

# BULLETIN

BANK OF FINLAND

December 1989 Vol. 63 No. 12

The Central Government Budget  
Proposal for 1990

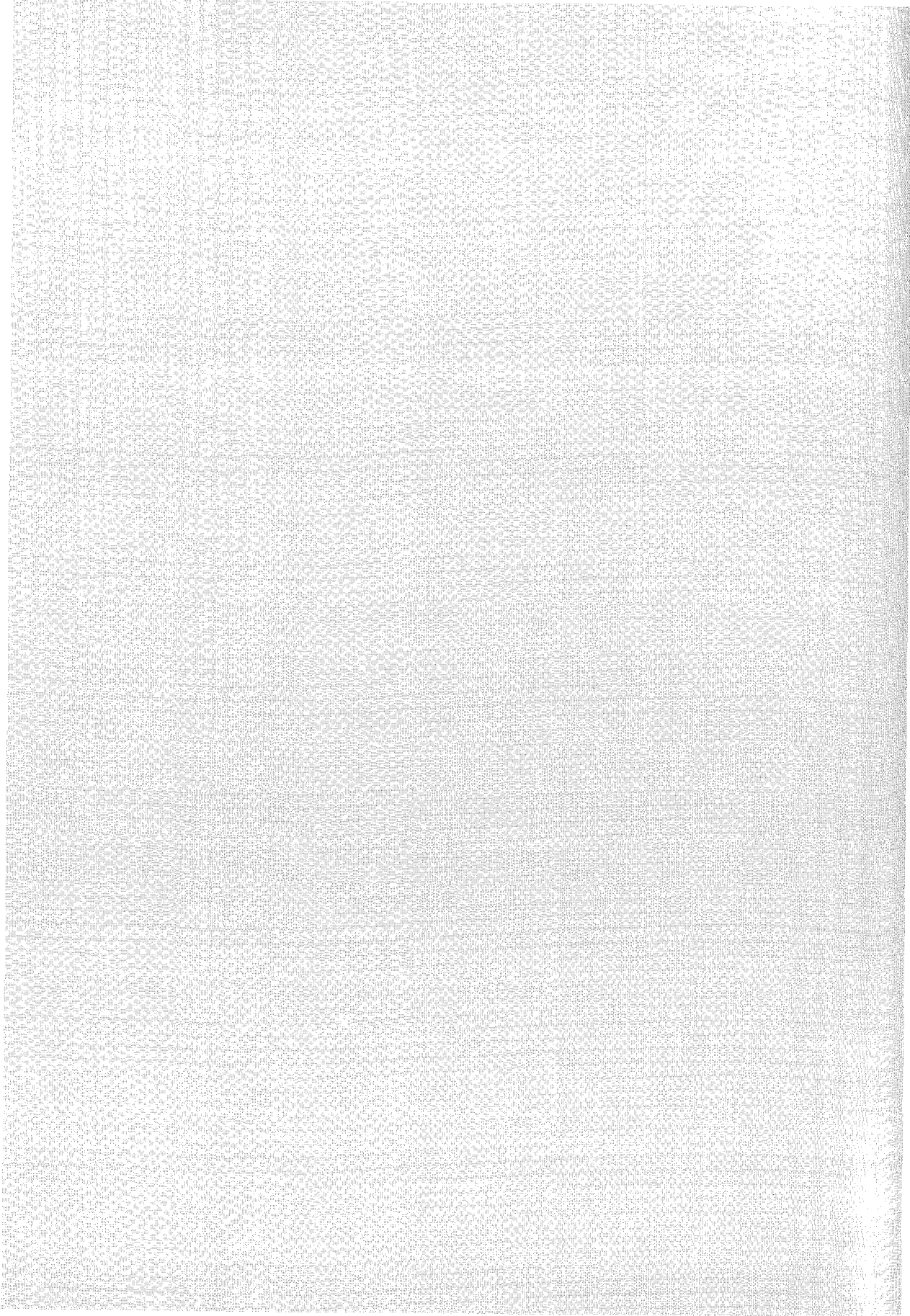
Social Expenditure in Finland  
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# THE CENTRAL GOVERNMENT BUDGET PROPOSAL FOR 1990

by **Arto Elomaa**, M.Sc. (Econ.)  
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## ECONOMIC DEVELOPMENTS IN 1989-1990 ACCORDING TO THE MINISTRY OF FINANCE

**D**omestic demand and total output have continued to expand at a faster-than-forecast pace in the course of the current year. In 1990, economic growth is expected to slow down markedly. The Ministry of Finance estimates that GDP will grow by 4.5 per cent this year. In particular, domestic demand has been more buoyant than forecast, with investment providing a strong stimulus to growth; private investment is expected to grow by 14 per cent this year. The growth of private consumption is estimated to reach 4 per cent.

In 1990, the growth of total output is forecast to amount to 2.5 per cent, so that growth in the course of the year will be only modest. High real interest rates, tight fiscal policy, the investment tax and continuing labour shortages will contribute to the slowing of growth. Private investment is forecast to grow by 1.5 per cent, but private consumption will advance by a further 3 per cent.

The budget has been drawn up on the assumption that inflation will slow down in the course of 1990. The nominal tax base will, nevertheless, broaden relatively quickly. According to estimates made by the Ministry of Finance, the wage and salary bill will grow by 8.5 per cent in 1990. The index of wage and salary earnings is estimated to rise by 7 per cent. This includes a technical assumption of a 1.5 percentage point increase in contractual wages in the

course of next year<sup>1</sup>. Households' disposable income is forecast to grow by 9.5 per cent in nominal terms and by 3.5 per cent in real terms.

In the budget proposal, the current account deficit is regarded as being the most serious imbalance in the economy. When the budget was drawn up in August, the Ministry of Finance estimated that the current account deficit would amount to FIM 17 billion – 3.5 per cent of GDP – in 1989. After the National Board of Customs revised the import figures later in the autumn, the estimate of the current account deficit was raised to some FIM 19 billion, or about 3.9 per cent of GDP. In 1990, the deficit is expected to remain unchanged in relation to GDP, but to increase to FIM 21 billion in markka terms.

The boom has increased price and cost pressures in the economy. Consumer prices are estimated to rise by 6.5 per cent this year (on a year-on-year basis). In 1990, the rate of increase in prices is forecast to slow down, partly as a result of a levelling off in the prices of dwellings and a gradual easing of demand pressures. The rise in consumer prices is estimated to amount to 5.5 per cent, both for the year on average and in the course of the year.

The unemployment rate has fallen more than expected and the forecast for the current year is 3.4 per cent. In 1990, the unemployment rate is forecast to remain unchanged. Labour shortages have caused bottlenecks in many

sectors in the current year, thereby restricting the growth of domestic supply.

## CHANGES IN THE STRUCTURE OF THE BUDGET IN 1990

Because of structural changes in the budget for 1990, income and expenditure items are not directly comparable with the budget figures for this year. Up till now, central government pension expenditure has been included in the budget and has been paid according to the pay-as-you-go principle. In 1990, it is planned to change over to partial funding in the central government pension system. Under the new arrangements, government offices and institutions are to make annual pension payments to a pension fund to be established as an extra-budgetary fund. In 1990, it is intended to transfer a total of some FIM 12.7 billion to the fund; part of this amount will be used to cover a share of next year's central government pension expenditure and part to cover the fund's pension payments in subsequent years. Of this sum, FIM 11.2 billion will come from the central government and FIM 1.5 billion from state enterprises.

Secondly, budgetary outlays will be reduced by transferring the funding of housing loans to a housing fund to be set up as an extra-budgetary fund. The funding of new loans is estimated to total some FIM 3.7 billion. Interest income on and repayments of loans would also be included in the assets of the fund. In 1990, these items are estimated to amount to FIM 2.5 billion.

<sup>1</sup>For wage and salary earnings, see the item in this issue of the Bulletin.

In addition, it is proposed to make an appropriation of FIM 1.2 billion for transfer to the fund through the budget in 1990.

The reform of state enterprises, by which the Post and Telecommunications services, the State Railways and the map printing office of the National Survey Board are to be detached almost completely from the budget, will also curb central government outlays. Previously, the profits of these enterprises were recorded in the budget and any deficits in their operating finances as well as investments by them were financed through the budget. As from 1990, only the maintenance of the railway network and certain passenger traffic subsidies will be financed in the government budget.

### **BUDGETARY INCOME**

Total central government income in the budget proposal amounts to FIM 139.7 billion. In nominal terms, this represents an increase of 5.3 per cent from the cash estimate for the current year. Central government income before financial transactions will grow by 6.5 per cent in comparison with the cash estimate for 1989. When adjusted for the effect of the structural changes in the budget and the transfers from extra-budgetary funds, both growth figures are estimated to be over 9 per cent.

The continuation of the income tax reform is one of the focal points in the budget. The objective of the tax reform is to ease the taxation of wage and salary earners, in particular, and shift the emphasis of taxation towards indirect taxes, notably sales tax. Income and wealth tax proceeds are estimated to reach FIM 39.4 billion, an increase of only 2 per cent on the cash estimate for this year. If the tax base were to remain unchanged, inflation adjustments and the lowering of the tax schedules would reduce the income and wealth

tax yield in 1990 by an estimated FIM 4.4 billion. In addition, cuts in tax rates equivalent to FIM 1.6 billion will be implemented over the next two years. Because of the estimated growth of taxable income and the tightening of business taxation, the central government income tax ratio will fall only slightly. The introduction of the imputation system in business taxation will tighten corporate taxation, particularly in the transitional phase. The corporate income tax rate in central government taxation will be lowered to 25 per cent. Advance tax will, nevertheless, still be levied at the old rate of 33 per cent in 1990. Moreover, during the transitional stage, the taxation of dividends will be temporarily tightened as recipients will not be entitled to tax concessions on dividends distributed from profits for 1989.

Sales tax proceeds are estimated to total FIM 48 billion, an increase of more than 13 per cent in comparison with the cash estimate for the current year. The sales tax rate was raised to 16.5 per cent (of a commodity's taxable price) on May 1, 1989 and to 17 per cent on December 1, 1989. These changes in the tax rate will contribute some 4 percentage points to the increase in sales tax proceeds in 1990. New environmental policy taxes entering into force at the beginning of 1990 will increase the indirect taxation of some, primarily fossil-based, energy products, the consumption of which it is being sought to limit so as to limit environmental damage. These pollution taxes will increase the central government's tax revenue by about FIM 1 billion.

### **BUDGETARY EXPENDITURE**

According to the budget proposal for 1990, budgeted expenditure, excluding repayments of central government debt, amounts to FIM 136 billion, a rise of just under 9 per

cent on the cash estimate for this year. Expenditure is projected to increase by 1.5 per cent in real terms and by about 8 per cent in nominal terms compared with the cash estimate for 1989, when adjusted for the effect of the structural changes in the budget.

FIM 34 billion has been budgeted for consumption expenditure, which, even in nominal terms, is less than consumption expenditure in the current year. The transfer of central government pensions to the extra-budgetary government pension fund will reduce growth by 13 percentage points. Consumption expenditure items other than pensions will increase markedly, however. Labour costs will increase by 11 per cent in comparison with the cash estimate for this year. Outlays for maintenance of machinery and buildings and purchases of equipment by the Defence Forces are set to rise by about 9 per cent. Other consumption outlays are projected to increase by 8.6 per cent.

Transfer expenditure totals FIM 89.7 billion and exceeds the cash estimate for this year by 25 per cent. Transfers to extra-budgetary funds and accounts belonging to the central government sector amount to FIM 16.4 billion, of which about FIM 11 billion is attributable to the above-mentioned structural changes in the budget. This will contribute some 16 percentage points to the growth of total transfers, so that the relevant figure for the growth of transfers in comparison to the cash estimate for the current year is just under 10 per cent. Transfers to households total nearly FIM 19 billion. This represents an increase of about 7.5 per cent as compared with the estimate for the outturn in 1989. Budgeted central government subsidies to the local government sector amount to FIM 36 billion, i.e. an increase of more than 7 per cent compared with the cash



estimate for this year. In spite of the low rate of unemployment, appropriations for the management of employment are to be raised by 16 per cent. This is due to a widening in the employment obligations provided for in the Employment Act and to new duties entrusted to the Ministry of Labour.

A sum of FIM 7.4 billion has been budgeted for investment outlays, which is 41 per cent less than in the ordinary budget for 1989. This decrease is also due to technical changes in the budget noted above. The decrease in real investment is attributable to the reform of state enterprises while that in financial investment reflects the fact that housing loans will henceforth be paid through the new housing fund.

### **CENTRAL GOVERNMENT'S FINANCIAL POSITION AND THE MACROECONOMIC EFFECTS OF THE BUDGET**

The central government's financial position (incl. extra-budgetary funds) has improved because of notably faster-than-forecast growth in both real and nominal terms in 1988 — 1989. In the current year, the budget surplus, measured in terms of the net financing requirement, is estimated to amount to FIM 5.9 billion, 1.2 per cent of GDP; in 1988 the surplus was about 0.2 per cent of GDP.

According to the budget, no new net borrowing will be needed in 1990. Rather, central government debt will be reduced both absolutely and in relation to total output. Most of the new loans to be raised for the repayment of outstanding debt will be placed domestically. This will support efforts to keep the money market tight. Central government debt in relation to GDP will fall from 15 per cent in 1987 to an estimated 9.5 per cent by the end of 1990.

Table.

IMPACT OF THE PUBLIC SECTOR ON REAL GDP GROWTH, PERCENTAGE POINTS

	1988*	1989**	1990**
Central government	-1.7	-0.6	-0.2
Local government	0.4	0.3	0.2
Public sector			
(incl. social security funds)	-1.3	-0.2	0.0
Growth of GDP, %	5.2	4.5	2.5

\* Preliminary

\*\*Forecast

Source: Ministry of Finance

Instead of the slightly expansionary effect planned in the autumn of 1988, central government budgetary operations will now have a restrictive impact on total output this year. The measures taken in the spring of 1989 — including the raising of sales tax — have, together with built-in stabilizers, resulted in public sector operations having a contractionary impact on the economy.

In 1990, fiscal policy is estimated to be virtually neutral. Central government budgetary operations will, however, exert a slightly restrictive impact (Table). Moreover, the Ministry of Finance estimates that the overall stance of economic policy will be clearly contractionary when account is taken of such factors as the continuation of the investment tax,

higher interest rates and the final effects of restrictive policy measures implemented earlier. The rises in indirect taxes, state tariffs and prices included in the 1990 budget proposal are estimated to increase the consumer price index by about 1 percentage point in the twelve months to December next year.<sup>1</sup> Of this, 0.6 percentage point is due to increases in the prices of alcoholic beverages and tobacco and about 0.2 percentage point to pollution taxes.

December 1, 1989

<sup>1</sup> The estimate of price effects does not include the increase of 0.5 percentage point in the sales tax rate effected on December 1, 1989. The rises in the sales tax rate this year will cause an increase of about half a percentage point in the consumer price index in 1990 calculated on a year-on-year basis.

# SOCIAL EXPENDITURE IN FINLAND UP TILL 2030<sup>1</sup>

by **Pekka Parkkinen**, Head of Office  
Economic Planning Centre

## INTRODUCTION

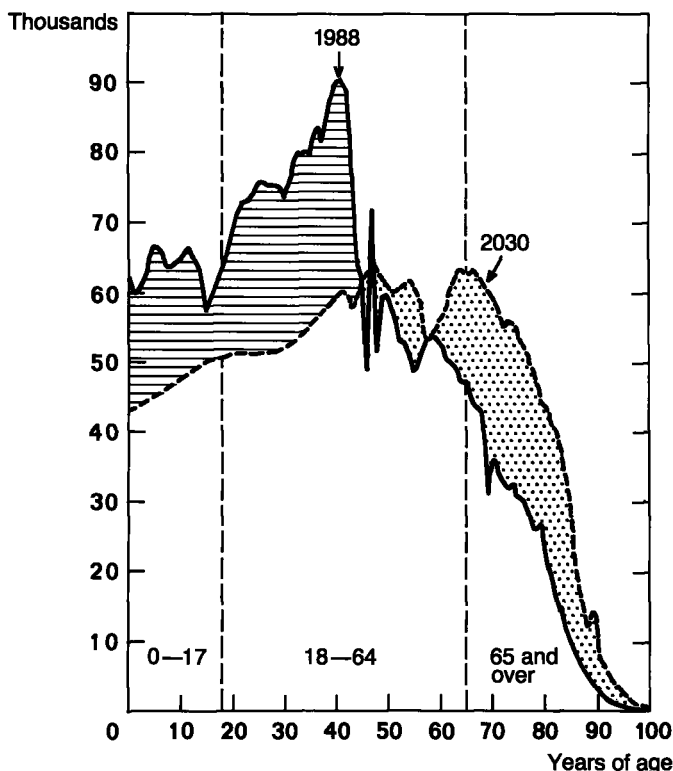
**T**he starting point for estimating long-term trends in social expenditure in Finland is the current legislation. The law stipulates that the real value of pensions, sickness insurance benefits and many other transfers are to be raised as real wages and salaries increase. For example, the real value of earnings-related pensions is raised by half the increase in real wages and salaries.

By contrast, child allowances, housing support and certain other social benefits are not linked to real income developments under Finnish law. Hence, the relative purchasing power of these types of transfers decreases as the real income of the population rises. In the projections of social expenditure in this article, it is assumed that the real value of social benefits is raised in line with the rise in the real value of earnings-related pensions.

In estimating expenditure on social and health services, account has been taken of the real growth in the production costs of these services. It is difficult to substitute other production inputs for labour in these services. Since the real price of labour will increase, real production costs of social and health services will rise as well.

Demographic trends affect social expenditure. The projections in this article are based on a demographic scenario in which fertility remains unchanged, life expectancy at

CHART 1.  
FINLAND'S POPULATION BY AGE IN 1988 AND 2030



birth improves by a total of 2½ years and migration has no net effect on total population.

Even if the average life span does lengthen to 77 years, Finland will have a population of only 4.7 million in the year 2030, that is almost 0.3 million less than today. This is because the fertility rate in Finland will be only 80 per cent of the replacement level, i.e. the number of births will be one-fifth lower than the average age group of fertile age.

In 2030, there will be notably fewer persons of less than 50 years of age in Finland than today (Chart 1). The number of elderly in the population is estimated to increase by one

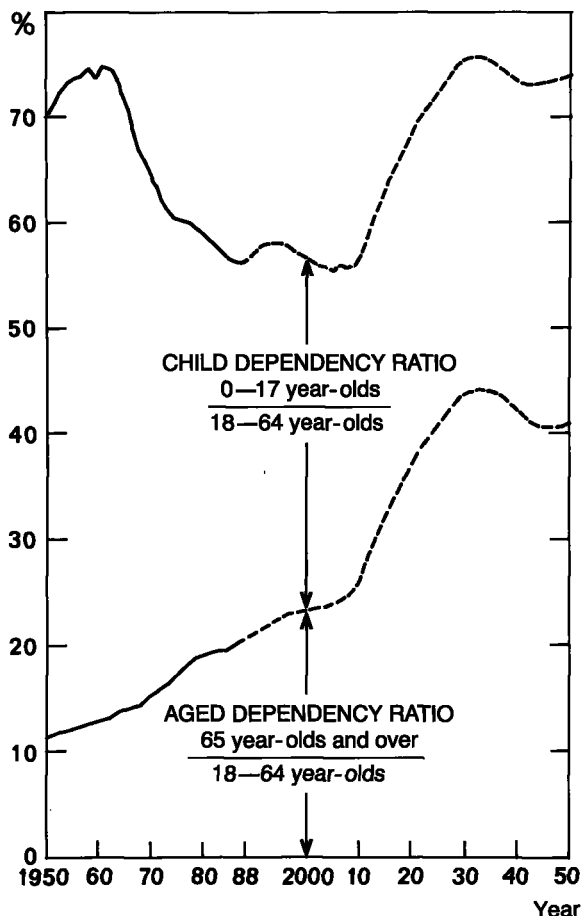
and a half times and the number of very old people — over 75 — to double.

The total dependency ratio, i.e. the number of children and elderly in relation to the population of working age, will rise by 2030. In 1988, children and elderly persons made up less than 57 per cent of the working age population, i.e. the population between 18 and 64 years of age. Of the dependent population, just over one-third were elderly persons.

Over the next twenty years, the number of children is expected to decrease by the same amount as the number of elderly persons increases. Hence, the total dependency

<sup>1</sup> This article is based on the study "Social expenditure in Finland in 1960-2030", Economic Planning Centre, Helsinki 1989 (in Finnish only).

**CHART 2.**  
**TOTAL DEPENDENCY RATIO IN FINLAND**  
**IN 1950—2050, PER CENT**  
 (ratio of dependents to the working age population)



ratio will remain at its current level until the 2010s (Chart 2). From then on, the aged dependency ratio will rise sharply as the baby boom generation born after World War II reaches retirement age.

By 2030, the total dependency ratio will have reached nearly 75 per cent, with the elderly accounting for more than half the dependent population. Since social expenditure on an elderly person is on average many times that on a child, social expenditure will rise rapidly.

With the absolute decline in and ageing of the population, the supply of labour input will

also diminish. If the number of working hours per person at each age is the same in 2030 as in 1988, the supply of labour input in Finland in 2030 will be equivalent to 3.4 billion hours. If the actual number of hours worked per person of working age decreases in the future at the same rate as between 1960 and 1988, the supply of labour in 2030 will be only 2.7 billion hours (Chart 3).

However, it will hardly be possible to reduce working hours per person in the future as rapidly as in 1960—1988. Hence, the calculations in this article are based on a supply of 3.0 billion working hours in

2030. According to national income statistics in Finland, the number of hours worked totalled 4.1 billion in 1988.

As the number of births falls, the supply of labour by young people under 30 years of age will decrease by one-third by 2030. The number of young people of working age will decrease by a quarter. In addition, annual working time will shorten and the duration of education lengthen. If economic growth continues at a relatively high rate over the projection period, the Finnish labour market will be characterized by a permanent shortage of young people in the labour force in the future.

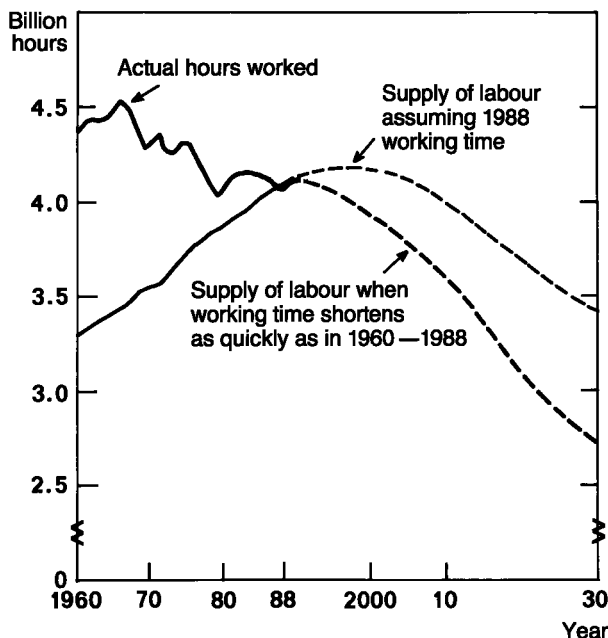
In 2030, the supply of labour by people aged over 50 could actually exceed today's level, even if the numbers taking an early retirement increase. In 2030, the population between 50 and 64 years of age will be 100 000 higher than today.

