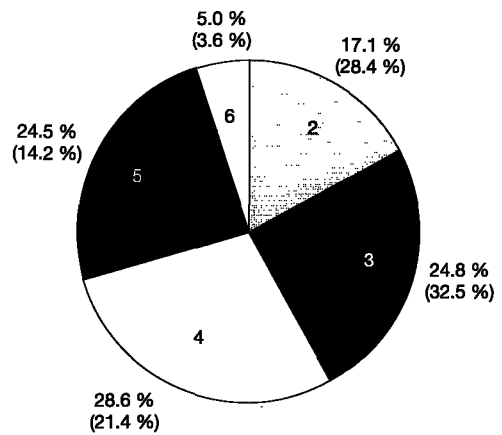
**Chart 3.**

**Insurance companies' investment portfolio, 31 December 1994 (31 December 1992)**

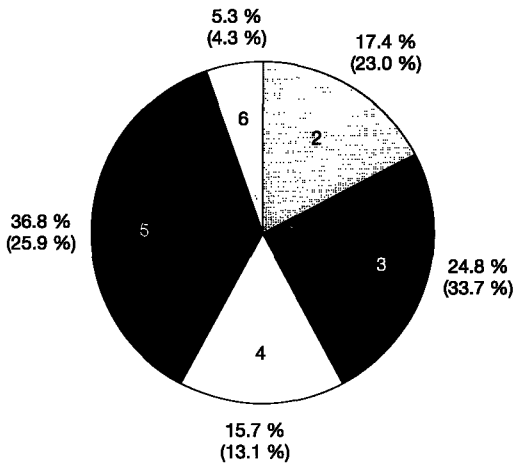
**Pension insurance companies**  
FIM 104.7 (95.0) billion



**Non-life insurance companies**  
FIM 31.2 (27.2) billion



**Life insurance companies**  
FIM 23.7 (16.5) billion



- 1. TEL-renting
- 2. Other loans to customers
- 3. Real estate and real estate shares
- 4. Other shares and holdings
- 5. Bonds
- 6. Other

\*At balance sheet values

panies will become more active in the area of foreign investment. To date, investments denominated in foreign currency have largely been made by non-life insurance companies engaged in foreign insurance operations. Here the aim has been to eliminate exchange rate risk rather than active investment policy. Investments denominated in foreign currency totalled FIM 5.5 billion at the end of 1994. Since the underwriting reserves of most companies are mainly in markkaa, there is always an exchange rate risk involved in foreign investment, and this reduces the willingness to make investments of this kind.

Although the Finnish capital market is undoubtedly small as far as major investors like insurance companies are concerned and vulnerable, because of its small size, to wide fluctuations in values, foreign investment will probably continue to

play a subsidiary role in the future. As financial instruments develop and diversify it will also be possible to spread risks more effectively in Finland. Viewed as a whole, the main emphasis in the investment activity of insurance companies (including employment pension funds) will clearly remain on the financing of domestic business.

6 July 1995

# Items

## The Bank of Finland's investment inquiry

**Finnish industrial capacity increasing.** Total industrial investment<sup>1</sup>, which turned up in 1994, will accelerate substantially in 1995. According to the Bank of Finland's investment inquiry conducted in late spring, fixed investment in manufacturing will increase by almost 50 per cent in real terms. The increase is clearly bigger than that indicated by the previous inquiry, which was conducted in October-November 1994.

The value of investment in new fixed assets will amount to more than FIM 22 billion in manufacturing and to about FIM 27 billion in total industry. The volume of investment in 1995 will be almost at the same level as in the latter half of the 1980s. However, viewed against the value added in manufacturing, which will be from 16 to 17 per cent higher in 1995 in real terms compared with the late 1980s, manufacturing companies are investing less than they did at the previous cyclical peak.

According to the inquiry, industrial firms foresee a continuation of the favourable economic development in 1996. The capacity utilization rate is expected to remain at a record high level – more than 90 per cent on average for manufacturing – throughout next year. As a result, there is a need to expand productive capacity in most sectors.

### Paper industry leading the investment cycle.

According to the inquiry, investment will increase substantially in almost all sectors in 1995. In the forest industries, the value of investment in the paper industry will increase to more than FIM 8 billion and the volume of investment will double compared with 1994. However, new capacity will not be on stream until 1996. In the forest industries, the investment ratio, ie the ratio of fixed investment to value added, will rise almost to the level of the late 1980s.

In the metal and engineering industries, output growth has been clearly faster than in manufacturing on average, and companies in the metal and

engineering industries are increasing their investment for the third consecutive year. However, their investment ratio continues to be lower than the average for the 1980s. In the metal and engineering industries, productive capacity has been boosted, for instance, by shift work.

In the sector 'other manufacturing', a large share of the output of which is sold domestically, investment did not start to increase until this year. In this sector, the volume of output also lags clearly behind the average growth for total industry, and continues to run below the level of the previous cyclical peak. According to the inquiry, investment in 'other manufacturing' has increased by more than one-third, but the investment ratio remains clearly below its long-term average level.

**Table 1. Annual change in the volume of industrial fixed investment, 1994–1996, per cent**

	1994	1995	1996 planned
Forest industries	35	71	1
Metal and engineering industries	47	40	-7
Other manufacturing	-24	36	-4
MANUFACTURING	14	49	-3
ENERGY AND WATER SUPPLY	-14	0	15
TOTAL INDUSTRY (incl. mining)	6	37	0
By type of investment			
Construction	16	4	-25
Machinery and equipment	2	51	7

**Table 2. Capacity utilization rate in manufacturing, semiannual, 1994–1996, per cent**

	1994		1995		1996	
	I	II	I	II	I	II
Forest industries	90	92	94	94	94	94
Metal and engineering industries	88	92	94	93	94	94
Other manufacturing	81	83	81	83	83	84
MANUFACTURING	86	89	89	90	90	91

<sup>1</sup> The Bank of Finland's investment inquiry covers domestic purchases of new fixed assets. Purchases and sales of used capital goods, acquisitions of building sites and land, business acquisitions and investment abroad fall outside the scope of the inquiry.

Investment in energy and water supply will amount to about FIM 4.5 billion, remaining unchanged in volume terms.

At the time the inquiry was conducted, companies in all sectors of industry were planning for aggregate investment in 1996 at a level commensurate with their investment for 1995<sup>2</sup>. Taking into account the normal underestimation of investment plans, it appears that industrial investment will continue to grow next year.

**Companies' intangible investment is also increasing.** During the recession years, industries' intangible investment declined in real terms. In 1995, the amount of intangible investment will clearly increase<sup>3</sup>. The sectors that will spend the most on intangible investment are electrical equipment, chemicals, paper, fabricated metal products, machinery and transport equipment.

**Capacity utilization at a record high.** The rapid growth of industrial production has raised capacity utilization rates to high levels. According to estimates, capacity utilization rates in the first half of 1995 averaged 94 per cent in both the forest industries and the metal and engineering industries, but in the sector 'other manufacturing' they were clearly lower, at 81 per cent. In all these sectors, companies expect their capacity utilization rates to remain unchanged or to rise slightly. In manufacturing the average rate will be higher than it has been in 20 years.

The growing investment will increase the industrial capital stock. The relatively long time required for the realization of certain investment projects will delay the output growth that will come from the new capacity. Consequently, in the near future, capacity constraints will slow down the growth of industrial production.

## **Supplementary budget**

The first supplementary budget for 1995 was approved by Parliament in June. It provides for some FIM 3 billion in gross outlays and a FIM 1.8 billion net increase in budgeted central government expenditure, consisting mainly of measures designed to stimulate the domestic economy and ease the difficult unemployment situation. These policy packages were agreed on when the new Government was formed. All in all, budgeted central government expenditure for 1995 now totals FIM 197.7 billion.

About FIM 1.6 billion has been allocated for promoting employment. Of this sum, FIM 0.94 billion has been earmarked for the Ministry of Labour, more than half of which will be used for vocational retraining and similar purposes. The rest has been set aside for promoting employment through public investment and capital transfers to the private sector. The number of people employed under special labour market policy measures amounts to 125 000, which is 20 000 more than one year earlier.

The Government is to support private and public construction through measures amounting to FIM 0.7 billion. These measures are expected to increase fixed investment by altogether FIM 2.2 billion. The effect on employment is estimated to be 17 000 man-years.

The supplementary budget includes direct spending cuts of FIM 1.15 billion. These spending cuts are part of the savings specified in the new Government's programme. For example, child allowances and financial assistance to students are to be cut by FIM 0.5 billion and subsidies for agriculture and private enterprises by FIM 0.65 billion. These austerity measures are effective from 1 July.

The FIM 1.8 billion net increase in central government expenditure caused by the supplementary budget will be financed by higher-than-projected revenue. The Government expects tax revenue to increase by FIM 1.1 billion; eg income tax and VAT receipts are expected to exceed the amounts budgeted in autumn 1994. There will be no increase in the net borrowing requirement for 1995.

<sup>2</sup> In inquiries conducted in the spring, companies' planned investment for the following year typically underestimates the actual volume of investment.

<sup>3</sup> In the Bank of Finland's investment inquiry, the figures for real intangible investment continue to be lower than the corresponding figures for Statistical Finland. Therefore, the results of the Bank's inquiry should be viewed primarily as an indicator of the trend in intangible investment.

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

1994

## SEPTEMBER

**Increase in the capital of Asset Management Company Arsenal Ltd.** On 8 September, the Government decides to raise the share capital of Asset Management Company Arsenal Ltd by FIM 6 billion. The capital injection is necessary to cover losses incurred during the year.

## 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 government benchmark 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 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.





# 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.	7 July	14 July	21 July	31 July
<b>ASSETS</b>					
<b>Gold and foreign currency claims</b>	52 743	51 639	50 486	49 999	51 662
Gold	2 180	1 742	1 742	1 742	1 742
Special drawing rights	1 537	1 270	1 262	1 209	1 383
IMF reserve tranche	1 354	1 427	1 409	1 524	1 518
ECU-claim on the European Monetary Institute	.	3 483	3 386	3 373	3 361
Foreign currency claims	47 672	43 717	42 687	42 151	43 659
<b>Other foreign claims</b>	4 595	4 382	4 392	4 254	4 254
Markka subscription to Finland's quota in the IMF	4 595	4 323	4 334	4 196	4 196
Share in the European Monetary Institute	.	58	58	58	58
<b>Claims on financial institutions</b>	2 520	3 859	4 771	4 760	4 253
Liquidity credits	-	-	-	-	-
Certificates of deposit	443	-	-	-	-
Securities with repurchase commitments	1 037	3 019	3 931	3 931	3 425
Term credits	-	-	-	-	-
Bonds	802	602	602	591	591
Other claims on financial institutions	238	238	238	238	238
<b>Claims on the public sector</b>	1 806	1 793	1 793	1 793	1 797
Treasury bills	-	-	-	-	-
Total coinage	1 806	1 793	1 793	1 793	1 797
<b>Claims on corporations</b>	3 149	3 095	3 095	3 095	3 091
Financing of domestic deliveries (KTR)	316	240	240	240	235
Other claims on corporations	2 833	2 856	2 856	2 856	2 856
<b>Other assets</b>	6 524	5 820	5 784	5 715	5 791
Loans for stabilizing the money market	4 532	4 532	4 532	4 532	4 532
Accrued items	1 832	1 115	1 079	1 019	1 092
Other assets	159	173	173	164	167
<b>Valuation account</b>	-	1 123	1 359	1 656	1 855
<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>	72 737	73 112	73 081	72 672	74 104
<b>LIABILITIES</b>					
<b>Foreign currency liabilities</b>	130	1 020	978	1 073	1 071
<b>Other foreign liabilities</b>	5 579	5 277	5 282	5 131	5 128
IMF markka accounts	4 595	4 323	4 334	4 196	4 196
Allocations of special drawing rights	985	954	949	935	931
Other foreign liabilities	-	-	-	-	-
<b>Notes and coin in circulation</b>	14 315	14 461	14 422	14 426	14 544
Notes	12 675	12 772	12 734	12 734	12 848
Coin	1 640	1 689	1 688	1 692	1 696
<b>Certificates of deposit</b>	35 236	35 414	35 746	35 718	36 982
<b>Liabilities to financial institutions</b>	7 912	7 692	7 530	7 179	7 290
Call money deposits	1 387	1 046	884	533	525
Term deposits	-	-	-	-	-
Minimum reserve deposits	6 526	6 646	6 646	6 646	6 765
Other liabilities to financial institutions	-	0	0	-	0
<b>Liabilities to the public sector</b>	93	193	81	82	53
Cheque accounts	0	0	0	0	0
Deposits of the Government Guarantee Fund	93	192	81	82	53
Other liabilities to the public sector	-	-	-	-	-
<b>Liabilities to corporations</b>	1 548	1 210	1 208	1 205	1 203
Deposits for investment and ship purchase	1 548	1 210	1 208	1 205	1 203
<b>Other liabilities</b>	461	383	373	396	372
Accrued items	437	341	344	365	344
Other liabilities	24	42	29	31	28
<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
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Net earnings	-	-	-	-	-
<b>Total</b>	72 737	73 112	73 081	72 672	74 104

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>July</b>	2 180	645	1 480	.	51 329	55 634	- 1 261	54 373	1 823	84	1 739
<b>Aug.</b>	2 180	636	1 447	.	48 794	53 058	- 1 249	51 809	1 817	71	1 746
<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

End of period	Domestic financial sector					Corporate sector				
	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)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	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>July</b>	2 488	- 796	- 6 467	1 126	- 3 649	386	1 081	1 467	14 176	35 985
<b>Aug.</b>	4 557	- 2 252	- 6 602	1 120	- 3 177	374	1 104	1 478	13 922	35 040
<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

