



BANK OF FINLAND

Monthly Bulletin

Developments in the Finnish labour market

Recent developments in financial markets
and monetary policy

Monetary and foreign exchange policy
measures from September 1986 to
October 1987

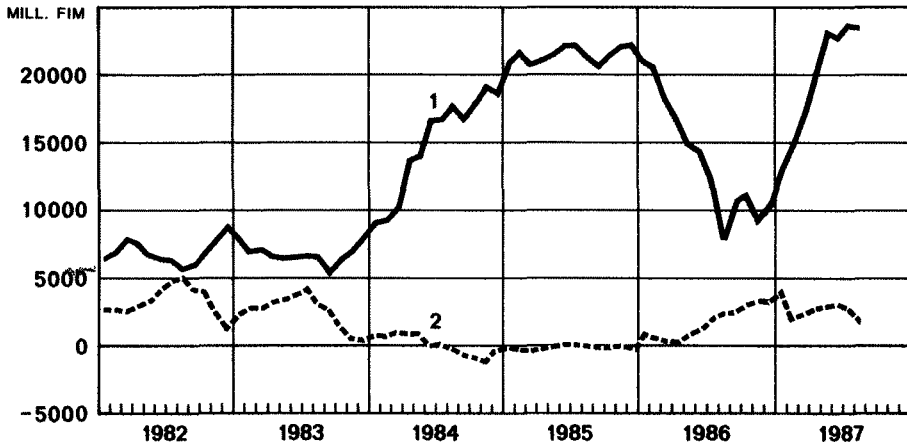
Finland's balance of payments in
January - June 1987

Labour disputes

SEPTEMBER 1987

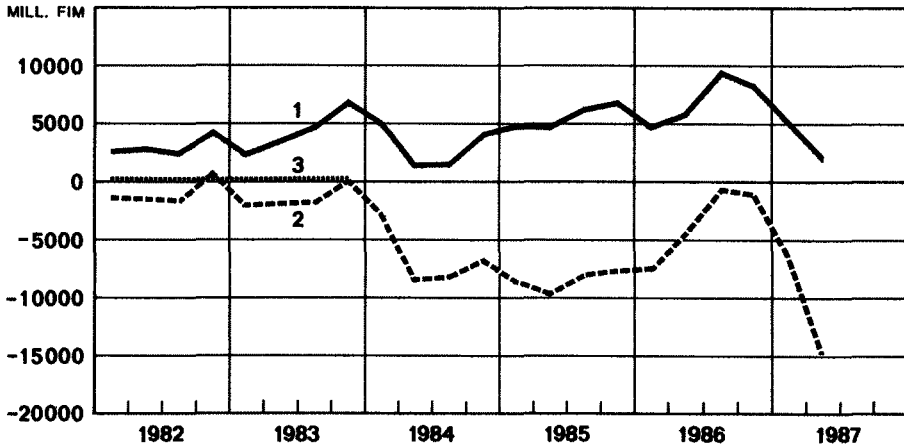
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BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1982-87



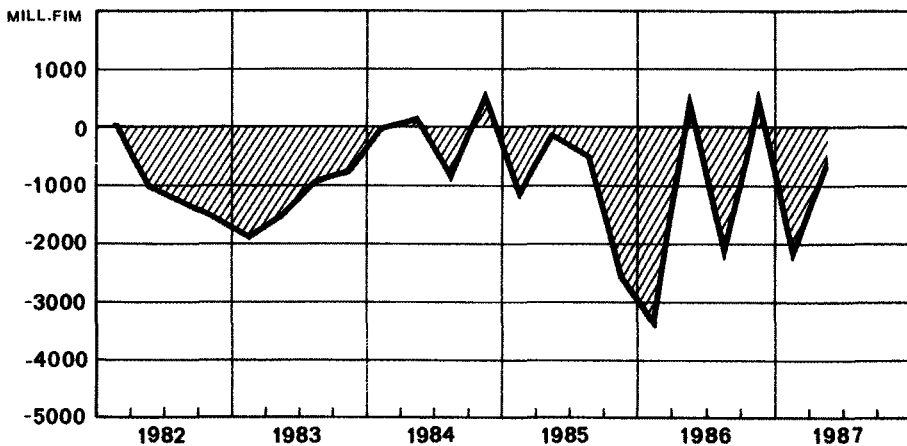
- 1. Gold and convertible currencies
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DEPOSIT BANKS' CENTRAL BANK POSITION, 1982-87



- 1. Gross central bank debt
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BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS/DEFICIT, 1982-87



Seasonally adjusted quarterly figures

DEVELOPMENTS IN THE FINNISH LABOUR MARKET

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Unemployment has remained the key problem of the Finnish economy in spite of a marked deceleration in the growth of labour supply. This article first reviews the general labour market trends underlying unemployment in terms of an international comparison. It then goes on to describe the special features of Finnish unemployment. Finally, changes in the labour force, employment and unemployment since 1985 are examined.

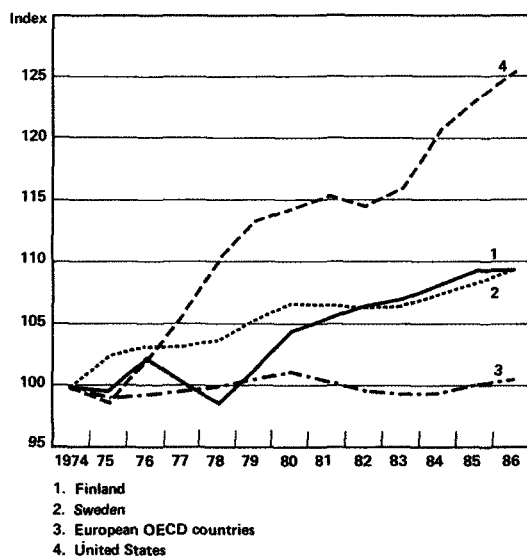
INTERNATIONAL DEVELOPMENTS IN LABOUR MARKETS

Since 1974, employment trends in Europe and the United States have differed from each other to a significant extent. In European OECD countries, total employment has remained virtually unchanged, whereas in the United States the annual growth rate has averaged 2 per cent (Table 1). In both Finland and Sweden, the average annual growth rate of employment has been less than 1 per cent, although fluctuations in total employment in Finland have been much greater than in Sweden. A particularly striking feature is the sharp deterioration in Finnish employment in 1977 and 1978 when the growth of output was stagnant for about three years (Chart 1).

TABLE 1. THE GROWTH OF TOTAL EMPLOYMENT IN 1975 – 1986, AVERAGES OF ANNUAL RATES, PER CENT

	Finland	Sweden	European OECD countries	United States
1975–79	0.3	1.1	0.2	2.6
1980–86	1.1	0.5	0.0	1.5
1975–86	0.7	0.8	0.1	2.0

CHART 1. TRENDS IN TOTAL EMPLOYMENT IN 1974 – 1986, 1974 = 100



A feature common to all countries is that the growth or maintenance of employment has been based on an expansion of the service sector, whereas there has been a decline in the numbers employed in agriculture and industry. Associated with the expansion of services has been the growing prevalence of part-time work, and the rate of increase in the number of part-time employed has generally exceeded that of full-time employees (Table 2). Unlike in Sweden, most of the rise in employment in Finland since 1976 has been due to an increase in full-time employment. In 1985, part-time employees totalled about 200 000, of whom 71 per cent were women and whose share in the total number of employed was only about 8.4 per cent.

CHART 2. TRENDS IN MANUFACTURING EMPLOYMENT IN 1974 - 1985, 1974 = 100

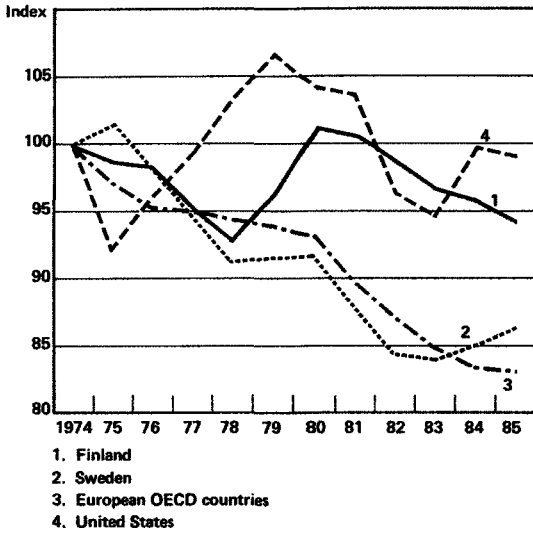


TABLE 2. THE GROWTH OF THE NUMBERS OF FULL-TIME AND PART-TIME EMPLOYEES IN 1974 - 1986, AVERAGES OF ANNUAL RATES, PER CENT

	Finland		Sweden		European OECD countries		United States	
	F-T	P-T	F-T	P-T	F-T	P-T	F-T	P-T
1974-79	-0.3 ¹	-0.4 ¹	-0.1	6.3	0.5	2.0	2.4	3.4
1980-85	1.0	5.0	0.4	0.7	-0.1	3.1	1.2	2.4

Relative share of part-time employees in the total number of employed
1985

Finland	Sweden	European OECD countries	United States
8.4	24.5	13.7	17.4

F-T = full-time, P-T = part-time

¹Figures for the period 1977-1979

Employment in the manufacturing industries has declined steadily by about 1.5 per cent per annum in both European OECD countries as a whole and Sweden. In Finland, manufacturing employment has fluctuated more sharply and the decline has been substantially slower, while in the United States the number employed in manufacturing in 1985 was approximately the same as in the base year of 1974 (Chart 2).

However, in all countries the labour force has on average grown at least as fast as total employment (Table 3), the difference between these growth rates being particularly large in European OECD countries. In contrast to the individual countries in the comparison, the growth of the labour force in this region has

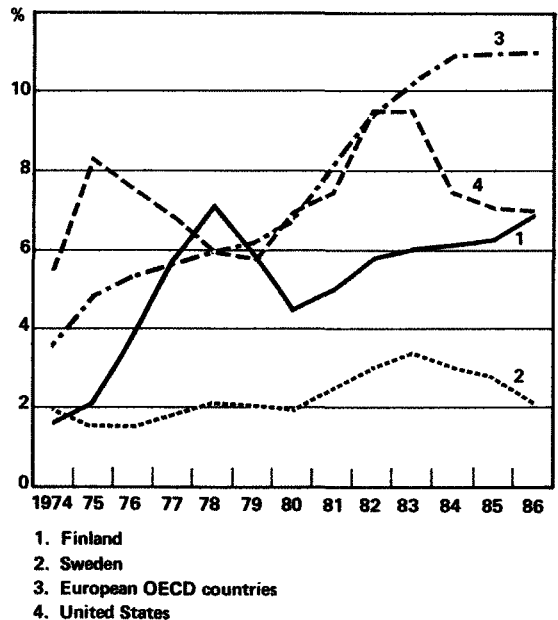
been due entirely to an increase in the population of working age, whereas changes in participation rates and in the demographic structure of the population of working age have tended to reduce the size of the labour force.