### **ECONOMIC SCENARIOS AND THE DEMAND FOR LABOUR INPUT UP TILL 2030**

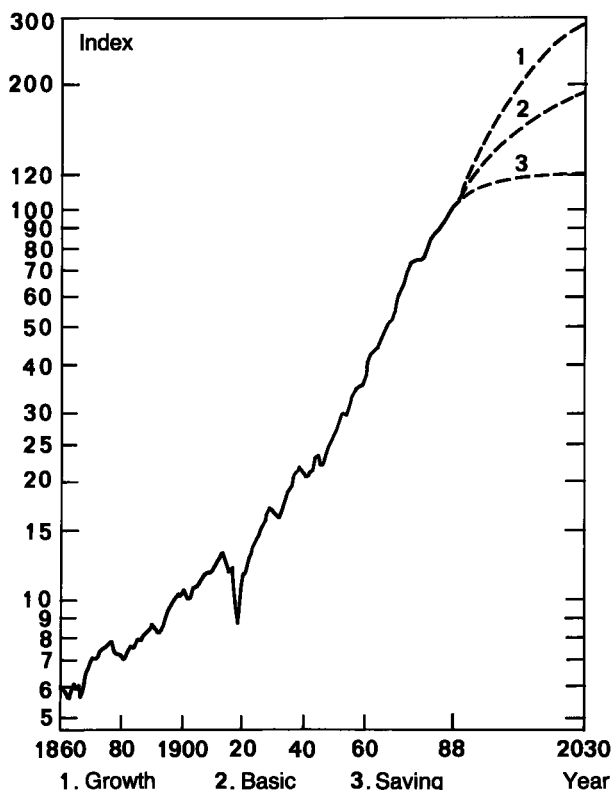
The basic scenario for the economy assumes that labour productivity per working hour will increase at an average annual rate of 2.4 per cent up to 2030, i.e. at the same average rate as in 1860—1973. The annual growth rate of total output calculated on the basis of labour supply and labour productivity is just under 1½ per cent. Real income per capita almost doubles by 2030 (Chart 4).

According to the growth scenario, labour productivity increases at the same rate as in the period from the first energy crisis in 1973 up to 1988, i.e. by 3¼ per cent a year on average. This alternative envisages real income growth of almost 2½ per cent a year, so that real capita income in 2030 is almost three times as high as in 1988.

**CHART 3.**  
ACTUAL HOURS WORKED IN 1960—1988 AND THE  
SUPPLY OF LABOUR IN 1960—2030 ASSUMING  
1988 WORKING TIME, BILLION WORKING HOURS



**CHART 4.**  
REAL INCOME (VOLUME OF GDP) PER CAPITA IN  
DIFFERENT ECONOMIC SCENARIOS IN 1860—  
2030, INDEX 1988=100



In the saving scenario, there is a shift to a zero-growth economy at the beginning of the next century, for example, for environmental reasons or as a result of severe disturbances in international trade. According to this alternative, output is estimated to grow by  $\frac{1}{3}$  per cent a year on average up till 2030, when real income per capita will be one-fifth higher than in 1988.

Social expenditure varies in the different economic scenarios. The more rapidly real income grows, the more expensive labour becomes. As regards social and health services, the price of labour is assumed to rise at the same rate as the price of labour in the economy as a whole. The major part of the production costs of these services consists of labour costs. Since it is difficult to substitute capital for labour in these activities, the real production costs of social services will be the higher the higher is real disposable income in the economy.

In Finland, earnings-related pensions, sickness insurance benefits and many other current transfers depend on developments in real wages and salaries. Consequently, social transfers will be the higher the higher is real disposable income in the economy.

According to preliminary figures, social expenditure amounted to FIM 114 billion in Finland in 1988, or just over a quarter of GDP. Pensions accounted for almost 40 per cent of this amount, health services and transfers for expenditure for nearly 30 per cent and other expenditure for just over 30 per cent.

Social and health services play an important role in income redistribution in Finland. If public social and health services were financed entirely out of charges instead of tax revenue, income differences would grow markedly. To retain the present income distribution, it would then be neces-

Table 1.  
SOCIAL EXPENDITURE IN FINLAND  
IN 1988, PRELIMINARY FIGURES

	Expenditure, billion FIM	Share of GDP, %
Health services	26.4	6.0
Social services	18.4	4.2
Pensions	45.2	10.3
Other social transfers	24.2	5.5
Total social expenditure	114.2	26.0

sary to increase the disposable income of the half a million Finns in the lowest income group by 15 per cent and that of the decile in the highest income group by 4 per cent.

Social transfers are also important for those in the lowest income decile. Almost half the disposable income of the half a million Finns in this group derives from transfers, whereas the corresponding figure for the highest decile is one-sixth.

Here income differences are measured in terms of disposable income per OECD consumption unit, which takes into account household size and scale advantages in consumption in comparing households of different size.

### AN INTERNATIONAL COMPARISON OF SOCIAL EXPENDITURE

In Sweden, the ratio of social expenditure to GDP is over one-third, the highest among the twelve European Community and four Nordic countries included in the comparison (Table 2). In the Nether-

lands, the corresponding proportion is almost one-third, in France and Belgium nearly 30 per cent. In Finland, the relative share of social expenditure is roughly the average for the sixteen countries.

Transfers account on average for two-thirds of social expenditure in these countries and social services for one-third. The structure of social expenditure in Finland corresponds to the average for the countries as a whole.

Several factors affect the ratio of social expenditure to GDP. Different countries pursue different social policies, and this has had an effect on the size of social expenditure in the course of time. In Sweden, for example, social expenditure has been used intensively for income redistribution purposes. As a result, social expenditure is high in relation to GDP.

Naturally, the age structure of the population has an effect on the social expenditure ratio. For example, a significant share of social expenditure is allocated to the elderly, whose share in the total population varies in different countries. In Finland, the share of the elderly population roughly equals the average for the sixteen countries in the international comparison.

The proportion of children in the population and women's

participation in the labour force also have an effect on the social expenditure ratio. In all countries in the comparison, the public sector uses transfers to support families with children. The more women work outside the home, the more child care services are needed.

Chart 5 shows that in countries with high per capita income a higher proportion of GDP is used for social expenditure than in countries with low per capita income. In the chart, the level of income is measured in terms of GDP per capita adjusted for purchasing power parities.

However, the social expenditure ratio varies considerably in the countries with a high income level. In these countries there is no relationship between the social expenditure ratio and the level of real income. In Finland, the social expenditure ratio is among the lowest of the high-income countries.

Up until the 1980s, social expenditure grew more rapidly than GDP. This trend seems to have been reversed in many countries during this decade. The same trend is evident in Finland; preliminary figures suggest that the social expenditure ratio was lower in 1988 than in the previous year.

In recent years, economic growth in the sixteen countries has been fairly brisk, and so the social expenditure ratio has not risen any further. In addition, efforts to cut social expenditure in many western countries have slowed the growth of social expenditure.

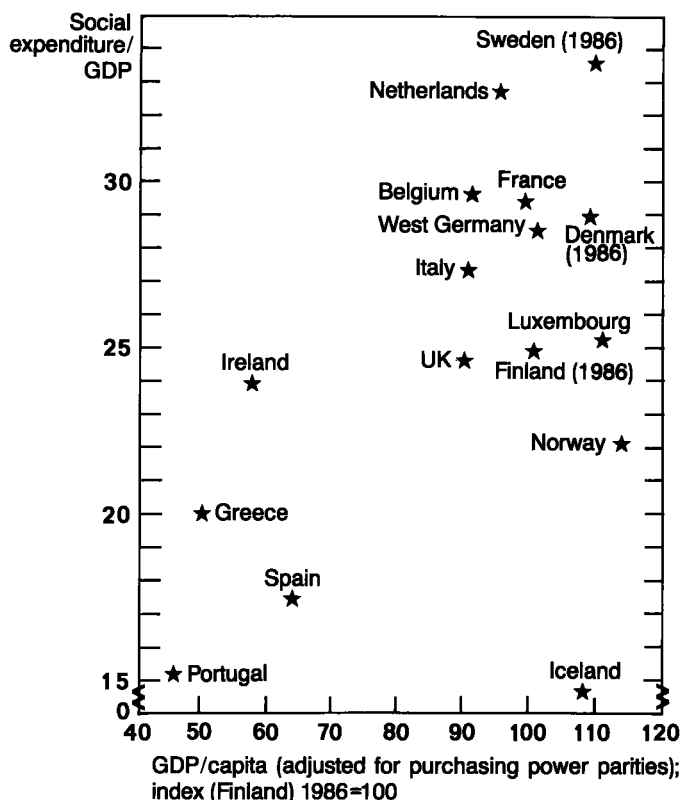
According to a forecast prepared by the European Community countries, the social expenditure ratio is expected to turn down by 1990. Real incomes are assumed to increase in these countries and the dependency ratio is not expected to rise significantly during the latter half of the 1980s. In most European Community countries, the larg-

Table 2.  
RATIO OF SOCIAL EXPENDITURE TO GDP BY SOCIAL AREA IN SIXTEEN  
COUNTRIES IN 1984, %

	Old age and disability	Health	Family	Unemployment	Other areas	Total
Sweden (1986)	15.4	10.2	4.1	0.8	3.1	33.6
Netherlands	14.4	8.1	2.7	4.1	3.5	32.8
Belgium	14.1	6.0	3.1	3.9	2.5	29.6
France	11.8	6.9	3.1	2.8	4.8	29.4
Fed. Rep. of Germany	14.5	7.5	1.9	1.0	3.6	28.5
Italy	16.5	5.6	1.7	0.9	2.6	27.3
Denmark (1986)	12.4	5.8	2.9	2.6	3.0	26.7
Luxembourg	15.0	5.5	2.2	0.3	2.2	25.2
Finland (1986)	11.0	7.1	3.0	0.9	2.9	24.9
United Kingdom	12.2	4.8	2.8	2.2	2.6	24.6
Ireland	8.7	6.5	2.8	3.1	2.8	23.9
Norway	9.1	8.8	2.1	0.7	1.4	22.1
Greece	14.5	2.3	0.7	0.5	2.0	20.0
Spain	9.4	3.9	0.4	2.4	1.3	17.4
Portugal	6.5	3.6	0.9	0.3	3.9	15.2
Iceland	4.0	7.5	2.1	0.2	0.7	14.5



CHART 5.  
SOCIAL EXPENDITURE AS A PERCENTAGE OF  
GDP AND REAL INCOME PER CAPITA IN THE  
NORDIC COUNTRIES AND EC COUNTRIES IN 1984



est age groups were born in the 1960s, whereas in Finland they were born in the 1940s.

All over Europe, populations are ageing and female labour participation rates rising. These factors will create pressures for improving social services over the next few decades. Pension expenditure will increase rapidly in all sixteen countries. By 2030, social expenditure will be growing more rapidly than GDP throughout Western Europe, unless there is a marked reduction in social security levels.

#### **SOCIAL EXPENDITURE UP TILL 2030**

In 1988, social expenditure in Finland amounted to FIM 114 billion. According to the basic scenario, social expenditure will reach almost FIM

300 billion in 2030 in 1988 prices and real income per capita will be almost twice as high as in 1988.

According to the basic scenario, expenditure on health services will more than treble by 2030. Despite the higher proportion of the elderly, the number of days spent in hospital is not expected to grow. The demand for outpatient services is assumed to rise by one-third. The labour input needed for the provision of health services in 2030 will be one and a half times that required today.

Real expenditure on social services is also forecast to treble by 2030. The social services required by the elderly will increase substantially since the number of the very elderly — those over 75 — will double by 2030.

The volume of social transfers is estimated to more than double by 2030. According to the basic scenario, real pension expenditure will then be more than 2.7 times as high as today. Most of the increase in pension expenditure is explained by the fact that the average real pension in 2030 will be twice as high as now. The number of pension recipients will be almost 40 per cent higher than at present.

The elderly of the future will have enjoyed better health care than old people today. In addition, the physical environment will be easier for the elderly in 2030 than nowadays. Housing conditions, household appliances and new technologies will make everyday life easier than for the elderly today. Therefore, it should be possible to substitute outpatient and home care for institutional care. This kind of gradual structural change has been taken into account in estimating developments in social expenditure.

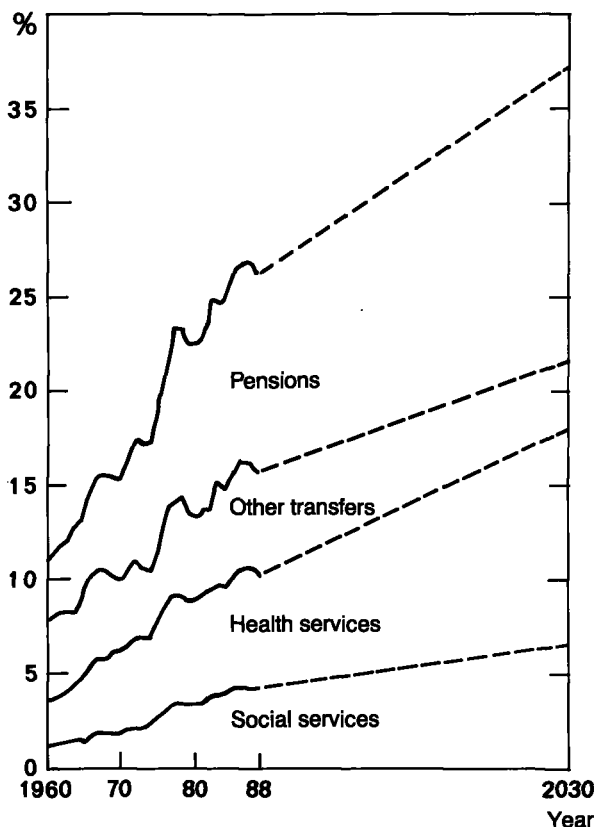
According to the basic scenario, the ratio of social expenditure to GDP will be almost one and a half times higher in 2030 than now, i.e. just over 37 per cent as compared with 26 per cent in 1988 (Chart 6). Thus, the social expenditure ratio will rise by 11 percentage points by 2030 or by the same amount that it rose between 1966 and 1988.

The higher the level of real income, the lower is the social expenditure ratio. In the growth scenario, the social expenditure ratio rises to 35 per cent by 2030. According to the slow growth or saving scenario, it will rise to 40 per cent.

#### **LABOUR INPUT IN SOCIAL AND HEALTH SERVICES UP TILL 2030**

In 1988, nearly 12 per cent of the employed labour force in Finland worked in social and health services. This represented just under 400 million working hours, almost one-

**CHART 6.**  
**SOCIAL EXPENDITURE AS A PERCENTAGE OF**  
**GDP IN FINLAND IN 1960-2030**



tenth of total working hours in Finland in 1988. In 2030, nearly 700 million working hours will be required in this sector. At the same time, the supply of labour will decline by more than a quarter. In 2030, almost a quarter of the labour supply is expected to be used for the provision of social and health services.

In the social and health service sector, the labour input needed in the provision of different types of care has increased. This is the result of improvements in the quality of treatment. Today, better treatment is provided in hospitals, for example, by increasing labour and capital inputs, which is reflected in improved treatment results.

As real income grows, social and health services will be improved further. This will mean ever-increasing labour

inputs in these labour-intensive services. Measured in the traditional way, labour productivity will fall. If the quality of services is taken into account labour productivity may actually improve.

Because of labour shortages, the supply of social and health services may turn out to be smaller than estimated. In addition, the real production costs of these services could, for the same reason, rise more than expected. In a situation of excessive demand, wages and salaries in the social and health sector may rise more rapidly than in the economy on average.

The adequacy of labour in the economy depends not only on the supply but also on the demand for labour. Measured in terms of working hours, the demand for labour has fallen by almost half a billion working

hours in Finland since 1965, although real incomes in terms of GDP have risen 2.3 times. Labour productivity has thus increased substantially.

Labour productivity will continue to improve in the future. Thanks to technological progress and growing capital inputs, the economy will produce more commodities per working hour. In most sectors, the demand for labour will decrease despite growing output.

If developments in labour productivity remain favourable, there will be an adequate supply of labour available for social and health services in 2030. In primary production, manufacturing and most service industries, substantially fewer working hours will be required than today.

### **THE EFFECT OF SOCIAL EXPENDITURE ON PUBLIC SECTOR FINANCES**

This article has examined social expenditure in gross terms. Thus, social expenditure includes charges paid by users of social and health services and direct taxes paid on transfers. In addition, social expenditure includes wages and salaries paid during periods of sickness and earnings-related pensions, the major part of which is financed by private employers in Finland. Hence, net public sector social expenditure is markedly less than gross social expenditure.

On average, one-tenth of the costs of social and health services is covered by charges in Finland. The share of charges in costs varies considerably according to the type of social and health service. In the case of hospital care only a few per cent of costs is covered by charges while in the case of old age people's homes charges cover one-fifth of costs.

In 1988, one-sixth of the value of social transfers was paid to the public sector in the form of direct taxes and social

security contributions. This estimate is based on average income tax rates.

Earnings-related pensions and other taxable transfers have grown more rapidly than untaxed transfers. In 2030, a quarter of transfers will be returned to the public sector in the form of direct taxes, if the average effective income tax rate remains at its present level.

Social expenditure accounted for 26 per cent of GDP in Finland in 1988. Without charges and direct taxes

on transfers, this share would be about 22 per cent. According to the basic scenario, it would be 30 per cent in 2030 given the current tax legislation.

Most earnings-related pensions, sick pay, accident insurance indemnities and part of other social expenditure are financed by means other than tax funds in Finland. These types of social expenditure will grow more rapidly than social expenditure on average. This is another reason why the public sector's financial balance

will weaken far less than is suggested by the change in the social expenditure ratio.

In Finland, the ratio of social expenditure to GDP will rise by 11 percentage points in the period up to 2030 in the basic scenario. As a result of this the share of net public sector expenditure in GDP will rise by only a few percentage points.

December 1, 1989

## PROPOSAL FOR A COMPREHENSIVE ECONOMIC AND INCOMES POLICY SETTLEMENT FOR THE YEARS 1990—1991

At the instigation of the Government, the state mediator put forward a proposal to the labour market organizations on November 30, 1989 for a comprehensive economic and incomes policy settlement covering the years 1990—1991. If approved, the agreement is expected to pave the way for relatively favourable developments in employment and wage and salary earners' real disposable income as well as contribute to slowing down inflation and bringing the growth of external indebtedness under control.

The agreement aims at raising wage and salary earners' real purchasing power by a total of 4½ per cent over the agreement period. The personal income tax reliefs and increases in income transfers included in the central government budget for 1990 support this objective. Since the carry-over from awards for 1989 and wage drift will raise earnings markedly in 1990, the achievement of the real income growth target calls for moderate new nominal pay increases in 1990.

The proposal provides for pay rises in two stages, in March and October, which will increase earnings by more than 2 per cent in the course of 1990. Their contribution to the average rise in earnings from 1989 will be just under 1½ per cent. In addition, pay agreements will include a sector-specific earnings guarantee,

compensating for wage drift in sectors where drift is low. The size of the earnings guarantee will be 4 per cent over the two-year agreement period. An index clause is also included in the agreement. If the consumer price index rises by more than 5.7 per cent between December 1989 and December 1990, there will be additional pay increases to compensate for the amount in excess of the threshold.

The labour market organizations will agree on pay rises and the index threshold for 1991 in the autumn of 1990. The Government, for its part, has promised to reach a decision on the income tax schedules for 1991 already during the spring of 1990, after consulting the labour market organizations.

The Government regards the proposed settlement as being an integrated whole: non-implementation of some part of it would undermine the basis for the success of the other parts. If a comprehensive settlement binding on all parties is not achieved, the Government is prepared to deal with the imbalances in the economy by a marked tightening of fiscal policy. Among other measures this would include raising social security contributions and pay-as-you-earn tax rates.

The central labour market organizations accepted the proposal on November 30, 1989. The entry into force of the agreement is, however, conditional on the unions concluding collective agreements in accordance with the proposal by December 28, 1989.

## FINLAND'S BALANCE OF PAYMENTS IN JANUARY-SEPTEMBER 1989

According to the Bank of Finland's preliminary figures, the current account showed a deficit of FIM 14 850 million in January-September this year. The net inflow of long-term capital amounted to FIM 6 314 million and the net inflow of short-term capital to FIM 6 196 million. Thus the Bank of Finland's foreign exchange reserves decreased by FIM 2 341 million. In the corresponding period of 1988, the current account had shown a deficit of FIM 10 963 million.

**Current account.** Compiled on a balance-of-payments basis, the trade account posted a deficit of FIM 3 917 million in January—September. In the corresponding period of 1988, the deficit amounted to FIM 1 942 million. Commodity exports grew by 9 per cent in value while the volume was the same as in the first three quarters of 1988. The fastest growth in export volume occurred in the metal products and machinery industry as well as in the paper industry. The value of commodity imports was up 12 per cent and the volume almost 8 per cent on the first nine months of 1988. Investment goods recorded the fastest increase, up 16 per cent in volume from the previous year. The volume of imports of raw materials and intermediate goods grew by 4 per cent and that of consumer goods by 10 per cent.

The services account registered a deficit of FIM 1 488 million in January—September, an increase of more

than FIM 500 million on the corresponding period of the previous year. The surplus on the transport account widened from FIM 2 844 million to FIM 3 221 million. Travel receipts grew by 5 per cent and travel expenditure by 14 per cent. Thus the travel account posted a deficit of FIM 3 346 million as against FIM 2 653 million in the first nine months of last year. The other services account registered a deficit of FIM 1 363 million in January-September; trade-related payments grew most on the expenditure side.

Interest payments on foreign loans amounted to FIM 14 136 million. With interest income on foreign assets totaling FIM 7 119 million, the investment account showed a deficit of FIM 7 017 million in January-September. This was FIM 1 291 million more than in the corresponding period last year. The unrequited transfers account posted a deficit of FIM 2 347 million.

**Capital account.** Drawings of long-term loans amounted to FIM 25 156 million in January-September, which was FIM 4 845 million more than in the corresponding period last year. The central government accounted for FIM 2 021 million of the loans raised. Repayments of long-term loans amounted to FIM 9 526 million. Drawings of long-term export credits granted to foreign customers amounted to FIM 3 105 million and repayments of outstanding export credits to FIM 942 million. Finnish net direct investment abroad totalled FIM 6 643 million. The total net inflow of direct investment amounted to FIM 324 million. The total net inflow of long-term capital amounted to FIM 6 314 million; this represents an increase of FIM 4 174 million on the corresponding period of 1988.

# MAJOR BALANCE OF PAYMENTS ITEMS JANUARY—SEPTEMBER 1989, MILLION FIM<sup>1</sup>

	Receipts	Expenditure	Net
Trade (exports f.o.b., imports c.i.f.)	72 032	75 316	—3 284
Adjustment items	—1 203	—569	—634
Trade account	70 829	74 747	—3 917
Transport	6 008	2 787	3 221
Travel	3 459	6 805	—3 346
Other services	4 911	6 273	—1 363
Services account	14 378	15 865	—1 488
GOODS AND SERVICES ACCOUNT	85 207	90 612	—5 405
Investment income, net	7 119	14 136	—7 017
Unrequited transfers	633	2 980	—2 347
Other	2 513	2 594	—80
A. CURRENT ACCOUNT	95 472	110 322	—14 850
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits: <sup>2</sup>			
drawings	—3 105	25 156	22 051
redemptions	942	—9 526	—8 584
Direct investment	—6 643	324	—6 319
Other long-term capital	—1 716	882	—834
B. LONG-TERM CAPITAL ACCOUNT	—10 522	16 836	6 314
BASIC BALANCE (A+B)	0	0	—8 536
Prepayments and liabilities related to imports	0	0	569
Prepayments and receivables related to exports	437	—546	—109
Short-term capital of authorized banks	0	0	6 627
Other short-term capital	0	0	756
Errors and omissions	0	0	—1 647
C. SHORT-TERM CAPITAL ACCOUNT	0	0	6 196
D. ALLOCATIONS OF SDRs	0	0	0
OVERALL BALANCE (A + B + C + D)	0	0	—2 341
Change in the foreign exchange reserves of the Bank of Finland	0	0	2 341

Assets: increase —, decrease +  
Liabilities: increase +, decrease —

<sup>1</sup> Preliminary figures.