<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
<b>1990</b>	806	132	674
<b>1991</b>	881	985	- 103
<b>1992</b>	2 103	437	1 666
<b>1993</b>	831	425	407
<b>1994</b>	1 393	10	1 383
<b>1994</b>			
<b>July</b>	1 014	0	1 014
<b>Aug.</b>	2 575	0	2 575
<b>Sept.</b>	2 089	0	2 089
<b>Oct.</b>	1 442	0	1 442
<b>Nov.</b>	2 038	0	2 038
<b>Dec.</b>	1 160	0	1 160
<b>1995</b>			
<b>Jan.</b>	1 196	0	1 196
<b>Feb.</b>	1 210	4	1 206
<b>March</b>	1 750	0	1 750
<b>April</b>	853	0	853
<b>May</b>	833	2	831
<b>June</b>	607	30	577
<b>July</b>	803	0	803

### 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 payable on demand, %	On other deposits, %	On other items, %		
	1	2	3	4	5
<b>1990</b>	.	.	.	7.0	17 401
<b>1991</b>	.	.	.	4.0	10 361
<b>1992</b>	.	.	.	5.0	13 165
<b>1993</b>	2.0	1.5	1.0	.	6 398
<b>1994</b>	2.0	1.5	1.0	.	6 526
<b>1994</b>					
<b>July</b>	2.0	1.5	1.0	.	6 467
<b>Aug.</b>	2.0	1.5	1.0	.	6 602
<b>Sept.</b>	2.0	1.5	1.0	.	6 550
<b>Oct.</b>	2.0	1.5	1.0	.	7 029
<b>Nov.</b>	2.0	1.5	1.0	.	6 674
<b>Dec.</b>	2.0	1.5	1.0	.	6 526
<b>1995</b>					
<b>Jan.</b>	2.0	1.5	1.0	.	6 511
<b>Feb.</b>	2.0	1.5	1.0	.	6 521
<b>March</b>	2.0	1.5	1.0	.	6 516
<b>April</b>	2.0	1.5	1.0	.	6 798
<b>May</b>	2.0	1.5	1.0	.	6 523
<b>June</b>	2.0	1.5	1.0	.	6 646
<b>July</b>	2.0	1.5	1.0	.	6 765

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

<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
<b>1990</b>	163 326	26 379	160 797	- 23 850
<b>1991</b>	109 568	30 380	81 969	- 2 781
<b>1992</b>	76 230	137 940	- 60 417	- 1 293
<b>1993</b>	86 521	146 899	- 50 486	- 9 892
<b>1994</b>	35 540	351 820	- 295 165	- 21 115
<b>1994</b>				
<b>July</b>	2 000	34 770	- 29 180	- 3 590
<b>Aug.</b>	5 140	35 040	- 32 970	3 070
<b>Sept.</b>	590	36 860	- 33 510	- 2 760
<b>Oct.</b>	330	38 290	- 36 210	- 1 750
<b>Nov.</b>	1 630	35 210	- 34 400	820
<b>Dec.</b>	1 470	34 680	- 34 790	1 580
<b>1995</b>				
<b>Jan.</b>	2 580	36 050	- 31 590	- 1 880
<b>Feb.</b>	3 490	36 940	- 34 710	1 260
<b>March</b>	4 260	40 440	- 35 360	- 820
<b>April</b>	2 400	34 970	- 35 680	3 110
<b>May</b>	3 710	32 780	- 28 590	- 480
<b>June</b>	3 060	35 556	- 32 401	- 95
<b>July</b>	3 385	36 980	- 32 530	- 1 065



## 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		
<b>1991</b>	35 120	- 69 940	- 14 820	12 820	12 260
<b>1992</b>	20 050	- 70 640	- 1 650	390	45 060
<b>1993</b>	25 120	- 45 080	7 460	- 6 910	33 240
<b>1994</b>	20 930	- 12 900	9 060	- 8 930	24 660
<b>1994</b>					
<b>June</b>	-	- 1 350	-	-	6 360
<b>July</b>	-	- 930	-	-	4 610
<b>Aug.</b>	-	- 4 270	- 2 960	2 990	- 530
<b>Sept.</b>	-	- 1 440	2 420	- 2 340	5 350
<b>Oct.</b>	5 110	- 220	5 070	- 5 090	2 280
<b>Nov.</b>	210	- 520	770	- 530	60
<b>Dec.</b>	1 750	- 300	870	- 1 120	- 960
<b>1995</b>					
<b>Jan.</b>	-	- 190	3 290	- 3 260	4 360
<b>Feb.</b>	-	- 90	- 280	- 90	720
<b>March</b>	-	- 1 440	- 1 710	1 350	- 50
<b>April</b>	400	-	- 2 650	6 290	- 6 010
<b>May</b>	-	-	- 1 230	1 300	- 1 040
<b>June</b>	-	-	- 1 120	1 110	- 813

## 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	Net currency sales
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Currency purchases from foreign customers	Currency sales to foreign customers	Net					
	1	2	3	4	5	6	7	8	9	10	11
<b>1990</b>	11 609	4 979	6 631	21 179	11 079	10 100	16 731	237	55	183	- 6 098
<b>1991</b>	33 004	36 352	- 3 348	40 056	37 505	2 550	- 798	1 404	645	759	8 953
<b>1992</b>	39 195	32 939	6 256	21 142	32 339	- 11 197	- 4 941	1 614	1 929	- 315	7 133
<b>1993</b>	38 373	23 721	14 652	14 346	21 895	- 7 548	7 104	11 632	2 173	9 459	1 939
<b>1994</b>	51 096	22 093	29 003	19 236	32 791	- 13 555	15 448	18 372	4 780	13 592	- 6 080
<b>1994</b>											
<b>June</b>	41 191	15 124	26 067	18 939	25 421	- 6 481	19 586	15 155	4 417	10 739	0
<b>July</b>	40 536	16 619	23 917	17 436	27 166	- 9 730	14 187	14 746	4 000	10 746	0
<b>Aug.</b>	39 846	19 930	19 916	19 572	32 036	- 12 464	7 452	14 542	3 735	10 807	3 002
<b>Sept.</b>	40 197	20 368	19 829	18 637	29 261	- 10 624	9 205	14 177	3 389	10 788	671
<b>Oct.</b>	44 821	19 418	25 403	20 662	30 252	- 9 589	15 814	14 945	2 659	12 286	- 4 436
<b>Nov.</b>	46 460	21 508	24 952	18 515	28 808	- 10 293	14 659	16 058	4 036	12 023	- 5 075
<b>Dec.</b>	51 096	22 093	29 003	19 236	32 791	- 13 555	15 448	18 372	4 780	13 592	- 6 080
<b>1995</b>											
<b>Jan.</b>	53 808	22 928	30 880	21 342	31 748	- 10 407	20 473	19 972	4 698	15 274	- 9 436
<b>Feb.</b>	54 500	23 006	31 494	21 161	36 433	- 15 273	16 221	20 618	3 533	17 086	- 9 485
<b>March</b>	57 611	25 712	31 899	23 283	36 466	- 13 182	18 717	20 806	4 775	16 030	- 8 055
<b>April</b>	57 779	24 331	33 447	22 063	33 135	- 11 073	22 374	19 221	5 194	14 027	- 4 909
<b>May</b>	59 058	24 236	34 822	23 178	33 876	- 10 698	24 124	17 363	5 967	11 395	- 3 562
<b>June</b>	56 010	21 745	34 265	22 744	36 052	- 13 308	20 957	17 184	5 360	11 824	- 2 461

### 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	8
<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>July</b>	4.61	5.17	5.46	6.13	6.91	7.17	3.17	5.25
<b>Aug.</b>	3.91	5.35	5.96	6.77	7.54	7.32	3.32	5.25
<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

<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>	<b>1992</b>		
13.85	+1.00	7	-3.00
<b>1993</b>	<b>1993</b>		
7.87	+2.00	7	-2.00
<b>1994</b>	<b>1994</b>		
5.11	+2.00	7	-2.00
<b>1994</b>	<b>1994</b>		
<b>July</b>	+2.00	7	-2.00
<b>Aug.</b>	+2.00	7	-2.00
<b>Sept.</b>	+2.00	7	-2.00
<b>Oct.</b>	+2.00	7	-2.00
<b>Nov.</b>	+2.00	7	-2.00
<b>Dec.</b>	+2.00	7	-2.00
<b>1995</b>	<b>1995</b>		
<b>Jan.</b>	+2.00	7	-2.00
<b>Feb.</b>	+2.00	7	-2.00
<b>March</b>	+2.00	7	-2.00
<b>April</b>	+2.00	7	-2.00
<b>May</b>	+2.00	7	-2.00
<b>June</b>	+2.00	7	-2.00
<b>July</b>	+2.00	7	-2.00
09.06.1995	6.00		

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

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

Average of daily observations	ECU	3 currencies	Commercial ECU
	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>July</b>	5.6	5.0	6.0
<b>Aug.</b>	5.7	5.0	6.0
<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

### 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
<b>1990</b>	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
<b>1991</b>	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
<b>1992</b>	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
<b>1993</b>	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
<b>1994</b>	7.32	11.55	7.13	7.35	8.18	7.91	3.25	4.25	2.00	2.99	5.96	4.01
<b>1994</b>												
<b>June</b>	7.19	11.70	7.25	7.44	8.09	7.88	3.25	4.25	2.00	2.89	5.77	3.92
<b>July</b>	8.25	11.76	7.58	7.86	8.14	7.90	3.25	4.25	2.00	3.01	5.85	4.03
<b>Aug.</b>	8.37	11.80	7.81	8.04	8.20	7.97	3.25	4.25	2.00	3.05	5.98	4.11
<b>Sept.</b>	7.61	11.75	7.66	7.86	8.19	7.96	3.25	4.25	2.00	3.04	5.99	4.11
<b>Oct.</b>	8.26	11.61	7.28	7.49	8.15	7.91	3.25	4.25	2.00	3.05	6.10	4.10
<b>Nov.</b>	7.75	11.72	7.01	7.21	8.09	7.83	3.25	4.25	2.00	3.04	6.09	4.08
<b>Dec.</b>	7.62	10.69	6.44	6.71	8.05	7.76	3.25	4.25	2.00	3.11	6.17	4.10
<b>1995</b>												
<b>Jan.</b>	7.79	11.55	7.22	7.40	8.11	7.84	3.25	4.25	2.00	3.15	6.27	4.18
<b>Feb.</b>	8.46	11.54	7.29	7.50	8.11	7.83	3.25	4.25	2.00	3.17	6.33	4.18
<b>March</b>	8.40	11.58	7.62	7.80	8.16	7.89	3.25	4.25	2.00	3.22	6.41	4.22
<b>April</b>	7.80	11.39	7.54	7.68	8.17	7.90	3.25	4.25	2.00	3.23	6.45	4.23
<b>May</b>	8.15	11.52	7.54	7.71	8.16	7.89	3.25	4.25	2.00	3.23	6.45	4.23
<b>June</b>	8.13	11.61	7.43	7.60	8.14	7.85	3.25	4.25	2.00	3.21	6.53	4.13

<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
<b>1990</b>	13.7	13.5	13.3	.	4.0
<b>1991</b>	12.3	12.2	11.8	.	3.9
<b>1992</b>	13.1	13.0	12.0	11.5 <sup>1</sup>	3.1
<b>1993</b>	8.5	8.9	8.2	8.8	1.8
<b>1994</b>	8.5	9.3	8.4	9.0	1.4
<b>1994</b>					
<b>June</b>	9.1	10.0	9.0	9.5	1.5
<b>July</b>	9.7	10.4	9.3	9.9	1.5
<b>Aug.</b>	10.3	11.0	10.0	10.6	1.4
<b>Sept.</b>	10.2	11.0	9.9	10.5	1.4
<b>Oct.</b>	9.5	10.5	9.4	10.1	1.5
<b>Nov.</b>	9.6	10.5	9.5	10.2	1.5
<b>Dec.</b>	9.6	10.5	9.5	10.2	1.7
<b>1995</b>					
<b>Jan.</b>	9.5	10.3	9.4	10.2	1.3
<b>Feb.</b>	9.3	10.2	9.3	10.2	1.5
<b>March</b>	9.2	10.1	9.2	10.2	2.3
<b>April</b>	8.7	9.4	8.4	9.4	2.6
<b>May</b>	8.2	8.9	7.8	8.8	3.3
<b>June</b>	8.3	8.9	7.7	8.7	3.1

<sup>1</sup> November and December only.