TABLE 3. THE GROWTH OF THE LABOUR FORCE IN 1975 - 1986, AVERAGES OF ANNUAL RATES, PER CENT

	Finland	Sweden	European OECD countries	United States
1975-79	1.1	1.1	0.7	2.6
1980-86	1.2	0.6	0.8	1.7
1975-86	1.2	0.8	0.8	2.1

Hence, the average annual growth rate of output of about 1.5 per cent in European OECD countries in the 1980s has fallen clearly short of the growth rate necessary to keep the unemployment rate unchanged, given the increase in the labour force and productivity. As a consequence, the unemployment rate has risen rapidly in the 1980s, and a disparity has emerged in relation to the United States, where output has grown on average by one percentage point faster and developments in productivity have been slower than in Europe (Chart 3).

CHART 3. UNEMPLOYMENT RATES IN 1974-1986



(continued on page 39)

	1986		1987				
	Aug. 29	Dec. 31	Aug. 7	Aug. 14	Aug. 21	Aug. 31	
Assets							
Gold and foreign currency claims	10 994	14 088	26 644	26 626	26 245	25 726	
Gold	2 081	2 081	2 081	2 081	2 081	2 081	
Special drawing rights	983	983	974	976	977	973	
IMF reserve tranche	819	794	791	791	787	789	
Convertible currencies	4 532	6 795	19 902	20 002	19 794	19 801	
Tied currencies	2 579	3 435	2 895	2 776	2 605	2 081	
Other foreign claims	2 549	2 585	4 478	4 480	4 461	4 449	
Markka subscription to Finland's IMF quota	2 549	2 585	2 483	2 483	2 483	2 477	
Term credit	—	—	1 995	1 998	1 978	1 972	
Claims on financial institutions	15 453	14 074	5 739	5 785	5 591	5 314	
Banks' cheque accounts	—	—	—	—	—	—	
Call money credits	11 525	6 818	840	1 020	534	81	
Term assets	—	2 381	79	69	317	258	
Till-money credits	1 650	2 305	2 256	2 129	2 201	2 439	
Bonds	2 161	2 111	2 157	2 157	2 132	2 129	
Other claims on financial institutions	117	459	407	409	407	407	
Claims on the public sector	984	1 002	954	958	960	963	
Bonds	72	59	4	4	4	4	
Total coinage	912	935	950	953	956	958	
Other claims on the public sector	0	8	—	—	—	—	
Claims on corporations	4 828	4 844	3 922	3 912	3 896	3 855	
Financing of exports	1 584	1 749	986	975	962	932	
Financing of domestic deliveries	2 966	2 833	2 687	2 689	2 687	2 676	
Bonds	70	65	55	55	54	54	
Other claims on corporations	208	197	193	193	193	193	
Other assets	149	149	103	103	104	104	
	Total	34 957	36 742	41 840	41 865	41 258	40 411
Liabilities							
Foreign currency liabilities	60	31	87	90	98	96	
Convertible currencies	57	17	51	50	57	57	
Tied currencies	3	14	37	40	41	40	
Other foreign liabilities	3 395	3 423	3 299	3 299	3 295	3 285	
IMF markka accounts	2 549	2 585	2 483	2 483	2 483	2 477	
Allocations of special drawing rights	846	838	816	816	812	808	
Notes and coin in circulation	7 969	8 667	9 051	9 000	8 958	9 013	
Notes	7 190	7 856	8 220	8 170	8 129	8 183	
Coin	779	811	831	830	829	829	
Liabilities to financial institutions	9 434	9 729	16 575	16 591	16 192	15 382	
Banks' cheque accounts	0	0	0	—	—	—	
Call money deposits	252	131	99	260	35	798	
Term liabilities	—	—	5 986	5 846	5 677	4 199	
Cash reserve deposits	9 023	9 270	10 435	10 435	10 435	10 335	
Capital import deposits	66	254	—	—	—	—	
Other liabilities to financial institutions	93	74	55	50	46	50	
Liabilities to the public sector	1 501	2 001	1	1	1	1	
Cheque accounts	1	1	1	1	1	1	
Government deposit account	1 500	2 000	—	—	—	—	
Capital import deposits	—	—	—	—	—	—	
Other liabilities to the public sector	0	0	0	0	0	0	
Liabilities to corporations	4 996	5 019	5 054	5 049	5 041	5 031	
Deposits for investment and ship purchase	4 792	4 671	4 827	4 822	4 814	4 818	
Capital import deposits	201	336	212	212	212	203	
Other liabilities to corporations	3	12	15	15	14	10	
Other liabilities	16	23	38	28	28	30	
Valuation account and reserves	1 702	1 920	1 806	1 878	1 716	1 644	
SITRA's capital	400	400	400	400	400	400	
Capital accounts	5 484	5 529	5 529	5 529	5 529	5 529	
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000	
Reserve fund	484	485	529	529	529	529	
Undisposed profits	—	—	—	—	—	—	
Net earnings	—	44	—	—	—	—	
	Total	34 957	36 742	41 840	41 865	41 258	40 411

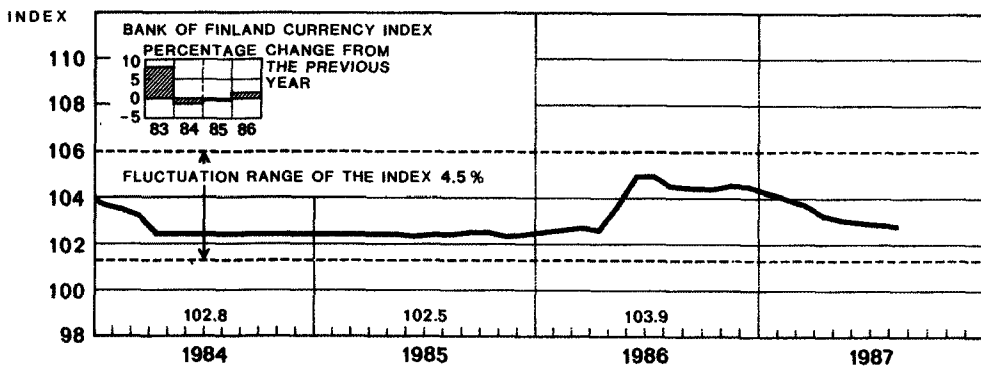
End of year or month	Foreign sector					Public sector				
	Gold, SDRs, IMF reserve tranche	Convertible currencies, net	Total convertible reserves (1+2)	Tied currencies, net	Other claims, net	Net claims (3 to 5)	Claims	Government deposit account	Other liabilities	Net liabilities (8-7+9)
	1	2	3	4	5	6	7	8	9	10
1983	2 360	5 835	8 195	550	-794	7 951	2 178	3 000	0	822
1984	3 527	15 303	18 830	-337	-917	17 576	1 951	4 200	77	2 326
1985	3 787	18 572	22 359	-285	-849	21 225	1 023	4 300	0	3 277
1986	3 858	6 778	10 636	3 421	-838	13 219	1 002	2 000	1	999
1986										
Aug.	3 883	4 475	8 358	2 576	-846	10 088	984	1 500	1	517
Sept.	3 870	6 989	10 859	2 654	-849	12 664	1 004	890	0	-114
Oct.	3 865	7 490	11 355	3 225	-846	13 734	1 002	1 000	1	-1
Nov.	3 869	5 713	9 582	3 497	-844	12 235	1 008	800	1	-207
Dec.	3 858	6 778	10 636	3 421	-838	13 219	1 002	2 000	1	999
1987										
Jan.	3 818	9 344	13 162	4 127	-820	16 469	1 001	-	1	-1 000
Feb.	3 821	11 215	15 036	2 196	1 182	18 414	957	-	1	-956
March	3 813	13 468	17 281	2 537	1 168	20 986	959	-	1	-958
April	3 811	16 440	20 251	2 908	1 160	24 319	960	-	0	-960
May	3 815	19 442	23 257	3 036	1 165	27 458	959	-	1	-958
June	3 837	19 006	22 843	3 207	1 167	27 217	959	-	1	-958
July	3 837	19 991	23 828	2 899	1 173	27 900	954	-	1	-953
Aug.	3 843	19 744	23 587	2 041	1 164	26 792	963	-	1	-962

OFFICIAL FOREIGN EXCHANGE RESERVES

Mill. FIM

	Dec. 31, 1986	May 29, 1987	June 30, 1987	July 31, 1987	Aug. 31, 1987
Gold	2 081	2 081	2 081	2 081	2 081
SDRs	983	967	969	969	973
IMF reserve tranche	794	767	787	787	789
Convertible currencies, net	6 778	19 442	19 006	19 991	19 744
Total convertible reserves, net	10 636	23 257	22 843	23 828	23 587
Tied currencies, net	3 421	3 036	3 207	2 899	2 041
Total reserves, net	14 057	26 293	26 050	26 727	25 628

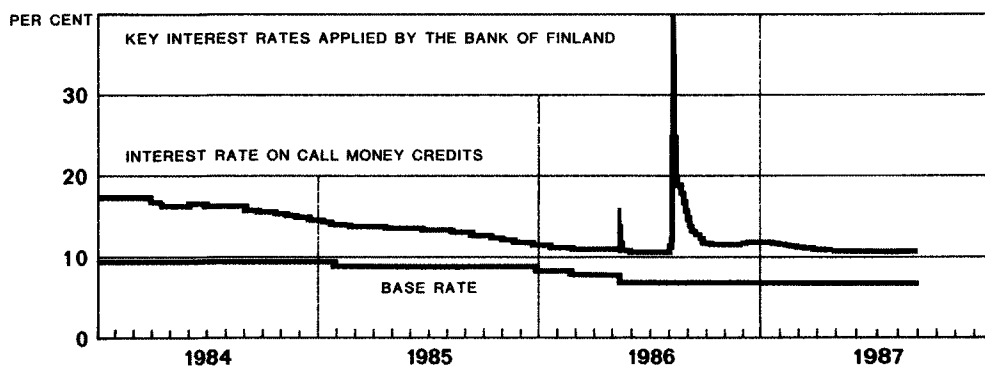
End of year or month	Domestic financial sector						Corporate sector				Notes and coin in circulation
	Till-money credits	Term liabilities of deposit banks	Term assets of deposit banks	Net demand for call money by deposit banks	Cash reserve deposits of deposit banks	Other liabilities, net	Net claims (1+2-3+4-5-6)	Permanent special financing schemes	Liabilities, net	Net claims (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1983	942	.	.	5 175	5 039	-1 998	3 076	4 529	1 282	3 247	6 574
1984	1 563	.	.	2 802	8 696	-1 618	-2 713	4 646	2 614	2 032	7 442
1985	1 925	.	.	4 014	10 222	-1 386	-2 897	4 525	4 113	412	8 072
1986	2 305	2 381	.	6 687	9 270	-2 242	4 345	4 582	4 757	-175	8 667
1986											
Aug.	1 650	.	.	11 273	9 023	-2 119	6 019	4 550	4 718	-168	7 969
Sept.	1 847	.	.	7 875	8 954	-2 129	2 897	4 552	4 750	-198	7 903
Oct.	1 755	.	.	7 040	9 052	-2 557	2 300	4 650	4 863	-213	7 973
Nov.	1 709	.	.	8 250	9 180	-2 542	3 321	4 659	4 786	-127	8 024
Dec.	2 305	2 381	.	6 687	9 270	-2 242	4 345	4 582	4 757	-175	8 667
1987											
Jan.	2 231	4 266	.	-370	9 353	-2 268	-958	4 360	4 685	-325	8 851
Feb.	2 012	4 736	1 600	-1 313	9 356	-2 227	-3 294	4 259	4 609	-350	8 453
March	2 177	3 572	4 000	-369	9 597	-2 243	-5 974	4 073	4 516	-443	8 325
April	2 114	2 111	6 703	878	9 734	-2 287	-9 047	3 927	4 427	-500	8 704
May	2 139	1 690	7 402	-872	9 975	-2 290	-12 130	3 807	4 222	-415	8 865
June	2 370	1 217	7 072	90	10 118	-2 488	-11 025	3 735	4 704	-970	9 011
July	2 234	89	5 709	157	10 435	-2 486	-11 178	3 706	4 806	-1 100	9 029
Aug.	2 439	258	4 199	-717	10 335	-2 486	-10 068	3 608	4 784	-1 176	9 013