<sup>2</sup> Assets include export credits only.



The inflow of short-term capital (incl. errors and omissions) totalled FIM 6 196 million in January—September 1989. Short-term liabilities related to imports increased by an estimated FIM 569 million, while net prepayments and receivables related to exports increased by FIM 109 million. The net short-term liability of the authorized banks increased by FIM 6 627 million.

The foreign exchange reserves of the Bank of Finland decreased by FIM 2 341 million in January-September. The convertible foreign exchange reserves decreased by FIM 582 million. Tied cur-

rency reserves fell by FIM 1 758 million so that net claim on the tied currency account turned into a net liability. At the end of September, the convertible foreign exchange reserves of the Bank of Finland stood at FIM 27 527 million and tied currency liabilities at FIM 825 million.

At the end of September, Finland's net foreign debt totalled FIM 80 155 million; the net long-term debt amounted to FIM 64 737 million and the net short-term debt to FIM 15 418 million. The central government's share of net foreign debt was FIM 21 157 million.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM JANUARY 1989 TO NOVEMBER 1989

1989

## JANUARY

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

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

## FEBRUARY

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

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

## MARCH

**Supplementary cash reserve agreement.** An agreement supplementing the cash reserve agreement between the Bank of Finland and the banks is signed on March 13, 1989. The supplementary agreement, which is effective until the end of 1990, enables the Bank of Finland to raise the cash reserve requirement to a maximum of 12 per cent. The application of

the additional requirement is linked to developments in bank lending (see the item in the April 1989 Bulletin).

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

## APRIL

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

**Amendments to the cash reserve agreement and the terms of central bank financing.** The Bank of Finland grants Interbank Ltd. the right to central bank financing with effect from the beginning of April. The bank joins the cash reserve agreement between the Bank of Finland and the banks on February 16, 1989.

## MAY

**Export deposits.** The Government decides to terminate the temporary

export deposits levied on wood-free printing paper since the beginning of February 1, 1989 with effect from the beginning of May.

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

## JUNE

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

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

### Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks and groups of banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 8.4 per cent of the cash reserve base in May.

## JULY

### Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks and groups of banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 8.5 per cent of the cash reserve base in June.

## AUGUST

### Cash reserve requirement.

The Bank of Finland adjusts the cash reserve requirement for certain banks and groups of banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 8.7 per cent of the cash reserve base in July.

## SEPTEMBER

### Foreign Exchange Regulations.

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

*Capital exports.* Acquisitions of dwellings and real estate abroad no longer require authorization; previously, permission was necessary if the purchase price exceeded FIM 1 million. Investments in the form

of foreign securities, deposits held in accounts with foreign monetary institutions and merchandise held abroad are permitted without the permission of the Bank of Finland or quantitative restrictions. In addition, credit of more than one year's maturity may be granted to non-residents without the Bank of Finland's permission.

*Capital imports.* Non-financial companies, except housing and real estate companies, are permitted to raise foreign credit of more than one year's maturity; previously, only loans of more than five years' maturity were permitted. The authorization of the Bank of Finland is still required if a company borrows directly from a foreign lender.

Suppliers' credits and prepayments in respect of imports are entirely freed from authorization. In addition, most direct investments in Finland no longer require authorization.

### Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to 8.8 per cent of the cash reserve base in August.

## OCTOBER

### Government cash fund deposits.

The Ministry of Finance and the Bank of Finland reach an agreement according to which the government will make cash fund deposits totalling FIM 5 billion with the Bank of Finland between October 5, 1989 and January 31, 1990. These deposits will be transferred on February 1, 1990 to a pension fund to be set up by the government. Additional deposits totalling FIM 1.6

billion will be made by the government in the pension fund, between February 1 and December 31, 1990.

### Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 9.0 per cent of the cash reserve base in September.

## NOVEMBER

**Base rate.** The Bank of Finland raises the base rate from 7.5 per cent to 8.5 per cent as from November 1.

**Call money market.** With effect from November 6, 1989, the Bank of Finland amends the terms of the call money credit system so that the 5-day moving average of a bank's position may be negative but in this case the call money credit rate will be charged at double the normal rate. It was a condition of the revision of June 1989 that the moving average of a bank's 5-day call money position should not be negative. The call money credit rate remains unchanged at 15 per cent and the call money deposit rate at 4 per cent.

### Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement for certain banks. Together with the current 8 per cent ratio, the banks' average deposit requirement now amounts to about 9.1 per cent of the cash reserve base in October.

## FINLAND IN BRIEF

### LAND, CLIMATE AND POPULATION

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

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

There are two official languages: 93.6 % of the population speaks Finnish as its mother tongue and 6.0 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

### FORM OF GOVERNMENT

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

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of four years. Following the parliamentary elections of 1987, the seats of the various parties in Parliament are distributed as follows:

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

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

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

### INTERNATIONAL RELATIONS

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

Finland became a member of the BIS in 1930, the IMF in 1948, the IBRD in 1948, GATT in 1950, the UN in 1955, the Nordic Council in 1955, the IFC in 1956, IDA in 1960, EFTA in 1961, the ADB in 1966, the OECD in 1969, the IDB in 1977, the AfDB in 1982 and the MIGA in 1988.

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

### THE ECONOMY

**Output and employment.** The Finnish economy is essentially based on private enterprise, with over 80 % of manufacturing output and some 90 %

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

In 1988, expenditure on the gross domestic product in purchasers' values amounted to FIM 440 billion and was distributed as follows: net exports -0.3 % (exports 24.8 %, imports -25.1 %), gross fixed capital formation 25 %, private consumption 53 % and government consumption 20 %. Finland's gross tax ratio (gross taxes in relation to GDP) was 38 % and the net tax ratio (net taxes in relation to GDP) 25 %, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.9 % in the period 1950-60, 4.8 % in 1960-70, 3.5 % in 1970-80, 3.2 % in 1980-88 and 4.2 % in 1950-88. Finland's GDP per capita in 1988 was USD 21 200; this put Finland in fifth place among the 24 member countries of the OECD, preceded by Switzerland, Iceland, Japan and Norway.

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

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

**Forest resources.** Finland has fairly abundant forest resources, but

only limited amounts of other raw materials. The growing stock comprises 1 660 million cubic metres, of which 45 % is pine, 37 % spruce and 18 % broad-leaved species, chiefly birch. The annual growth increment totals 68 million cubic metres and the total drain calculated on the basis of commercial fellings was 58 million cubic metres in 1988.

**Energy.** In 1988, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 45 %, heating for 23 %, transportation for 14 % and other purposes for 18 %. The sources of primary energy in 1988 were as follows: oil 32 %, coal 12 %, nuclear power 16 %, hydro-electric power, peat and other indigenous sources 30 %, others 10 %. Compared internationally (1987), Finland's consumption of 6.3 toe per capita was 2.0 times higher than the average in European OECD countries. The self-sufficiency rate (OECD definition) in Finland was 38 %, as compared with 62 % in western Europe on average.

## FINANCE AND BANKING

**Currency.** Since 1865 Finland has had its own monetary system. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a trade-weighted currency index. As from Jan. 1, 1984 only convertible currencies have been included in the index. Since November 30, 1988, the index has been permitted to fluctuate within a range of 6 percentage points (previously 4.5). The range is defined by fluctuation limits which are set by the Government at the proposal of the Bank of Finland. Since March 17, 1989, the fluctuation limits have been 96.5 and 102.5 (1982 = 100), where the lower limit means the highest permissible value for the markka and the upper limit the lowest permissible value.

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

Outward direct investment is permitted without the Bank of Finland's authorization except for direct investments in countries with which Finland maintains payments agreements. Similarly, inward direct investment is permitted without the Bank of Finland's authorization except for direct investments in enterprises in the financial sector and direct investments by countries with which Finland maintains pay-

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

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

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

**Other banks** (Dec. 31, 1988). Finland has four major groups of deposit banks with a total of more than 3 550 offices. There are two big commercial banks with national branch networks and eight smaller ones, four of which are foreign-owned. The commercial banks have a total of 29 foreign branches, subsidiaries and associate banks and 29 representative offices abroad. There are 211 savings banks and 267 cooperative banks with their own extensive branch networks. The government-owned Postipankki has 56 branches and also offers basic services in post offices.

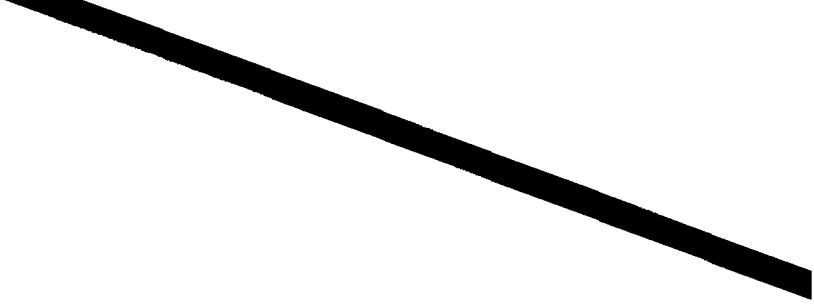
**Financial markets.** Of the total stock of FIM 487 billion in outstanding domestic credit at the end of 1987,

60 % was provided by deposit banks, 4 % by mortgage banks, 17 % by insurance companies, 8 % by other credit institutions and 11 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 69 % of the instruments, which totalled approximately FIM 108 billion at end 1988, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds intermediated through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 69 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 127 billion (at end-1988). Three foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1988 totalled FIM 93.6 billion; government bonds made up 33 % of the total. Turnover on the Stock Exchange in 1988 amounted to FIM 37 billion; the share of shares and subscription rights in the total was approximately 85 %.





<b>1. THE BALANCE SHEET OF THE BANK OF FINLAND</b>	S2
1.1 The balance sheet of the Bank of Finland	S2
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# 1. THE BALANCE SHEET OF THE BANK OF FINLAND

## 1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1988		1989			
	Nov. 30	Dec. 31	Nov. 8	Nov. 15	Nov. 23	Nov. 30
<b>ASSETS</b>						
<b>Gold and foreign currency claims</b>	29 306	29 753	26 134	26 138	25 744	23 873
Gold	2 128	2 128	2 129	2 129	2 129	2 129
Special drawing rights	1 011	1 120	1 072	1 078	1 071	851
IMF reserve tranche	939	940	931	999	971	967
Convertible currencies	23 769	24 492	21 921	21 848	21 489	19 846
Tied currencies	1 458	1 073	82	83	84	80
<b>Other foreign claims</b>	4 157	4 199	3 735	3 673	3 693	3 687
Markka subscription to Finland's IMF quota	2 247	2 283	2 189	2 123	2 146	2 146
Term credit	1 911	1 916	1 547	1 549	1 547	1 541
<b>Claims on financial institutions</b>	12 255	14 384	31 596	32 031	32 665	35 390
Call money credits	222	463	2	5	1 471	513
Certificates of deposit	5 907	7 187	25 879	26 447	25 605	29 475
Term credits	—	—	—	—	—	—
Till-money credits	2 516	2 920	3 033	2 903	2 914	2 925
Financing of crop failure loans	1 222	1 222	198	198	198	—
Bonds	2 117	2 325	2 246	2 239	2 239	2 239
Other claims on financial institutions	271	267	238	238	238	238
<b>Claims on the public sector</b>	1 064	1 128	1 115	1 118	1 119	1 126
Treasury notes and bills	39	88	—	—	—	—
Bonds	4	20	8	8	8	8
Total coinage	1 021	1 020	1 107	1 109	1 111	1 118
Other claims on the public sector	—	—	—	—	—	—
<b>Claims on corporations</b>	3 055	3 041	2 291	2 272	2 280	2 273
Financing of exports	461	400	11	9	5	4
Financing of domestic deliveries (KTR)	2 263	2 205	1 764	1 750	1 763	1 754
Bonds: KTR credits	120	218	307	304	304	308
Bonds: Other	31	35	22	22	22	21
Other claims on corporations	180	183	186	186	186	186
<b>Other assets</b>	116	787	101	100	101	105
Accrued items	—	668	—	—	—	—
Other assets	116	118	101	100	101	105
<b>Total</b>	49 953	53 291	64 973	65 330	65 602	66 455
<b>LIABILITIES</b>						
<b>Foreign currency liabilities</b>	133	247	267	372	465	481
Convertible currencies	15	119	51	51	48	20
Tied currencies	118	128	216	321	417	461
<b>Other foreign liabilities</b>	3 046	3 082	2 966	2 903	2 921	2 918
IMF markka accounts	2 247	2 283	2 189	2 124	2 146	2 146
Allocations of special drawing rights	800	800	777	779	775	772
<b>Notes and coin in circulation</b>	10 563	11 550	11 833	11 798	11 798	11 895
Notes	9 638	10 601	10 814	10 778	10 775	10 867
Coin	925	949	1 019	1 020	1 023	1 027
<b>Certificates of deposit</b>	1 690	1 130	—	—	—	—
<b>Liabilities to financial institutions</b>	18 225	19 248	26 343	26 292	25 909	26 141
Call money deposits	57	128	657	606	224	252
Term deposits	—	—	—	—	—	—
Cash reserve deposits	18 112	19 039	25 377	25 377	25 377	25 581
Capital import deposits	—	—	270	270	270	270
Other liabilities to financial institutions	56	81	39	39	38	37
<b>Liabilities to the public sector</b>	1 581	1 903	2 973	3 264	3 859	4 150
Cheque accounts	0	1	0	0	0	1
Cash fund deposits	—	—	1 450	1 740	2 320	2 610
Counter-cyclical fund deposit	900	900	—	—	—	—
Counter-cyclical deposits	676	981	1 318	1 319	1 319	1 319
Export deposits	4	20	204	204	219	219
Other liabilities to the public sector	1	1	1	1	1	1
<b>Liabilities to corporations</b>	6 685	6 797	10 796	10 793	10 781	10 797
Deposits for investment and ship purchase	6 338	6 447	10 220	10 217	10 206	10 212
Capital import deposits	336	349	575	575	575	585
Other liabilities to corporations	11	1	0	0	0	0
<b>Other liabilities</b>	41	1 107	57	53	53	58
Accrued items	—	1 064	—	—	—	—
Other liabilities	41	43	57	53	53	58
<b>Valuation account and reserves</b>	2 501	2 391	3 902	4 019	3 980	4 180
<b>SITRA's capital</b>	400	400	400	400	400	400
<b>Capital accounts</b>	5 088	5 436	5 436	5 436	5 436	5 436
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	88	88	436	436	436	436
Profit/loss for the accounting year	—	348	—	—	—	—
<b>Total</b>	49 953	53 291	64 973	65 330	65 602	66 455

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

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible currencies, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
<b>1984</b>	1 732	936	859	15 303	18 830	-337	18 493	-917	17 576	1 951	4 277	2 326
<b>1985</b>	2 081	931	775	18 572	22 359	-285	22 074	-849	21 225	1 023	4 300	3 277
<b>1986</b>	2 081	983	793	6 778	10 635	3 421	14 056	-838	13 218	1 002	2 001	999
<b>1987</b>	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
<b>1988</b>	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
<b>1988</b>												
<b>Nov.</b>	2 128	1 011	939	23 754	27 832	1 340	29 172	1 111	30 283	1 064	1 581	517
<b>Dec.</b>	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
<b>1989</b>												
<b>Jan.</b>	2 128	1 066	945	26 514	30 653	2 296	32 949	1 129	34 078	1 114	2 016	902
<b>Feb.</b>	2 128	878	959	28 919	32 884	2 332	35 216	1 131	36 347	1 119	2 017	898
<b>March</b>	2 128	853	901	25 659	29 541	1 352	30 893	1 097	31 990	1 079	1 368	289
<b>April</b>	2 128	832	890	24 628	28 478	1 725	30 203	1 085	31 288	1 103	1 404	301
<b>May</b>	2 128	861	1 004	25 028	29 021	1 580	30 601	1 103	31 704	1 113	1 433	320
<b>June</b>	2 128	858	961	25 501	29 448	353	29 801	1 113	30 914	1 136	1 458	322
<b>July</b>	2 128	854	919	25 318	29 219	717	29 936	1 094	31 030	1 113	1 472	359
<b>Aug.</b>	2 128	882	934	25 545	29 489	706	30 195	1 117	31 312	1 113	1 486	373
<b>Sept.</b>	2 129	878	952	23 568	27 527	-826	26 701	1 107	27 808	1 135	1 504	369
<b>Oct.</b>	2 129	1 055	927	21 841	25 952	-307	25 645	772	26 417	1 112	2 683	1 571
<b>Nov.</b>	2 129	851	967	19 826	23 773	-381	23 392	769	24 161	1 126	4 150	3 024

End of period	Domestic financial sector						Corporate sector			Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	Term claims on deposit banks	Call money claims on deposit banks, net	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to financial institutions, net	Net claims (13+14-15+16-17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19-20)		
	13	14	15	16	17	18	19	20	21	22	23
<b>1984</b>	.	2 802	8 696	1 563	-1 618	-2 713	4 646	2 614	2 032	7 442	.
<b>1985</b>	.	4 014	10 222	1 925	-1 386	-2 897	4 525	4 113	412	8 072	.
<b>1986</b>	2 381	6 687	9 270	2 305	-2 240	4 343	4 581	4 757	-176	8 668	.
<b>1987</b>	—	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970
<b>1988</b>	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130
<b>1988</b>											
<b>Nov.</b>	5 907	165	18 112	2 516	-3 554	-5 970	2 844	6 474	-3 630	10 563	1 690
<b>Dec.</b>	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130
<b>1989</b>											
<b>Jan.</b>	5 291	632	20 389	2 733	-3 447	-8 286	2 681	6 622	-3 941	10 755	1 440
<b>Feb.</b>	5 195	-101	21 328	2 657	-3 481	-10 096	2 555	6 706	-4 151	10 769	1 460
<b>March</b>	7 917	1 735	22 120	2 481	-3 017	-6 970	2 455	6 700	-4 245	10 996	980
<b>April</b>	10 166	256	22 195	2 342	-2 952	-6 479	2 386	6 935	-4 549	11 190	580
<b>May</b>	7 597	3 803	22 820	2 843	-2 716	-5 861	2 335	7 168	-4 833	11 385	180
<b>June</b>	16 601	-568	23 500	2 518	-2 816	-2 133	2 239	9 557	-7 318	11 737	160
<b>July</b>	17 582	-727	24 116	2 936	-2 817	-1 508	2 252	10 439	-8 187	11 774	160
<b>Aug.</b>	18 641	-839	24 639	2 899	-2 833	-1 105	2 214	10 587	-8 373	11 651	60
<b>Sept.</b>	22 152	-133	25 089	2 569	-2 781	2 280	2 184	10 617	-8 433	11 739	20
<b>Oct.</b>	25 623	-419	25 377	3 023	-2 374	5 224	2 096	10 597	-8 501	11 775	—
<b>Nov.</b>	29 475	261	25 581	2 925	-2 170	9 250	2 066	10 590	-8 524	11 894	—

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
<b>1984</b>	.	.	.	.	-767	1 606	-2 373
<b>1985</b>	.	.	.	.	201	-1 011	1 212
<b>1986</b>	.	.	.	.	1 599	-1 074	2 673
<b>1987</b>	1 263	23 658	-17 520	-4 875	-6 818	626	-12 319
<b>1988</b>	13 840	19 190	-16 850	11 500	463	-629	12 592
<b>1988</b>							
<b>Nov.</b>	2 970	—	2 380	590	212	-347	1 149
<b>Dec.</b>	3 000	—	1 100	1 900	241	71	2 070
<b>1989</b>							
<b>Jan.</b>	260	1 190	1 370	-2 300	252	-45	-2 003
<b>Feb.</b>	3 260	1 125	2 125	10	-656	77	-723
<b>March</b>	8 695	170	5 095	3 430	1 785	-51	5 266
<b>April</b>	4 710	—	2 370	2 340	-1 548	-69	861
<b>May</b>	6 490	—	7 880	-1 390	3 507	-40	2 157
<b>June</b>	16 295	250	7 875	8 170	-3 798	573	3 799
<b>July</b>	16 790	240	15 170	1 380	7	166	1 221
<b>Aug.</b>	14 560	—	13 160	1 400	-10	102	1 288
<b>Sept.</b>	14 260	—	9 950	4 310	73	-633	5 016
<b>Oct.</b>	16 720	—	13 920	2 800	-72	214	2 514
<b>Nov.</b>	18 220	350	13 560	4 310	510	-170	4 990



## 2.2 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies		Net (1-2)	Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks				
	1	2	3	4	5	6
1984	22 921	1 394	21 527	2 002	-19 962	3 566
1985	16 982	1 733	15 249	708	-9 005	6 951
1986	11 446	1 319	10 127	-2 461	-92	7 574
1987	21 671	1 158	20 513	-233	-1 287	18 994
1988	16 488	1 543	14 946	9 086	-377	23 654
1988						
Oct.	18 420	1 998	16 422	7 072	-958	22 536
Nov.	17 447	1 894	15 553	8 224	-863	22 914
Dec.	16 488	1 543	14 946	9 086	-377	23 654
1989						
Jan.	15 710	1 058	14 652	9 284	-62	23 874
Feb.	15 495	857	14 638	7 706	-273	22 071
March	14 614	871	13 742	7 221	-168	20 795
April	13 536	1 044	12 492	7 003	-63	19 432
May	13 248	1 535	11 714	9 024	-	20 737
June	12 859	1 408	11 451	9 781	-306	20 926
July	13 125	1 393	11 731	9 870	-395	21 207
Aug.	12 652	1 187	11 465	15 126	-220	26 371
Sept.	11 782	1 669	10 113	13 261	-	23 374
Oct.	11 323	2 260	9 063	10 774	-	19 836

## 2.3 BANKS' CENTRAL BANK POSITION, MILL. FIM

Average of daily observations	Call money credits	Bank CDs held by the Bank of Finland	Gross debt to the Bank of Finland (1+2)	Call money deposits	Holdings of CDs issued by the Bank of Finland	Cash reserve deposits	Gross claim on the Bank of Finland (4+5+6)	Net position (3-7)
	1	2	3	4	5	6	7	8
<b>1984</b>	3 176	.	3 176	3 215	.	6 324	9 539	-6 364
<b>1985</b>	5 812	.	5 812	4 527	.	9 578	14 105	-8 293
<b>1986</b>	7 117	120	7 237	1 256	.	9 189	10 445	-3 208
<b>1987</b>	481	1 581	2 062	703	4 705	10 092	15 501	-13 439
<b>1988</b>	128	2 190	2 319	621	5 044	15 159	20 824	-18 505
<b>1988</b>								
<b>Nov.</b>	120	5 677	5 796	346	1 846	17 354	19 545	-13 749
<b>Dec.</b>	221	6 633	6 854	306	1 287	18 172	19 765	-12 911
<b>1989</b>								
<b>Jan.</b>	111	6 203	6 314	611	1 252	19 083	20 946	-14 632
<b>Feb.</b>	129	4 612	4 741	501	1 568	20 423	22 491	-17 750
<b>March</b>	711	5 175	5 886	177	1 202	21 352	22 731	-16 845
<b>April</b>	689	8 697	9 386	129	774	22 128	23 031	-13 644
<b>May</b>	1 176	8 908	10 083	127	330	22 214	22 671	-12 588
<b>June</b>	779	11 264	12 042	321	118	22 842	23 282	-11 240
<b>July</b>	46	17 049	17 095	714	160	23 520	24 394	-7 299
<b>Aug.</b>	46	17 384	17 431	507	116	24 132	24 755	-7 325
<b>Sept.</b>	41	19 738	19 779	446	47	24 669	25 161	-5 382
<b>Oct.</b>	62	24 529	24 591	483	11	25 098	25 592	-1 001
<b>Nov.</b>	360	26 702	27 062	363	-	25 384	25 747	1 315