## 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	Copen- hagen 1 DKK	Frankfurt aM 1 DEM	Amster- dam 1 NLG	Brussels 1 BEF	Zurich 1 CHF	Paris 1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
<b>1990</b>	3.8233	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.1145	2.7576	0.7024
<b>1991</b>	4.0457	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.1184	2.8208	0.7169
<b>1992</b>	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.1397	3.2000	0.8486
<b>1993</b>	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	3.4584	3.0787	0.1655	3.8706	1.0096
<b>1994</b>	5.2184	3.824	7.982	7.799	0.6758	0.7393	0.8207	3.2169	2.8684	0.1561	3.8179	0.9406
<b>1994</b>												
<b>July</b>	5.2014	3.762	8.036	7.939	0.6695	0.7573	0.8430	3.3120	2.9526	0.1607	3.9249	0.9666
<b>Aug.</b>	5.1384	3.728	7.927	7.826	0.6640	0.7490	0.8310	3.2852	2.9259	0.1594	3.8980	0.9589
<b>Sept.</b>	4.9691	3.669	7.767	7.667	0.6591	0.7303	0.8128	3.2038	2.8578	0.1557	3.8447	0.9367
<b>Oct.</b>	4.6761	3.464	7.506	7.416	0.6440	0.7061	0.7855	3.0745	2.7443	0.1494	3.6959	0.8983
<b>Nov.</b>	4.7172	3.458	7.500	7.385	0.6418	0.7015	0.7833	3.0659	2.7353	0.1490	3.6448	0.8930
<b>Dec.</b>	4.8455	3.488	7.554	7.435	0.6447	0.7068	0.7864	3.0823	2.7528	0.1499	3.6450	0.8949
<b>1995</b>												
<b>Jan.</b>	4.7358	3.352	7.458	7.375	0.6344	0.7071	0.7851	3.0930	2.7591	0.1501	3.6782	0.8946
<b>Feb.</b>	4.6433	3.315	7.300	7.256	0.6288	0.7041	0.7832	3.0913	2.7576	0.1501	3.6526	0.8889
<b>March</b>	4.3769	3.111	7.004	6.993	0.6021	0.6979	0.7770	3.1138	2.7768	0.1509	3.7378	0.8790
<b>April</b>	4.2650	3.096	6.862	6.948	0.5810	0.6889	0.7855	3.0947	2.7641	0.1505	3.7580	0.8814
<b>May</b>	4.3155	3.172	6.854	6.999	0.5919	0.6860	0.7832	3.0663	2.7390	0.1490	3.6980	0.8670
<b>June</b>	4.2983	3.120	6.853	7.004	0.5920	0.6891	0.7858	3.0668	2.7406	0.1493	3.7104	0.8736
<b>July</b>	4.2488	3.121	6.776	6.968	0.5917	0.6882	0.7852	3.0587	2.7305	0.1488	3.6755	0.8788

Average of daily quotations	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Reykjavik 1 ISK	Madrid 1 ESP	Athens 1 GRD	Tallinn 1 EEK	Tokyo 1 JPY	Mel- bourne 1 AUD	ECU Commer- cial 1 XEU	SDR 1 XDR
	13	14	15	16	17	18	19	20	21	22	23
<b>1990</b>	0.00319	0.3363	0.0268	0.0656	0.0375	..	..	0.02647	2.988	4.864	5.18322
<b>1991</b>	0.00326	0.3464	0.0280	0.0684	0.0389	0.022	..	0.03008	3.152	5.003	5.52771
<b>1992</b>	0.00364	0.4088	0.0332	0.0778	0.0438	0.024	0.4060	0.03546	3.289	5.798	6.31546
<b>1993</b>	0.00364	0.4916	0.0356	0.0846	0.0451	0.025	0.4323	0.05168	3.885	6.685	7.98641
<b>1994</b>	0.00324	0.4573	0.0314	0.0745	0.0390	0.021	0.4021	0.05106	3.814	6.175	7.46629
<b>1994</b>											
<b>July</b>	0.00332	0.4708	0.0322	0.0759	0.0401	0.0219	0.4140	0.05276	3.821	6.329	7.57829
<b>Aug.</b>	0.00325	0.4669	0.0322	0.0749	0.0396	0.0217	0.4107	0.05147	3.805	6.261	7.47292
<b>Sept.</b>	0.00317	0.4552	0.0314	0.0731	0.0386	0.0211	0.4005	0.05029	3.684	6.113	7.27337
<b>Oct.</b>	0.00302	0.4369	0.0301	0.0697	0.0370	0.0201	0.3843	0.04747	3.452	5.865	6.90651
<b>Nov.</b>	0.00298	0.4355	0.0300	0.0699	0.0368	0.0199	0.3832	0.04813	3.559	5.838	6.93950
<b>Dec.</b>	0.00297	0.4379	0.0301	0.0704	0.0366	0.0199	0.3853	0.04838	3.752	5.874	7.03528
<b>1995</b>											
<b>Jan.</b>	0.00294	0.4396	0.0300	0.0698	0.0357	0.0199	0.3866	0.04752	3.625	5.859	6.94337
<b>Feb.</b>	0.00287	0.4393	0.0299	0.0697	0.0356	0.0197	0.3864	0.04725	3.460	5.811	6.86328
<b>March</b>	0.00259	0.4424	0.0296	0.0680	0.0341	0.0192	0.3892	0.04833	3.216	5.700	6.72357
<b>April</b>	0.00249	0.4398	0.0293	0.0676	0.0343	0.0190	0.3868	0.05101	3.139	5.671	6.71986
<b>May</b>	0.00261	0.4360	0.0291	0.0673	0.0350	0.0189	0.3833	0.05078	3.143	5.647	6.72395
<b>June</b>	0.00262	0.4362	0.0291	0.0678	0.0353	0.0190	0.3833	0.05083	3.094	5.665	6.72042
<b>July</b>	0.00264	0.4349	0.0291	0.0674	0.0355	0.0189	0.3823	0.04871	3.088	5.662	6.61807

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

Average of daily observations	Markka value of the ECU	Currency indices, 1982=100		
	FIM/ECU	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	136.1	141.8
<b>1994</b>	6.19108	123.2	125.8	131.8
<b>1994</b>				
<b>July</b>	6.35263	125.2	127.2	133.6
<b>Aug.</b>	6.28705	123.8	125.8	131.9
<b>Sept.</b>	6.13918	121.3	122.7	128.7
<b>Oct.</b>	5.89314	116.5	117.2	122.6
<b>Nov.</b>	5.86886	116.3	117.3	122.9
<b>Dec.</b>	5.89101	117.0	118.8	124.2
<b>1995</b>				
<b>Jan.</b>	5.87972	115.9	117.5	122.6
<b>Feb.</b>	5.84352	114.9	116.2	121.3
<b>March</b>	5.76731	112.4	112.9	118.2
<b>April</b>	5.72937	111.2	111.1	117.4
<b>May</b>	5.70402	111.3	111.5	118.0
<b>June</b>	5.71859	111.5	111.4	117.9
<b>July</b>	5.71263	110.9	110.7	116.7

## 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>March</b>	38 058	97 847	105 867	22 734	264 506	13 201	277 708	72 348	350 056
<b>April</b>	38 242	98 146	106 551	22 748	265 687	13 574	279 261	75 636	354 897
<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>	43 366	104 067	108 753	20 626	276 812	12 769	289 581	47 289	336 870

### 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>March</b>	14 125	1 942	247 795	263 862	61 114	324 976
<b>April</b>	13 971	1 759	247 095	262 825	59 077	321 902
<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>	12 818	1 157	241 903	255 878	42 315	298 193

### 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
<b>1990</b>	- 82 881	- 19 072	453 720	434 648	- 85 385	141 524	266 383	291 045
<b>1991</b>	- 86 555	- 6 516	470 852	464 336	- 102 540	130 644	275 241	310 924
<b>1992</b>	- 68 099	81	439 937	440 018	- 97 909	134 829	274 011	310 733
<b>1993</b>	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
<b>1994*</b>	12 844	6 092	364 359	370 451	- 96 600	154 357	286 696	328 509
<b>1994*</b>								
<b>June</b>	- 6 902	2 244	389 636	391 880	- 100 498	153 365	284 480	338 345
<b>July</b>	7 521	- 880	387 027	386 147	- 107 408	155 001	286 260	340 445
<b>Aug.</b>	4 260	655	383 389	384 044	- 101 500	154 836	286 804	336 027
<b>Sept.</b>	12 224	- 2 345	374 845	372 501	- 102 004	151 193	282 721	333 572
<b>Oct.</b>	12 826	3 250	370 923	374 174	- 103 332	152 568	283 668	335 896
<b>Nov.</b>	12 535	3 611	369 603	373 214	- 101 461	152 745	284 288	331 096
<b>Dec.</b>	12 844	6 092	364 359	370 451	- 96 600	154 357	286 696	328 509
<b>1995*</b>								
<b>Jan.</b>	..	..	..	..	..	153 993	285 771	325 743
<b>Feb.</b>	..	..	..	..	..	158 107	289 245	328 804
<b>March</b>	..	..	..	..	..	159 897	292 199	332 227
<b>April</b>	..	..	..	..	..	163 078	295 576	331 879
<b>May</b>	..	..	..	..	..	162 078	294 009	332 600
<b>June</b>	..	..	..	..	..	164 625	296 565	340 068

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

End of period	Foreign currency-denominated debt			Markku-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
<b>1990</b>	20 917	3 876	24 793	23 982	8 263	-	.	32 245	57 038	48 121	23 114
<b>1991</b>	38 703	4 943	43 646	31 018	12 208	5 180	.	48 406	92 052	55 165	15 956
<b>1992</b>	100 244	6 143	106 387	40 578	13 555	14 762	.	68 895	175 282	61 671	19 781
<b>1993</b>	142 824	12 753	155 577	71 082	16 060	22 824	.	109 966	265 543	66 439	36 487
<b>1994</b>	160 587	15 975	176 562	93 008	17 100	33 153	- 5 945	137 316	313 878	66 851	43 012
<b>1994</b>											
<b>June</b>	163 930	11 658	175 588	77 129	16 901	24 915	- 5 410	113 535	289 123	67 212	30 119
<b>July</b>	169 523	11 952	181 475	78 286	16 891	30 159	- 5 440	119 896	301 371	66 642	41 465
<b>Aug.</b>	165 170	11 698	176 868	79 587	16 870	28 551	- 5 485	119 523	296 391	66 903	37 525
<b>Sept.</b>	167 196	12 111	179 307	82 349	16 865	31 514	- 5 455	125 273	304 580	67 284	41 848
<b>Oct.</b>	160 626	15 042	175 668	84 786	16 865	31 666	- 5 487	127 830	303 498	66 439	39 910
<b>Nov.</b>	163 035	16 371	179 406	88 690	16 794	32 656	- 5 479	132 661	312 067	66 924	42 051
<b>Dec.</b>	160 587	15 975	176 562	93 008	17 100	33 153	- 5 945	137 316	313 878	66 851	43 012
<b>1995</b>											
<b>Jan.</b>	167 765	16 137	183 902	96 649	17 080	38 658	- 6 019	146 368	330 270	67 186	52 460
<b>Feb.</b>	165 516	15 884	181 400	105 442	17 080	37 320	- 6 039	153 803	335 203	67 382	54 954
<b>March</b>	166 342	17 306	183 648	115 230	17 053	38 990	- 6 041	165 232	348 880	67 593	47 978
<b>April</b>	163 779	14 335	178 114	119 148	16 433	41 596	- 5 599	171 578	349 692	68 109	47 895
<b>May</b>	164 510	14 515	179 025	121 943	16 399	40 535	- 5 585	173 292	352 317	..	43 954
<b>June</b>	164 086	14 555	178 641	122 461	15 788	36 529	- 5 587	169 191	347 832	..	..

## 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
<b>1990</b>	4 640	17 891	4 420	490	1 007	28 447
<b>1991</b>	7 277	25 737	11 073	1 320	-	45 407
<b>1992</b>	6 984	15 043	12 965	2 674	4	37 671
<b>1993</b>	11 691	10 481	36 512	2 235	63	60 981
<b>1994*</b>	4 053	9 899	31 553	593	-	46 099
<b>1994*</b>						
<b>June</b>	500	160	2 673	48	-	3 380
<b>July</b>	2	207	1 171	-	-	1 380
<b>Aug.</b>	-	1 721	2 410	-	-	4 131
<b>Sept.</b>	-	356	4 173	-	-	4 530
<b>Oct.</b>	-	1 042	3 044	-	-	4 087
<b>Nov.</b>	400	891	4 137	-	-	5 428
<b>Dec.</b>	-	663	4 525	-	-	5 187
<b>1995*</b>						
<b>Jan.</b>	100	333	5 109	-	-	5 542
<b>Feb.</b>	53	244	9 230	-	-	9 526
<b>March</b>	354	459	10 543	26	-	11 382
<b>April</b>	1	120	3 943	-	-	4 064
<b>May</b>	22	232	3 852	-	-	4 107
<b>June</b>	100	1 115	2 329	-	-	3 544

### B) Stock, mill. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
<b>1990</b>	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
<b>1991</b>	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
<b>1992</b>	26 624	82 153	44 005	5 238	3 358	89 382	13 918	58 078	161 378
<b>1993</b>	32 459	73 893	73 682	6 884	2 009	119 552	10 391	58 984	188 927
<b>1994*</b>	30 179	66 467	94 865	6 981	953	141 935	7 581	49 929	199 445
<b>1994*</b>									
<b>June</b>	33 100	68 984	78 990	7 273	964	127 695	8 559	53 057	189 311
<b>July</b>	33 060	68 596	80 148	7 270	964	128 767	8 555	52 716	190 038
<b>Aug.</b>	32 156	69 291	81 448	7 126	964	130 413	8 190	52 382	190 985
<b>Sept.</b>	31 217	68 312	84 211	7 120	963	132 507	7 848	51 468	191 823
<b>Oct.</b>	30 278	68 293	86 648	7 110	953	134 732	7 616	50 934	193 282
<b>Nov.</b>	30 505	67 586	90 548	7 030	950	138 626	7 588	50 405	196 619
<b>Dec.</b>	30 179	66 467	94 865	6 981	953	141 935	7 581	49 929	199 445
<b>1995*</b>									
<b>Jan.</b>	29 808	66 232	98 507	6 879	953	145 960	6 946	49 473	202 379
<b>Feb.</b>	29 569	63 960	107 300	6 841	933	153 390	6 715	48 498	208 603
<b>March</b>	29 286	62 318	117 085	6 849	926	162 634	6 234	47 596	216 464
<b>April</b>	29 110	61 849	120 406	6 841	925	166 375	6 223	46 533	219 131
<b>May</b>	28 789	61 439	123 235	6 500	918	168 603	5 885	46 393	220 881
<b>June</b>	28 448	61 545	123 754	6 439	916	168 118	5 877	47 107	221 102



C) Turnover, mill. FIM

During period	Interbank	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>					
<b>July</b>	5 247	13 956	5 081	4 961	7 745
<b>Aug.</b>	23 000	22 271	22 791	10 728	10 987
<b>Sept.</b>	12 393	24 397	12 307	9 424	13 922
<b>Oct.</b>	13 514	29 003	13 361	12 045	14 624
<b>Nov.</b>	12 351	24 444	11 742	9 818	13 363
<b>Dec.</b>	7 842	17 304	7 531	6 784	9 281
<b>1995</b>					
<b>Jan.</b>	8 855	30 706	8 481	12 246	16 423
<b>Feb.</b>	7 716	28 452	7 287	10 833	14 291
<b>March</b>	14 858	35 736	11 622	14 835	19 126
<b>April</b>	16 904	32 257	14 802	12 917	15 353
<b>May</b>	12 869	39 905	10 693	16 951	17 208
<b>June</b>	14 530	33 598	12 355	14 317	14 300
<b>July</b>	5 792	17 266	5 681	7 115	9 607