MONETARY POLICY INDICATORS

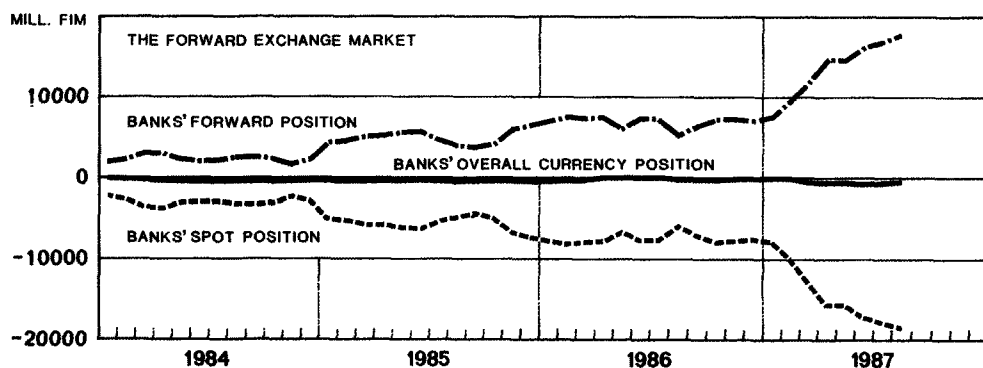
Average for period	Gross central bank debt of the deposit banks mill. FIM	Net central bank debt of the deposit banks mill. FIM	Cash reserve deposits of the deposit banks mill. FIM	Cash reserve requirement %	Call money credit extended by the Bank of Finland	Interest rate on call money credits %	3-month Helibor rate %	Base rate %	Average lending rate of the commercial banks %
	1	2	3	4	5	6	7	8	9
1982	3 201	-783	2 778	3.1	1 571	11.64	.	8.81	9.33
1983	4 539	-1 213	4 345	4.3	2 724	15.37	.	9.00	9.56
1984	3 176	-6 365	6 325	5.4	-39	16.53	.	9.50	10.49
1985	5 812	-8 293	9 578	5.6	1 285	13.37	.	9.04	10.41
1986	7 237	-3 208	9 189	4.8	5 861	13.43	.	7.42	9.08
1986									
June	6 393	-3 409	8 863	4.7	5 454	10.83	.	7.00	8.82
July	7 556	-2 677	8 895	4.7	6 218	10.80	.	7.00	8.76
Aug.	11 014	1 239	9 030	4.7	10 269	24.17	.	7.00	8.79
Sept.	10 290	68	9 021	4.7	9 088	13.86	.	7.00	8.77
Oct.	7 846	-1 524	8 960	4.7	7 436	11.93	.	7.00	8.75
Nov.	7 616	-1 784	9 047	4.7	7 263	11.80	.	7.00	8.74
Dec.	9 785	580	9 183	4.7	8 321	11.97	.	7.00	8.81
1987									
Jan.	7 106	-2 248	9 275	4.7	3 594	11.99	12.25	7.00	8.81
Feb.	5 035	-6 671	9 353	4.7	-1 595	11.76	11.14	7.00	8.80
March	3 732	-9 717	9 362	4.7	-281	11.44	10.54	7.00	8.84
April	3 137	-13 160	9 602	4.7	-773	11.14	10.04	7.00	8.86
May	2 269	-14 575	9 758	4.7	42	11.00	9.89	7.00	8.87
June	1 707	-16 457	9 980	4.7	-285	11.00	9.69	7.00	8.91
July	895	-15 748	10 128	4.7	-912	11.00	9.63	7.00	8.93
Aug.	616	-15 586	10 431	4.7	254	11.00	9.55	7.00	..

¹ End of period for monthly figures.



FORWARD EXCHANGE MARKETS IN FINLAND

Period	Banks' forward positions in mill. FIM with						Banks' forward selling rates for USD		
	Domestic firms			Foreign banks	Bank of Finland	Overall	Deviation from spot rate, per cent per annum		
	Assets	Liabilities	Net	Net	Net	Net	1 month	3 months	6 months
	1	2	3	4	5	6	7	8	9
1985	16 982	1 733	15 249	708	-9 005	6 876	3.3	3.2	3.1
1986	11 446	1 319	10 127	-2 461	-92	7 591	6.6	6.7	6.7
1986									
March	16 365	2 095	14 270	11	-6 298	8 042	3.5	3.0	2.8
April	15 350	1 713	13 638	-854	-4 742	7 956	4.6	4.2	4.1
May	15 231	2 505	12 726	-1 642	-3 956	6 957	5.1	4.5	4.2
June	13 094	1 665	11 429	-575	-2 619	8 068	4.2	3.8	3.6
July	12 032	1 518	10 514	-1 170	-1 949	7 619	4.6	4.7	4.8
Aug.	12 351	2 393	9 958	-2 263	-1 559	6 006	12.5	7.8	7.1
Sept.	13 762	2 179	11 583	-1 981	-1 291	8 116	7.8	7.1	6.7
Oct.	13 147	2 047	11 100	-1 464	-996	8 388	6.6	6.5	6.3
Nov.	12 049	1 843	10 205	-2 224	-423	7 590	6.2	6.3	6.2
Dec.	11 446	1 319	10 127	-2 461	-92	7 591	6.6	6.7	6.7
1987									
Jan.	13 285	1 515	11 770	-2 248	-5	9 541	6.3	6.0	6.1
Feb.	14 389	1 385	13 003	-1 204	26	11 789	4.4	4.5	4.5
March	15 908	1 263	14 645	-490	18	14 262	4.0	3.9	3.8
April	17 739	1 145	16 594	-1 384	18	15 203	3.2	2.9	2.8
May	18 742	981	17 762	-1 465	-423	15 711	3.0	2.5	2.3
June	18 322	771	17 551	-163	-287	16 699	2.3	2.2	2.2
July	18 596	805	17 792	867	-625	18 055	2.7	2.5	2.4



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, FIM

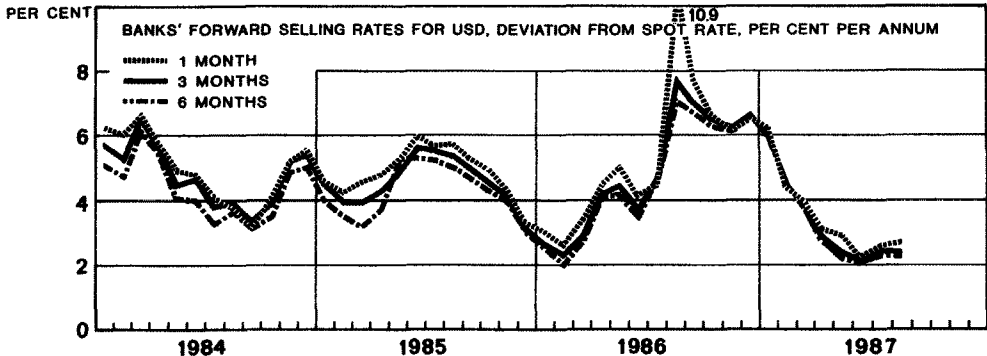
Period	New York 1 US USD	Montreal 1 C CAD	London 1 £ GBP	Dublin 1 Ir£ IEP	Stockholm 1 Skr SEK	Oslo 1 Nkr NOK	Copenhagen 1 Dkr DKK	Frankfurt 1 DM DEM	Amsterdam 1 Hfl NLG	BEC	Brussels 1 FB BEL	Zurich 1 Sfr CHF
	1	2	3	4	5	6	7	8	9	10	11	12
1982	4.820	3.913	8.423	6.854	0.7703	0.7484	0.5793	1.9876	1.8066	0.10584	0.09859	2.3779
1983	5.570	4.524	8.456	6.957	0.7275	0.7644	0.6107	2.1861	1.9566	0.10934	0.10742	2.6570
1984	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274	2.5642
1985	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421	2.5360
1986	5.078	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299	2.8349

1986

July	5.074	3.681	7.671	7.067	0.7193	0.6803	0.6306	2.3578	2.0925	0.11460	0.11372	2.9080
Aug.	4.940	3.564	7.356	6.665	0.7141	0.6731	0.6372	2.3966	2.1256	0.11580	0.11465	2.9748
Sept.	4.918	3.552	7.256	6.632	0.7127	0.6717	0.6377	2.4114	2.1360	0.11646	0.11525	2.9772
Oct.	4.896	3.532	7.005	6.669	0.7126	0.6674	0.6489	2.4446	2.1631	0.11780	0.11692	2.9852
Nov.	4.959	3.583	7.072	6.685	0.7133	0.6599	0.6495	2.4500	2.1685	0.11795	0.11725	2.9435
Dec.	4.907	3.562	7.055	6.712	0.7111	0.6529	0.6523	2.4649	2.1809	0.11853	0.11760	2.9443

1987

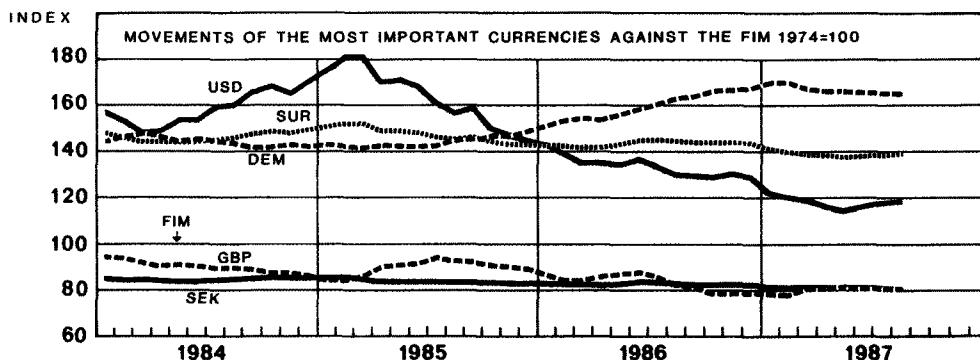
Jan.	4.641	3.413	6.998	6.689	0.7031	0.6485	0.6590	2.4988	2.2148	0.12042	0.11854	2.9774
Feb.	4.560	3.422	6.971	6.660	0.7021	0.6520	0.6619	2.4991	2.2140	0.12073	0.11934	2.9603
March	4.509	3.421	7.185	6.579	0.7040	0.6521	0.6537	2.4603	2.1785	0.11884	0.11821	2.9353
April	4.422	3.360	7.216	6.535	0.7014	0.6542	0.6480	2.4429	2.1652	0.11797	0.11747	2.9599
May	4.358	3.253	7.280	6.534	0.6979	0.6561	0.6486	2.4398	2.1648	0.11770	0.11709	2.9689
June	4.427	3.311	7.221	6.530	0.6990	0.6606	0.6469	2.4353	2.1620	0.11754	0.11726	2.9367
July	4.487	3.389	7.236	6.522	0.6981	0.6652	0.6409	2.4309	2.1589	0.11730	0.11688	2.9246
Aug.	4.505	3.404	7.207	6.503	0.6956	0.6645	0.6334	2.4275	2.1547	0.11695	0.11627	2.9321