### 3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates			Cash reserve requirement	
		1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10
<b>1984</b>	..	..	..	..	..	16.53	16.53	9.50	5.4	.
<b>1985</b>	..	..	..	..	..	13.37	13.37	9.04	5.6	.
<b>1986</b>	11.87	..	..	..	..	13.43	11.34	7.46	4.8	.
<b>1987</b>	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.
<b>1988</b>	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.
<b>1988</b>										
<b>Nov.</b>	8.24	10.85	11.26	11.56	11.93	13.00	4.00	8.00	7.3	.
<b>Dec.</b>	8.41	11.21	11.55	11.85	12.14	13.00	4.00	8.00	7.6	.
<b>1989</b>										
<b>Jan.</b>	7.46	10.60	11.19	11.42	11.80	13.00	4.00	7.50	7.8	.
<b>Feb.</b>	7.91	10.12	10.78	11.10	11.53	13.00	4.00	7.50	7.8	.
<b>March</b>	9.09	10.85	11.09	11.34	11.66	13.00	4.00	7.50	8.0	.
<b>April</b>	11.37	12.08	12.11	12.11	12.15	13.00	4.00	7.50	8.0	.
<b>May</b>	11.43	11.70	11.75	11.79	11.90	13.00	4.00	7.50	8.0	0.2
<b>June</b>	9.79	11.62	11.78	11.93	12.13	13.00	4.00	7.50	8.0	0.4
<b>July</b>	10.56	11.64	11.79	11.94	12.11	15.00	4.00	7.50	8.0	0.5
<b>Aug.</b>	8.86	11.87	12.06	12.22	12.35	15.00	4.00	7.50	8.0	0.7
<b>Sept.</b>	8.56	12.69	13.09	13.30	13.40	15.00	4.00	7.50	8.0	0.8
<b>Oct.</b>	10.31	14.06	14.19	14.22	14.19	15.00	4.00	7.50	8.0	1.0
<b>Nov.</b>	12.78	14.78	14.77	14.66	14.51	15.00	4.00	8.50	8.0	1.1

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

Average of daily observations	3 currendes <sup>1</sup>				12 currendes <sup>2</sup>			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
	1	2	3	4	5	6	7	8
<b>1984</b>	7.5	7.7	8.0	8.2	..	..	..	..
<b>1985</b>	6.8	6.9	7.0	7.2	..	..	..	..
<b>1986</b>	5.9	5.9	5.9	5.8	..	..	..	..
<b>1987</b>	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
<b>1988</b>	5.9	6.0	6.2	6.4	7.8	8.0	8.1	8.3
<b>1988</b>								
<b>Nov.</b>	6.7	6.9	7.0	7.0	8.5	8.6	8.7	8.7
<b>Dec.</b>	7.4	7.4	7.4	7.5	8.8	8.8	8.9	8.9
<b>1989</b>								
<b>Jan.</b>	7.4	7.6	7.7	7.8	8.8	8.9	8.9	9.0
<b>Feb.</b>	8.0	8.2	8.4	8.4	<u>9.2</u>	<u>9.3</u>	<u>9.3</u>	<u>9.4</u>
<b>March</b>	8.0	8.3	8.6	8.8	9.3	9.5	9.7	9.8
<b>April</b>	8.0	8.2	8.4	8.6	9.2	9.5	9.6	9.7
<b>May</b>	8.3	8.4	8.6	8.7	9.5	9.7	9.7	9.8
<b>June</b>	8.3	8.4	8.5	8.5	9.7	9.8	9.8	9.9
<b>July</b>	8.3	8.2	8.2	8.1	9.7	9.8	9.7	9.7
<b>Aug.</b>	8.3	8.3	8.2	8.2	9.7	9.8	9.7	9.7
<b>Sept.</b>	8.5	8.6	8.6	8.6	9.9	10.0	10.0	9.9
<b>Oct.</b>	8.9	9.0	8.9	8.8	10.4	10.5	10.4	10.4
<b>Nov.</b>	8.8	9.0	9.0	8.9	10.5	10.7	10.7	10.7

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

Average of daily observations	1 month	3 months	6 months	12 months
	1	2	3	4
<b>1984</b>	..	..	..	..
<b>1985</b>	12.9	12.8	12.8	12.6
<b>1986</b>	12.1	11.7	11.5	11.1
<b>1987</b>	9.8	9.9	9.9	10.1
<b>1988</b>	9.6	9.8	10.0	10.3
<b>1988</b>				
<b>Nov.</b>	10.6	11.0	11.3	11.6
<b>Dec.</b>	10.8	11.2	11.4	11.7
<b>1989</b>				
<b>Jan.</b>	10.2	10.8	11.0	11.3
<b>Feb.</b>	10.0	10.5	10.7	11.1
<b>March</b>	10.6	10.9	11.1	11.3
<b>April</b>	11.9	11.8	11.8	11.7
<b>May</b>	11.1	11.2	11.2	11.3
<b>June</b>	11.2	11.3	11.4	11.5
<b>July</b>	11.1	11.3	11.5	11.5
<b>Aug.</b>	11.1	11.5	11.7	11.8
<b>Sept.</b>	11.9	12.5	12.8	12.9
<b>Oct.</b>	13.6	13.8	13.8	13.7
<b>Nov.</b>	14.2	14.3	14.3	14.1

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

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

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

End of period	Lending						Deposits					
	New credits <sup>1</sup>				Average lending rate	Of which: Commercial banks	Savings accounts and ordinary deposit accounts	12-month time deposits	24-month time deposits	Average rate of interest on regulated deposits	Average rate of interest on unregulated deposits	Average rate of interest on total deposits
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
	1	2	3	4	5	6	7	8	9	10	11	12
1984	..	..	..	..	10.67	10.68	5.25	8.00	9.25	6.22	15.43	7.30
1985	12.04	12.94	10.62	11.55	10.37	10.37	4.75	7.50	8.75	5.91	13.24	6.81
1986	10.89	12.30	9.76	10.64	8.82	8.81	2.75	5.75	7.00	4.43	11.84	5.35
1987	10.50	12.31	10.01	10.62	9.12	8.99	2.75	5.75	7.00	4.56	10.13	5.29
1988	10.22	12.27	10.50	10.72	10.37	10.25	3.75	6.75	8.00	5.87	9.80	6.20
1988												
Oct.	11.97	12.53	10.82	11.16	10.29	10.15	3.75	6.75	8.00	5.59	10.09	6.63
Nov.	12.08	12.62	11.02	11.33	10.33	10.21	3.75	6.75	8.00	5.66	10.39	6.77
Dec.	10.02	11.68	10.33	10.48	10.37	10.25	3.75	6.75	8.00	5.87	10.62	6.92
1989*												
Jan.	11.63	12.37	10.58	10.95	10.09	9.90	3.50	.	5.50	5.45	10.86	6.99
Feb.	11.63	12.23	10.85	11.18	10.09	9.92	3.50	.	5.50	5.41	10.85	7.06
March	12.04	12.69	11.04	11.45	10.11	9.94	3.50	.	5.50	5.51	10.89	6.87
April	12.73	13.10	11.35	11.80	10.23	10.06	3.50	.	5.50	5.54	11.32	7.09
May	12.75	13.11	11.48	11.91	10.31	10.13	3.50	.	5.50	5.52	11.41	7.07
June	12.46	13.12	11.43	11.83	10.35	10.18	3.50	.	5.50	5.48	11.55	7.06
July	12.60	13.25	11.59	12.03	10.34	10.18	3.50	.	5.50	5.46	11.53	7.04
Aug.	12.67	13.36	11.33	11.79	10.37	10.20	3.50	.	5.50	5.48	11.60	7.07
Sept.	12.28	13.54	11.84	12.21	10.46	10.31	3.50	.	5.50	5.53	11.92	7.29
Oct.	14.08	14.12	12.09	12.72	10.72	10.59	3.50	.	5.50	5.57	12.56	7.56

<sup>1</sup> Average rate of interest for period.

### 3.5 RATES OF INTEREST ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market rates						Rates at issue		
	Long-term unregulated market rate		Taxable government bonds	Taxable public issues	Of which:		Taxfree public issues	Taxable public issues	Taxfree public issues
	3 years	5 years			Financial institutions	Corporations			
	1	2	3	4	5	6	7	8	9
<b>1984</b>	..	..	.	14.0	..	..	10.6	13.6	11.1
<b>1985</b>	..	..	.	12.7	..	..	10.1	12.7	10.6
<b>1986</b>	..	..	.	11.7	..	..	8.3	11.3	8.8
<b>1987</b>	..	..	.	11.2	11.1	11.2	8.1	10.7	7.9
<b>1988</b>	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4	7.3
<b>1988</b>									
<b>Oct.</b>	11.2	11.3	10.6	10.6	10.6	10.6	7.8	10.3	7.2
<b>Nov.</b>	11.6	11.6	11.6	11.0	11.0	11.3	7.8	10.7	7.2
<b>Dec.</b>	11.8	11.7	11.6	11.3	11.3	11.1	7.5	11.3	7.2
<b>1989</b>									
<b>Jan.</b>	11.8	11.7	11.6	11.8	11.7	12.0	7.4	11.1	6.5
<b>Feb.</b>	11.5	11.4	11.7	11.5	11.8	11.3	7.5	11.5	6.5
<b>March</b>	11.6	11.6	11.8	11.8	11.5	11.8	7.7	11.5	6.5
<b>April</b>	11.9	11.8	11.8	11.8	11.9	11.7	7.6	11.6	6.5
<b>May</b>	11.8	11.7	11.8	11.8	11.9	11.8	7.9	11.6	6.5
<b>June</b>	11.9	11.7	12.3	11.8	11.8	11.7	8.1	11.5	6.5
<b>July</b>	11.8	11.7	12.1	11.8	12.0	11.6	8.2	11.6	6.5
<b>Aug.</b>	11.9	11.7	11.9	11.9	11.8	12.0	8.5	11.5	6.5
<b>Sept.</b>	12.5	12.0	12.2	12.1	12.0	12.2	8.4	11.9	6.5
<b>Oct.</b>	13.3	12.8	12.4	12.2	12.8	12.3	8.4	11.9	6.5

## 4. RATES OF EXCHANGE

### 4.1 AVERAGE SPOT SELLING RATES, FIM

Average of daily quotations	New York 1 USD	Montreal 1 CAD	London 1 GBP	Dublin 1 IEP	Stockholm 1 SEK	Oslo 1 NOK	Copenhagen 1 DKK	Frankfurt a.M. 1 DEM	Amsterdam 1 NLG	Brussels 1 BEC	1 BEL
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274
<b>1985</b>	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421
<b>1986</b>	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299
<b>1987</b>	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	0.11735
<b>1988</b>	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	0.11345
<b>1988</b>											
<b>Nov.</b>	4.151	3.416	7.512	6.350	0.6827	0.6328	0.6154	2.3737	2.1049	0.11333	0.11250
<b>Dec.</b>	4.140	3.466	7.565	6.319	0.6816	0.6365	0.6112	2.3590	2.0902	0.11262	0.11212
<b>1989</b>											
<b>Jan.</b>	4.247	3.568	7.561	6.223	0.6804	0.6385	0.6003	2.3234	2.0583	0.11098	0.11048
<b>Feb.</b>	4.299	3.623	7.550	6.206	0.6814	0.6411	0.5974	2.3231	2.0578	0.11091	0.11045
<b>March</b>	4.302	3.604	7.393	6.170	0.6756	0.6347	0.5925	2.3084	2.0459	0.11026	0.10982
<b>April</b>	4.197	3.534	7.149	6.001	0.6605	0.6190	0.5776	2.2465	1.9913	0.10737	0.10691
<b>May</b>	4.347	3.650	7.090	5.975	0.6618	0.6187	0.5737	2.2325	1.9805	0.10672	0.10639
<b>June</b>	4.437	3.706	6.899	5.985	0.6643	0.6183	0.5757	2.2397	1.9884	0.10708	0.10681
<b>July</b>	4.278	3.602	6.947	6.043	0.6622	0.6164	0.5818	2.2601	2.0043	0.10803	0.10786
<b>Aug.</b>	4.348	3.703	6.950	6.036	0.6657	0.6186	0.5814	2.2582	2.0029	0.10802	0.10782
<b>Sept.</b>	4.419	3.744	6.952	6.050	0.6698	0.6215	0.5830	2.2650	2.0088	0.10827	0.10803
<b>Oct.</b>	4.281	3.649	6.809	6.115	0.6648	0.6177	0.5892	2.2951	2.0326	0.10933	0.10897
<b>Nov.</b>	4.262	3.649	6.715	6.180	0.6644	0.6190	0.6001	2.3302	2.0648	0.11108	0.11089

Average of daily quotations	Zurich 1 CHF	Paris 1 FRF	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Reykjavik 1 ISK	Madrid 1 ESP	Tokyo 1 JPY	Moscow 1 SUR	Melbourne 1 AUD	ECU 1 XEU	SDR 1 XDR
	12	13	14	15	16	17	18	19	20	21	22	23
<b>1984</b>	2.5642	0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.14739
<b>1985</b>	2.5360	0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879
<b>1986</b>	2.8349	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
<b>1987</b>	2.9563	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
<b>1988</b>	2.8700	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	0.03273	6.891	3.309	4.954	5.61826
<b>1988</b>												
<b>Nov.</b>	2.8293	0.6965	0.00321	0.3378	0.0288	0.0931	0.0362	0.03372	6.890	3.548	4.918	5.62011
<b>Dec.</b>	2.8009	0.6921	0.00321	0.3357	0.0288	0.0929	0.0366	0.03349	6.862	3.573	4.899	5.59952
<b>1989</b>												
<b>Jan.</b>	2.7332	0.6831	0.00318	0.3308	0.0286	0.0887	0.0372	0.03346	6.896	3.712	4.840	5.61726
<b>Feb.</b>	2.7314	0.6838	0.00319	0.3305	0.0286	0.0870	0.0373	0.03369	6.943	3.704	4.838	5.64865
<b>March</b>	2.6830	0.6824	0.00316	0.3284	0.0283	0.0842	0.0372	0.03305	6.896	3.530	4.801	5.60538
<b>April</b>	2.5518	0.6659	0.00308	0.3195	0.0275	0.0819	0.0363	0.03181	6.702	3.395	4.672	5.44433
<b>May</b>	2.5138	0.6615	0.00308	0.3176	0.0273	0.0814	0.0359	0.03151	6.770	3.374	4.644	5.48599
<b>June</b>	2.5942	0.6616	0.00310	0.3185	0.0271	0.0789	0.0351	0.03079	6.831	3.367	4.639	5.49166
<b>July</b>	2.6243	0.6679	0.00314	0.3214	0.0273	0.0762	0.0361	0.03047	6.759	3.260	4.678	5.42928
<b>Aug.</b>	2.6201	0.6700	0.00316	0.3211	0.0273	0.0751	0.0362	0.03079	6.821	3.336	4.678	5.47435
<b>Sept.</b>	2.6202	0.6723	0.00316	0.3220	0.0273	0.0740	0.0363	0.03047	6.870	3.435	4.694	5.49998
<b>Oct.</b>	2.6260	0.6776	0.00314	0.3263	0.0272	0.0717	0.0362	0.03014	6.801	3.338	4.710	5.43586
<b>Nov.</b>	2.6348	0.6868	0.00319	0.3312	0.0273	0.0705	0.0367	0.02971	6.799	3.359	4.765	5.43347

## 4.2 CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index	Other currency indices		Currency	Weights of the Bank of Finland currency index As from December 7, 1989
		Payments currency index	MERM index		
	1	2	3		4
<b>1984</b>	102.8	108.5	111.6	<b>USD</b>	8.0
<b>1985</b>	102.5	109.4	112.5	<b>GBP</b>	13.2
<b>1986</b>	103.9	106.3	110.4	<b>SEK</b>	19.1
<b>1987</b>	103.3	103.2	106.1	<b>NOK</b>	4.3
<b>1988</b>	102.0	101.0	104.7	<b>DKK</b>	4.5
				<b>DEM</b>	19.4
<b>1988</b>				<b>NLG</b>	4.8
<b>Nov.</b>	101.6	100.5	104.5	<b>BEC</b>	3.1
<b>Dec.</b>	101.4	100.2	104.2	<b>CHF</b>	2.5
				<b>FRF</b>	6.6
<b>1989</b>				<b>ITL</b>	5.0
<b>Jan.</b>	100.9	100.2	104.6	<b>ATS</b>	1.6
<b>Feb.</b>	101.0	100.5	105.2	<b>ESP</b>	1.8
<b>March</b>	100.1	99.8	104.4	<b>JPY</b>	6.1
<b>April</b>	97.4	97.1	101.6		
<b>May</b>	97.3	97.6	102.4		
<b>June</b>	97.2	97.9	102.8		
<b>July</b>	97.4	97.5	101.7		
<b>Aug.</b>	97.7	98.0	102.6		
<b>Sept.</b>	98.0	98.6	103.1		
<b>Oct.</b>	97.7	97.8	102.0		
<b>Nov.</b>	98.1	98.1	102.1		

## 5. OTHER DOMESTIC FINANCING

### 5.1 BANK DEPOSITS BY THE PUBLIC, MILL. FIM

End of period	Demand deposits	Time deposits	Investment accounts	Markka deposits, total (1+2+3)	Foreign currency deposits	Unregulated deposits	Total deposits (4+5+6)
	1	2	3	4	5	6	7
<b>1984</b>	16 975	108 118	.	125 093	4 960	11 287	141 340
<b>1985</b>	19 268	125 366	1 781	146 415	6 184	13 998	166 597
<b>1986</b>	18 393	137 521	3 423	159 337	4 259	17 271	180 866
<b>1987</b>	20 377	155 115	5 243	180 735	3 915	17 892	202 542
<b>1988*</b>	24 831	194 181	5 089	224 102	4 561	41 028	269 690
<b>1988*</b>							
<b>Sept.</b>	23 357	168 233	6 211	197 801	4 223	39 761	241 784
<b>Oct.</b>	25 168	170 139	6 530	201 837	4 667	42 652	249 156
<b>Nov.</b>	23 389	171 714	6 602	201 706	4 936	44 564	251 206
<b>Dec.</b>	24 831	194 181	5 089	224 102	4 561	41 028	269 690
<b>1989*</b>							
<b>Jan.</b>	24 190	194 308	5 842	224 340	4 526	48 256	277 122
<b>Feb.</b>	26 225	194 930	6 433	227 588	4 900	48 346	280 834
<b>March</b>	25 618	193 825	6 932	226 375	4 660	51 153	282 187
<b>April</b>	25 872	195 207	7 408	228 487	5 323	55 898	289 707
<b>May</b>	26 969	194 708	7 672	229 349	5 627	51 275	286 250
<b>June</b>	29 176	196 927	8 080	234 182	6 499	57 898	298 580
<b>July</b>	29 608	195 487	8 371	233 465	6 745	58 715	298 925
<b>Aug.</b>	28 191	195 844	8 612	232 647	6 633	62 039	301 319
<b>Sept.</b>	27 588	196 169	9 219	232 975	6 235	67 515	306 724

### 5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
<b>1984</b>	5 233	7 644	111 280	124 157	20 363	144 520
<b>1985</b>	6 313	7 471	132 668	146 451	24 236	170 687
<b>1986</b>	7 542	6 354	152 335	166 231	24 450	190 681
<b>1987</b>	8 507	5 177	178 698	192 382	36 475	228 857
<b>1988*</b>	11 358	5 920	234 268	251 545	49 910	301 455
<b>1988*</b>						
<b>Sept.</b>	10 634	4 755	212 246	227 635	47 172	274 807
<b>Oct.</b>	10 647	4 796	216 684	232 127	47 526	279 653
<b>Nov.</b>	10 898	4 902	221 029	236 830	48 213	285 043
<b>Dec.</b>	11 358	5 920	234 268	251 545	49 910	301 455
<b>1989*</b>						
<b>Jan.</b>	11 765	5 334	237 089	254 188	52 726	306 914
<b>Feb.</b>	11 783	5 044	239 517	256 345	56 193	312 537
<b>March</b>	12 595	5 122	241 517	259 234	55 929	315 163
<b>April</b>	12 836	5 129	240 945	258 910	57 233	316 143
<b>May</b>	12 926	5 195	246 520	264 641	59 553	324 194
<b>June</b>	13 422	5 347	248 921	267 691	60 671	328 362
<b>July</b>	14 052	5 305	250 961	270 318	59 621	329 939
<b>Aug.</b>	13 931	5 358	253 401	272 691	60 892	333 582
<b>Sept.</b>	14 691	5 436	256 014	276 141	62 836	338 977

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

End of period	Foreign assets, net	Domestic credit			Other items, net	M <sub>1</sub>	M <sub>2</sub> (1+4+5)
		Claims on the central government	Claims on the public	Total (2+3)			
	1	2	3	4	5	6	7
<b>1984</b>	-2 575	-5 483	176 694	171 211	-26 978	24 945	141 658
<b>1985</b>	-6 641	-8 694	209 231	200 537	-27 244	27 694	166 652
<b>1986</b>	-16 784	-13 884	237 514	223 630	-27 522	27 838	179 324
<b>1987</b>	-25 484	-14 977	277 068	262 090	-36 145	30 342	200 461
<b>1988*</b>	-40 670	-15 691	351 266	335 574	-48 866	35 232	246 039
<b>1988*</b>							
<b>Sept.</b>	-37 256	-15 307	322 509	307 202	-49 841	34 097	220 105
<b>Oct.</b>	-38 414	-15 174	327 518	312 344	-50 503	35 538	223 428
<b>Nov.</b>	-38 919	-16 343	333 845	317 502	-54 941	33 856	223 642
<b>Dec.</b>	-40 670	-15 691	351 266	335 574	-48 866	35 232	246 039
<b>1989*</b>							
<b>Jan.</b>	-40 982	-13 442	358 025	344 583	-57 465	34 954	246 137
<b>Feb.</b>	-41 631	-13 958	364 209	350 252	-58 621	37 294	250 000
<b>March</b>	-43 785	-16 112	368 268	352 156	-59 424	36 810	248 947
<b>April</b>	-45 413	-13 377	372 511	359 134	-61 684	37 559	252 037
<b>May</b>	-47 950	-10 575	377 748	367 173	-65 853	38 966	253 370
<b>June</b>	-50 499	-11 982	384 021	372 039	-58 889	42 526	262 651
<b>July</b>	-49 924	-13 556	385 135	371 579	-59 946	41 333	261 708
<b>Aug.</b>	-51 975	-14 549	390 251	375 703	-62 613	40 017	261 115
<b>Sept.</b>	-53 458	-15 401	396 312	380 911	-66 143	39 625	261 310

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

End of period	Foreign debt				Domestic debt				Total central government debt (4+8)	Out-standing lending	Cash funds
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills	Total (5+6+7)			
	1	2	3	4	5	6	7	8	9	10	11
1984	16 513	2 666	5 767	24 946	12 037	4 520	2 766	19 323	44 269	33 816	6 300
1985	17 316	2 703	5 658	25 677	14 994	4 107	2 203	21 304	46 981	36 032	6 383
1986	17 905	3 038	6 038	26 981	18 059	4 481	2 474	25 013	51 994	38 028	11 686
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 035	11 553
1988	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	42 990	15 858
1988											
Oct.	20 015	1 833	5 100	26 948	24 056	4 980	3 310	32 346	59 294	43 357	13 886
Nov.	19 643	1 814	4 324	25 781	24 079	4 984	2 980	32 043	57 824	43 349	15 683
Dec.	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	42 990	15 858
1989											
Jan.	20 208	1 790	4 216	26 214	23 563	5 261	2 130	30 954	57 168	43 531	13 022
Feb.	19 999	1 486	4 158	25 643	23 877	5 225	1 930	31 032	56 675	43 990	13 926
March	19 285	1 234	3 893	24 412	24 399	5 219	1 630	31 248	55 660	44 071	17 893
April	18 236	1 219	3 678	23 133	24 508	4 975	1 280	30 763	53 896	44 371	15 128
May	19 333	1 239	3 564	24 136	24 351	4 806	980	30 137	54 273	44 475	14 374
June	18 759	1 249	3 400	23 408	24 539	4 810	780	30 129	53 537	44 652	14 598
July	18 587	1 229	3 370	23 186	24 526	4 812	660	29 998	53 184	44 905	16 701
Aug.	18 809	1 166	3 390	23 365	24 352	4 798	420	29 570	52 935	44 844	17 363
Sept.	18 764	1 160	3 377	23 301	24 404	4 799	280	29 483	52 784	45 089	17 846
Oct.	18 591	1 138	3 385	23 114	23 998	4 801	250	29 049	52 163		