5.6 Helsinki Stock Exchange

Average of daily observations	Share prices							Turnover <sup>1</sup> , mill. FIM		
	All-share index	HEX Index (28 Dec., 1990=1000)						Shares and subscription rights	Bonds and debentures	Total
		Banks and finance	Insurance and investment	Manufacturing	Of which:					
	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>										
<b>July</b>	1 776	688	727	2 377	2 253	2 503	2 987	3 891	99	3 990
<b>Aug.</b>	1 877	647	759	2 536	2 405	2 742	3 185	6 594	134	6 728
<b>Sept.</b>	1 908	652	697	2 601	2 513	2 738	3 336	4 856	132	4 988
<b>Oct.</b>	1 917	645	714	2 612	2 351	2 657	3 512	7 761	216	7 977
<b>Nov.</b>	1 908	604	694	2 617	2 207	2 568	3 672	5 629	102	5 731
<b>Dec.</b>	1 832	576	640	2 524	2 128	2 375	3 589	5 100	70	5 170
<b>1995</b>										
<b>Jan.</b>	1 869	524	598	2 616	2 224	2 381	3 788	5 582	130	5 712
<b>Feb.</b>	1 802	543	577	2 512	2 146	2 240	3 645	7 016	132	7 148
<b>March</b>	1 648	509	533	2 292	1 905	2 038	3 343	5 464	76	5 540
<b>April</b>	1 688	497	556	2 365	2 040	2 138	3 408	5 340	92	5 432
<b>May</b>	1 829	516	613	2 587	2 072	2 259	3 896	5 823	122	5 946
<b>June</b>	1 919	560	631	2 731	2 113	2 154	4 401	7 843	65	7 908
<b>July</b>	2 107	526	694	3 066	2 289	2 346	4 858	7 114	24	7 138

<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	7 624	6 506	173 567	101 559	5 537	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>													
<b>I</b>	31 016	2 366	1 351	2 778	6 495	37 511	2 233	1 470	41 215	25 715	1 279	2 401	4 445
<b>II</b>	32 625	2 646	1 763	2 281	6 690	39 315	2 125	1 756	43 196	24 818	1 325	2 276	4 015
<b>III</b>	32 116	2 832	2 203	2 102	7 138	39 253	1 622	1 584	42 460	23 992	1 444	2 242	4 206
<b>IV</b>	36 793	2 586	1 761	2 218	6 565	43 358	1 643	1 695	46 696	27 034	1 489	2 319	4 341
<b>1994*</b>													
<b>I</b>	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
<b>II</b>	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
<b>III</b>	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
<b>IV</b>	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>													
<b>I</b>	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
<b>II</b>	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 (15+16)	Transfers and other expenditure (17)	Current account expenditure (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account and services (20+21+22)	Goods 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>	31 782	133 341	34 580	10 390	178 311	30 991	4 893	-2 159	-7 629	-4 894	26 097	-26 956	-3 885	-4 744
<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>														
<b>I</b>	8 125	33 840	10 137	2 808	46 785	5 301	1 087	-1 049	-1 667	-1 630	3 672	-7 904	-1 338	-5 570
<b>II</b>	7 616	32 434	10 493	2 393	45 321	7 806	1 322	-512	-1 735	-926	6 881	-8 368	-637	-2 124
<b>III</b>	7 892	31 884	6 805	2 640	41 330	8 124	1 388	-39	-2 104	-755	7 369	-5 183	-1 055	1 131
<b>IV</b>	8 149	35 183	7 145	2 549	44 876	9 760	1 097	-558	-2 123	-1 584	8 175	-5 502	-854	1 820
<b>1994*</b>														
<b>I</b>	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
<b>II</b>	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
<b>III</b>	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
<b>IV</b>	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>														
<b>I</b>	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
<b>II</b>	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					Total (2+3+5+6)	Other investment						Total (8+9+10+11)
		Shares	Bonds	Of which: market-dominant bonds	Money market instruments	Financial derivatives		Trade credits	Loans	Currency and deposits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13		
<b>1990</b>	3 010	376	22 280	1 440	- 923	..	21 733	1 156	16 635	- 725	17 307	34 372	59 115	
<b>1991</b>	- 997	47	38 751	11 786	- 4 511	..	34 287	- 3 987	7 496	131	- 9 737	- 6 098	27 192	
<b>1992</b>	1 822	397	39 309	- 5 312	- 1 791	..	37 915	3 639	2	1 690	- 17 415	- 12 084	27 653	
<b>1993*</b>	4 945	12 748	30 353	3 616	- 4 382	..	38 719	4 467	5 357	- 5 347	- 24 454	- 19 977	23 687	
<b>1994*</b>	8 403	13 400	21 977	- 5 783	- 1 565	- 65	33 748	2 722	647	- 232	- 1 160	1 977	44 128	
<b>1993*</b>														
<b>I</b>	439	1 405	15 542	320	- 2 314	..	14 632	1 900	7 326	901	- 8 593	1 533	16 604	
<b>II</b>	927	1 515	16 269	3 420	- 1 348	..	16 435	- 196	815	- 1 268	- 6 612	- 7 261	10 101	
<b>III</b>	631	6 529	2 267	2 523	- 2 755	..	6 041	- 836	- 1 495	1 671	- 8 143	- 8 803	- 2 131	
<b>IV</b>	2 948	3 300	- 3 725	- 2 646	2 036	..	1 611	3 599	- 1 289	- 6 650	- 1 106	- 5 446	- 887	
<b>1994*</b>														
<b>I</b>	3 893	4 389	4 669	526	- 1 587	31	7 501	- 908	- 3 980	772	6 687	2 572	13 966	
<b>II</b>	3 061	2 404	5 341	- 3 808	3 118	268	11 132	- 868	1 312	- 1 748	- 3 078	- 4 383	9 810	
<b>III</b>	2 362	5 181	16 528	783	- 2 253	- 383	19 073	177	- 1 363	964	- 5 534	- 5 756	15 679	
<b>IV</b>	- 913	1 426	- 4 562	- 3 283	- 843	20	- 3 958	4 321	4 678	- 220	765	9 544	4 673	
<b>1995*</b>														
<b>I</b>	2 718	406	- 1 530	- 3 092	- 1 976	234	- 2 866	- 2 113	- 499	9	8 544	5 940	5 792	
<b>II</b>	- 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					Trade credits	Other investment							Total (19+24)
		Shares	Bonds	Money market instruments	Financial derivatives	Total (15+16+17+18)		Loans	Currency and deposits	Other	Total (20+21+22+23)				
14	15	16	17	18	19	20	21	22	23	24	25	26	27		
<b>1990</b>	10 353	2	575	1 171	..	1 748	- 1 565	2 953	935	- 3 480	- 1 157	10 944	- 6 240	- 15 417	
<b>1991</b>	- 501	- 369	- 3	1 499	..	1 128	- 726	2 341	1 054	6 587	9 256	9 883	2 012	7 375	
<b>1992</b>	- 3 372	46	321	2 748	..	3 115	3 634	3 409	3 745	3 259	14 048	13 790	- 1 008	9 180	
<b>1993*</b>	8 050	873	767	1 932	..	3 571	1 923	- 839	- 6 063	14 698	9 720	21 341	3 617	- 1 219	
<b>1994*</b>	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	
<b>1993*</b>															
<b>I</b>	614	158	2 823	- 577	..	2 404	1 623	- 726	- 1 516	15 515	14 896	17 914	1 294	5 586	
<b>II</b>	709	2	- 1 095	- 972	..	- 2 065	518	- 185	247	- 3 766	- 3 186	- 4 543	- 1 836	- 10 684	
<b>III</b>	- 845	77	- 841	3 975	..	3 211	- 190	- 1 008	1 514	9 514	9 829	12 195	2 177	11 019	
<b>IV</b>	7 572	636	- 120	- 494	..	21	- 28	1 081	- 6 308	- 6 564	- 11 819	- 4 226	1 982	- 7 141	
<b>1994*</b>															
<b>I</b>	5 378	43	- 662	211	- 201	- 609	- 1 294	- 1 849	2 612	- 5 814	- 6 345	- 1 576	- 5 209	- 10 279	
<b>II</b>	5 506	- 68	- 3 273	- 4 446	- 27	- 7 814	1 735	- 2 625	- 460	6 191	4 841	2 533	180	- 10 172	
<b>III</b>	4 500	- 18	- 1 173	420	- 52	- 824	- 414	- 251	- 268	9 847	8 914	12 590	- 3 241	- 3 921	
<b>IV</b>	5 503	0	407	2 956	4	3 367	2 408	- 2 734	- 28	- 4 399	- 4 753	4 117	318	- 1 132	
<b>1995*</b>															
<b>I</b>	1 735	- 217	1 609	- 2 244	- 98	- 950	983	- 1 210	- 2 174	11 503	9 103	9 887	2 105	- 1 691	
<b>II</b>	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												
	Direct investment in Finland	Portfolio investment					Other investment					Total liabilities (1+7+12)	
		Shares	Bonds	Of which: market denominated bonds	Money market instruments	Financial derivatives	Total (2+3+5+6)	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>													
<b>I</b>	19 812	8 121	253 159	16 281	17 007	..	278 287	15 193	96 786	13 135	76 093	201 207	499 306
<b>II</b>	20 763	11 901	254 886	21 118	15 573	..	282 360	14 897	93 408	11 461	67 494	187 260	490 383
<b>III</b>	21 418	22 725	265 540	23 460	13 090	..	301 355	14 091	95 327	13 276	61 106	183 799	506 573
<b>IV</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>													
<b>I</b>	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
<b>II</b>	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
<b>III</b>	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
<b>IV</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>1995*</b>													
<b>I</b>	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
<b>II</b>	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											
	Direct investment abroad	Portfolio investment					Other investment					Total assets (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	
<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>												
<b>I</b>	51 575	676	11 952	7 766	..	20 394	23 664	36 976	12 275	92 392	165 307	237 277
<b>II</b>	47 722	671	10 801	6 627	..	18 099	23 888	34 148	12 159	97 321	167 516	233 337
<b>III</b>	48 332	759	10 074	10 689	..	21 522	23 857	34 208	13 929	98 044	170 039	239 893
<b>IV</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>												
<b>I</b>	57 925	1 236	9 576	10 910	622	22 343	24 718	32 788	8 107	90 621	156 234	236 502
<b>II</b>	63 578	1 146	5 953	6 338	550	13 987	26 392	29 981	7 449	105 988	169 811	247 376
<b>III</b>	65 251	1 055	4 311	6 087	561	12 014	24 682	28 350	6 955	112 579	172 566	249 831
<b>IV</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>1995*</b>												
<b>I</b>	68 416	672	5 485	5 768	119	12 044	27 850	22 692	4 989	115 389	170 920	251 380
<b>II</b>	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	20 410	11.9
<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	6 269	15.2
<b>II</b>	37 584	61 511	- 37 288	27 269	165 160	2 810	257 046	6 731	15.6
<b>III</b>	45 851	44 622	- 27 318	27 224	173 332	2 967	266 680	3 546	8.4
<b>IV</b>	51 382	45 658	- 33 279	29 737	167 444	2 956	263 898	3 865	8.3
<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, feb	Imports, cif	Balance (1-2)
	1	2	3
<b>1990</b>	101 327	103 027	- 1 700
<b>1991</b>	92 842	87 744	5 098
<b>1992</b>	107 463	94 947	12 516
<b>1993</b>	134 112	103 167	30 945
<b>1994*</b>	153 859	120 200	33 659
<b>1994*</b>			
<b>June</b>	13 305	9 599	3 706
<b>July</b>	13 131	9 179	3 952
<b>Aug.</b>	11 557	9 884	1 673
<b>Sept.</b>	13 165	10 162	3 003
<b>Oct.</b>	13 397	10 087	3 310
<b>Nov.</b>	13 982	10 968	3 014
<b>Dec.<sup>1</sup></b>	14 713	14 757	- 44
<b>1995**</b>			
<b>Jan.</b>	12 956	7 931	5 025
<b>Feb.</b>	13 700	10 400	3 300
<b>March</b>	15 300	11 700	3 600
<b>April</b>	15 000	10 600	4 400
<b>May</b>	14 800	12 000	2 800
<b>June</b>	16 300	10 800	5 500

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

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

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

During period	Exports by industries, feb					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
	1	2	3	4	5	6	7	8	9	10
<b>1990</b>	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
<b>1991</b>	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
<b>1992</b>	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
<b>1993</b>	10 910	37 430	14 205	48 158	23 409	54 792	10 904	15 396	21 066	1 009
<b>1994*</b>	14 114	41 300	15 639	55 558	27 248	65 899	11 628	17 147	24 606	920
<b>1994*</b>										
<b>Jan.</b>	980	3 012	1 295	4 308	2 286	4 538	698	1 205	1 821	60
<b>Feb.</b>	1 018	3 060	1 060	3 741	2 029	4 229	608	925	1 621	33
<b>March</b>	1 026	3 623	1 248	4 061	2 166	5 198	752	1 314	2 206	45
<b>April</b>	1 165	3 487	1 156	4 338	2 197	4 823	968	1 662	1 913	49
<b>May</b>	1 431	3 506	1 511	4 538	2 371	6 075	1 290	1 317	2 232	15
<b>June</b>	1 318	3 358	1 289	4 882	2 458	5 513	867	1 192	1 950	77
<b>July</b>	1 015	3 287	1 315	5 802	1 712	4 823	955	1 227	1 792	382
<b>Aug.</b>	935	3 437	1 258	3 816	2 111	5 419	1 029	1 386	2 031	19
<b>Sept.</b>	1 313	3 586	1 354	4 320	2 592	5 656	1 054	1 384	2 027	41
<b>Oct.</b>	1 268	3 566	1 313	4 937	2 313	5 645	803	1 485	2 051	103
<b>Nov.</b>	1 357	3 719	1 453	4 968	2 485	6 191	1 012	1 557	2 180	28
<b>Dec.</b>	1 290	3 662	1 400	5 883	2 478	7 790	1 597	2 492	2 783	95
<b>1995*</b>										
<b>Jan.</b>	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	28.5	1 347	1.1	97	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
<b>1990</b>	269 754	108 535	121 858	17 286	5 769	523 202	118 828	126 600	515 430
<b>1991</b>	260 031	111 256	93 722	17 243	- 2 451	479 801	110 965	111 755	479 011
<b>1992</b>	247 363	108 799	75 338	16 899	4 534	452 933	122 059	112 989	462 003
<b>1993</b>	240 177	103 028	60 638	13 890	10 131	427 864	142 459	113 752	456 571
<b>1994*</b>	244 493	102 385	60 362	12 519	23 113	442 872	160 294	128 104	475 062
<b>1992</b>									
<b>IV</b>	61 186 <sup>f</sup>	26 977 <sup>f</sup>	16 447 <sup>f</sup>	4 272 <sup>f</sup>	2 455 <sup>f</sup>	111 337 <sup>f</sup>	31 512 <sup>f</sup>	27 982 <sup>f</sup>	114 867 <sup>f</sup>
<b>1993</b>									
<b>I</b>	60 030	25 941	16 011	3 619	2 576	108 177	34 749	29 706	113 220
<b>II</b>	59 750	25 846	15 491	3 390	826	105 303	34 402	26 843	112 862
<b>III</b>	59 814	25 778	14 666	3 574	3 277	107 109	36 273	28 642	114 740
<b>IV</b>	60 583	25 463	14 470	3 307	3 452	107 275	37 035	28 561	115 749
<b>1994*</b>									
<b>I</b>	60 928	25 418	14 588	3 271	1 984	106 189	37 782	28 299	115 672
<b>II</b>	60 600	25 551	14 542	3 191	5 376	109 260	39 982	30 971	118 271
<b>III</b>	61 062	25 500	15 483	3 049	6 879	111 973	41 053	32 892	120 134
<b>IV</b>	61 903	25 916	15 749	3 008	8 874	115 450	41 477	35 942	120 985
<b>1995*</b>									
<b>I</b>	62 880	25 312	16 156	2 951	7 082	114 381	43 409	35 004	122 786