Average selling rates for foreign exchange, FIM

Paris 1 FF FRF	Rome 1 Lit ITL	Vienna 1 OS ATS	Lisbon 1 Esc PTE	Reykjavik 1 lkr ISK	Madrid 1 Ptas ESB	Tokyo 1 Y JPY	Moscow 1 Cl Rbl SUR	Melbourne 1 A \$ AUD	1 European currency unit XEU	1 special drawing right SDR	Currency index ¹
13	14	15	16	17	18	19	20	21	22	23	24
0.7365	0.00358	0.2831	0.0613	0.4079	0.0441	0.01943	6.624	..	..	5.30563	115.9
0.7353	0.00369	0.3111	0.0514	0.2325	0.0391	0.02351	7.491	..	..	5.94325	125.1
0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.14739	102.8
0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879	102.5
0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432	103.9
0.7342	0.00345	0.3355	0.0345	0.1258	0.0370	0.03201	7.313	..	..	6.02488	105.0
0.7368	0.00350	0.3409	0.0341	0.1240	0.0369	0.03209	7.278	..	..	5.96080	104.5
0.7379	0.00351	0.3431	0.0339	0.1238	0.0368	0.03182	7.255	..	..	5.94398	104.5
0.7481	0.00355	0.3481	0.0337	0.1236	0.0369	0.03139	7.252	..	..	5.92250	104.5
0.7506	0.00355	0.3483	0.0335	0.1243	0.0366	0.03049	7.263	..	..	5.93316	104.6
0.7524	0.00357	0.3505	0.0333	0.1231	0.0366	0.03025	7.242	..	..	5.91076	104.6
0.7512	0.00354	0.3553	0.0329	0.1190	0.0360	0.03004	7.107	3.084	5.156	5.79556	104.3
0.7517	0.00353	0.3555	0.0325	0.1184	0.0356	0.02975	7.050	3.063	5.153	5.74575	104.1
0.7407	0.00347	0.3503	0.0322	0.1176	0.0352	0.02980	7.003	3.119	5.103	5.71328	103.8
0.7350	0.00343	0.3478	0.0319	0.1162	0.0350	0.03097	6.971	3.165	5.072	5.70115	103.3
0.7316	0.00339	0.3474	0.0316	0.1155	0.0350	0.03106	6.935	3.136	5.063	5.67351	103.1
0.7306	0.00337	0.3468	0.0315	0.1163	0.0352	0.03066	6.969	3.196	5.050	5.68539	103.0
0.7316	0.00337	0.3460	0.0314	0.1170	0.0355	0.02989	6.985	3.199	5.045	5.68463	103.0
0.7288	0.00337	0.3455	0.0313	0.1171	0.0360	0.03057	7.020	3.206	5.031	5.70792	102.9

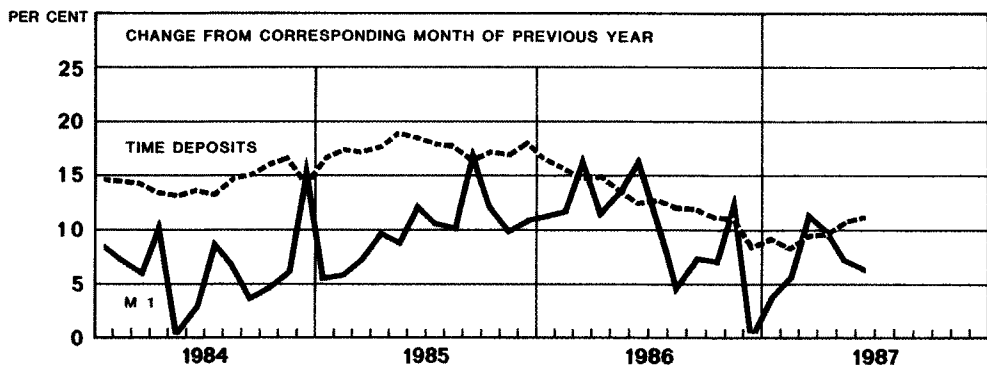
¹ Until December 31, 1983 the base year was 1974=100.
Since January 1, 1984 the base year has been 1982=100.



DEPOSITS BY THE PUBLIC

Mill. FIM

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks (1 to 3)	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1983	7 056	4 567	3 676	15 300	34 302	29 273	24 175	9 938	97 689	112 988
1984	8 470	5 268	4 463	18 201	39 354	33 333	27 900	11 266	111 852	130 053
1985	9 382	5 988	5 027	20 397	49 240	38 167	32 133	12 671	132 210	152 607
1986*	9 643	6 235	4 194	20 071	51 003	42 315	36 263	13 992	143 572	163 643
1986*										
April	8 228	5 464	5 045	18 737	50 261	39 407	33 796	13 184	136 647	155 384
May	8 188	5 532	5 542	19 262	50 549	39 737	33 966	13 283	137 534	156 796
June	9 843	5 854	5 769	21 467	50 249	40 498	34 639	12 784	138 170	159 636
July	9 141	5 837	5 629	20 606	49 832	40 837	34 897	12 981	138 547	159 153
Aug.	7 368	5 661	5 873	18 902	49 962	41 026	35 073	13 209	139 270	158 172
Sept.	9 240	5 842	5 871	20 953	49 591	41 102	35 046	13 045	138 784	159 737
Oct.	9 505	5 890	4 899	20 294	49 922	41 403	35 283	13 603	140 211	160 505
Nov.	9 010	6 073	5 278	20 361	50 201	41 867	35 636	13 778	141 482	161 843
Dec.	9 643	6 235	4 194	20 071	51 003	42 315	36 263	13 992	143 572	163 643
1987*										
Jan.	9 054	5 891	4 401	19 346	51 823	43 129	37 068	14 402	146 423	165 770
Feb.	8 874	5 839	4 613	19 326	51 697	43 997	37 750	14 340	147 784	167 111
March	10 518	6 111	4 503	21 132	52 127	43 924	37 684	14 222	147 956	169 088
April	9 752	6 408	5 127	21 287	53 004	44 510	38 123	14 570	150 207	171 493



ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. FIM

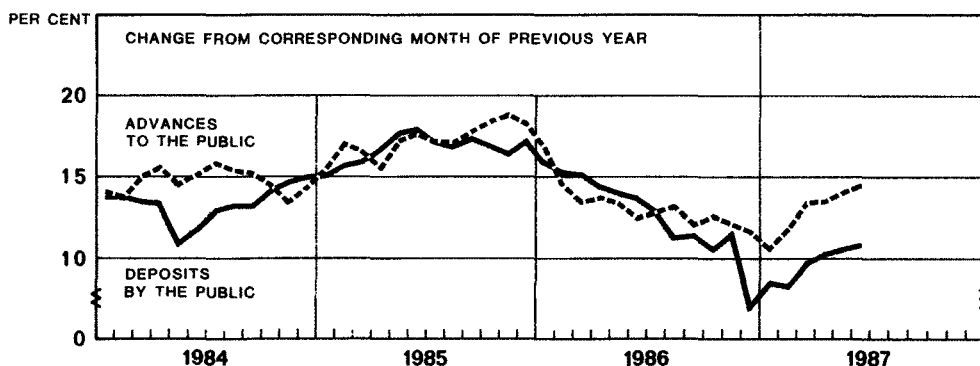
End of year and month	Advances granted by				Types of advances			Total (1 to 4) (5 to 7)	Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency		M ₁	M ₁ – Quasi-Money
	1	2	3	4	5	6	7	8	9	10
1983	56 162	29 276	27 322	13 471	104 627	4 350	17 253	126 231	21 427	121 906
1984	65 965	32 705	31 164	14 687	118 924	5 233	20 363	144 520	24 945	141 658
1985	81 669	36 991	35 751	16 745	140 139	6 313	24 704	171 155	27 694	166 652
1986*	88 188	42 230	40 776	20 052	158 689	7 542	25 016	191 246	27 838	179 324

1986*

April	83 121	38 497	37 076	17 829	145 838	7 269	23 416	176 523	26 370	170 568
May	84 423	38 968	37 488	18 026	148 109	7 074	23 722	178 905	26 622	171 161
June	84 856	39 447	37 967	18 532	149 623	7 634	23 545	180 802	28 879	173 879
July	85 332	39 927	38 490	18 504	151 405	7 369	23 480	182 253	27 670	173 524
Aug.	86 187	40 328	38 977	18 987	153 012	8 393	23 073	184 479	26 030	172 484
Sept.	86 148	40 864	39 542	19 607	154 570	7 771	23 819	186 160	28 064	174 220
Oct.	87 572	41 343	39 913	20 120	156 083	7 573	25 294	188 949	27 471	175 271
Nov.	88 261	41 642	40 213	20 571	157 222	7 644	25 820	190 686	27 915	176 682
Dec.	88 188	42 230	40 776	20 052	158 689	7 542	25 016	191 246	27 838	179 324

1987*

Jan.	88 786	42 644	40 929	20 238	160 024	7 455	25 118	192 597	27 075	181 194
Feb.	90 278	43 090	41 263	20 448	161 541	7 557	25 981	195 079	26 782	182 436
March	91 254	43 663	41 877	20 981	162 649	7 943	27 183	197 775	28 901	183 992
April	92 616	44 403	42 305	21 113	164 310	8 019	28 108	200 437	29 029	186 783