## 5.5 DOMESTIC BOND MARKET

### A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corpo- rations	Financial institutions	Central government	Local government	Others	Public issues		Private placings	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1984	2 528	6 167	5 073	112	32	1 947	5 336	6 629	13 912
1985	4 799	9 112	5 994	435	33	8 070	6 394	5 909	20 373
1986	4 976	10 638	6 532	422	105	5 987	7 487	9 199	22 674
1987	4 477	9 510	8 119	206	69	9 409	8 830	4 142	22 380
1988	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
1988									
Oct.	324	706	656	15	—	930	656	115	1 701
Nov.	14	1 240	183	—	—	873	183	381	1 437
Dec.	838	808	174	3	50	638	174	1 062	1 874
1989									
Jan.	738	1 451	1 075	47	—	1 284	1 293	734	3 311
Feb.	153	1 403	1 800	7	—	2 683	400	280	3 362
March	391	1 785	—	6	—	1 234	381	566	2 181
April	274	345	982	13	—	375	—	1 239	1 614
May	353	458	450	56	—	495	450	371	1 316
June	502	2 602	—	15	—	1 111	—	2 008	3 119
July	58	100	—	8	3	100	—	69	169
Aug.	247	103	450	35	—	507	200	128	835
Sept.	789	763	800	7	3	1 310	273	779	2 362
Oct.	102	1 262	160	8	7	1 226	—	313	1 540

### 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
1984	6 766	19 960	14 904	247	43	3 531	15 148	23 242	41 921
1985	10 482	26 173	18 575	661	56	10 967	19 002	25 977	55 947
1986	14 075	31 902	22 091	1 042	177	16 432	23 314	29 541	69 287
1987	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
1988*	19 222	42 927	28 953	1 412	292	31 970	30 064	30 771	92 805
1988*									
III	18 407	40 650	28 478	1 416	246	29 804	29 588	29 805	89 197
IV	19 222	42 927	28 953	1 412	292	31 970	30 064	30 771	92 805
1989*									
I	20 237	46 069	28 907	1 417	392	35 733	29 416	31 874	97 023
II	20 675	49 118	28 907	1 473	384	37 747	29 384	33 426	100 557
III	21 657	49 328	29 308	1 499	389	39 255	29 487	33 439	102 181



## 5.6 HELSINKI STOCK EXCHANGE

During period	Turnover, mil.FIM			Share prices Unitas Index <sup>1</sup> , 1975 = 100		
	Shares and subscription rights	Bonds and debentures	Total (1+2)	Banks	Industry	Overall index
	1	2	3	4	5	6
<b>1984</b>	2 508	5 007	7 515	193	273	259
<b>1985</b>	3 114	9 046	12 160	184	234	229
<b>1986</b>	9 488	6 479	15 968	254	357	350
<b>1987</b>	26 641	4 604	31 245	319	603	546
<b>1988</b>	31 734	5 718	37 452	404	734	677
<b>1988</b>						
<b>Oct.</b>	1 979	191	2 170	421	751	696
<b>Nov.</b>	2 271	205	2 475	445	787	731
<b>Dec.</b>	3 475	966	4 441	443	786	732
<b>1989</b>						
<b>Jan.</b>	2 622	314	2 936	439	792	736
<b>Feb.</b>	5 491	883	6 373	447	829	771
<b>March</b>	4 530	463	4 993	467	838	784
<b>April</b>	3 520	171	3 691	489	854	807
<b>May</b>	2 861	367	3 228	482	851	801
<b>June</b>	2 016	268	2 283	486	844	796
<b>July</b>	1 344	303	1 647	473	823	776
<b>Aug.</b>	3 198	1 171	4 370	466	829	776
<b>Sept.</b>	2 265	400	2 665	429	786	732
<b>Oct.</b>	1 304	689	1 993	397	727	677

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

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

### 6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	Transport receipts	Travel receipts	Other services receipts	Services receipts, of total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account and receipts (6+7+8)	Imports of goods, c.i.f.	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>1984</b>	78 961	6 580	3 039	5 610	15 229	94 190	4 537	3 624	102 351	73 496	2 572	4 250	5 819
<b>1985</b>	82 475	6 216	3 258	6 224	15 698	98 173	5 847	3 791	107 811	80 764	2 545	5 031	6 554
<b>1986</b>	81 066	5 757	3 195	5 616	14 568	95 634	4 510	3 609	103 752	76 736	2 160	5 587	5 415
<b>1987</b>	83 826	6 370	3 736	6 099	16 204	100 030	5 075	3 231	108 336	81 867	2 610	6 811	6 488
<b>1988*</b>	91 299	7 146	4 257	6 333	17 736	109 035	7 752	3 396	120 183	91 234	3 576	7 913	7 500
<b>1987</b>													
<b>I</b>	20 038	1 474	660	1 253	3 387	23 425	1 127	876	25 427	19 528	572	1 467	1 473
<b>II</b>	21 302	1 644	929	1 382	3 955	25 257	1 175	797	27 229	20 508	673	1 688	1 529
<b>III</b>	20 849	1 698	1 339	1 573	4 610	25 459	1 115	781	27 355	20 258	670	1 915	1 467
<b>IV</b>	21 638	1 554	808	1 890	4 252	25 890	1 659	777	28 325	21 573	694	1 741	2 019
<b>1988*</b>													
<b>I</b>	20 513	1 663	777	1 511	3 951	24 464	1 804	818	27 086	19 684	715	1 830	2 041
<b>II</b>	22 565	1 828	1 041	1 456	4 325	26 890	1 781	864	29 535	23 185	831	1 917	1 760
<b>III</b>	21 617	1 913	1 486	1 518	4 916	26 533	1 944	883	29 361	23 769	1 013	2 210	1 813
<b>IV</b>	26 603	1 743	954	1 848	4 544	31 148	2 223	831	34 201	24 597	1 017	1 956	1 886
<b>1989*</b>													
<b>I</b>	24 904	1 884	865	1 640	4 388	29 292	2 323	986	32 601	24 320	753	2 081	2 265
<b>II</b>	23 331	2 009	1 100	1 540	4 649	27 980	2 271	1 068	31 320	24 803	905	2 230	1 979
<b>III</b>	22 594	2 115	1 494	1 731	5 340	27 934	2 525	1 092	31 552	25 624	1 128	2 494	2 029

During period	Services expenditure, total (11+12)+13)	Imports of goods, services (10+14)	Investment expenditure	Transfers and other expenditure	Current account expenditure (15+16)+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account and (20+21)+22)	Goods and services account (19+23)	Investment income, net (7-16)	Transfers and others, net (8-17)	Current account (24+25)+26)= (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1984</b>	12 641	86 137	11 298	5 010	102 445	5 465	4 008	-1 211	-209	2 588	8 053	-6 761	-1 385	-93
<b>1985</b>	14 130	94 893	12 134	5 300	112 327	1 711	3 671	-1 773	-330	1 568	3 279	-6 287	-1 509	-4 517
<b>1986</b>	13 162	89 898	11 719	5 964	107 580	4 329	3 597	-2 392	201	1 406	5 735	-7 209	-2 355	-3 828
<b>1987</b>	15 909	97 775	12 617	5 860	116 251	1 960	3 760	-3 075	-390	296	2 255	-7 542	-2 629	-7 915
<b>1988*</b>	18 989	110 223	15 769	6 771	132 763	64	3 570	-3 656	-1 167	-1 252	-1 188	-8 017	-3 375	-12 580
<b>1987</b>														
<b>I</b>	3 512	23 040	2 901	1 745	27 686	509	901	-806	-220	-125	385	-1 774	-869	-2 259
<b>II</b>	3 890	24 398	3 624	1 288	29 309	794	971	-759	-147	65	859	-2 450	-490	-2 081
<b>III</b>	4 052	24 310	2 660	1 303	28 274	591	1 028	-576	106	558	1 149	-1 545	-522	-919
<b>IV</b>	4 455	26 027	3 431	1 523	30 982	65	860	-933	-129	-203	-138	-1 773	-747	-2 657
<b>1988*</b>														
<b>I</b>	4 585	24 269	3 882	1 919	30 070	828	948	-1 053	-529	-634	194	-2 077	-1 100	-2 983
<b>II</b>	4 508	27 692	3 863	1 501	33 056	-619	997	-876	-304	-183	-802	-2 082	-637	-3 521
<b>III</b>	5 037	28 805	3 511	1 503	33 819	-2 151	900	-725	-296	-120	-2 272	-1 567	-620	-4 459
<b>IV</b>	4 859	29 456	4 514	1 848	35 818	2 007	725	-1 003	-38	-315	1 692	-2 291	-1 017	-1 617
<b>1989*</b>														
<b>I</b>	5 100	29 420	4 288	2 132	35 839	584	1 130	-1 216	-625	-711	-127	-1 965	-1 146	-3 238
<b>II</b>	5 114	29 917	5 076	1 751	36 744	-1 472	1 104	-1 130	-439	-465	-1 937	-2 805	-683	-5 424
<b>III</b>	5 651	31 275	4 772	1 692	37 739	-3 030	987	-1 000	-298	-311	-3 341	-2 247	-599	-6 188

## 6.2 CAPITAL ACCOUNT, MILL. FIM

During period	Direct investment in Finland	Portfolio investment in Finland	Long-term credits				Imports of other long-term capital	Imports of long-term capital (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Exports of other long-term capital	Exports of long-term capital (9+10+11+12)	Long-term capital account (8-13)
			Central government	Authorized banks	Others	Total (3+4+5)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1984</b>	324	1 492	2 598	2 861	1 090	6 549	68	8 433	2 479	408	1 682	-1 960	2 609	5 824
<b>1985</b>	392	4 264	1 556	1 489	442	3 487	140	8 283	2 073	1 329	-1 313	1 026	3 115	5 168
<b>1986</b>	1 627	646	-63	5 935	-482	5 390	87	7 750	3 641	2 347	-381	702	6 309	1 441
<b>1987</b>	424	179	2 284	5 700	2 526	10 510	91	11 204	3 741	3 294	158	3 103	10 296	908
<b>1988*</b>	835	-182	-1 690	9 796	9 076	17 182	85	17 920	7 845	1 307	675	1 899	11 726	6 194
<b>1987</b>														
<b>I</b>	134	69	1 638	1 755	874	4 267	79	4 549	779	1 076	261	2 486	4 602	-53
<b>II</b>	215	58	-443	1 529	1 260	2 346	-55	2 564	934	1 339	-144	55	2 184	381
<b>III</b>	24	82	-1 019	945	549	475	12	593	682	519	106	82	1 389	-796
<b>IV</b>	51	-30	2 108	1 471	-157	3 422	55	3 498	1 346	360	-65	482	2 123	1 376
<b>1988*</b>														
<b>I</b>	64	6	-857	361	3 230	2 734	89	2 893	997	245	6	572	1 820	1 073
<b>II</b>	301	-212	1 171	2 356	1 599	5 126	-42	5 173	2 996	344	180	431	3 951	1 222
<b>III</b>	88	-43	-1 571	3 011	885	2 325	-19	2 351	1 661	375	89	380	2 505	-154
<b>IV</b>	382	67	-433	4 068	3 362	6 997	57	7 503	2 191	343	400	515	3 449	4 054
<b>1989*</b>														
<b>I</b>	-165	706	-141	5 951	2 199	8 009	42	8 592	3 173	-372	1 395	1 057	5 253	3 339
<b>II</b>	194	-289	-1 197	1 491	3 020	3 314	-22	3 197	1 784	430	543	160	2 917	280
<b>III</b>	295	461	-93	2 452	1 948	4 307	-16	5 047	1 686	283	225	158	2 352	2 695

During period	Basic balance	Short-term capital imports of authorized banks	Import liabilities and prepayments related to exports	Imports of short-term capital (16+17)	Short-term capital exports of authorized banks	Export receivables and prepayments related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. errors and omissions	Short-term capital account (18-21+22)	Overall balance excl. reserve movements (15+23)	Change in central bank's foreign exchange reserves (26+27)	Of which:	
												Convertible reserves	Tied reserves
	15	16	17	18	19	20	21	22	23	24	25	26	27
<b>1984</b>	5 730	16 080	944	17 024	13 614	-2 811	10 803	-2 676	3 545	9 275	-9 275	-10 142	867
<b>1985</b>	651	6 890	350	7 240	323	1 732	2 055	-2 092	3 093	3 744	-3 744	-3 729	-15
<b>1986</b>	-2 387	6 019	-3 796	2 222	9 933	-92	9 841	2 075	-5 544	-7 930	7 930	11 678	-3 748
<b>1987</b>	-7 007	19 324	-665	18 659	-7 343	-183	-7 526	-3 442	22 743	15 736	-15 736	-17 817	2 081
<b>1988*</b>	-6 386	10 695	-1 161	9 535	5 970	453	6 423	3 457	6 569	183	-183	-517	334
<b>1987</b>													
<b>I</b>	-2 311	3 682	1 076	4 757	-5 911	-118	-6 029	-2 239	8 547	6 236	-6 236	-7 020	785
<b>II</b>	-1 700	7 667	82	7 748	1 510	-118	1 392	1 580	7 937	6 237	-6 237	-5 569	-667
<b>III</b>	-1 714	8 738	-355	8 383	3 494	27	3 521	-2 512	2 351	637	-637	-2 407	1 771
<b>IV</b>	-1 281	-763	-1 468	-2 230	-6 436	27	-6 410	-271	3 908	2 627	-2 627	-2 820	193
<b>1988*</b>													
<b>I</b>	-1 911	6 501	-1 602	4 899	2 966	-802	2 164	1 516	4 251	2 341	-2 341	-1 295	-1 046
<b>II</b>	-2 300	11 731	539	12 270	4 363	-802	3 561	-1 692	7 018	4 718	-4 718	-4 662	-57
<b>III</b>	-4 613	-547	803	256	3 405	1 029	4 434	1 703	-2 475	-7 088	7 088	6 337	751
<b>IV</b>	2 438	-6 990	-901	-7 890	-4 764	1 029	-3 735	1 929	-2 226	212	-212	-897	685
<b>1989*</b>													
<b>I</b>	101	6 707	-624	6 083	4 685	71	4 756	392	1 720	1 820	-1 820	-1 372	-449
<b>II</b>	-5 144	9 788	-2 104	7 684	4 847	72	4 919	1 205	3 970	-1 174	1 174	152	1 022
<b>III</b>	-3 493	4 629	2 751	7 380	4 966	-580	4 386	-2 488	506	-2 987	2 987	1 802	1 185

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

End of period	Long-term liabilities							Long-term assets					Long-term debt, net (8-13)	
	Direct investment in Finland	Portfolio investment in Finland	Long-term credits				Other long-term capital	Total (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Other long-term capital		Total (9+10+11+12)
			Central government	Authorized banks	Others	Total (3+4+5)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1984	2 905	2 013	24 928	5 960	37 227	68 116	512	73 546	8 689	1 021	8 920	2 097	20 727	52 819
1985	3 274	6 313	25 678	6 410	34 276	66 364	652	76 603	10 524	2 350	6 539	3 053	22 466	54 137
1986	4 892	7 992	26 292	11 992	32 044	70 330	739	83 953	13 727	4 697	5 649	3 685	27 758	56 195
1987	5 285	7 055	27 861	17 365	33 088	78 314	830	91 483	16 651	7 991	5 240	6 618	36 500	54 983
1988*	6 428	7 251	26 011	27 427	41 787	95 227	915	109 821	24 518	9 298	6 686	8 555	49 057	60 764
1987														
I	5 018	8 909	27 391	13 472	32 074	72 939	818	87 684	14 191	5 773	5 648	6 105	31 717	55 967
II	5 229	9 033	26 862	14 991	33 280	75 132	763	90 157	15 098	7 112	5 513	6 164	33 887	56 270
III	5 243	10 141	25 627	15 825	33 511	74 963	775	91 122	15 633	7 631	5 571	6 229	35 064	56 058
IV	5 285	7 055	27 861	17 365	33 088	78 314	830	91 483	16 651	7 991	5 240	6 618	36 500	54 983
1988*														
I	5 308	7 105	26 637	17 594	35 884	80 114	919	93 446	17 538	8 236	5 250	7 183	38 207	55 239
II	5 410	6 893	28 390	20 464	38 230	87 083	877	100 263	20 928	8 580	5 629	7 712	42 849	57 414
III	5 521	6 850	27 007	23 707	39 278	89 993	858	103 222	22 521	8 955	5 752	8 122	45 350	57 872
IV	6 428	7 251	26 011	27 427	41 787	95 227	915	109 821	24 518	9 298	6 686	8 555	49 057	60 764
1989*														
I	6 233	7 957	25 357	32 799	43 289	101 448	957	116 595	25 355	8 926	8 025	9 590	51 896	64 699
II	6 421	7 668	24 178	34 097	46 669	104 943	935	119 967	28 044	9 356	8 674	9 794	55 868	64 099
III	6 740	8 129	23 893	36 200	48 032	108 124	919	123 912	30 773	9 639	8 830	9 933	59 175	64 737

End of period	Short-term liabilities				Short-term assets				Short-term liabilities, net (18-22)	Debt, net (14+23)	Debt service payments	Of which: repayments	Debt service ratio
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits and other liabilities	Total (15+16+17)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits and other assets	Total (19+20+21)					
	15	16	17	18	19	20	21	22	23	24	25	26	27
1984	4 562	55 695	17 988	78 245	22 912	42 068	13 083	78 063	182	53 001	11 586	4 613	11.3
1985	4 070	51 374	17 474	72 918	25 183	36 208	18 450	79 841	-6 922	47 215	11 287	4 808	10.5
1986	3 455	56 881	14 483	74 819	16 613	46 141	19 279	82 034	-7 215	48 980	13 462	6 018	13.0
1987	3 362	73 132	16 898	93 392	31 134	38 798	18 060	87 993	5 400	60 383	14 203	6 516	13.1
1988*	3 341	83 828	15 257	102 426	32 037	44 768	20 735	97 540	4 886	65 650	14 573	6 479	12.1
1987													
I	3 521	59 536	17 323	80 380	22 482	40 231	17 996	80 709	-329	55 638	3 203	1 411	12.6
II	3 490	67 208	17 719	88 417	28 680	41 741	18 110	88 531	-114	56 156	3 994	1 496	14.7
III	3 607	75 547	18 654	97 808	29 291	45 235	18 009	92 535	5 273	61 331	2 771	1 217	10.1
IV	3 362	73 132	16 898	93 392	31 134	38 798	18 060	87 993	5 400	60 383	4 236	2 392	15.0
1988*													
I	3 467	79 633	14 083	97 183	33 515	41 764	18 164	93 443	3 740	58 979	3 870	1 773	14.3
II	3 177	91 364	14 662	109 203	39 025	46 127	16 986	102 138	7 065	64 479	3 390	1 289	11.5
III	3 539	90 817	16 773	111 129	32 750	49 532	19 678	101 960	9 169	67 041	3 816	2 230	13.0
IV	3 341	83 828	15 257	102 426	32 037	44 768	20 735	97 540	4 886	65 650	3 497	1 187	10.2
1989*													
I	3 278	90 535	15 733	109 546	33 376	49 453	20 848	103 677	5 868	70 567	3 227	1 238	9.9
II	3 136	100 323	14 448	117 907	32 142	54 300	22 112	108 554	9 353	73 452	4 581	1 752	14.6
III	3 919	104 952	17 509	126 380	29 839	59 266	21 857	110 962	15 418	80 155	3 027	756	9.6

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

End of period	Long-term liabilities					Long-term assets					Long-term liabilities, net (5-10)
	Corporate sector	Financial institutions	Central government	Local government	Total (1+2+3+4)	Corporate sector	Financial institutions	Central government	Other	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	34 012	13 366	25 440	728	73 546	17 624	1 243	1 678	182	20 727	52 819
<b>1985</b>	35 709	13 980	26 330	585	76 603	17 102	3 131	1 955	279	22 466	54 137
<b>1986</b>	36 243	20 169	27 031	509	83 953	19 209	5 721	2 309	520	27 758	56 195
<b>1987</b>	35 549	26 734	28 691	511	91 483	23 377	9 740	2 653	730	36 500	54 983
<b>1988*</b>	41 267	41 128	26 926	499	109 821	31 124	12 977	3 101	1 855	49 057	60 764
<b>1987</b>											
<b>I</b>	37 133	21 860	28 209	481	87 684	19 729	8 958	2 458	572	31 717	55 967
<b>II</b>	38 100	23 960	27 625	474	90 157	21 371	9 431	2 465	621	33 887	56 270
<b>III</b>	38 943	25 240	26 402	538	91 122	22 571	9 297	2 519	677	35 064	56 058
<b>IV</b>	35 549	26 734	28 691	511	91 483	23 377	9 740	2 653	730	36 500	54 983
<b>1988*</b>											
<b>I</b>	37 289	28 097	27 556	506	93 446	23 616	10 717	2 851	1 023	38 207	55 239
<b>II</b>	39 035	31 460	29 267	503	100 263	27 172	11 469	2 887	1 322	42 849	57 414
<b>III</b>	39 381	35 469	27 865	506	103 222	28 974	11 845	2 938	1 594	45 350	57 872
<b>IV</b>	41 267	41 128	26 926	499	109 821	31 124	12 977	3 101	1 855	49 057	60 764
<b>1989*</b>											
<b>I</b>	41 786	47 978	26 314	515	116 595	32 212	14 288	3 299	2 097	51 896	64 699
<b>II</b>	42 908	51 447	25 113	501	119 967	35 327	14 978	3 331	2 232	55 868	64 099
<b>III</b>	45 387	53 224	24 812	491	123 912	37 332	15 906	3 374	2 563	59 175	64 737

## 7. FOREIGN TRADE

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

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
	1	2	3
<b>1984</b>	80 904	74 682	6 222
<b>1985</b>	84 028	81 520	2 508
<b>1986</b>	82 579	77 601	4 978
<b>1987</b>	85 516	82 807	2 709
<b>1988</b>	92 902	92 118	784
<b>1988</b>			
<b>Oct.</b>	8 587	8 351	236
<b>Nov.</b>	9 904	8 113	1 791
<b>Dec.</b>	8 514	8 354	160
<b>1989<sup>1</sup></b>			
<b>Jan.</b>	8 261	8 248	13
<b>Feb.</b>	8 251	7 603	648
<b>March</b>	8 804	8 703	101
<b>April</b>	8 930	8 355	575
<b>May</b>	7 682	8 634	-952
<b>June</b>	7 145	8 032	-887
<b>July</b>	7 485	7 399	86
<b>Aug.</b>	7 885	9 759	-1 874
<b>Sept.</b>	7 574	8 526	-952
<b>Oct.</b>	10 441	10 777	-336

<sup>1</sup> Owing to certain technical difficulties during the summer months the figures for individual months of the foreign trade statistics compiled by the Board of Customs may contain inaccuracies. However, the cumulative total for January—October should not be unduly affected.