### 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
<b>1990</b>	100.2	99.8	100.2	100.1	100.4	100.1	100.0
<b>1991</b>	91.2	91.3	89.9	91.5	85.6	92.6	103.6
<b>1992</b>	92.4	88.4	91.4	94.6	91.1	90.2	103.0
<b>1993*</b>	97.4	86.1	96.4	104.5	99.7	90.8	107.9
<b>1994*</b>	107.9	111.9	107.1	114.4	118.5	95.4	115.6
<b>1994*</b>							
<b>May</b>	108.0	101.6	106.0	114.0	115.7	96.6	116.3
<b>June</b>	107.9	120.7	107.2	115.0	116.0	97.0	118.0
<b>July</b>	108.5	182.1	106.6	117.3	113.6	96.7	114.7
<b>Aug.</b>	109.0	166.7	107.2	115.2	118.8	95.6	122.6
<b>Sept.</b>	111.4	123.8	111.0	116.0	129.6	96.7	117.5
<b>Oct.</b>	112.6	104.8	112.7	116.7	131.1	97.4	113.8
<b>Nov.</b>	112.5	99.9	112.9	114.9	133.7	97.5	110.7
<b>Dec.</b>	111.5	86.6	111.7	118.2	129.0	95.7	112.9
<b>1995*</b>							
<b>Jan.</b>	123.5	79.1	114.0	118.5	131.4	97.2	113.8
<b>Feb.</b>	114.1	87.6	115.5	120.6	134.2	99.7	105.5
<b>March</b>	117.0	96.0	118.2	120.3	137.1	100.4	111.1
<b>April</b>	114.9	94.3	115.4	118.7	136.9	97.7	114.9
<b>May</b>	118.2	56.3	117.7	119.8	145.9	97.0	117.6



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	52.6	55.1	56.2	47.6	97.3	109.9
<b>1994*</b>								
<b>April</b>	82.5	86.8	..	..	..	..	..	109.6
<b>May</b>	89.5	90.2	..	..	..	..	..	110.4
<b>June</b>	88.0	89.4	..	..	..	..	..	109.2
<b>July</b>	87.0	86.9	..	..	..	..	..	109.3
<b>Aug.</b>	90.8	89.2	..	..	..	..	..	110.0
<b>Sept.</b>	90.8	90.9	..	..	..	..	..	110.8
<b>Oct.</b>	89.3	88.9	..	..	..	..	..	111.8
<b>Nov.</b>	91.8	89.7	..	..	..	..	..	111.8
<b>Dec.</b>	90.4	91.1	..	..	..	..	..	112.5
<b>1994*</b>								
<b>I</b>	83.5	89.3	53.9	59.1	40.3	50.4	73.8	107.5
<b>II</b>	86.7	88.8	50.2	54.5	51.1	44.4	97.8	109.8
<b>III</b>	89.5	89.0	53.4	52.2	66.8	47.6	84.4	110.0
<b>IV</b>	90.5	89.9	52.7	48.9	66.4	48.2	132.9	112.1
<b>1995*</b>								
<b>Jan.</b>	90.1	93.4	..	..	..	..	..	114.4
<b>Feb.</b>	91.1	93.4	..	..	..	..	..	114.2
<b>March</b>	89.4	91.5	..	..	..	..	..	115.9
<b>April</b>	84.9	90.5	..	..	..	..	..	114.8
<b>1995*</b>								
<b>I</b>	90.2	92.8	..	..	..	..	..	114.8

## 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	111.4	110.9	111.4	106.2	102.8	118.7	107.1	110.1	105.8	102.2
<b>1994</b>													
<b>May</b>	..	..	..	..	110.3	111.3	105.8	102.2	119.1	106.4	109.0	105.2	101.9
<b>June</b>	..	..	..	..	111.3	111.3	106.1	102.5	119.5	107.0	110.3	105.6	102.2
<b>July</b>	..	..	..	..	111.4	111.5	106.6	103.1	119.3	107.7	110.9	106.3	102.1
<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>I</b>	110.6	110.5	113.2	110.9	109.7	110.7	105.1	101.6	117.8	105.6	108.6	104.3	101.6
<b>II</b>	111.2	111.3	114.6	111.2	110.6	111.3	105.9	102.3	119.3	106.4	109.1	105.2	101.9
<b>III</b>	111.6	111.7	115.3	111.4	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	111.9	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	..	108.3	105.2	119.5	110.8	117.6	107.8	103.6
<b>1995<sup>1</sup></b>													
<b>I</b>	114.6	115.7	121.8	113.0	111.7	111.2	107.3	104.2	118.8	109.3	114.2	107.2	103.4

<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	2556	2467	360	2108	207	556	205	1500	88	3.4	
<b>1991</b>	67.4	2533	2340	340	2000	197	502	179	1461	193	7.6	
<b>1992</b>	66.1	2502	2174	325	1849	188	454	150	1382	328	13.1	
<b>1993</b>	65.3	2484	2041	312	1729	173	423	124	1319	444	17.9	
<b>1994</b>	64.8	2480	2024	312	1712	167	426	113	1317	456	18.4	
<b>1994</b>												
<b>May</b>	64.7	2475	2018	307	1711	166	421	117	1315	457	18.5	
<b>June</b>	64.8	2480	2026	312	1715	171	420	105	1330	454	18.3	
<b>July</b>	64.5	2470	2008	302	1707	165	422	120	1302	461	18.7	
<b>Aug.</b>	64.6	2472	2027	308	1719	168	431	114	1314	445	18.0	
<b>Sept.</b>	65.1	2493	2041	317	1724	170	441	113	1317	452	18.1	
<b>Oct.</b>	64.8	2483	2040	307	1734	161	435	121	1323	443	17.8	
<b>Nov.</b>	64.6	2475	2037	310	1728	167	433	112	1325	437	17.7	
<b>Dec.</b>	64.9	2486	2049	310	1740	164	438	118	1329	437	17.6	
<b>1995</b>												
<b>Jan.</b>	64.8	2484	2046	309	1738	163	444	123	1316	438	17.6	
<b>Feb.</b>	64.5	2473	2048	298	1750	164	433	119	1331	425	17.2	
<b>March</b>	64.9	2488	2069	301	1768	162	454	124	1329	419	16.9	
<b>April</b>	65.3	2504	2069	298	1770	162	458	123	1326	436	17.4	
<b>May</b>	65.4	2511	2070	315	1754	165	454	116	1335	441	17.6	

## 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>April</b>	2 374	5 134	100	1 945	9 553	208	9 759	3 320	9 049	3 849	5 068
<b>May</b>	2 567	5 970	98	2 717	11 352	241	11 592	3 633	8 999	3 684	5 166
<b>June</b>	2 786	5 511	524	1 977	10 798	1 503	12 300	4 654	9 930	3 725	6 028
<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

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)
<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	22 229	182 871	17 886	200 760	- 54 272	- 64 860	73 193	8 336
<b>1994</b>									
<b>April</b>	227	2 081	14 677	1 434	16 112	- 5 124	- 6 353	789	- 5 563
<b>May</b>	257	1 438	14 327	717	15 045	- 2 975	- 3 453	9 209	5 756
<b>June</b>	342	2 424	17 350	663	18 013	- 6 552	- 5 713	13 429	7 716
<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

# 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 de-

posits (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, Handelsbanken Finland, Merita Bank, Okobank, Postipankki, Skandinaviska Enskilda Banken 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 drawings 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 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.

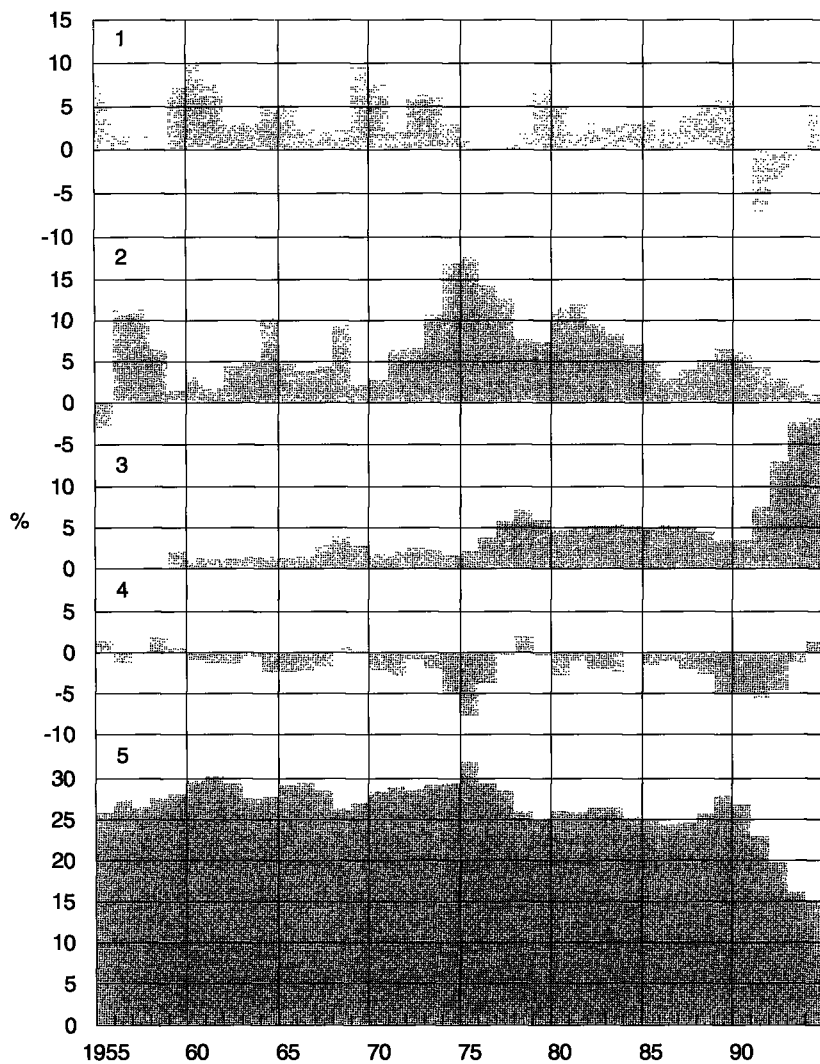
**Table 8.6** Source: Ministry of Finance.