STATE FINANCES

Mill. FIM

Revenue	Jan.-June		Expenditure	Jan.-June	
	1986	1987		1986	1987
Income and wealth tax (net)	12 959	13 789	Wages, salaries, pensions etc.	7 169	8 192
Gross receipts	34 634	38 389	Repair and maintenance	801	832
Refunds & local authorities	-21 675	-24 600	Other consumption expenditure	4 470	5 116
Other taxes on income and wealth	269	307	Total consumption expenditure	12 441	14 139
Employers' child allowance payments	4	0	State aid to local authorities	11 202	13 238
Sales tax	11 288	15 006	State aid to industries	4 838	5 368
of which: agric. price subsidies			of which: agric. price subsidies	2 207	2 793
Customs duties and import charges and levies	544	858	Child allowances	650	1 372
Excise duties	6 238	5 296	Share in national pensions and sickness insurance schemes	875	1 397
Excise duty on alcoholic bevs.	2 130	2 306	Deficit of State enterprises	841	800
Excise duty on tobacco	807	923	Other transfer expenditure	7 214	7 585
Excise duty on liquid fuel	2 351	1 456	Total transfer expenditure	25 620	29 759
Other excise duties	951	612	Machinery and equipment	1 057	1 423
Tax on autom. and motor-cycles	1 106	1 778	Construction of buildings	427	539
Stamp duties	1 631	1 613	Land and waterway construction	1 045	1 221
Special diesel etc. vehicles tax	199	226	Total real investment	2 530	3 183
Other taxes and similar revenue	964	1 161	Interest on State debt	2 782	3 009
Total taxes	35 203	40 034	Other expenditure	8	14
Miscellaneous revenue	3 239	3 745	Total other expenditure	2 789	3 023
Interest, dividends etc.	864	1 361	Increase in inventories	123	481
Surplus of state enterprises	970	1 159	Lending	1 619	2 003
Redemptions of loans granted	451	835	Other financial investment	419	550
Total revenue	40 728	47 133	Total expenditure	45 541	53 139
Foreign borrowing	2 853	3 914	Redemption of foreign loans	2 759	2 687
Domestic borrowing	4 558	5 001	Redemption of domestic loans	2 835	4 291
Total borrowing	7 411	8 915	Total redemptions	5 594	6 978
Deficit (+) or surplus (-)	2 996	4 069			
Total	51 135	60 117	Total	51 135	60 117

State debt	1985	1986	1987			
	Dec.	Dec.	April	May	June	July
Foreign debt	25 677	26 981	27 895	28 810	27 655	27 561
Long-term debt	20 872	24 602	24 382	25 002	25 312	25 826
Short-term credit	432	411	451	584	678	678
Domestic debt	21 304	25 013	24 833	25 586	25 990	26 504
Total State debt	46 981	51 994	52 728	54 396	53 645	54 065
Total debt mill. \$	8 562	10 597	11 923	12 483	12 118	12 051

FOREIGN TRADE

Mill. FIM

Value, mill. FIM

Period	Value, mill. FIM		
	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
	1	2	3
1982	63 026	64 751	-1 725
1983	69 692	71 528	-1 836
1984	80 904	74 682	+6 222
1985	84 028	81 520	+2 508
1986*	82 579	77 601	+4 978

1986*			
Period	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
Oct.	7 935	6 600	+1 335
Nov.	7 602	6 754	+848
Dec.	7 474	6 835	+639

1987*			
Period	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
Jan.	6 712	6 705	+7
Feb.	6 374	5 732	+642
March	7 362	7 328	+34
April	7 285	6 499	+786
May	7 008	7 150	-142
June	7 451	7 070	+381

Jan.-June			
Period	Exports f.o.b	Imports c.i.f.	Surplus of exports (+) or imports (-)
1986*	38 341	36 617	+1 724
1987*	42 193	40 485	+1 708

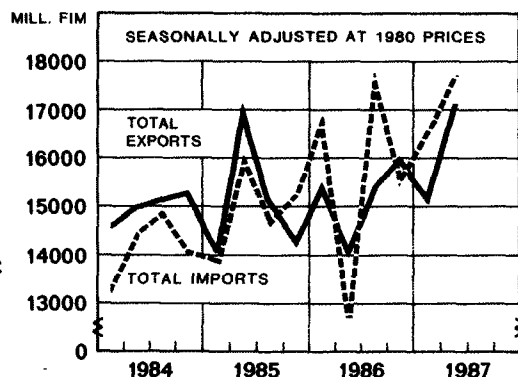
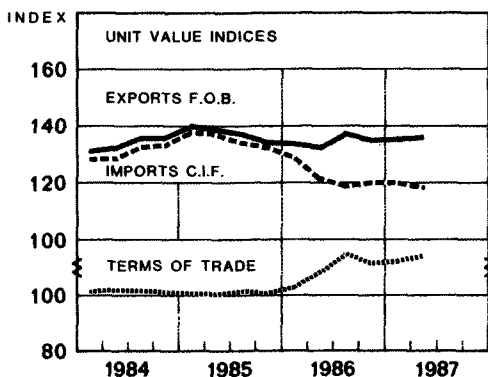
Indices of exports and imports
1980 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	
1982	100	95	119	117	101
1983	104	98	127	125	101
1984	114	98	134	131	102
1985	115	104	138	135	102
1986	116	110	135	121	111

1985					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Apr.-June	122	106	139	138	101
July-Sept.	113	100	138	135	102
Oct.-Dec.	117	113	135	133	102

1986*					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	113	110	134	129	103
Apr.-June	104	90	133	122	109
July-Sept.	116	119	138	120	115
Oct.-Dec.	128	115	136	121	112

1987*					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-March	114	113	136	120	113
Apr.-June	120	120	137	119	115



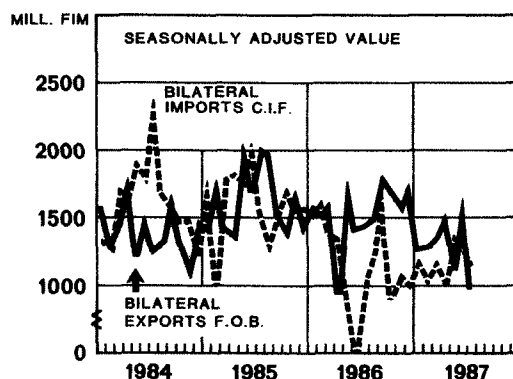
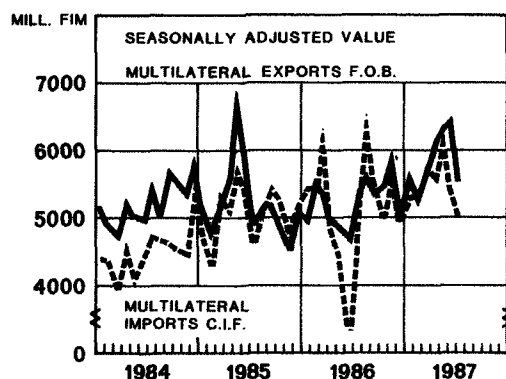
FOREIGN TRADE BY MAIN GROUPS

Mill. FIM

Exports. f.o.b.

Imports. c.i.f.

Period	Exports. f.o.b.					Imports. c.i.f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and intermediate goods	Fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	Investment goods	Consumer goods	8
1982	1 676	6 278	17 502	18 908	18 662	41 144	4 869	9 195	9 130	413
1983	1 723	6 944	19 327	20 211	21 487	44 757	5 006	10 860	10 572	333
1984	2 865	7 145	23 573	22 998	24 323	47 028	5 034	10 993	11 454	173
1985	2 678	6 728	25 030	24 412	25 179	50 944	5 502	11 675	12 967	432
1986*	2 478	6 947	24 600	26 115	22 439	45 413	3 949	12 898	15 069	273
1986*										
Oct.	154	702	2 444	2 396	2 239	3 771	337	1 123	1 275	94
Nov.	163	755	2 190	2 443	2 051	3 866	314	1 197	1 368	10
Dec.	179	626	1 992	2 964	1 713	3 948	238	1 426	1 181	42
1987*										
Jan.	213	584	2 040	2 073	1 803	3 921	304	1 079	1 255	146
Feb.	202	512	2 077	1 825	1 760	3 262	94	928	1 426	22
March	374	619	2 277	2 228	1 863	3 984	236	1 447	1 619	41
April	437	616	2 352	2 236	1 645	3 715	156	1 218	1 404	7
May	162	746	2 165	2 089	1 845	4 179	257	1 208	1 468	39
June	265	733	2 102	2 526	1 825	4 106	328	1 150	1 327	159
Jan.-June										
1986*	1 359	3 074	11 349	11 697	10 862	21 964	1 799	5 674	7 099	80
1987*	1 653	3 810	13 012	12 977	10 741	23 168	1 375	7 031	8 498	414



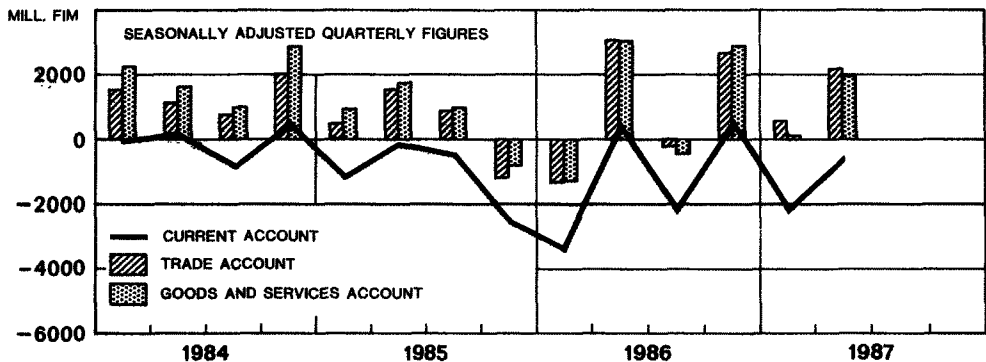
FOREIGN TRADE BY COUNTRIES

Mill. FIM

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January-June				January-June			
	1986*		1987*		1986*		1987*	
	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM	%	Mill. FIM
OECD countries in Europe	62.1	23 809	64.8	27 333	61.7	22 591	63.0	25 522
Austria	0.9	330	1.1	472	1.3	461	1.3	515
Belgium and Luxembourg	1.8	678	1.7	710	2.4	859	2.7	1 087
Denmark	4.2	1 599	4.0	1 707	2.7	1 005	2.8	1 147
France	4.7	1 791	5.6	2 355	4.1	1 496	4.7	1 886
Federal Republic of Germany	9.9	3 796	10.6	4 471	17.0	6 221	17.5	7 083
Italy	2.2	830	2.6	1 094	4.2	1 522	4.5	1 804
Netherlands	3.7	1 410	3.8	1 612	3.0	1 087	3.0	1 207
Norway	4.6	1 756	4.7	1 978	2.5	908	2.2	881
Portugal	0.3	101	0.3	141	0.8	282	1.1	427
Spain	1.1	411	1.2	521	1.1	416	1.1	433
Sweden	14.9	5 731	14.4	6 071	13.6	4 977	13.0	5 266
Switzerland	1.6	624	1.8	780	1.9	705	2.0	815
United Kingdom	10.8	4 160	11.2	4 733	6.4	2 355	6.5	2 619
Other	1.5	592	1.6	689	0.8	297	0.9	352
OECD countries outside Europe	9.1	3 469	8.6	3 639	12.3	4 508	13.1	5 295
Canada	1.1	422	1.1	471	0.4	150	0.5	186
Japan	1.5	561	1.4	610	6.6	2 419	7.2	2 933
United States	5.4	2 072	5.1	2 137	4.9	1 801	5.1	2 053
Other	1.1	414	1.0	421	0.4	138	0.3	123
CMEA countries	20.7	7 939	17.6	7 425	18.1	6 627	16.7	6 750
Czechoslovakia	0.3	132	0.4	159	0.5	172	0.5	196
German Democratic Republic	0.3	116	0.4	159	0.6	203	0.5	197
Poland	0.3	101	0.3	118	1.4	498	0.7	295
Soviet Union	18.9	7 238	16.1	6 777	15.2	5 552	14.4	5 824
Other	0.9	352	0.5	213	0.6	202	0.6	238
Latin America	1.6	608	1.6	681	2.7	972	2.2	875
Argentina	0.1	30	0.1	38	0.1	45	0.1	43
Brazil	0.2	77	0.4	148	0.8	298	0.6	233
Colombia	0.1	41	0.1	43	0.7	272	0.4	173
Other	1.2	460	1.1	452	1.0	358	1.1	426
Other	6.6	2 516	7.4	3 115	5.2	1 919	5.1	2 043
GRAND TOTAL	100.0	38 341	100.0	42 193	100.0	36 617	100.0	40 485
of which								
EFTA countries	35.7	8 495	22.2	9 367	19.4	7 107	18.6	7 542
EEC countries	39.5	15 160	42.3	17 828	42.2	15 461	44.4	17 956
OECD countries	71.2	27 278	73.4	30 973	74.0	27 099	76.1	30 818