### 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>1984</b>	114	98	134	131	102
<b>1985</b>	115	104	138	135	102
<b>1986</b>	116	110	135	121	111
<b>1987</b>	118	119	138	119	116
<b>1988</b>	121	130	145	122	119
<b>1987</b>					
<b>II</b>	120	120	137	119	115
<b>III</b>	116	116	140	121	115
<b>IV</b>	121	128	140	119	117
<b>1988</b>					
<b>I</b>	114	116	140	120	117
<b>II</b>	123	133	141	121	117
<b>III</b>	113	134	147	123	119
<b>IV</b>	136	137	150	124	121
<b>1989<sup>2</sup></b>					
<b>I</b>	123	132	156	128	122
<b>II</b>	116	136	155	126	123
<b>III</b>	112	141	155	125	124

### 7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, f.o.b.					Imports by use of goods, c.i.f.				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods Investment goods	Consumer goods	Other goods
	1	2	3	4	5	6	7	8	9	10
<b>1984</b>	7 145	23 573	10 176	22 998	17 012	35 162	16 900	10 993	11 454	173
<b>1985</b>	6 728	25 030	9 803	24 412	18 055	38 676	17 770	11 675	12 967	432
<b>1986</b>	6 947	24 600	7 858	26 115	17 059	39 292	10 070	12 898	15 069	272
<b>1987</b>	7 470	27 058	7 770	26 230	16 988	41 191	9 389	14 138	17 478	611
<b>1988</b>	7 567	30 474	8 450	29 225	17 186	45 791	7 533	17 274	20 828	692
<b>1988</b>										
<b>Oct.</b>	690	2 751	800	2 749	1 597	4 168	632	1 577	1 922	52
<b>Nov.</b>	686	2 851	730	3 972	1 665	4 227	492	1 369	1 858	167
<b>Dec.</b>	751	2 788	799	2 673	1 503	4 154	586	1 704	1 701	209
<b>1989<sup>2</sup></b>										
<b>Jan.</b>	600	2 578	810	2 645	1 628	4 348	408	1 519	1 893	80
<b>Feb.</b>	604	2 621	832	2 704	1 490	3 833	515	1 316	1 912	27
<b>March</b>	624	2 953	761	2 775	1 691	4 364	574	1 495	2 246	24
<b>April</b>	660	2 728	673	3 308	1 561	4 096	540	1 626	1 962	131
<b>May</b>	669	2 712	633	2 198	1 470	4 166	678	1 830	1 834	126
<b>June</b>	598	2 518	587	1 992	1 450	3 927	598	1 787	1 706	14
<b>July</b>	551	2 510	737	2 471	1 216	3 514	925	1 440	1 512	8
<b>Aug.</b>	477	2 978	668	2 379	1 383	4 898	860	1 770	2 181	50
<b>Sept.</b>	598	2 599	648	2 244	1 485	3 913	741	1 763	1 987	122
<b>Oct.</b>	729	2 914	975	3 873	1 950	5 436	721	2 028	2 522	70

## 7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1988		1989* January–October		1988		1989* January–October	
	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>	69 368	74.7	62 707	11.1	71 210	77.3	67 720	15.9
<b>OECD Europe</b>	60 049	64.6	53 611	9.4	57 523	62.4	54 744	16.5
Of which:								
Austria	936	1.0	980	29.1	1 140	1.2	1 060	15.5
Belgium and Luxembourg	1 818	2.0	1 617	8.3	2 318	2.5	2 409	28.1
Denmark	3 272	3.5	2 709	−0.2	2 674	2.9	2 680	22.3
France	4 902	5.3	4 459	12.0	3 724	4.0	3 560	15.6
Federal Republic of Germany	10 027	10.8	8 970	9.8	15 483	16.8	14 968	17.7
Italy	2 511	2.7	2 493	21.8	4 077	4.4	4 060	20.6
Netherlands	3 348	3.6	3 275	20.2	2 976	3.2	2 702	10.4
Norway	3 211	3.5	2 443	−9.5	2 180	2.4	2 038	11.7
Spain	1 433	1.5	1 489	30.9	1 034	1.1	905	9.6
Sweden	13 135	14.1	11 792	11.1	12 215	13.3	11 644	20.0
Switzerland	1 600	1.7	1 384	4.1	1 716	1.9	1 473	4.0
United Kingdom	11 995	12.9	10 279	5.0	6 371	6.9	5 616	6.9
<b>Other OECD</b>	9 320	10.0	9 096	21.8	13 687	14.9	12 976	13.1
Of which:								
Canada	1 136	1.2	1 115	19.7	656	0.7	813	45.6
Japan	1 689	1.8	1 690	22.0	6 784	7.4	6 346	12.8
United States	5 355	5.8	5 188	22.4	5 821	6.3	5 464	10.5
<b>CMEA countries</b>	15 527	16.7	13 174	9.9	13 523	14.7	11 850	7.3
Of which:								
Soviet Union	13 958	15.0	11 740	9.4	11 116	12.1	9 590	5.9
<b>Developing countries</b>	7 081	7.6	5 867	11.2	6 182	6.7	5 423	6.4
<b>OPEC countries</b>	1 494	1.6	1 230	5.2	710	0.8	529	−17.9
<b>Other</b>	5 588	6.0	4 637	12.8	5 471	5.9	4 894	9.9
<b>Other countries</b>	926	1.0	710	−6.3	1 204	1.3	1 044	−1.0
<b>TOTAL</b>	92 902	100.0	82 458	10.7	92 118	100.0	86 036	13.7
Of which:								
<b>EEC countries</b>	40 765	43.9	36 662	10.3	40 095	43.5	38 311	16.2
<b>EFTA countries</b>	19 022	20.5	16 689	7.5	17 340	18.8	16 318	17.1

## 8. DOMESTIC ECONOMIC DEVELOPMENTS

### 8.1 SUPPLY AND USE OF RESOURCES, MILL. FIM, 1985 PRICES

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
<b>1984</b>	176 038	64 872	67 584	10 202	-2 647	316 049	96 993	88 857	324 185
<b>1985</b>	181 664	68 218	69 599	10 453	1 772	331 706	98 173	94 893	334 986
<b>1986</b>	189 113	70 325	69 328	10 738	810	340 314	99 498	97 795	342 017
<b>1987*</b>	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
<b>1988*</b>	210 071	75 453	79 850	12 049	9 301	386 724	106 124	118 772	374 076
<b>1987*</b>									
<b>I</b>	48 862	18 091	17 898	2 879	946	88 676	24 839	26 346	87 169
<b>II</b>	49 650	18 272	18 222	2 744	648	89 537	25 898	26 035	89 399
<b>III</b>	50 075	18 474	17 927	3 071	-589	88 959	26 441	26 717	88 682
<b>IV</b>	51 393	18 621	18 714	2 960	1 241	92 929	24 949	27 469	90 409
<b>1988*</b>									
<b>I</b>	51 858	18 643	19 282	2 958	1 490	94 231	25 343	27 748	91 826
<b>II</b>	51 729	18 761	19 373	2 876	2 923	95 662	26 639	29 523	92 778
<b>III</b>	53 043	18 946	20 477	3 144	2 668	98 278	26 142	31 101	93 320
<b>IV</b>	53 440	19 103	20 718	3 070	2 221	98 553	28 000	30 401	96 152
<b>1989*</b>									
<b>I</b>	53 436	19 205	20 944	2 909	3 672	100 167	27 853	31 713	96 307
<b>II</b>	54 412	19 298	22 115	2 891	2 910	101 627	26 155	30 383	97 399

### 8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100

(seasonally adjusted figures)

Period	Total industry (100.0)	Mining and quarrying (1.6)	Manu- facturing (87.9)	Wood and paper industries (16.5)	Metal and engineering industries (30.0)	Other manu- facturing (41.4)	Energy and water supply (10.5)
	1	2	3	4	5	6	7
<b>1984</b>	96.1	118.7	96.6	101.7	92.5	97.5	111.2
<b>1985</b>	100.4	99.8	100.4	100.1	100.6	100.3	100.2
<b>1986</b>	101.9	102.8	102.0	102.3	103.0	101.2	100.4
<b>1987</b>	107.2	99.9	107.2	106.5	110.2	105.4	107.8
<b>1988*</b>	111.1	110.6	111.2	114.5	114.8	107.3	110.3
<b>1988*</b>							
<b>Sept.</b>	112.9	108.5	113.1	117.0	118.3	107.9	111.1
<b>Oct.</b>	113.4	106.2	113.5	118.1	118.5	108.0	113.0
<b>Nov.</b>	114.6	117.0	114.1	120.6	119.7	107.1	116.9
<b>Dec.</b>	113.1	123.1	112.2	119.5	116.7	105.5	116.6
<b>1989*</b>							
<b>Jan.</b>	113.1	117.1	114.0	120.5	121.0	106.0	107.5
<b>Feb.</b>	113.8	118.0	115.3	119.0	121.0	109.1	104.7
<b>March</b>	115.2	121.4	116.4	120.4	122.7	108.3	108.2
<b>April</b>	113.0	117.2	113.5	120.7	120.5	105.9	111.4
<b>May</b>	115.7	122.9	115.9	122.6	122.3	108.7	113.7
<b>June</b>	116.0	124.4	115.4	118.1	124.1	108.1	118.2
<b>July</b>	112.0	110.5	115.2	114.5	126.9	108.6	100.8
<b>Aug.</b>	115.8	94.8	117.1	117.7	131.5	107.3	106.5
<b>Sept.</b>	115.2	103.7	116.9	119.1	126.8	109.0	101.3



### 8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100 (seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
<b>1984</b>	97.2	96.8	101.8	104.1	112.8	96.2	98.6	96.9
<b>1985</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>1986</b>	104.7	102.5	94.0	88.4	99.9	99.5	105.2	101.8
<b>1987</b>	111.3	107.7	95.6	89.0	101.0	102.6	114.3	106.7
<b>1988*</b>	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.4
<b>1988*</b>								
<b>Aug.</b>	123.1	117.3	..	..	..	..	..	111.0
<b>Sept.</b>	121.6	115.3	..	..	..	..	..	111.9
<b>Oct.</b>	113.8	112.4	..	..	..	..	..	111.4
<b>Nov.</b>	121.9	115.2	..	..	..	..	..	112.9
<b>Dec.</b>	119.2	115.8	..	..	..	..	..	112.3
<b>II</b>	115.5	111.0	104.0	99.7	104.6	109.7	140.7	109.6
<b>III</b>	118.3	114.4	108.2	109.8	106.9	106.1	142.6	111.1
<b>IV</b>	118.3	114.5	116.7	120.2	127.1	113.0	146.5	112.2
<b>1989*</b>								
<b>Jan.</b>	123.5	119.5	..	..	..	..	..	113.3
<b>Feb.</b>	120.7	115.9	..	..	..	..	..	113.1
<b>March</b>	119.5	115.0	..	..	..	..	..	113.6
<b>April</b>	121.5	117.5	..	..	..	..	..	114.3
<b>May</b>	127.5	119.8	..	..	..	..	..	114.6
<b>June</b>	120.9	118.6	..	..	..	..	..	114.6
<b>July</b>	115.7	114.8	..	..	..	..	..	114.0
<b>Aug.</b>	130.5	119.1	..	..	..	..	..	115.2
<b>I</b>	121.2	116.8	117.3	121.1	127.6	105.6	133.9	113.3
<b>II</b>	123.3	118.6	126.3	127.9	148.7	108.5	167.4	114.5

## 8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domes- tic goods	Import- ed goods		Export- ed goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>1984</b>	92.4	92.0	92.9	92.7	93.0	92.0	95.1	95.3	94.8	97.1	96.0	98.1	95.1	94.6
<b>1985</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>1986</b>	106.9	106.6	106.2	106.6	107.8	107.2	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
<b>1987</b>	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
<b>1988<sup>1</sup></b>	124.7	124.6	122.8	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
<b>1988<sup>1</sup></b>														
<b>Oct.</b>	..	..	..	..	..	..	114.3	103.2	106.9	89.7	103.8	107.0	102.3	119.2
<b>Nov.</b>	..	..	..	..	..	..	114.5	103.5	107.2	89.8	103.9	106.9	102.5	119.8
<b>Dec.</b>	..	..	..	..	..	..	115.4	104.0	107.7	90.5	104.3	107.4	102.8	119.9
<b>II</b>	125.3	125.2	123.5	130.0	122.2	129.3	112.2	100.7	104.0	88.9	100.7	102.4	99.9	115.9
<b>III</b>	126.3	126.2	124.1	130.3	123.5	129.5	113.4	102.3	105.6	90.0	102.6	105.2	101.3	117.7
<b>IV</b>	128.4	128.6	126.6	132.1	125.2	131.4	114.7	103.6	107.3	90.0	104.0	107.1	102.5	119.6
<b>1989<sup>1</sup></b>														
<b>Jan.</b>	..	..	..	..	..	..	116.0	104.8	108.4	91.7	105.2	108.4	103.6	121.6
<b>Feb.</b>	..	..	..	..	..	..	116.6	105.5	109.0	92.4	105.8	109.6	103.9	121.9
<b>March</b>	..	..	..	..	..	..	117.9	105.9	109.3	93.4	106.3	110.2	104.4	123.4
<b>April</b>	..	..	..	..	..	..	119.1	107.0	110.6	93.6	107.1	109.9	105.8	124.3
<b>May</b>	..	..	..	..	..	..	119.5	107.4	111.3	93.2	107.8	110.1	106.6	124.9
<b>June</b>	..	..	..	..	..	..	120.6	107.4	111.4	92.6	107.9	110.4	106.8	124.6
<b>July</b>	..	..	..	..	..	..	120.4	107.4	111.4	92.6	108.2	110.5	107.1	124.8
<b>Aug.</b>	..	..	..	..	..	..	120.6	107.6	111.8	92.3	108.3	110.6	107.3	125.8
<b>Sept.</b>	..	..	..	..	..	..	121.9	108.1	112.4	92.3	108.8	111.3	107.6	127.6
<b>Oct.</b>	..	..	..	..	..	..	122.4	108.7	113.2	92.5	109.2	111.7	108.0	128.2
<b>I</b>	131.4	131.3	129.1	135.2	129.4	134.5	116.8	105.4	108.9	92.5	105.8	109.4	104.0	122.3
<b>II</b>	134.9	135.7	133.5	136.9	131.0	136.3	119.7	107.3	111.1	93.1	107.6	110.1	106.4	124.6

<sup>1</sup> Preliminary figures for columns 1—6.

## 8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry				Unemployed	Unemployment rate
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction	Service industries		
%		1000 persons									%
	1	2	3	4	5	6	7	8	9	10	11
1984	68.8	2 546	2 414	378	2 035	294	600	183	1 337	132	5.2
1985	69.2	2 566	2 437	361	2 076	280	597	178	1 380	129	5.0
1986	69.1	2 569	2 431	359	2 071	266	589	185	1 391	138	5.4
1987	68.6	2 554	2 423	372	2 051	251	569	184	1 419	130	5.1
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.5
1988											
Sept.	68.5	2 546	2 439	366	2 073	231	539	199	1 470	108	4.2
Oct.	68.7	2 555	2 448	373	2 076	226	543	200	1 479	107	4.2
Nov.	68.7	2 555	2 438	356	2 082	232	560	164	1 483	117	4.6
Dec.	68.3	2 540	2 436	366	2 070	233	551	197	1 455	104	4.1
1989											
Jan.	68.8	2 561	2 470	368	2 101	226	550	201	1 492	91	3.6
Feb.	69.0	2 567	2 476	367	2 109	231	552	191	1 502	91	3.5
March	68.3	2 544	2 456	365	2 091	232	554	209	1 461	88	3.4
April	69.2	2 576	2 486	372	2 114	232	550	202	1 502	91	3.5
May	69.4	2 585	2 499	360	2 139	223	577	194	1 506	86	3.3
June	68.9	2 566	2 478	359	2 119	219	566	197	1 495	88	3.4
July	68.7	2 558	2 463	371	2 093	197	558	198	1 510	95	3.7
Aug.	67.8	2 525	2 427	330	2 097	193	570	186	1 477	98	3.9
Sept.	68.3	2 545	2 457	365	2 092	218	576	211	1 452	88	3.5

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

During period	Revenue							Expenditure			
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
<b>1984</b>	22 526	42 737	598	9 711	75 572	1 894	77 466	22 155	44 333	18 444	24 836
<b>1985</b>	25 750	47 578	546	10 415	84 290	2 071	86 361	24 835	49 269	21 183	26 866
<b>1986</b>	28 079	51 733	323	11 640	91 774	2 209	93 983	26 354	52 845	23 215	28 131
<b>1987</b>	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
<b>1988</b>	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
<b>1988</b>											
<b>Sept.</b>	2 811	5 242	23	896	8 972	145	9 117	2 665	4 689	2 359	2 211
<b>Oct.</b>	3 052	5 247	41	1 294	9 634	234	9 868	2 759	5 088	2 487	2 451
<b>Nov.</b>	2 900	6 315	45	1 277	10 536	394	10 931	2 753	6 717	2 711	3 846
<b>Dec.</b>	3 116	7 486	57	1 555	12 214	537	12 751	3 012	5 193	2 542	2 142
<b>1989</b>											
<b>Jan.</b>	3 090	5 482	1	1 180	9 754	6	9 760	2 764	5 635	2 433	3 066
<b>Feb.</b>	2 792	6 185	86	824	9 887	67	9 953	2 708	6 177	2 464	3 446
<b>March</b>	3 375	5 613	37	1 014	10 040	1 713	11 754	2 736	5 297	2 589	2 413
<b>April</b>	3 881	6 221	36	1 266	11 405	63	11 468	2 911	6 055	3 337	2 532
<b>May</b>	2 928	6 044	38	2 349	11 359	300	11 658	3 135	6 870	2 881	3 544
<b>June</b>	3 186	6 347	13	1 156	10 701	264	10 965	3 034	5 632	3 033	2 447
<b>July</b>	3 938	7 353	62	945	12 298	115	12 412	3 453	5 043	2 594	2 203
<b>Aug.</b>	3 211	6 455	119	1 065	10 850	488	11 338	2 780	5 768	2 685	2 918
<b>Sept.</b>	3 172	5 474	46	1 354	10 046	210	10 256	2 792	5 100	2 659	2 312

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
	12	13	14	15	16	17	18	19	20
<b>1984</b>	5 455	4 220	76 162	4 717	80 878	-590	-3 412	5 200	1 788
<b>1985</b>	5 700	4 936	84 739	4 982	89 722	-449	-3 361	3 506	145
<b>1986</b>	6 111	5 058	90 368	4 913	95 281	1 406	-1 298	4 203	2 905
<b>1987</b>	7 089	4 732	100 738	5 672	106 410	-1 090	-4 280	7 604	3 324
<b>1988</b>	7 565	5 614	110 946	6 529	117 476	4 842	870	1 853	2 723
<b>1988</b>									
<b>Sept.</b>	772	445	8 570	1 623	10 193	402	-1 076	801	-275
<b>Oct.</b>	642	558	9 047	483	9 531	587	337	-15	322
<b>Nov.</b>	645	199	10 313	428	10 741	223	190	-1 239	-1 049
<b>Dec.</b>	811	208	9 224	316	9 540	2 990	3 211	323	3 533
<b>1989</b>									
<b>Jan.</b>	580	743	9 722	681	10 403	32	-643	-881	-1 524
<b>Feb.</b>	501	288	9 675	557	10 232	212	-278	-634	-912
<b>March</b>	620	645	9 299	1 845	11 143	742	610	137	748
<b>April</b>	544	941	10 451	379	10 830	954	638	-1 512	-875
<b>May</b>	670	643	11 318	639	11 956	41	-298	189	-109
<b>June</b>	839	316	9 821	515	10 336	880	629	-708	-79
<b>July</b>	619	-13	9 103	414	9 517	3 195	2 895	-151	2 744
<b>Aug.</b>	634	309	9 490	467	9 957	1 359	1 381	-519	862
<b>Sept.</b>	740	649	9 282	470	9 752	765	505	-75	430

# NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

## GENERAL

### Source

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

### Symbols used

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

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

## NOTES AND EXPLANATIONS TO TABLES

### 1 THE BALANCE SHEET OF THE BANK OF FINLAND

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

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

**Table 2.1** Money market instruments (Columns 1-3) denote bank certificates of deposit, Treasury bills and banks' fixed-term deposits with the Bank of Finland. Matured money market instruments, net, comprise both purchased and sold instruments.

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

## 3 RATES OF INTEREST

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

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

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

**Table 3.4** *Lending.* New credits (Columns 1-4): the rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts, whereas annual rates are arithmetic averages of monthly observations. As from January 1989, Postipankki Oy has been included in the calculation of the average rate on the commercial banks' outstanding stock of loans. *Deposits.* The rates of interest applied to deposit accounts (Columns 7-9) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. The average rate of interest on the stock of regulated deposits (Column 10) is the average rate of interest weighted by the deposit amounts at the end of period, where the stock of deposits comprises cheque accounts, postal giro accounts, deposit accounts with a cheque facility, savings and ordinary deposit accounts, other time deposit accounts and taxable investment accounts. The average rate of interest on unregulated deposits (Column 11) is the average rate of interest weighted by the amounts in the period. Unregulated deposits include, inter alia, sales of certificates of deposit, promissory notes and bonds as well as corporate deposits at market rates.

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

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

## 4 RATES OF EXCHANGE

**Table 4.2** The weights of the Bank of Finland currency index (Column 1) are moving averages of the shares of countries in Finland's merchandise export and import trade. The index comprises 14 convertible currencies. The index values are based on the Bank of Finland's daily quotations at noon. The weights of the payments currency index (Column 2) are moving averages of the shares of payments currencies in Finland's trade. The index comprises 14 convertible currencies. The weights of the MERM index (Column 3) are fixed 1977 weights computed on the basis of the IMF's world trade model. Fourteen currencies are included in this index.

## 5 OTHER DOMESTIC FINANCING

**Table 5.1** Source: The Central Statistical Office of Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and local government. Domestic foreign-currency deposits are included in the figures. Time deposits

(Column 2) consist of tax-exempt time deposits held by the public. Investment accounts (Column 3) are taxable time deposits held by the public. For the definition of unregulated deposits (Column 6), see the explanation under Table 3.4. Since the beginning of 1987, the figures for banks' holdings of certificates of deposit issued by other banks have been netted out. Netting out is done by the Bank of Finland.

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

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

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

Pekka Saarinen in the August 1987 issue of the Bulletin). Transferable allocations amounted to FIM 8.1 billion at the end of 1988.

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

## 6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

**Table 6.2** Columns 1-8: Net change in long-term liabilities. Columns 9-13: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 10): Secondary market transactions in securities and share issues. As from the June-July 1989 issue of the Bulletin, portfolio investment abroad (Column 10) also includes investments in long-term bonds and shares by Finnish authorized banks. These were previously included in short-term capital exports of authorized banks. Long-term credits (Columns 3-6): Financial loans, import credits and leasing credits. Others (Column 5): Long-term credits of enterprises, financial institutions other than authorized banks and local government. Imports of other long-term capital (Column 7): Finland's subscriptions to international financial institutions paid in the form of promissory notes. Exports of other long-term capital (Column 12) = financial loans abroad + development credits + purchases of real estate and other acquisitions by private persons + Finland's subscriptions to international financial institutions.

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

**Table 6.4** All direct investments have been placed under the corporate

sector (Columns 1 and 6). Other (Column 9) consists mainly of long-term assets of private persons.