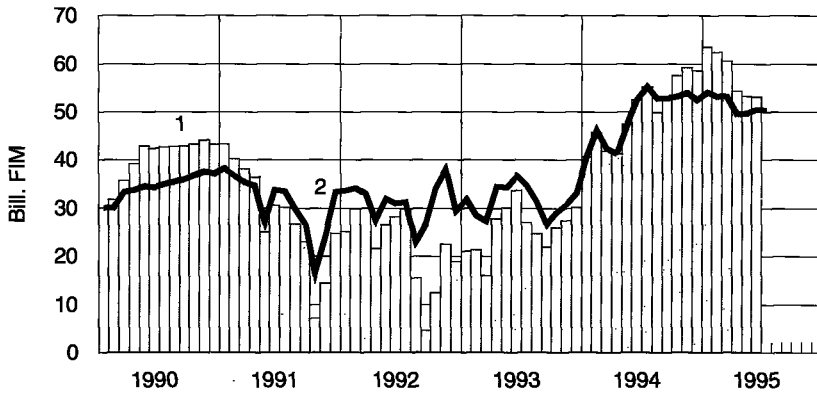
1. Long-term indicators	S30
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### 1. LONG-TERM INDICATORS



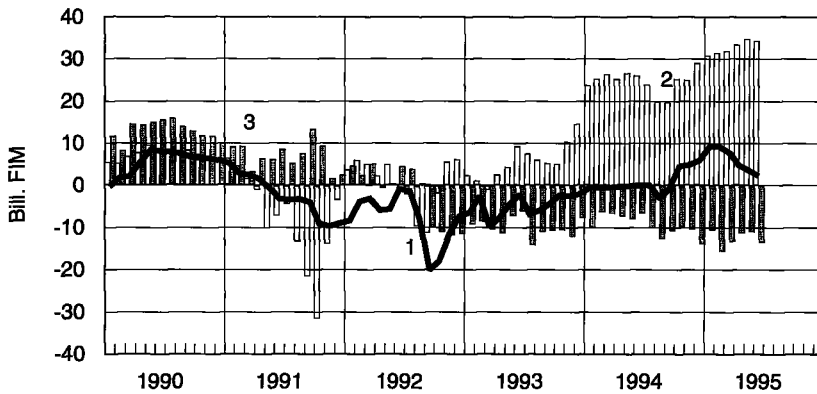
1. GDP change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



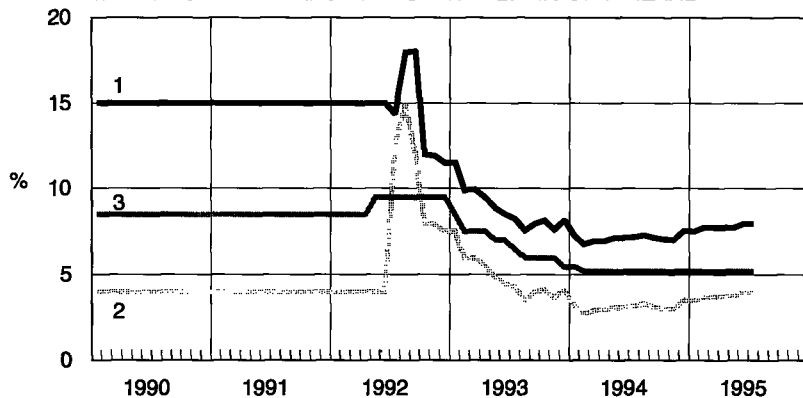
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

## 3. FORWARD MARKET



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

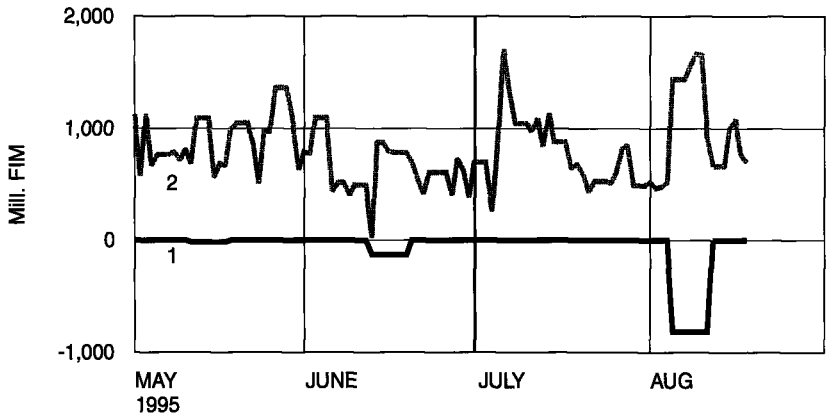
## 4. RATES OF INTEREST SET BY THE BANK OF FINLAND



1. Liquidity credit rate (up to 2 July 1992 call money credit rate)
2. Call money deposit rate
3. Base rate

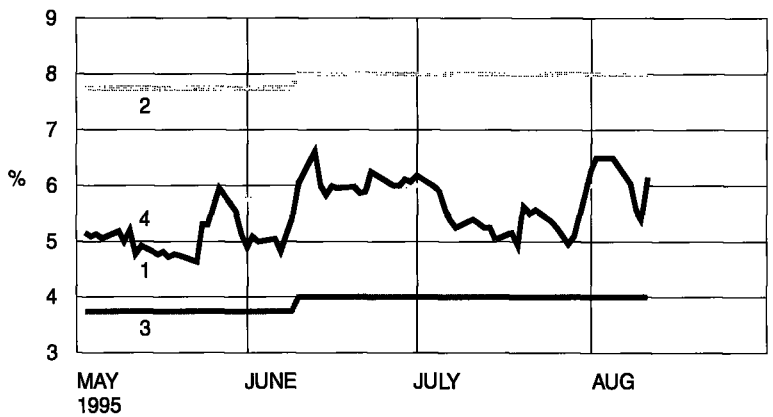
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



- 1. Liquidity credits (-)
- 2. Call money deposits

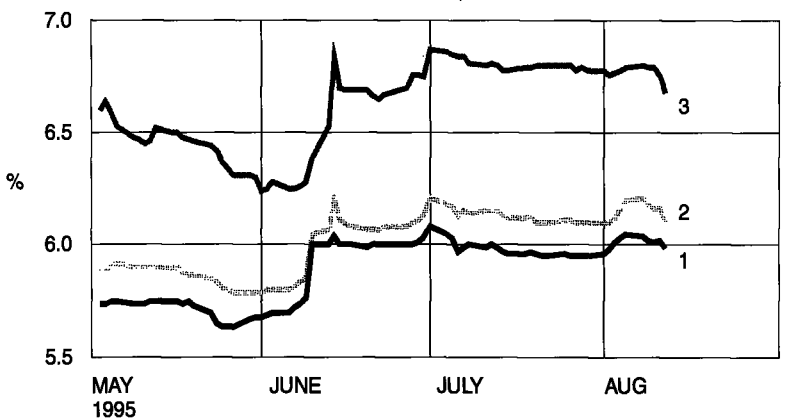
6. LIQUIDITY MANAGEMENT INTEREST RATES



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

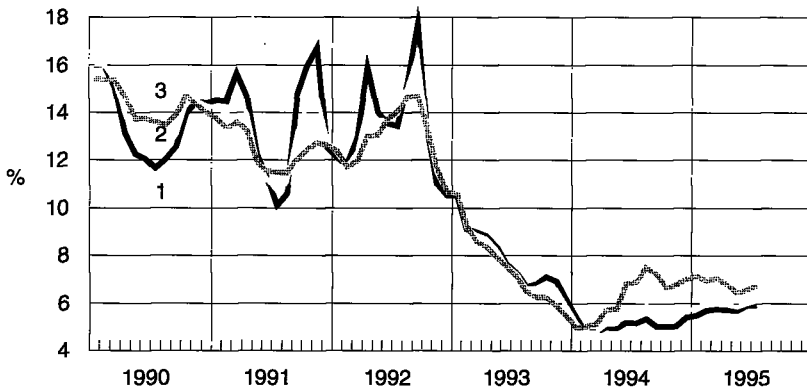
Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



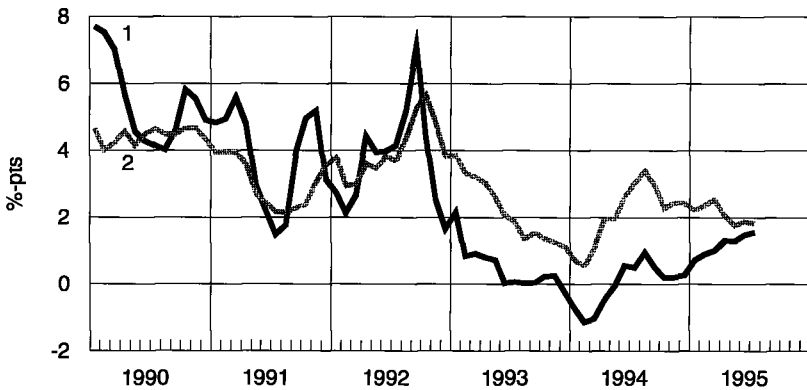
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



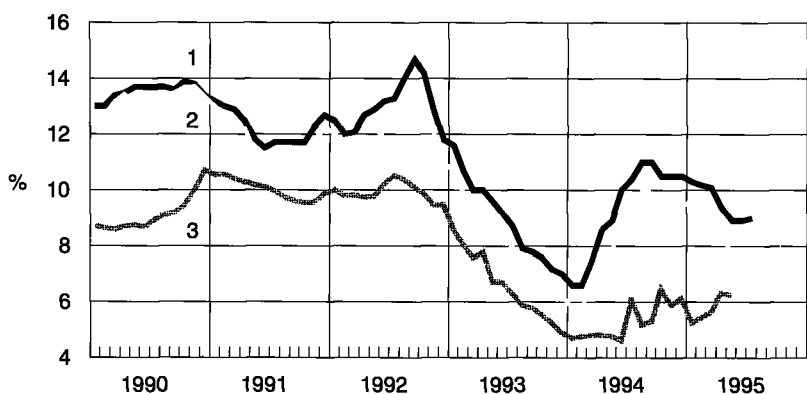
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



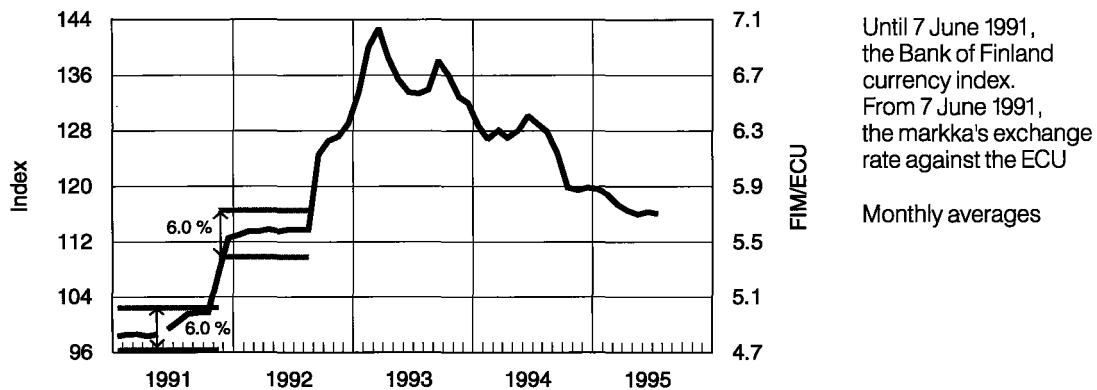
- 1. 3-month HELIBOR *minus* 3-month DEM eurorate
- 2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS

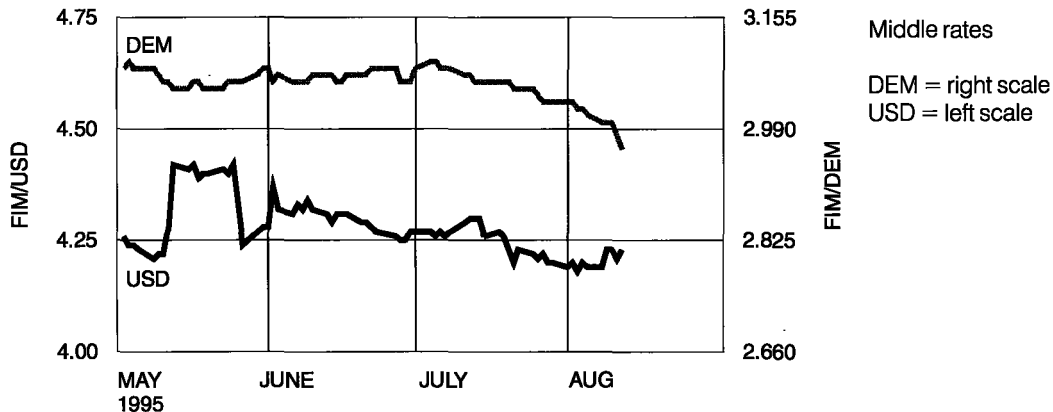


- 1. Bank of Finland's 5-year reference rate
- 2. Yield on (4-5 year) taxable government bonds
- 3. Yield on (4-5 year) taxfree government bonds

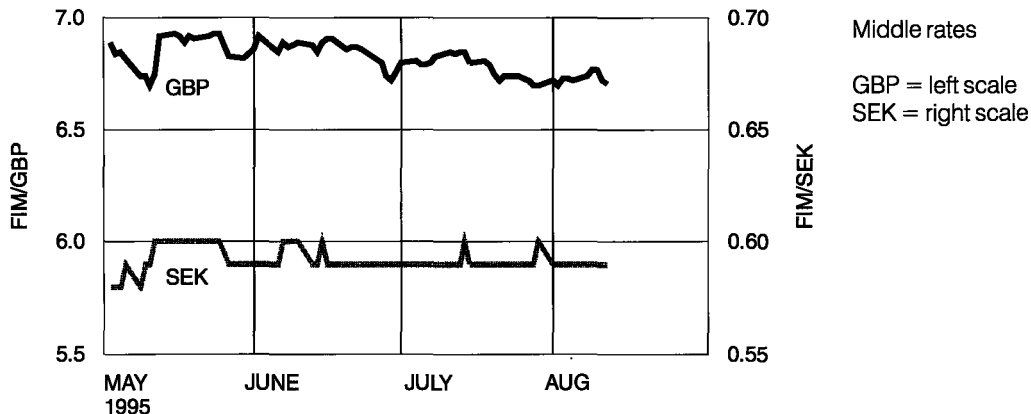
11. BANK OF FINLAND CURRENCY INDEX AND THE MARKKA VALUE OF THE ECU



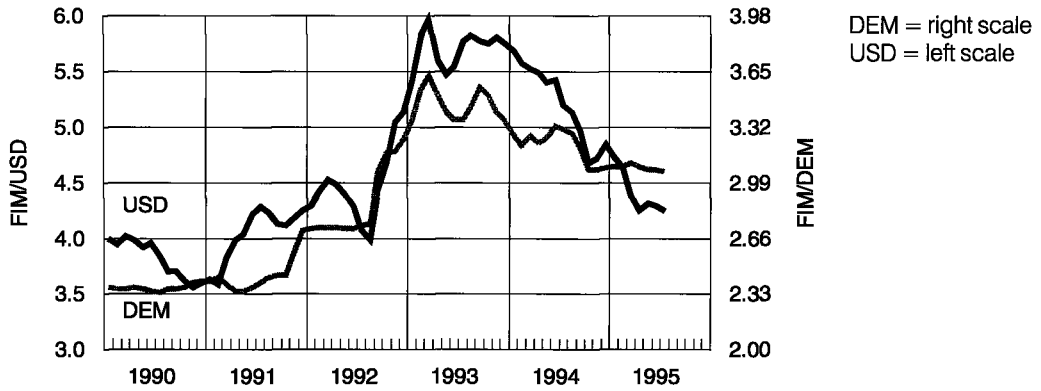
12. DAILY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