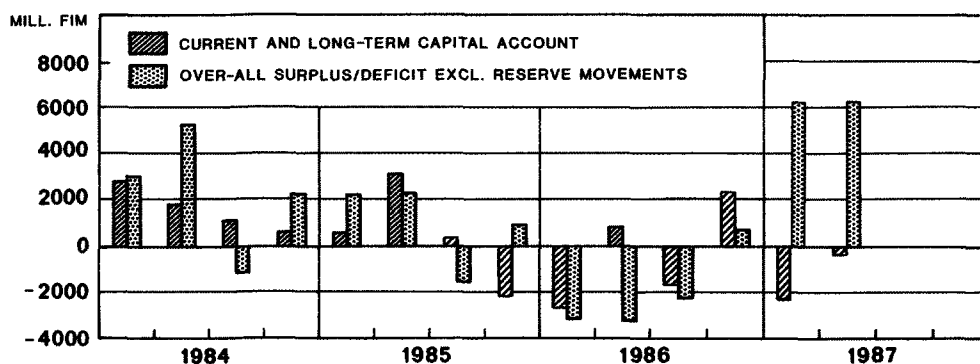
BALANCE OF PAYMENTS

Period	Exports f.o.b.	Imports c.i.f.	Trade account (1-2)	Transport. net	Travel, net	Other services, net	Goods and services account (3 to 6)	Invest- ment income, net	Un- required transfers, net	Other, net	Current account (7 to 10)
	1	2	3	4	5	6	7	8	9	10	11
1983	67 960	70 731	-2 771	+3 200	-748	+1 692	+1 373	-5 808	-797	+13	-5 219
1984	78 961	73 496	+5 465	+4 008	-1 211	-209	+8 053	-6 761	-1 050	-336	-93
1985	82 475	80 764	+1 711	+3 671	-1 773	-330	+3 279	-6 287	-1 096	-413	-4 517
1986*	81 389	77 224	+4 165	+2 939	-2 419	-101	+4 584	-6 954	-1 748	-382	-4 500
1984											
July-Sept.	18 983	18 922	+61	+1 144	-123	-236	+845	-1 601	-279	-75	-1 110
Oct.-Dec.	21 423	19 469	+1 954	+837	-392	+213	+2 613	-1 961	-285	-112	+254
1985											
Jan.-March	19 734	18 667	+1 067	+935	-528	+18	+1 492	-1 872	-349	-148	-877
Apr.-June	22 109	21 120	+989	+1 016	-472	-237	+1 296	-1 649	-270	-82	-706
July-Sept.	20 284	19 366	+919	+906	-294	+81	+1 612	-1 257	-219	-86	+50
Oct.-Dec.	20 347	21 610	-1 263	+814	-479	-192	-1 121	-1 508	-259	-96	-2 984
1986*											
Jan.-March	19 743	20 673	-930	+785	-600	-176	-921	-1 681	-551	-110	-3 263
Apr.-June	18 013	15 774	+2 238	+713	-645	-5	+2 301	-2 064	-372	-86	-220
July-Sept.	20 933	20 689	+244	+827	-513	-71	+487	-1 445	-354	-56	-1 369
Oct.-Dec.	22 700	20 088	+2 612	+615	-661	+151	+2 716	-1 763	-472	-130	+352
1987*											
Jan.-March	20 134	19 695	+439	+584	-819	-198	+6	-1 769	-649	-108	-2 520
Apr.-June	21 418	20 613	+805	+714	-742	-98	+679	-2 217	-370	-111	-2 020



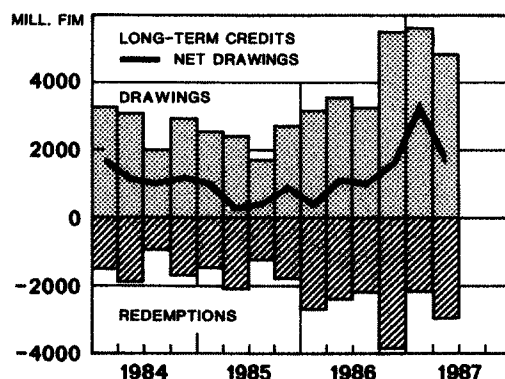
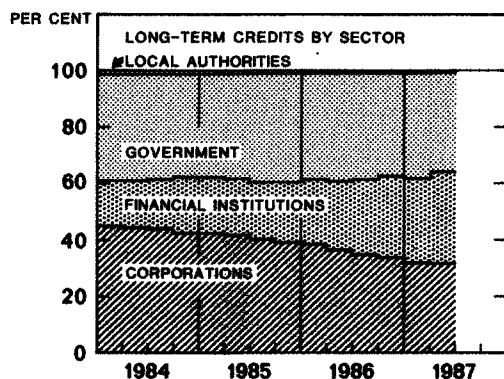
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net	Long-term capital account (12 to 15)	Current and long-term capital account (11 + 16)	Prepayments and liabilities related to imports	Prepayments and receivables related to exports	Short-term capital of authorized banks, net	Miscellaneous, short-term capital items, incl. errors and omissions	Over-all surplus deficit excl. reserve movements (17 to 21)	Bank of Finland foreign exchange reserves
12	13	14	15	16	17	18	19	20	21	22	23
+10 112	-7 273	+423	-1 388	+1 874	-3 344	+3 273	-3 380	+1 266	+24	-2 162	+2 162
+14 087	-7 538	-1 682	+1 365	+6 232	+6 138	+760	+2 995	+2 086	-2 704	+9 275	-9 275
+11 724	-8 237	+1 313	+1 697	+6 497	+1 980	+1 795	-3 177	+5 267	-2 121	+3 744	-3 744
+19 319	-13 930	+382	-2 427	+3 344	-1 156	-18	-307	-10 754	+4 305	-7 930	+7 930
+2 495	-1 185	-603	+1 460	+2 167	+1 057	+426	-128	-2 186	-309	-1 140	+1 140
+3 659	-2 115	-933	-293	+318	+572	+300	+1 718	-702	+319	+2 208	-2 208
+3 171	-1 855	+330	-88	+1 558	+681	+1 499	-1 122	+2 208	-1 113	+2 153	-2 153
+3 022	-2 612	+373	+3 059	+3 842	+3 136	+1 130	-1 460	+1 911	-2 489	+2 228	-2 228
+2 138	-1 555	+263	-548	+298	+347	-22	-270	-1 400	-222	-1 566	+1 566
+3 393	-2 215	+347	-726	+799	-2 185	-812	-324	+2 548	+1 703	+930	-930
+3 955	-3 377	+241	-236	+583	-2 680	+1 822	-564	-3 085	+1 345	-3 162	+3 162
+4 434	-2 991	-111	-316	+1 016	+795	-1 172	-657	-2 589	+386	-3 236	+3 236
+4 065	-2 745	+110	-1 679	-249	-1 618	+1 044	+475	-3 349	+1 235	-2 213	+2 213
+6 865	-4 817	+142	-195	+1 995	+2 347	-1 712	+440	-1 731	+1 338	+681	-681
+6 989	-2 721	-257	-3 768	+243	-2 277	+1 294	+1 688	+6 464	-934	+6 236	-6 236
+6 048	-3 699	+84	-789	+1 644	-376	+1 229	-579	+4 522	+1 441	+6 237	-6 237

Assets: increase -, decrease + Liabilities: increase +, decrease -

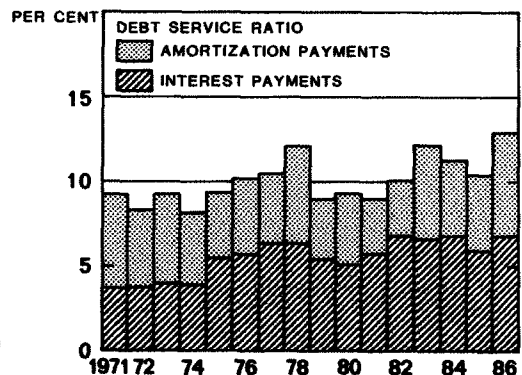
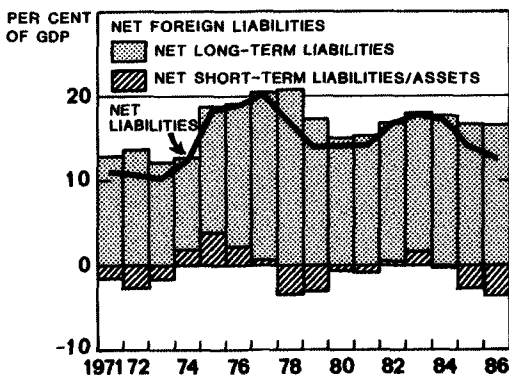


FINLAND'S FOREIGN ASSETS AND LIABILITIES

End of year and month	Long-term assets				Long-term liabilities						Net long-term liabilities (10-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Portfolio investment	Other	Total (5 to 9)	
	1	2	3	4	5	6	7	8	9	10	11
1983	6 612	6 166	3 932	16 710	53 118	4 472	2 317	848	763	61 518	44 808
1984	8 920	8 689	1 915	19 524	63 958	3 865	2 905	2 013	805	73 546	54 022
1985	6 539	10 524	2 774	19 837	63 228	2 893	3 274	6 313	895	76 603	56 766
1986*	5 647	13 735	4 252	23 634	68 072	2 072	4 880	6 959	953	82 936	59 302
1984											
Sept.	7 767	7 834	1 839	17 440	60 497	3 951	2 410	1 957	834	69 649	52 209
Dec.	8 920	8 689	1 915	19 524	63 958	3 865	2 905	2 013	805	73 546	54 022
1985											
March	8 473	9 942	2 061	20 476	64 484	3 651	2 899	2 900	778	74 712	54 236
June	8 027	10 379	2 177	20 583	64 801	3 318	3 058	6 317	873	78 367	57 784
Sept.	7 194	10 484	2 167	19 845	63 385	3 064	3 104	6 210	867	76 630	56 785
Dec.	6 539	10 524	2 774	19 837	63 228	2 893	3 274	6 313	895	76 603	56 766
1986*											
March	6 103	10 702	2 712	19 517	63 570	2 803	3 356	6 407	820	76 956	57 439
June	6 158	11 685	2 784	20 627	66 600	2 546	3 419	7 117	832	80 514	59 887
Sept.	5 865	12 609	3 119	21 593	67 670	2 487	3 685	6 911	906	81 659	60 066
Dec.	5 647	13 735	4 252	23 634	68 072	2 072	4 880	6 959	953	83 936	59 302
1987*											
March	5 654	14 295	6 857	26 806	69 965	1 986	5 003	6 572	1 683	85 209	58 403
June	5 582	15 005	7 133	27 720	72 559	1 866	5 148	6 578	1 627	87 778	60 058