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

## 7 FOREIGN TRADE

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

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

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

## 8 DOMESTIC ECONOMIC DEVELOPMENTS

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

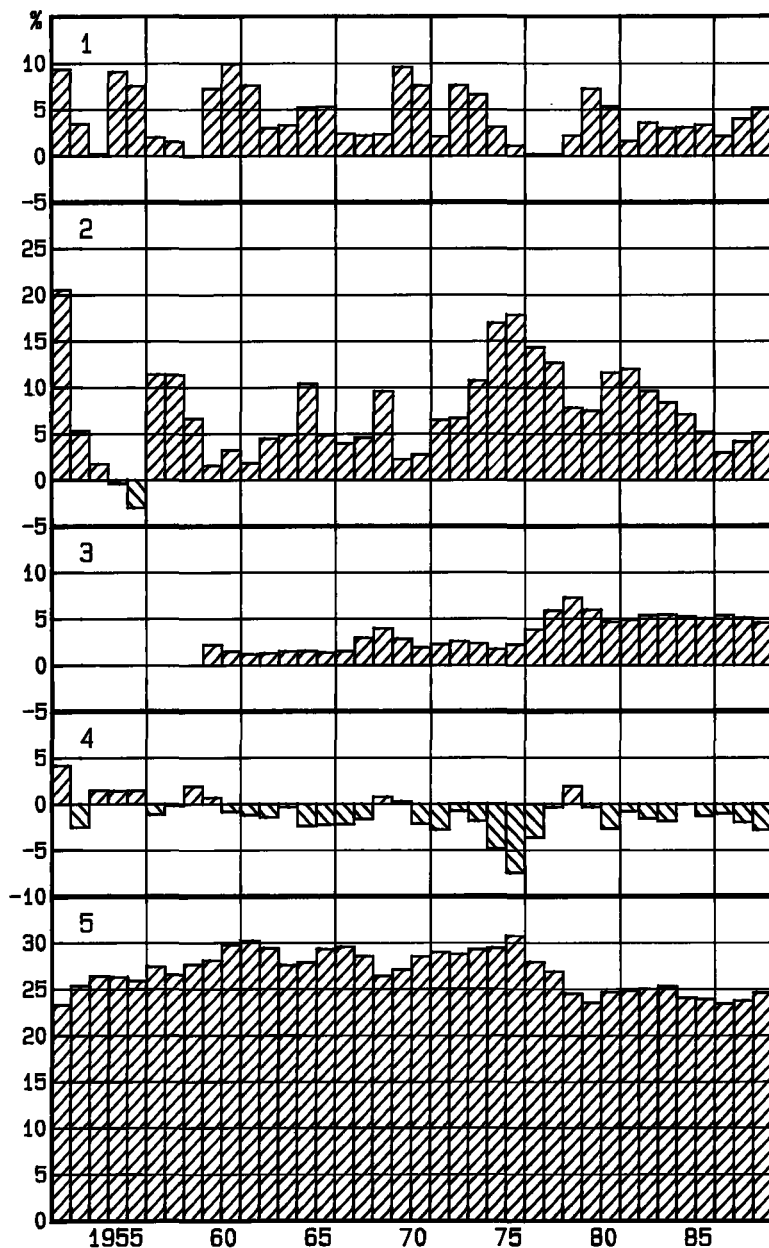
**Table 8.3** The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

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

1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Banks' central bank position	S29
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14. Changes in the exchange rates of selected major currencies	S33
15. Bank deposits from the public	S33
16. Bank lending to the public	S33
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27. Foreign trade: prices and terms of trade	S38
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29. Bilateral trade: prices and terms of trade	S38
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31. Fixed investment	S39
32. Employment and unemployment rate	S40
33. Prices and wages	S40
34. Central government finances	S41

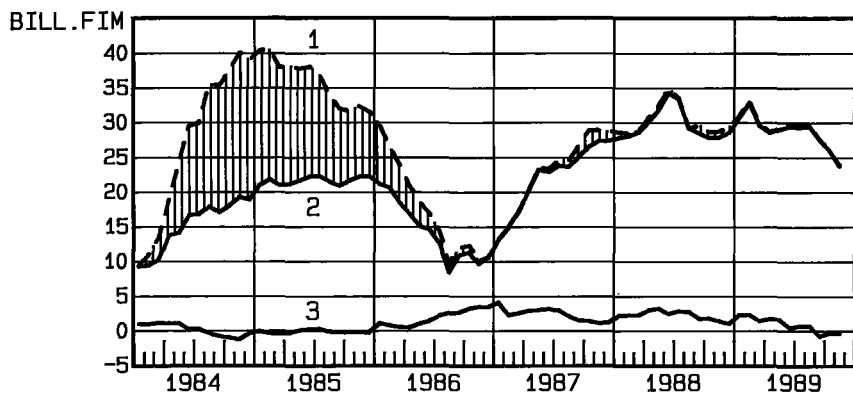
# 1. LONG-TERM INDICATORS



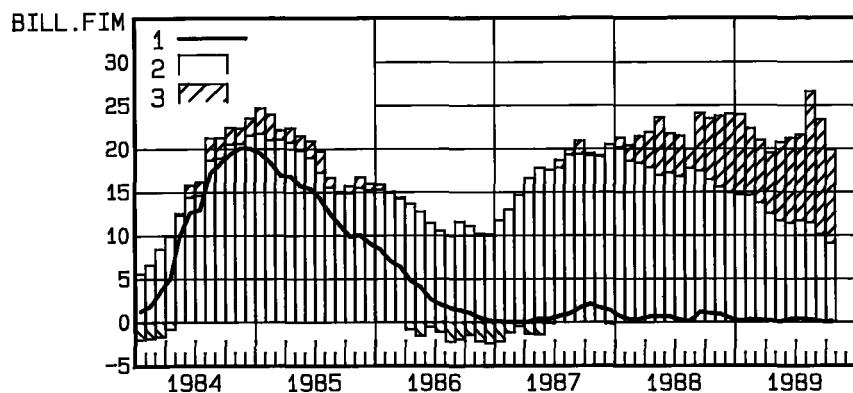
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP



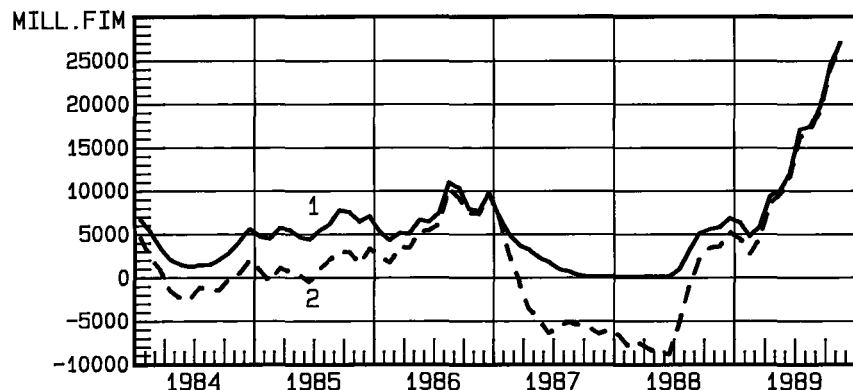
## 2. THE BANK OF FINLAND'S FOREIGN EXCHANGE RESERVES AND FORWARD POSITION



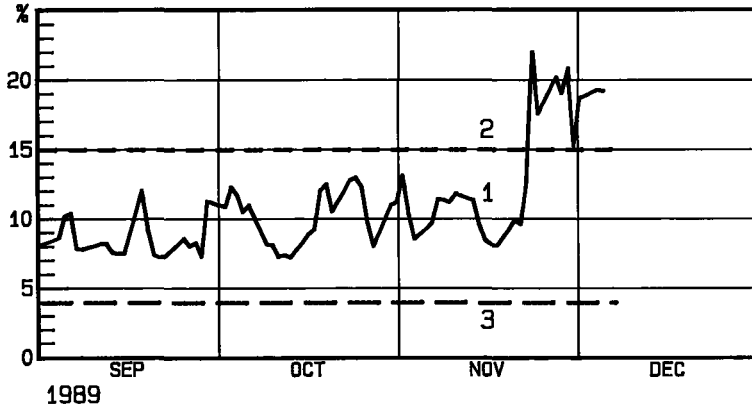
## 3. FORWARD MARKET



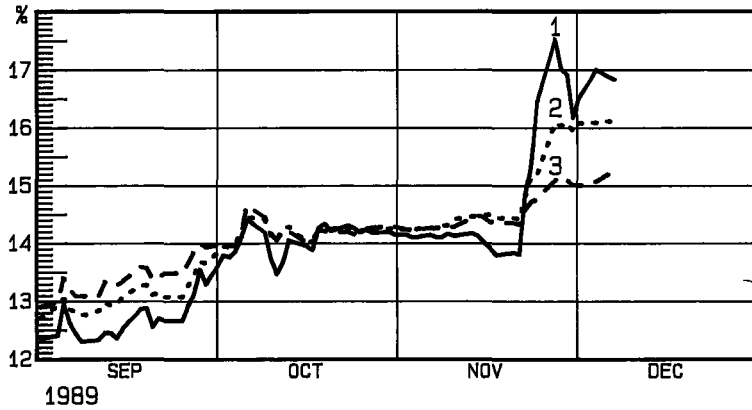
## 4. BANKS' CENTRAL BANK POSITION



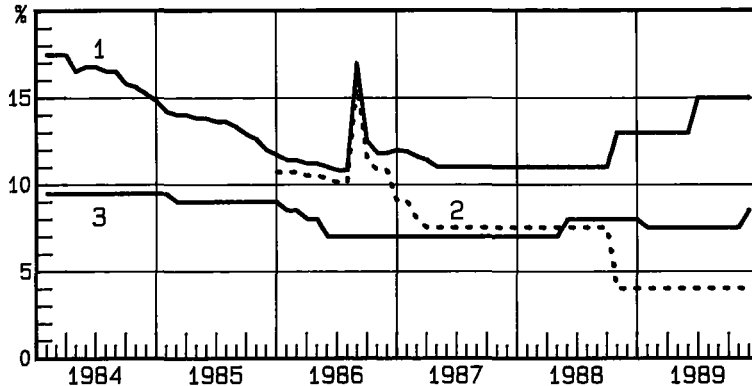
### 5. OVERNIGHT RATES



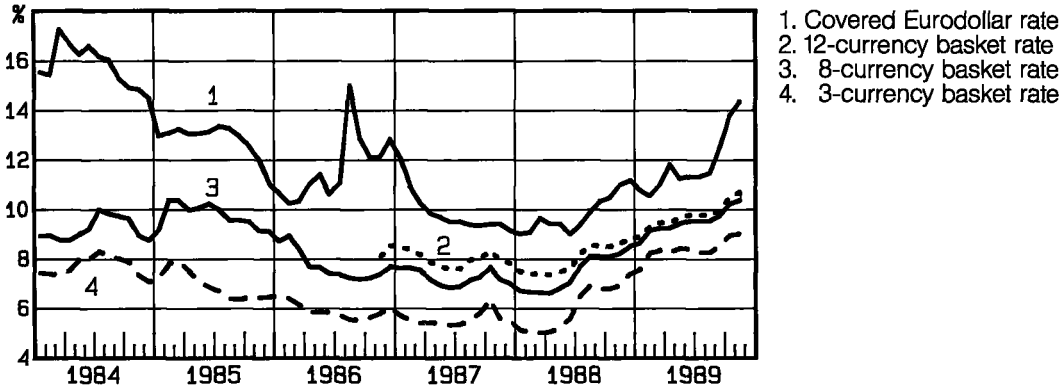
### 6. HELIBOR RATES OF INTEREST



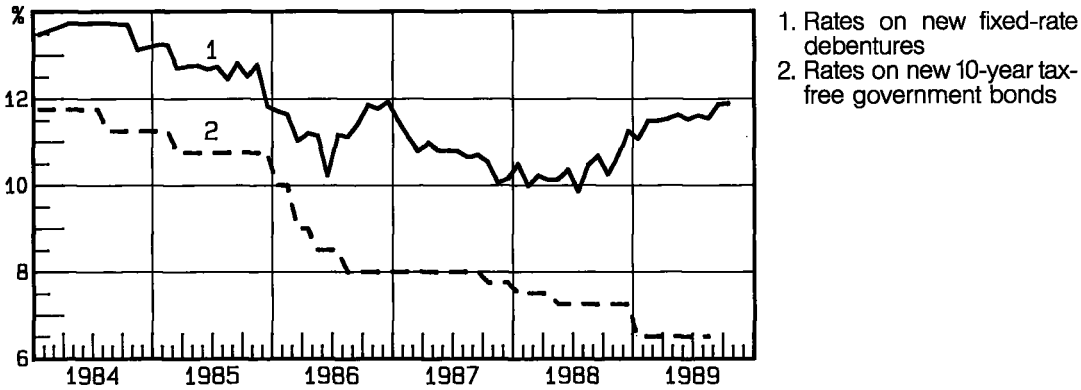
### 7. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



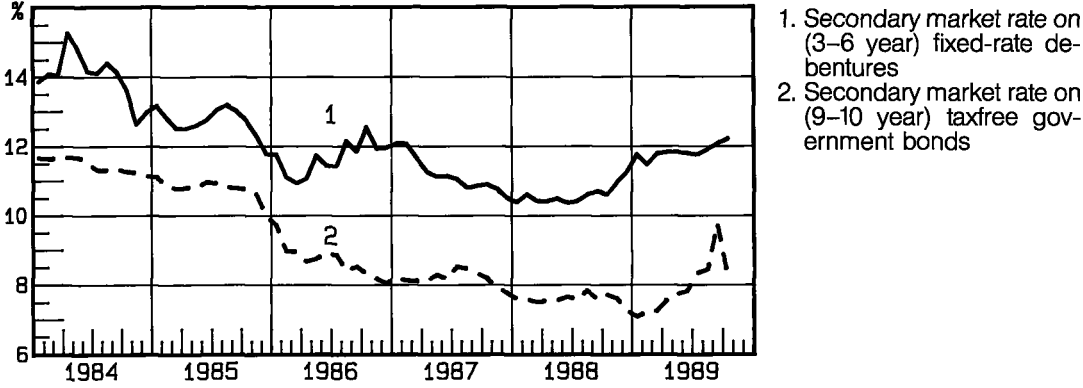
8. 3-MONTH COVERED EURODOLLAR RATE AND 3-MONTH CURRENCY BASKET RATES



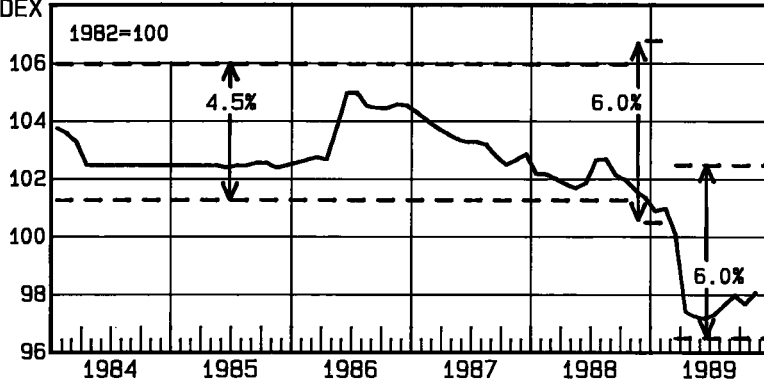
9. RATES ON NEW ISSUES OF BONDS AND DEBENTURES



10. SECONDARY MARKET RATES ON BONDS AND DEBENTURES

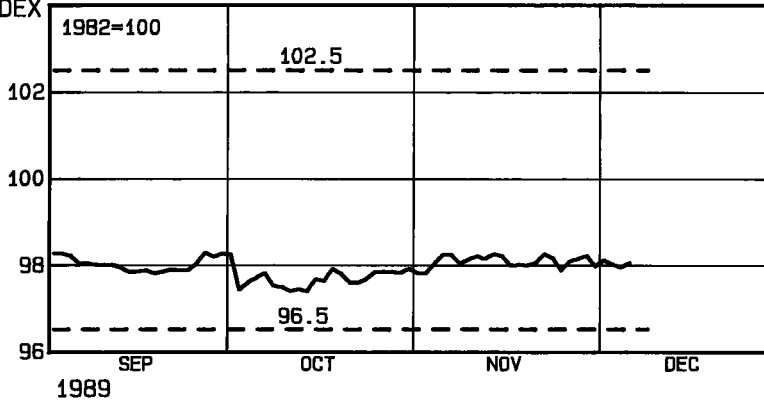


11. BANK OF FINLAND CURRENCY INDEX



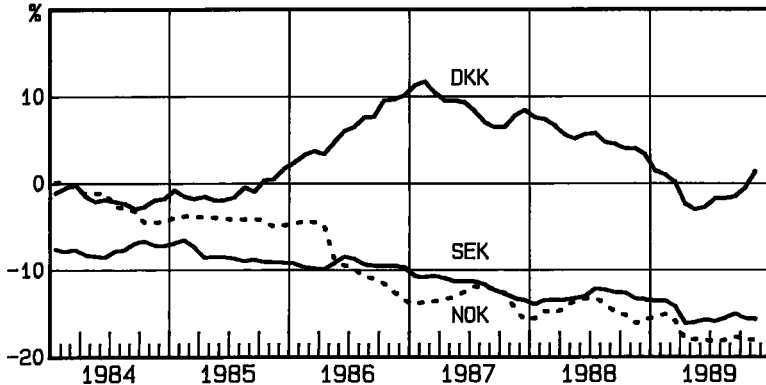
4.5 % and 6.0 % = fluctuation range of the index  
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX



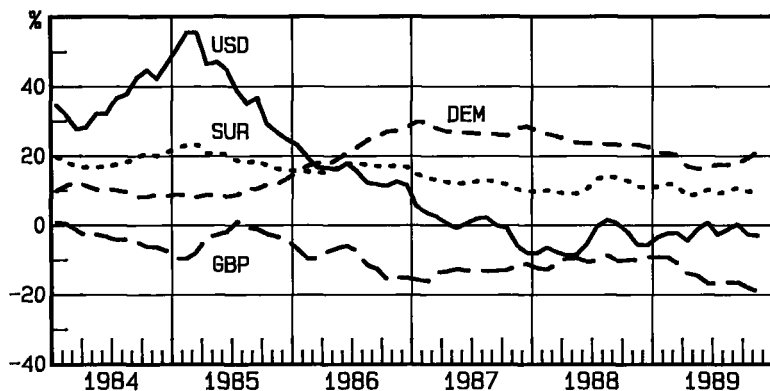
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



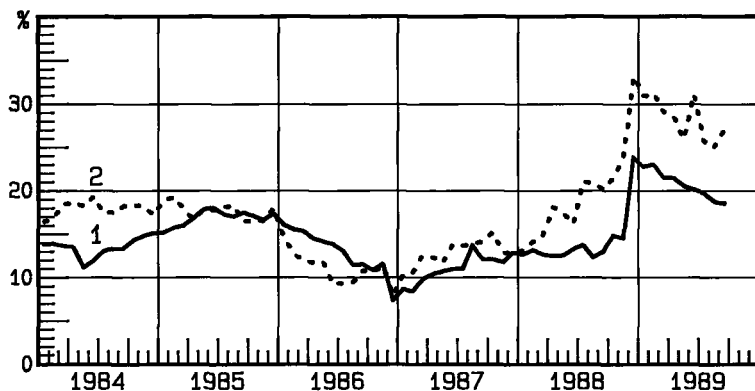
Monthly changes in markka selling rates calculated from the average rates for January 1982