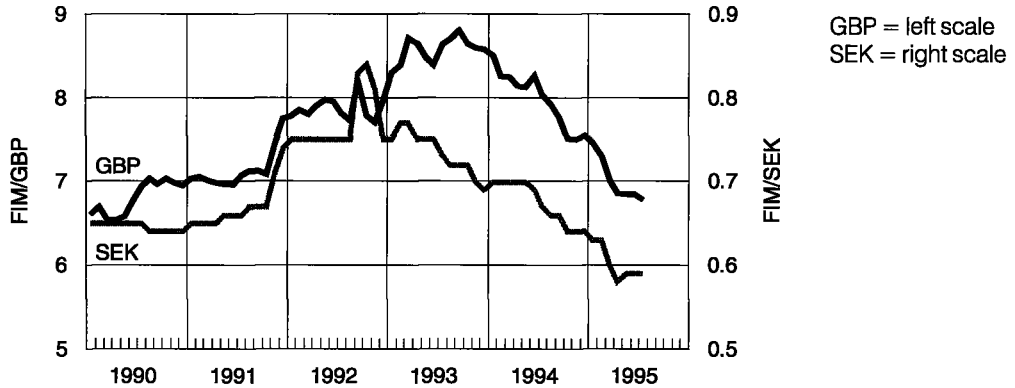
13. DAILY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



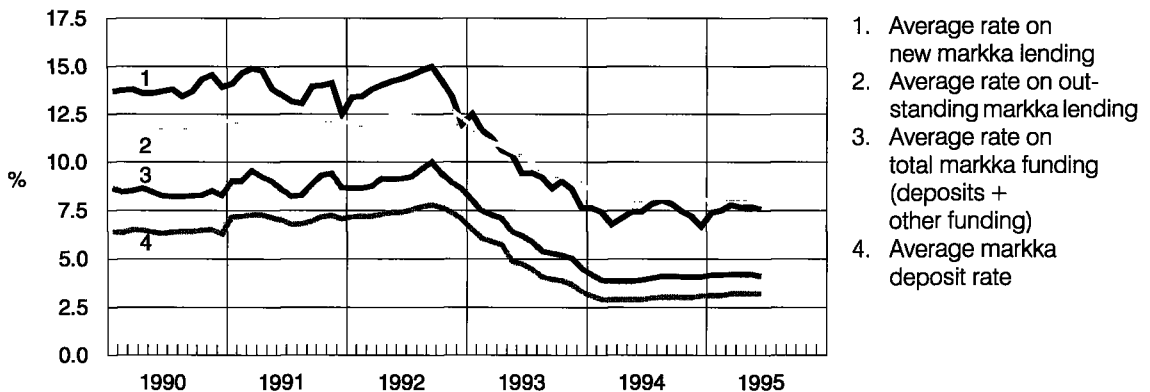
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



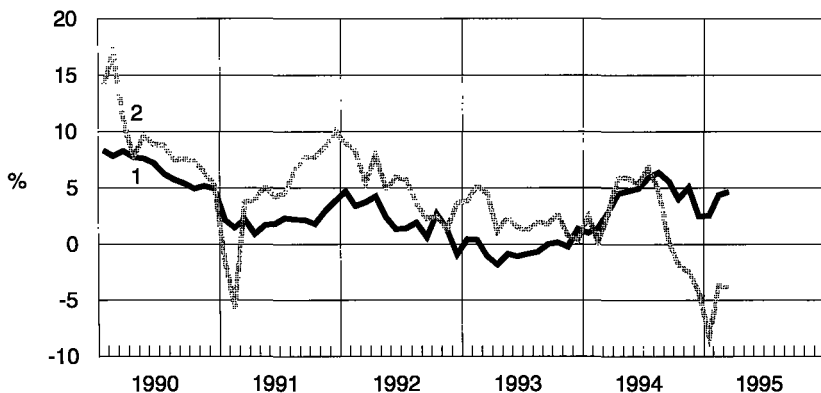
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



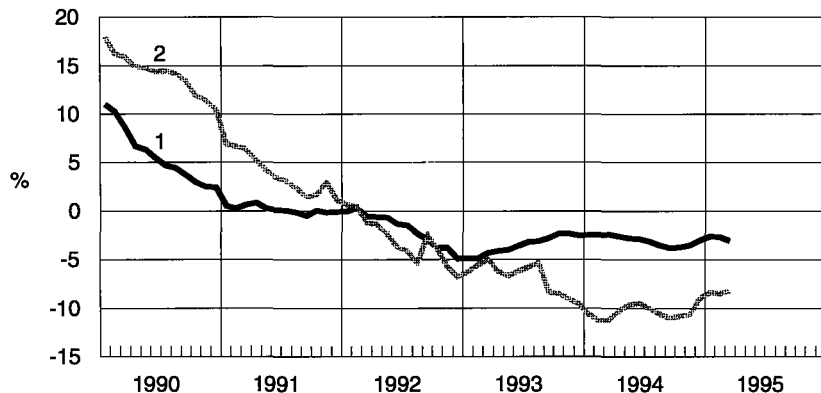
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

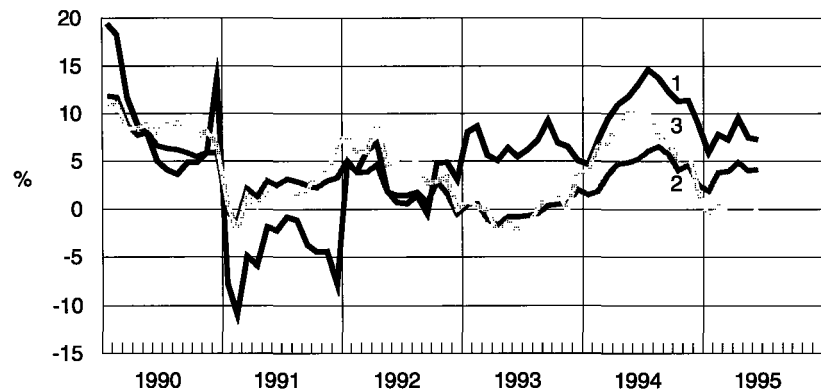
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

19. MONEY SUPPLY

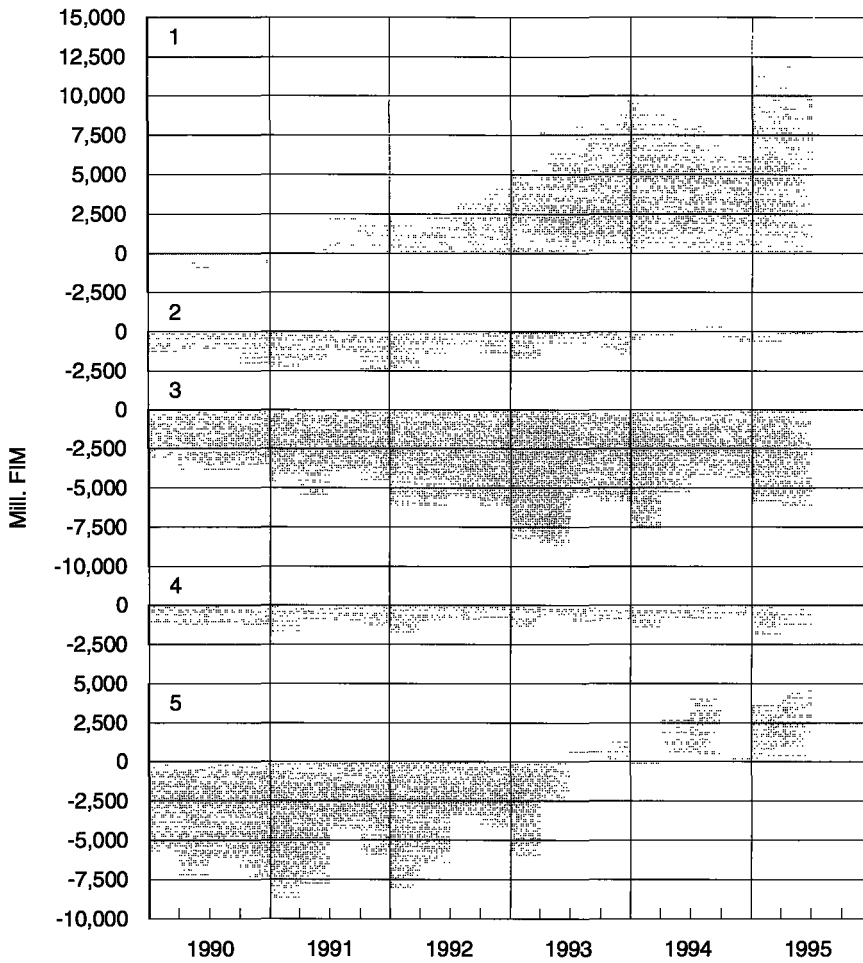


- 1. Narrow money (M1)
- 2. Broad money (M2)
- 3. M2 + bank CDs held by the public (M3)

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

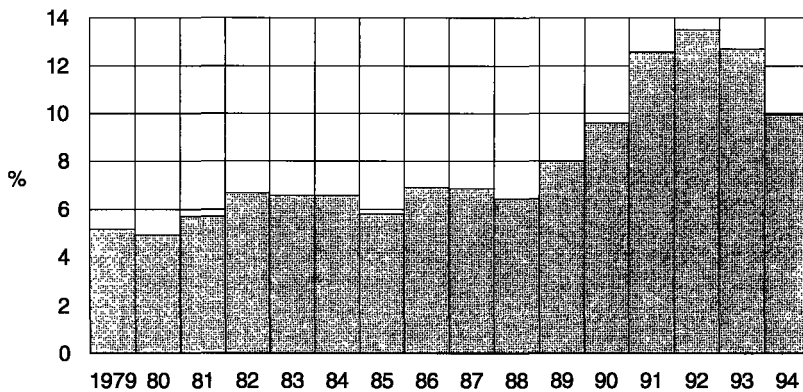


## 20. CURRENT ACCOUNT



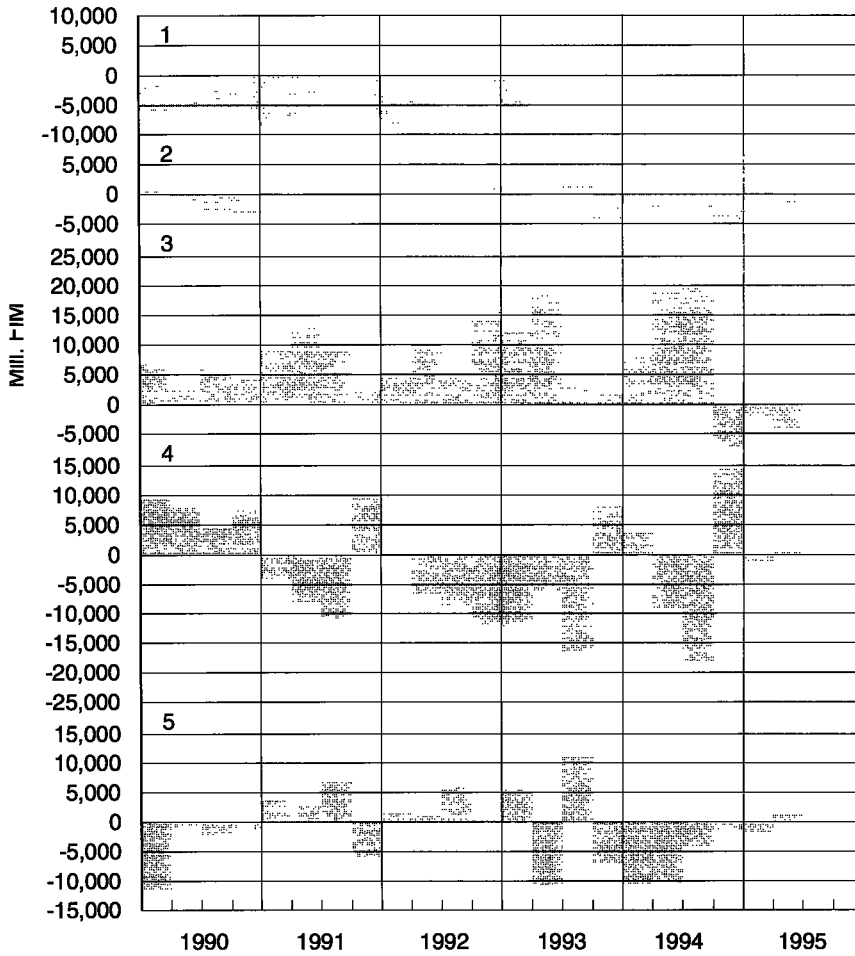
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

## 21. NET INTEREST AND DIVIDEND EXPENDITURE



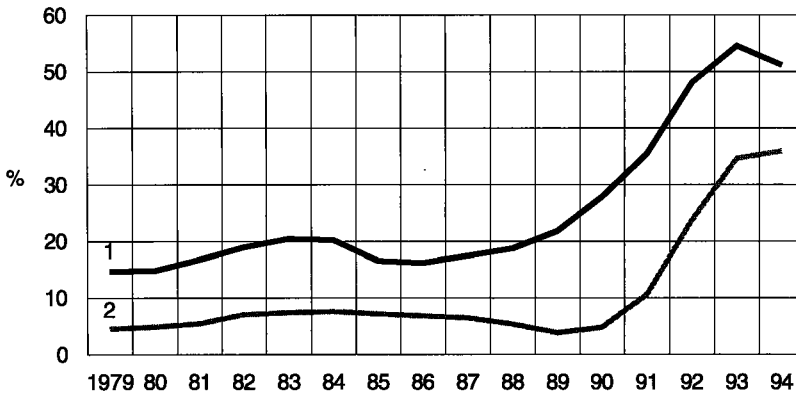
As a percentage of current account receipts

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 = -)