Short-term assets				Short-term liabilities				Net short-term liabilities (19-15)	Net liabilities (11+20)	Debt service, flow	Of which amortization payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (12 to 14)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (16 to 18)				
12	13	14	15	16	17	18	19	20	21	22	23
11 842	29 263	15 915	57 020	5 705	39 443	16 181	61 328	4 308	49 116	10 875	4 914
22 912	43 319	12 804	79 035	4 562	55 695	17 988	78 245	-790	53 232	11 594	4 613
25 183	38 775	18 155	82 113	4 070	51 374	17 354	72 798	-9 314	47 452	11 276	4 808
16 613	54 598	18 381	89 593	3 455	56 881	16 119	76 454	-13 138	46 164	13 356	6 185
21 064	34 621	14 727	70 411	4 815	47 882	17 431	70 128	-283	51 926	2 223	596
22 912	43 319	12 804	79 035	4 562	55 695	17 988	78 245	-790	53 232	3 387	1 377
24 785	44 984	15 869	85 638	4 535	59 386	19 328	83 249	-2 390	51 846	3 397	1 561
26 208	46 661	18 635	91 504	3 729	62 896	19 987	86 612	-4 891	52 893	2 791	1 039
24 770	44 927	18 183	87 880	4 240	59 370	19 120	82 730	-5 150	51 635	2 320	1 011
25 183	38 775	18 155	82 113	4 070	51 374	17 354	72 798	-9 314	47 452	2 768	1 197
21 647	40 424	18 037	80 109	3 659	50 424	18 682	72 765	-7 343	50 096	3 858	2 126
18 470	45 237	18 213	81 921	3 499	52 647	16 965	73 111	-8 809	51 078	3 288	1 176
16 168	51 541	17 881	85 591	3 565	55 602	18 234	77 401	-8 190	51 876	2 312	837
16 613	54 598	18 381	89 593	3 455	56 881	16 119	76 454	-13 138	46 164	3 897	2 046
22 482	50 790	16 344	89 616	3 521	59 536	18 556	81 612	-8 003	50 400	3 541	1 733
28 686	54 712	16 799	100 197	3 490	67 981	19 876	91 347	-8 850	51 208	4 669	2 426



PRICE INDICES

Period	Wholesale price index 1949 = 100	Basic price index for domestic supply 1980 = 100						Building costs 1980 = 100		
		Total	Origin		Purpose			Total	Wages in building trade	Building materials
			Domestic goods	Imported goods	Raw materials	Consumer goods	Investment goods			
	1	2	3	4	5	6	7	8	9	10
1985	1 324	140.5	143.1	132.8	137.5	145.8	142.4	144.3	144.4	142.8
1986	1 264	133.2	139.8	113.1	122.3	145.7	148.0	150.5	153.9	148.2
1986										
Dec.	1 256	131.9	138.8	110.9	119.5	144.9	149.8	152.3	156.2	150.2
1987										
Jan.	1 269	132.9	139.9	111.7	121.0	145.6	149.9	154.0	158.9	151.4
Feb.	1 271	133.2	140.3	111.8	120.9	146.2	151.0	154.3	158.9	151.8
March	1 274	133.3	140.6	111.0	120.6	146.6	151.4	155.8	165.2	151.4
April	1 277	133.7	141.2	110.9	120.7	146.9	152.7	156.9	165.5	153.3
May	1 276	133.9	141.5	110.8	120.7	146.9	153.8	157.2	165.5	153.6
June	1 278	134.1	141.6	111.3	120.7	147.3	154.4	157.5	165.5	153.9
July	1 284	134.9	142.2	112.5	121.6	148.1	154.7	157.9	165.4	154.4

Period	Consumer prices 1981 = 100									
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent, heating and lighting	Household goods and services	Health and medical services	Transport and communication	Education and recreation	Other goods and services
	1	2	3	4	5	6	7	8	9	10
1985	134.6	139.1	140.3	126.1	130.9	129.7	155.7	130.4	132.5	140.4
1986	139.4	144.2	146.4	131.6	134.5	135.0	164.1	130.7	139.9	149.0
1986										
Dec.	140.8	144.5	147.5	135.2	134.3	137.0	167.1	132.4	143.3	151.1
1987										
Jan.	142.2	145.1	152.9	130.9	134.6	137.7	170.3	135.0	146.3	154.3
Feb.	142.7	145.4	152.9	132.7	134.6	138.0	171.6	135.8	146.5	155.1
March	143.4	146.3	155.2	134.6	134.6	138.7	171.6	137.2	146.8	155.1
April	144.0	147.2	155.5	135.3	134.7	139.4	172.8	138.0	147.8	155.3
May	144.3	146.3	155.7	135.7	135.5	140.0	172.8	138.2	148.2	156.4
June	144.6	146.7	155.7	135.8	135.5	140.1	175.3	139.3	148.2	156.7
July	144.7	146.9	155.7	134.2	135.5	139.6	177.7	139.7	148.2	156.8

WAGES

Index of wage and salary earnings 1980 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1	2	3	4	5	6	7	8	9	10	
1984	148.5	149.9	152.8	152.8	147.1	154.7	150.5	151.4	149.7	150.8
1985	160.6	161.2	168.8	165.1	158.8	166.7	163.5	164.2	162.2	163.5
1986*	176.3	171.0	179.0	178.2	170.2	180.1	174.5	176.6	172.0	174.9
1986*										
Jan.-March	177.2	166.7	175.4	173.9	167.0	176.1	169.5	171.8	167.9	170.4
Apr.-June	174.7	172.1	174.3	178.4	170.8	180.2	174.4	176.9	171.7	175.0
July-Sept.	172.2	171.4	178.8	179.4	171.4	181.2	175.3	177.8	172.2	175.8
Oct.-Dec.	180.9	173.7	187.4	181.0	171.5	182.9	178.7	179.9	176.0	178.5
1987*										
Jan.-March	184.7	176.8	190.7	185.2	178.2	186.6	181.4	183.7	178.9	182.0

PRODUCTION

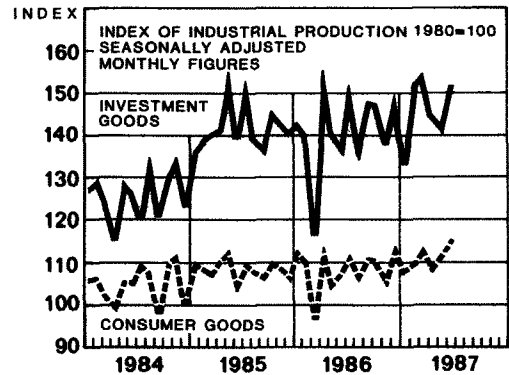
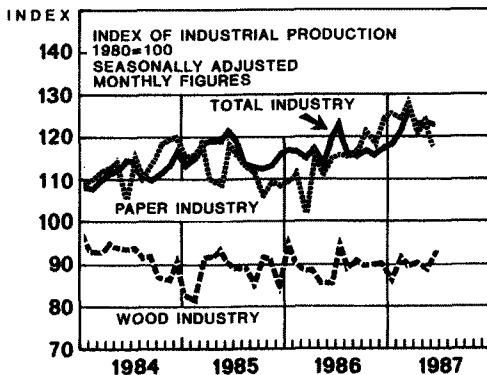
Volume indices of production 1985 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communication	Commerce	Public sector services	Others
1985										
Jan.-March	93	97	71	114	78	86	95	87	99	94
Apr.-June	99	105	75	122	81	103	99	98	99	101
July-Sept.	98	92	172	42	105	105	97	101	100	99
Oct.-Dec.	109	107	83	122	136	107	109	113	101	106
1986*										
Jan.-March	94	94	69	106	78	88	97	90	102	98
Apr.-June	100	105	75	100	70	107	98	104	99	106
July-Sept.	103	94	178	43	110	107	102	107	103	105
Oct.-Dec.	112	111	84	115	139	107	114	114	104	112
1987*										
Jan.-March	99	100	69	106	76	88	101	95	105	102

PRODUCTION

Index of industrial production 1980 = 100

Period	Total	Investment goods	Consumer goods	Other producer goods	Special indices of manufacturing						Total adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
	1	2	3	4	5	6	7	8	9	10	11
1984	111.8	126.8	105.6	111.9	109.3	92.4	114.3	111.5	108.4	120.0	112.1
1985	116.2	142.6	109.0	114.6	111.8	88.8	113.3	116.0	111.3	129.6	116.6
1986*	117.2	142.4	109.2	116.3	112.4	90.2	115.6	117.8	108.1	131.8	117.5
1986*											
June	117.6	155.2	103.2	117.6	108.5	98.1	107.8	113.5	107.4	139.5	120.2
July	86.2	73.6	74.6	93.6	105.9	47.5	130.2	83.6	74.0	71.9	124.2
Aug.	114.3	126.8	107.3	115.1	109.6	81.7	121.0	122.1	123.7	120.2	116.5
Sept.	125.3	152.0	116.2	124.5	113.4	105.9	116.5	124.7	144.5	143.9	115.7
Oct.	134.7	166.3	126.5	132.7	141.3	109.1	128.4	121.2	145.9	156.2	117.3
Nov.	123.9	149.5	116.9	122.3	130.5	92.7	121.2	125.2	120.9	140.3	116.3
Dec.	117.5	146.6	110.2	115.6	114.3	73.1	118.0	117.1	94.2	135.5	117.8
1987*											
Jan.	121.4	138.0	115.6	120.8	102.9	82.0	127.9	118.5	98.4	128.0	118.7
Feb.	116.1	146.0	106.7	115.0	93.6	84.5	122.7	109.3	93.3	129.9	121.8
March	131.6	170.3	119.2	130.5	104.8	94.9	131.3	130.8	112.0	153.8	127.8
April	120.6	150.9	111.9	119.1	110.5	103.8	111.9	122.9	109.8	138.0	123.3
May	124.7	159.1	113.5	123.8	107.9	101.3	125.0	126.0	119.0	144.8	123.9
June	123.2	169.1	110.2	121.2	113.5	107.4	104.6	122.5	120.7	151.2	123.3



LABOUR – TIMBER FELLINGS – INTERNAL TRADE

Period	Population of working age, 1 000 persons	Total labour force, 1 000 persons	Employed, 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings, 1 000 solid cu. m	Retail sales volume index 1980 = 100	Wholesale volume index 1980 = 100
	1	2	3	4	5	6	7	8
1985*	3 710	2 600	2 437	163	6.3	43 349	114	110
1986*	3 716	2 612	2 431	182	7.0	38 832	117	115
1986*								
May	3 718	2 609	2 438	171	6.5	3 292	122	119
June	3 717	2 788	2 598	190	6.8	2 472	118	110
July	3 717	2 790	2 600	190	6.8	1 124	125	104
Aug.	3 718	2 647	2 481	166	6.3	1 194	116	114
Sept.	3 715	2 600	2 428	172	6.6	2 143	116	126
Oct.	3 716	2 576	2 394	182	7.1	3 100	122	130
Nov.	3 717	2 567	2 392	175	6.8	3 626	110	115
Dec.	3 718	2 572	2 399	173	6.7	3 981	138	127
1987*								
Jan.	3 719	2 510	2 337	173	6.9	3 173	114	103
Feb.	3 718	2 487	2 346	141	5.7	4 912	104	106
March	3 718	2 520	2 376	144	5.7	5 678	112	125
April	3 720	2 518	2 384	134	5.3	5 692	122	126
May	3 720	2 535	2 411	124	4.9	3 888	122	123
June	3 719	2 707	2 577	130	4.8	2 309		