#### 14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



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

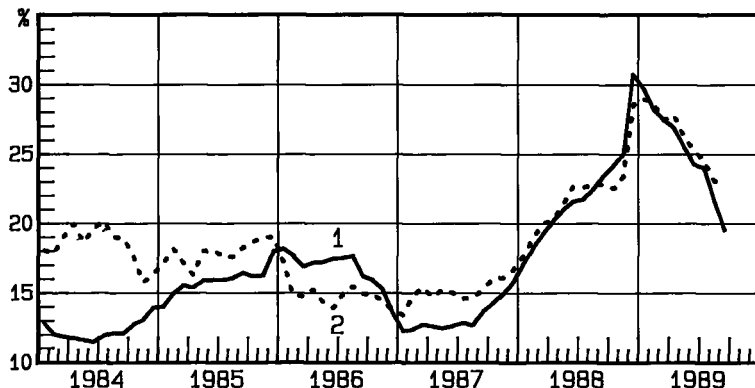
#### 15. BANK DEPOSITS FROM THE PUBLIC



1. Regulated deposits  
2. Total deposits

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

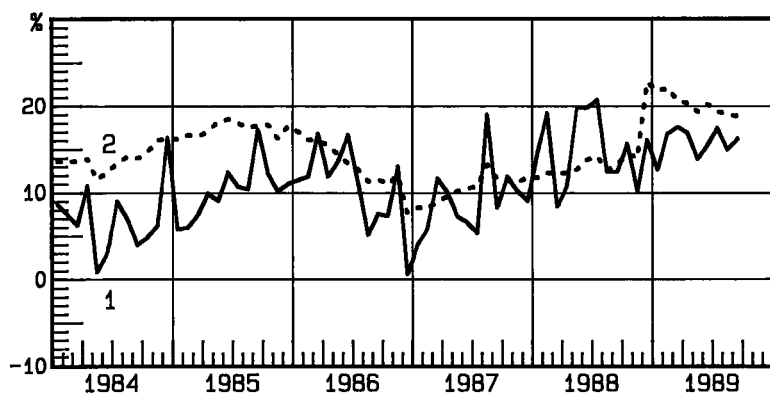
#### 16. BANK LENDING TO THE PUBLIC



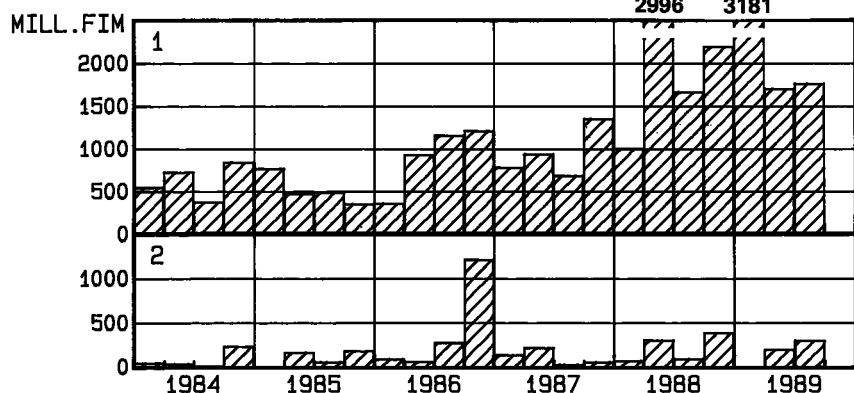
1. Markka lending  
2. Total lending

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

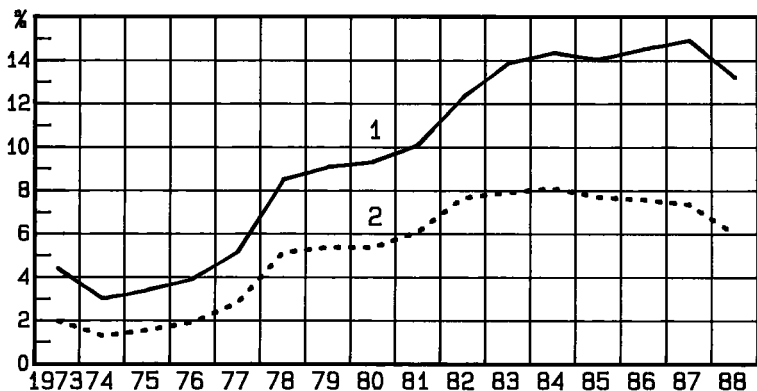
# 17. MONEY SUPPLY



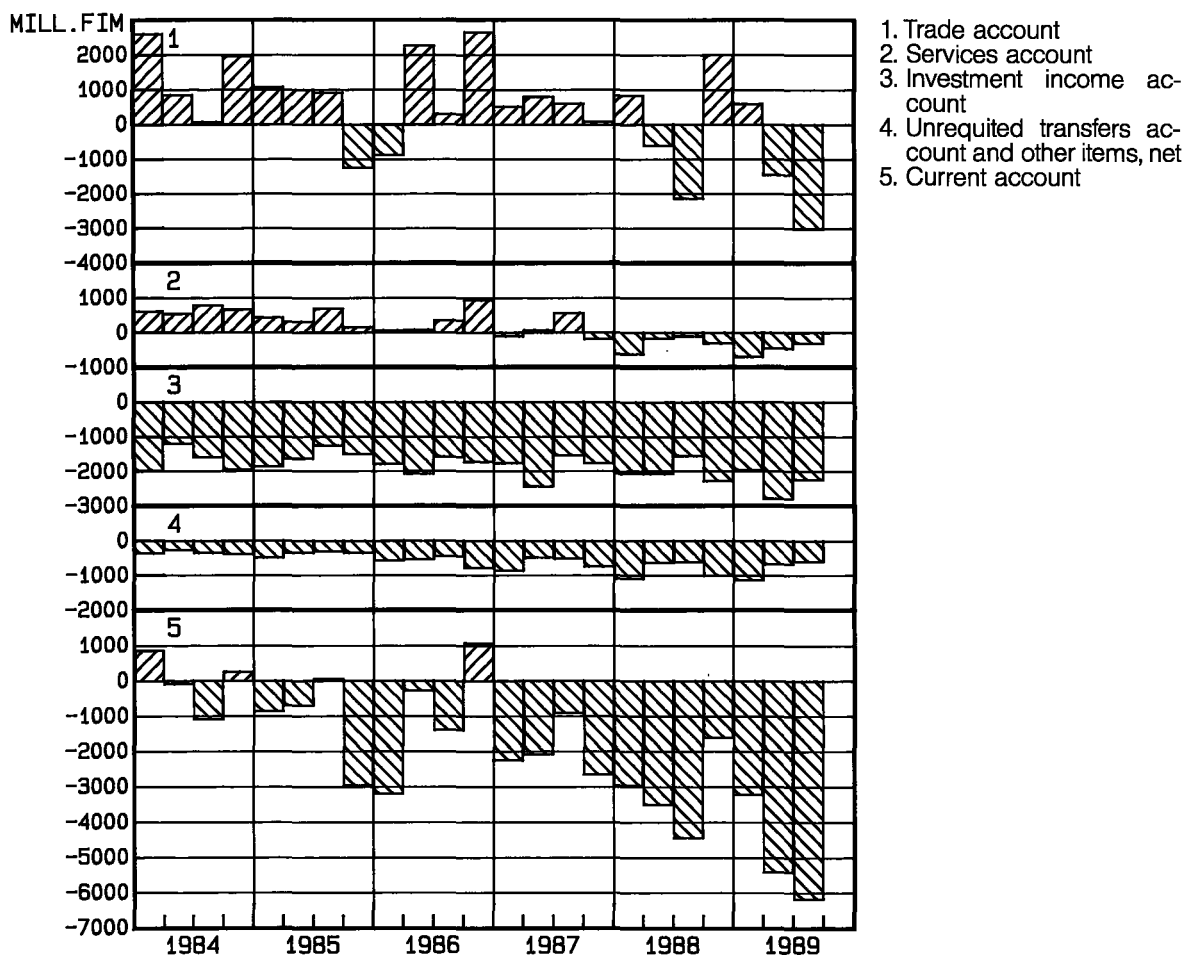
# 18. DIRECT INVESTMENT



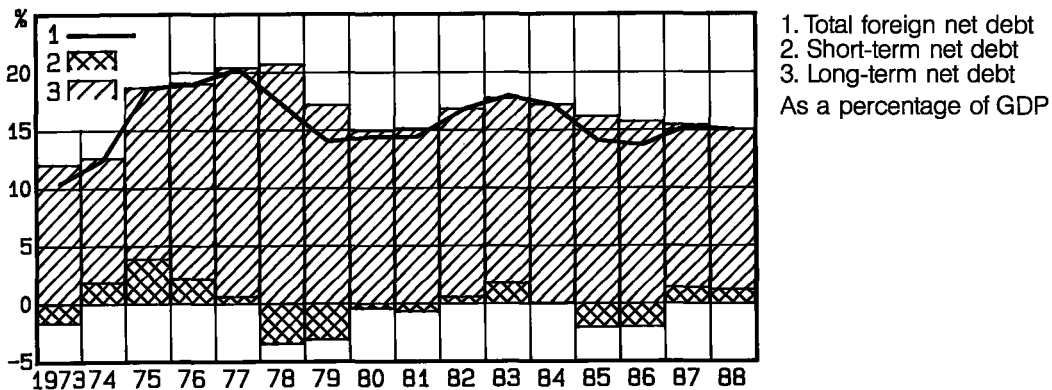
# 19. CENTRAL GOVERNMENT DEBT



## 20. CURRENT ACCOUNT

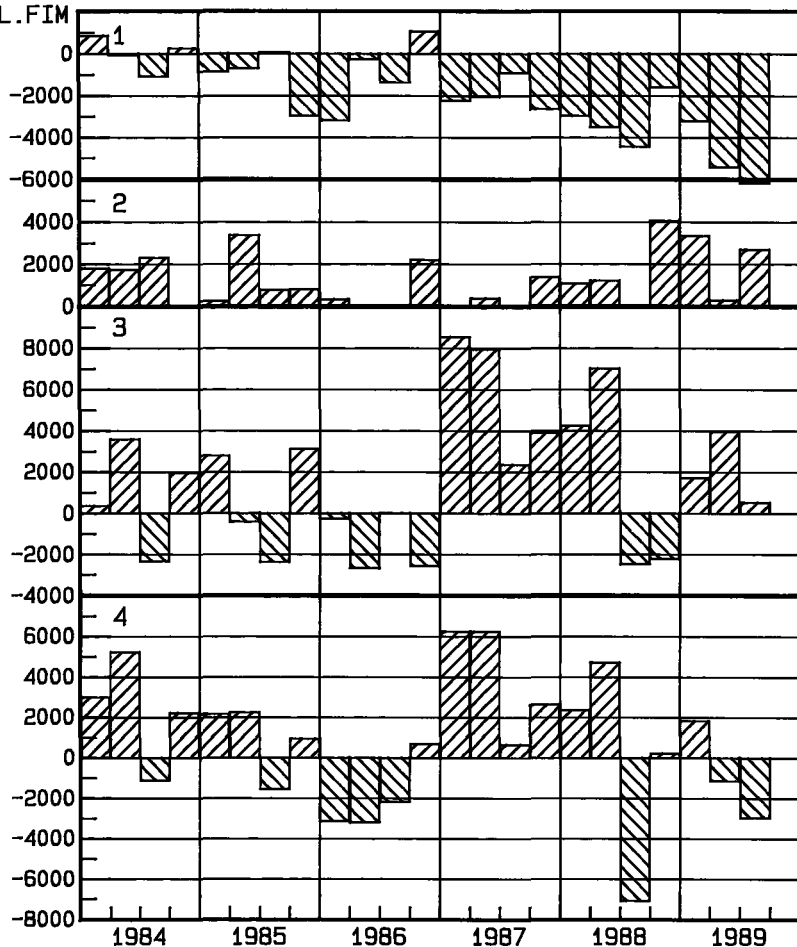


## 21. FOREIGN DEBT



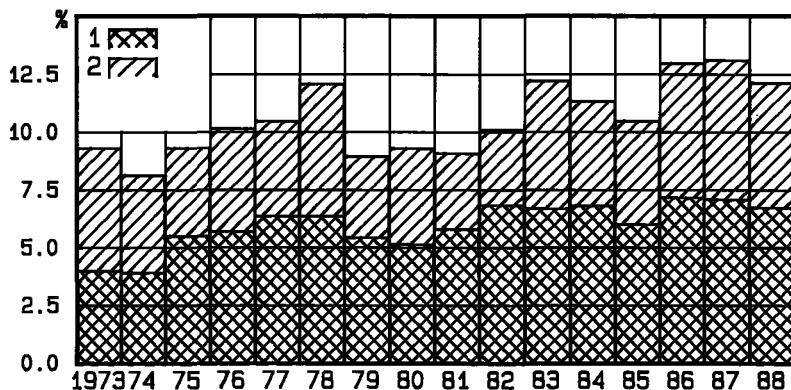
## 22. BALANCE OF PAYMENTS

MILL. FIM



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

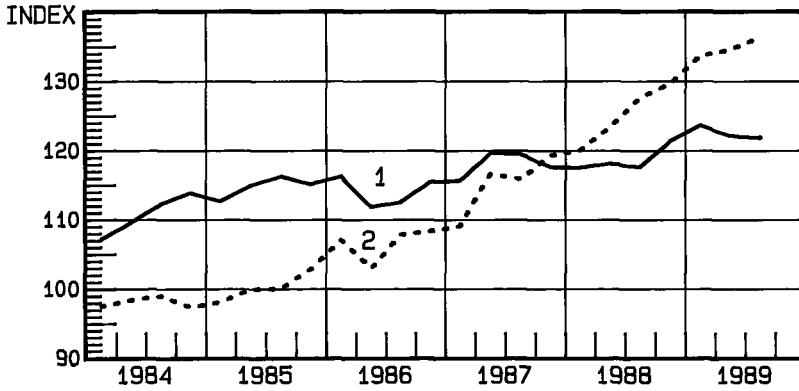
## 23. DEBT SERVICE RATIO



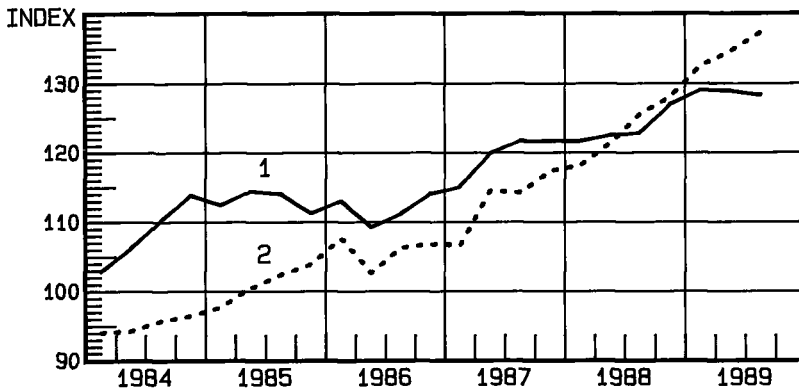
1. Interest payments
  2. Redemptions
- As a percentage of current account earnings



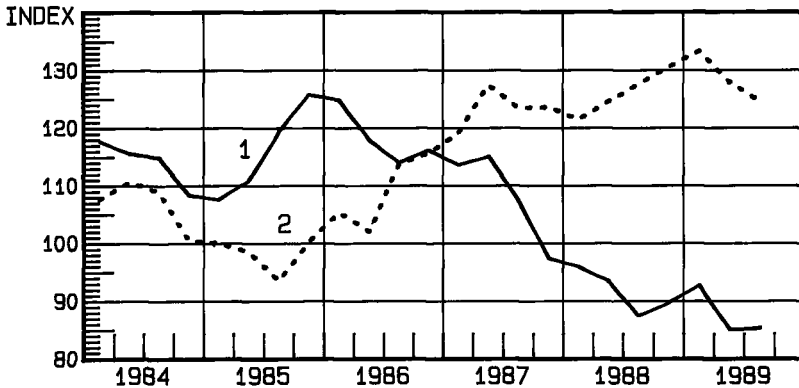
#### 24. FOREIGN TRADE



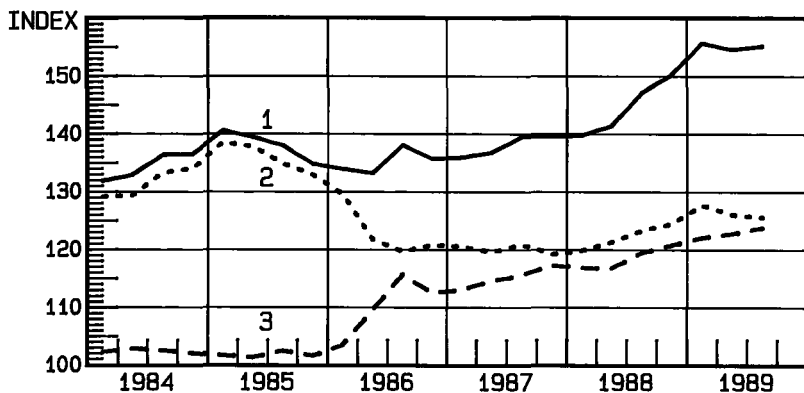
#### 25. WESTERN TRADE



#### 26. BILATERAL TRADE

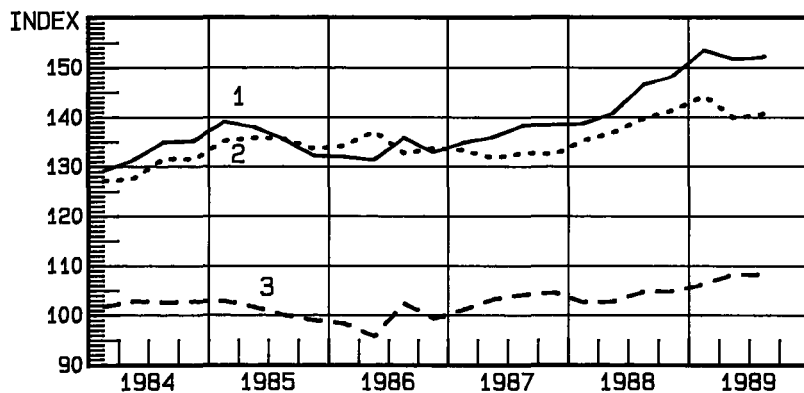


## 27. FOREIGN TRADE: PRICES AND TERMS OF TRADE



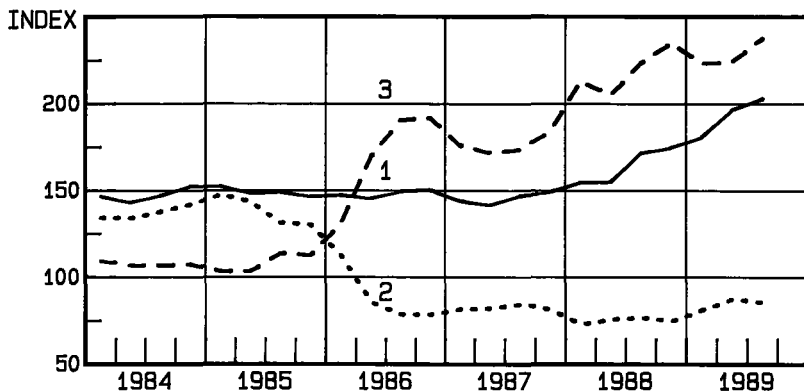
1. Unit value index of exports
  2. Unit value index of imports
  3. Terms of trade
- 1980 = 100

## 28. WESTERN TRADE: PRICES AND TERMS OF TRADE



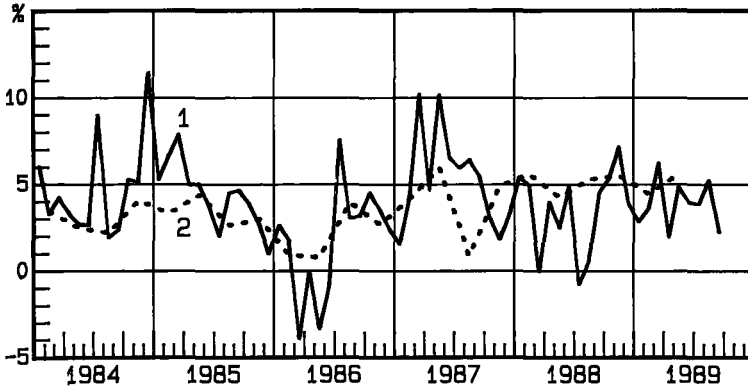
1. Unit value index of western exports
  2. Unit value index of western imports
  3. Terms of trade in western trade
- 1980 = 100

## 29. BILATERAL TRADE: PRICES AND TERMS OF TRADE

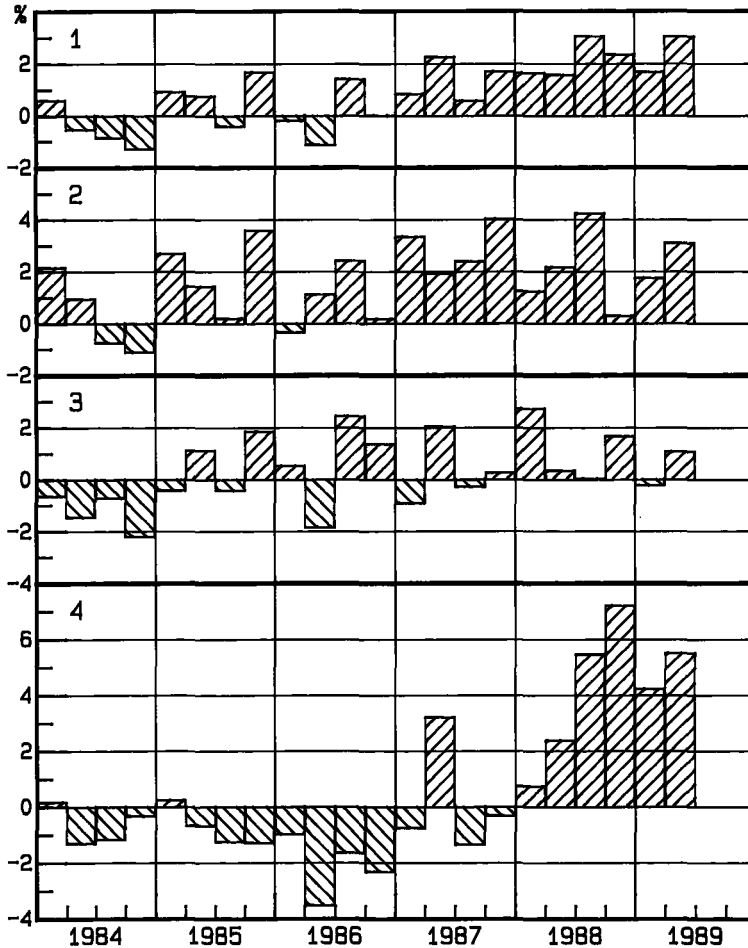


1. Unit value index of bilateral exports
  2. Unit value index of bilateral imports
  3. Terms of trade in bilateral trade
- 1980 = 100

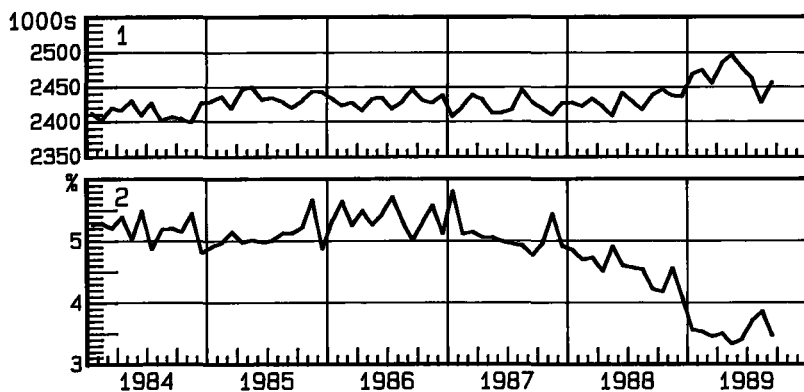
### 30. PRODUCTION



### 31. FIXED INVESTMENT

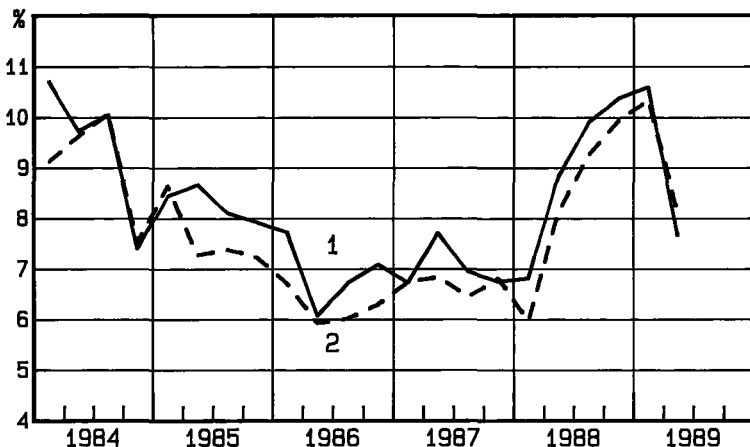


### 32. EMPLOYMENT AND THE UNEMPLOYMENT RATE

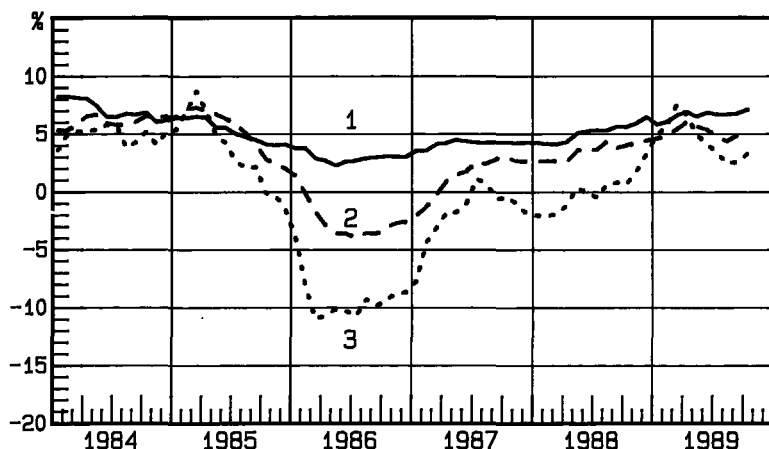


1. Employment, 1000 persons
2. Unemployment rate, per cent

### 33. PRICES AND WAGES

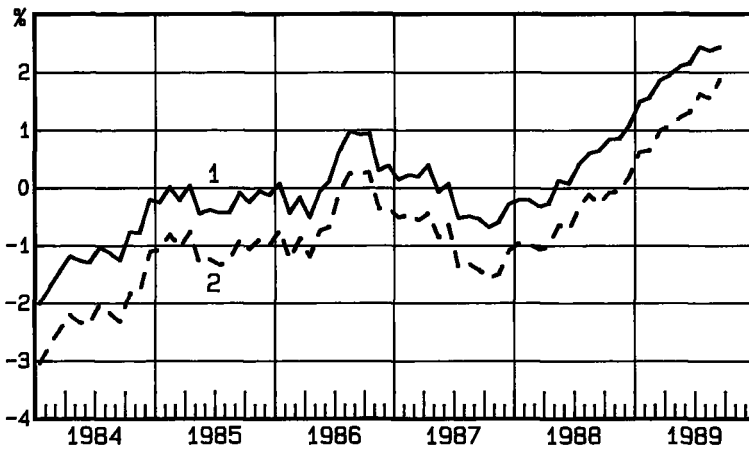
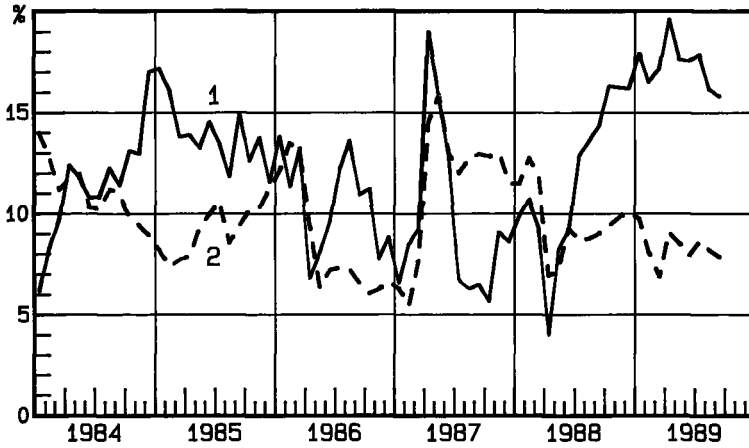


1. Index of wage and salary earnings, all wage and salary earners
  2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



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

#### 34. CENTRAL GOVERNMENT FINANCES



# BANK OF FINLAND

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MATTI MAIJALA			

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