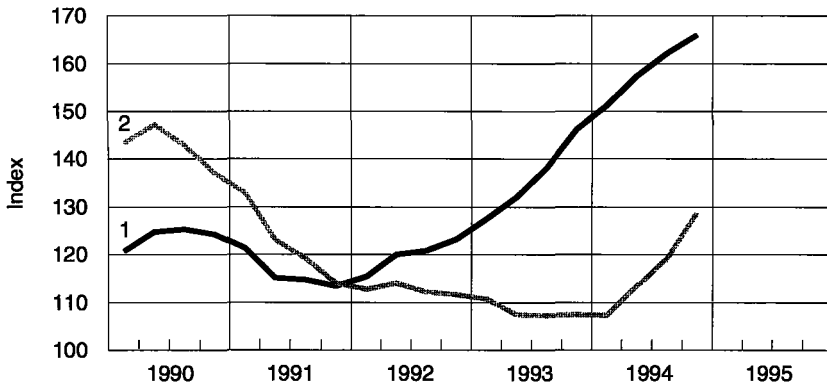
23. FINLAND'S NET INTERNATIONAL INVESTMENT POSITION



1. Total
2. Of which:  
central government

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

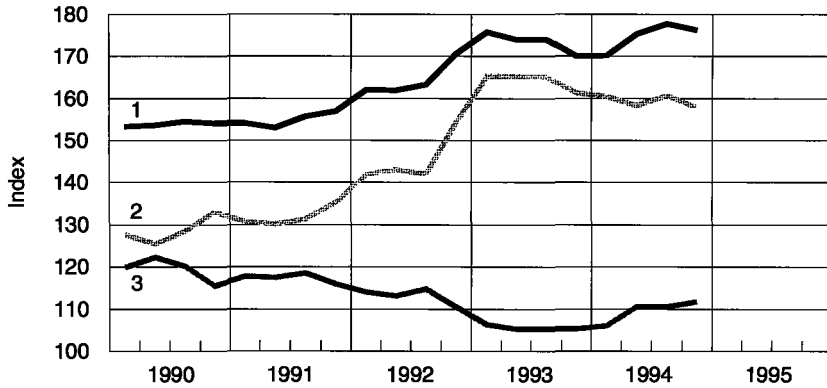
24. FOREIGN TRADE



- 1. Total exports
- 2. Total imports

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

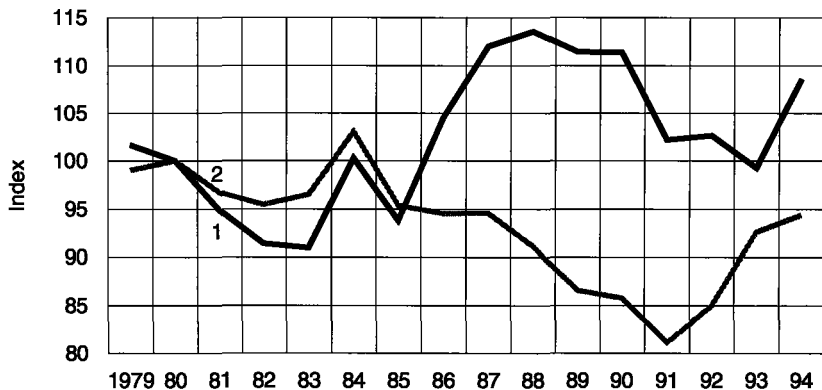
25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

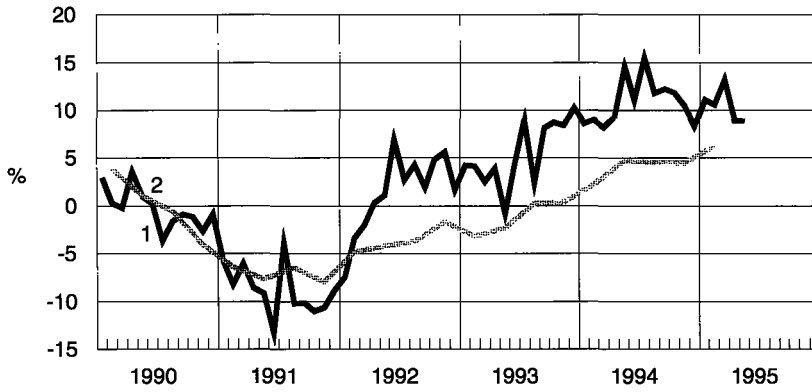
26. FINLAND'S EXPORT PERFORMANCE



- 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

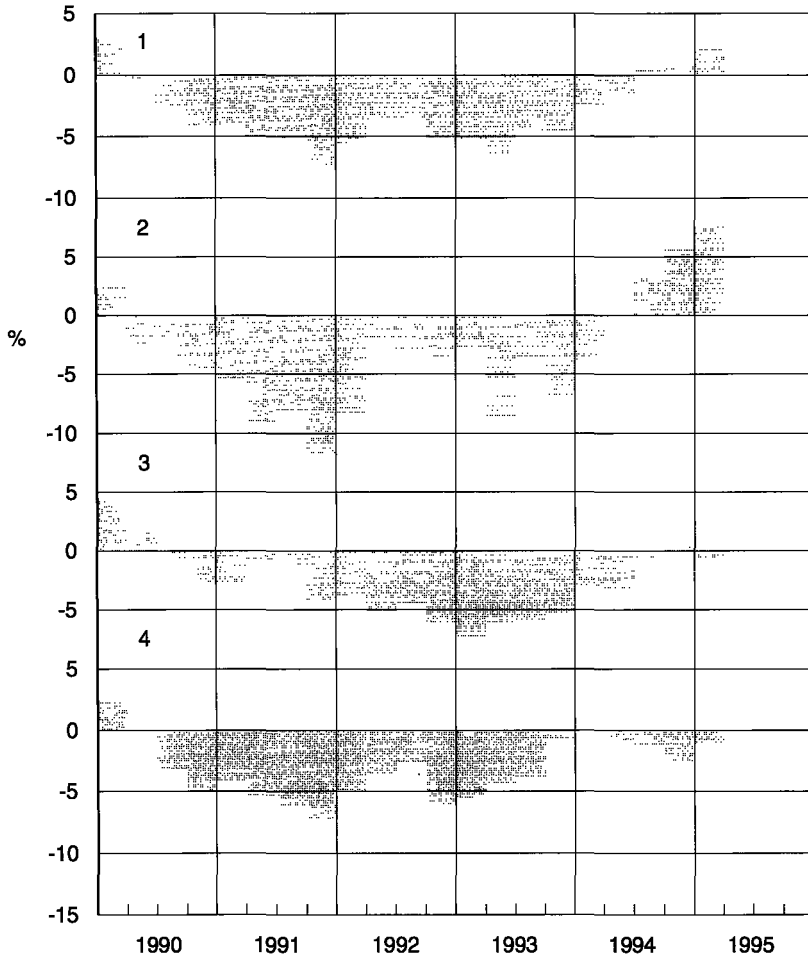
1980 = 100

### 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

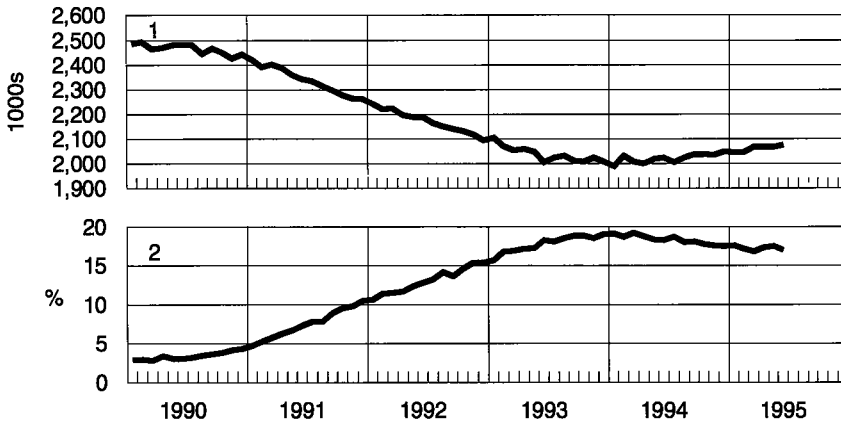
### 28. FIXED INVESTMENT



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

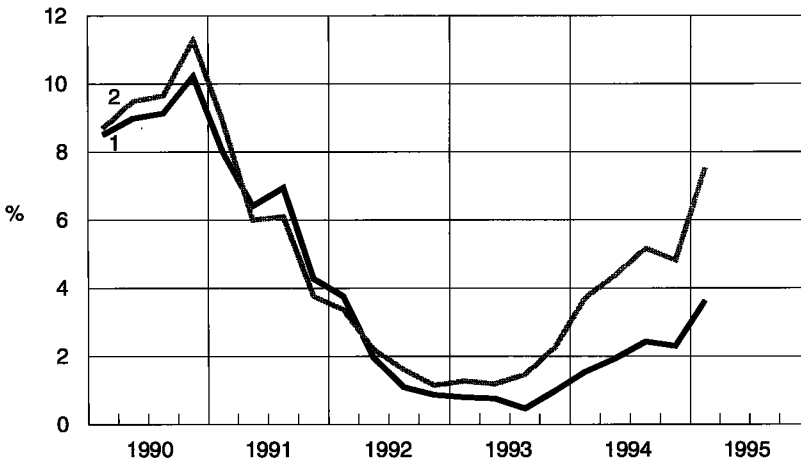
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



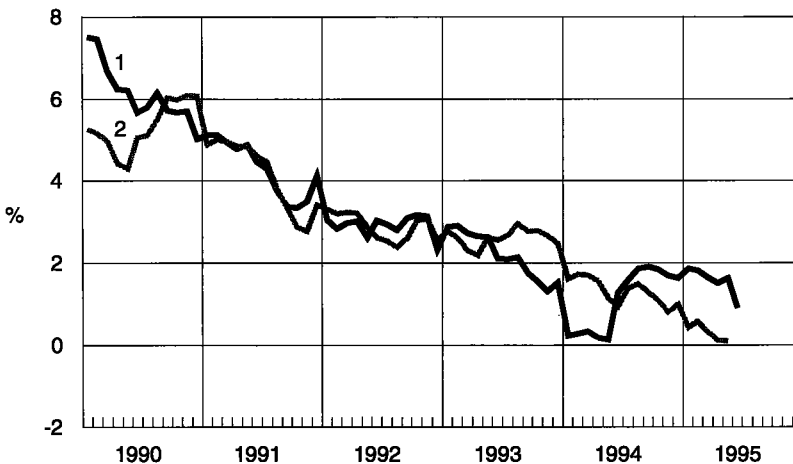
- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

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

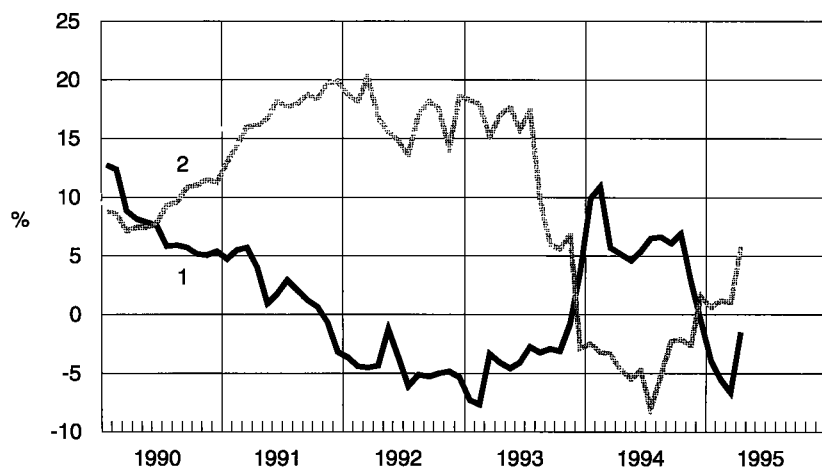
Change from the corresponding quarter of the previous year, per cent



- 1. Consumer price index
- 2. Indicator of underlying inflation

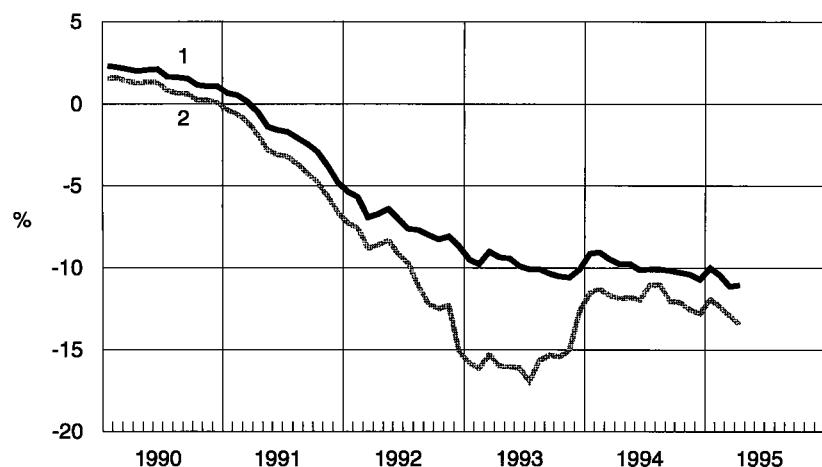
Change from the corresponding month of the previous year, per cent

### 31. CENTRAL GOVERNMENT FINANCES



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

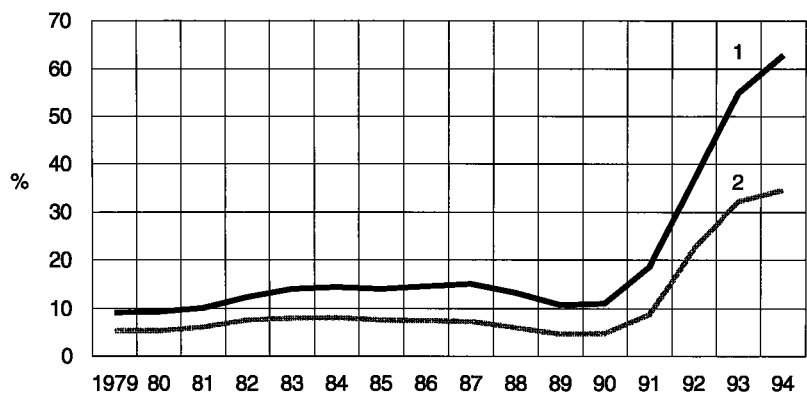
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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**BANK OF FINLAND**

28 April 1995

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