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
	Million cubic metres										
	1	2	3	4	5	6	7	8	9	10	11
1985*	48.17	18.17	6.70	16.53	3.41	44.74	17.40	4.94	15.97	3.35	49.64
1986*	48.02	16.94	6.23	17.29	4.00	40.36	15.29	5.09	13.49	3.51	52.27
1985*											
Oct.-Dec.	9.69	2.98	0.90	4.32	0.88	15.84	5.67	1.89	6.44	0.82	49.64
1986*											
Jan.-March	9.30	2.98	1.20	4.09	0.51	8.36	3.62	0.58	2.97	0.68	46.70
Apr.-June	17.03	6.88	2.99	4.91	0.97	5.50	2.33	0.73	1.65	0.39	56.14
July-Sept.	12.78	4.35	1.27	4.82	1.26	11.67	3.93	1.84	3.79	1.29	57.28
Oct.-Dec.	8.91	2.73	0.77	3.47	1.26	14.83	5.41	1.94	5.09	1.15	52.27
1987*											
Jan.-March	8.58	2.85	0.97	3.42	0.90	7.46	3.20	0.67	2.66	0.52	49.21

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

—BANK OF FINLAND

Page 4. *Public sector*: Claims = Government promissory notes + Bonds + Total coinage + Other claims on the public sector. Other liabilities = Cheque accounts + Counter cyclical reserves + Counter-cyclical deposits + Capital import deposits + Other liabilities to the public sector. Certificates of deposit are interest bearing, freely transferable term liabilities of the Bank of Finland sold to the government. Their maturities range from one week to one year. As from November 1, 1983, certificates of deposit were replaced by the government deposit account.

Page 5. *Domestic financial sector*: Other liabilities, net = Capital import deposits + Other liabilities to financial institutions - Bonds - Other claims on financial institutions.

Corporate sector: Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers' credits. Liabilities, net = Deposits for investment and ship purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Export deposits - Other liabilities to corporations - Bonds - Other claims on corporations.

MONETARY POLICY INDICATORS

Page 6. All the figures except the average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The average lending rate of the commercial banks is the mean value of the end of the month lending rates weighted by credit outstanding. The annual figure for the average lending rate is an unweighted average of the weighted average monthly rates.

Gross central bank debt of the deposit banks = call money credits and term credits extended to and certificates of deposit bought from the commercial banks and Postipankki. As from January 1984, the only source of central bank debt was the call money market. Three month term credits were introduced in December 1986 and open market operations in CDs were started in March 1987. Banks' borrowing from the central bank is monitored; a bank exceeding stipulated limits comes under the special surveillance of the central bank. The rate of interest on call money credits is set by the central bank. The 3-month HELIBOR is the arithmetic mean of daily inter-bank offered rates for the four biggest commercial banks and Postipankki.

Net central bank debt of the deposit banks = Gross central bank debt of the deposit banks - The commercial banks' and Postipankki's call money and term deposits and their holdings of CDs issued by the Bank of Finland. - All deposit banks' cash reserve deposits at the Bank of Finland.

Cash reserve deposits of the deposit banks equal the total amount of cash reserve deposits at the Bank of Finland made by the deposit banks under the Cash Reserve Agreement of September 7, 1984. The deposit banks consist of the commercial banks, co-operative banks, savings banks and Postipankki.

The cash reserve requirement is set each month by the Bank of Finland as the percentage of each bank's stock of deposits and major part of a bank's net foreign debt which must be deposited at the central bank. Deposits are to be made one month after the close of the month to which the coefficient applies.

Call money credit extended by the Bank of Finland = Demand for call money by the deposit banks - Supply of call money by the deposit banks.

As from the beginning of 1986, the call money interest rate was differentiated into two separate rates of interest, the rate on call money credits and a lower one, the rate on call money deposits. As from the beginning of 1986, the figures on page 6 and the chart illustrating the call money rate have been prepared on the basis of the rate on call money credits.

FORWARD EXCHANGE MARKETS IN FINLAND

Page 7. The figures for columns 1-6 are calculated by the Bank of Finland on the basis of monthly reports from the banks on their outstanding forward exchange positions at the end of each month. The figures for columns 7-9 are based on monthly averages of daily representative quotations, as reported by the banks to the Bank of Finland.

The banks' foreign currency positions shown in the chart at the bottom of page 7 are monthly averages of daily spot and forward positions vis-à-vis the markka as reported by the commercial banks to the Bank of Finland. The spot position includes all foreign currency-denominated assets and liabilities of the banks, excluding their outstanding forward contracts.

FOREIGN EXCHANGE RATES

Pages 8-9. *Exchange rates* are annual and monthly averages of the Bank of Finland's daily quotations. From the beginning of 1987, all quotations are expressed as FIM per one unit of foreign currency. The Australian dollar (AUD) and the European Currency Unit (XEU) have been added to the list of quoted currencies. The *currency index* is shown as annual and monthly averages of daily index numbers. The chart at the bottom of page 8 shows the banks' forward selling rates for the US dollar as deviations from the spot rate.

DEPOSITS BY THE PUBLIC -

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Figures for deposits and advances are supplied by the Central Statistical Office.

Page 10. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public.

From 1974 deposits include domestic deposits denominated in foreign currency.

Page 11. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply M₁ = Finnish notes and coins in circulation - Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland). Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

STATE FINANCES

Page 12. Official figures computed by the Economics Department of the Ministry of Finance. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis.

FOREIGN TRADE

Pages 13-15. Figures supplied by the Board of Customs. *Indices* (p. 13): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries*: (p. 15): from January 1980 imports by countries of origin, exports by countries of consignment.

BALANCE OF PAYMENTS

Pages 16-17 Figures are calculated by the Bank of Finland.

Columns 1-7. The figures for the trade and goods and services accounts are in accordance with the System of National Accounts.

Columns 12-13. Long-term loans comprise financial loans and import and leasing credits.

Column 15. Miscellaneous long-term capital items, net = direct investment, net + portfolio investment by foreigners + financial loans and development credits to abroad + Finland's subscriptions to international financial institutions, net.

Column 23. Changes in the foreign exchange reserves of the Bank of Finland exclude changes in the markka value of the reserves caused by changes in exchange rates.

FOREIGN ASSETS AND LIABILITIES

Pages 18-19. Figures calculated by the Bank of Finland.

Long-term assets: Other = financial loans + development credits + Finland's subscriptions to international financial institutions. Long-term liabilities: Portfolio investment = the outstanding amount of share issues by Finnish companies on foreign stock exchanges and of securities sold to foreign buyers through the Helsinki Stock Exchange. Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds.

Column 22. Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payment of long-term foreign assets and liabilities, excluding early repayments of loans due to the restructuring of debt, repatriations of equity capital (included under direct investment), as from the beginning of 1986 repurchases of shares (included under portfolio investment), and repayments of the Bank of Finland's reserve and oil credits.

Columns 22 and 23 during the year and the quarter.

Chart Debt service ratio: Debt service as a per cent of current account earnings.

PRICE INDICES

Page 20. All indices calculated by the Central Statistical Office.

WAGES - PRODUCTION

Pages 21-22. Figures supplied by the Central Statistical Office.

Page 22. *Index of industrial production* calculated by the Central Statistical Office. The grouping, by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II.

LABOUR - TIMBER FELLINGS - INTERNAL TRADE - CONSTRUCTION OF BUILDINGS

Page 23. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Forest Research Institute. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

Owing to rounding, the figures in statistical tables do not necessarily add up to the totals shown.

SYMBOLS USED: * Preliminary, r Revised, 0 Less than half the final digit shown, . Logically impossible, . . Not available, - Nil, S affected by strike, - Break in series.

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current term, January 27, 1982, to March 1, 1988, is Mauno Koivisto.

Parliament, comprising 200 members is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1987 is as follows: Social Democratic Party of Finland 56, National Coalition Party 53, Centre Party 40, Democratic League of the People of Finland 16, Finnish Rural Party 9, Swedish People's Party 13, Christian League of Finland 5, The Greens 4 and Democratic alternative 4.

Finland is divided into 461 self-governing municipalities. Members of the municipal council are elected by universal suffrage for a period of 4 years.

INTERNATIONAL ORGANIZATIONS

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

LAND

THE AREA is 338 000 square kilometres (Great Britain's area is 244 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4%. Of the land area (1980) 2.5 mill. ha (8.2%) are cultivated and 19.7 mill. ha (64.5%) are covered by forests.

OWNERSHIP OF LAND (1979). The total land area was distributed among different classes of owners approximately as follows: private 58.7%, State 31.4%, joint stock companies etc. 7.4%, municipalities and parishes 2.5%

POPULATION

NUMBER OF INHABITANTS (1985): 4.9 million. Sweden 8.4, Switzerland 6.5, Denmark 5.1, and Norway 4.2 million.

DENSITY OF POPULATION (1985): In South Finland 47.9, in East and Central Finland 14.3, in North Finland 4.2 and in the whole country an average of 16.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1985): 40% of the population inhabit the rural areas, 60% towns. The largest towns are: Helsinki (Helsingfors), the capital, 485 795 inhabitants, Tampere (Tammerfors) 169 026, Turku (Åbo) 161 398.

EMPLOYMENT (1986): Agriculture and forestry 11%, industry and construction 32%, commerce 15%, transport and communication 8%, financing, insurance, real estate and business services 6%, community and personal services 28%.

LANGUAGE (1985): Finnish speaking 93.6%, Swedish speaking 6.1%, others 0.3%.

EDUCATION (1987): Practically all persons over 15 years of age are literate. There are 8 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1985): births 12.2 ‰, deaths 9.8 ‰, change = 3.5 ‰, net immigration = 0.6 ‰. Deaths in France 10.1 ‰ and Great Britain 11.8 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1986), in million FIM: Gross domestic product at factor cost by industrial origin: agriculture and fishing 13 993 (4%), forestry 9 943 (3%), manufacturing 85 036 (27%), construction 24 386 (8%), trade, restaurants and hotels 36 949 (12%), transport and communication 25 105 (8%), banking and insurance 14 851 (5%), ownership of dwellings 20 904 (6%), other services 84 562 (27%), total 315 729. Index of real domestic product 102 (1985 = 100).

FOREST RESOURCES (1984). The growing stock comprised of 1 660 million m³ (solid volume with bark) of which 45% was pine and 37% spruce the remaining 18% being broad-leaved trees chiefly birch. Of the growing stock 656 million m³ was up to the standard required for logs, 51% of these being pine. The annual growth was 68 million m³ and the total drain calculated on the basis of roundwood consumption was 52.3 million m³.

AGRICULTURE (1984). Cultivated land 2.4 million hectares. Number of holdings 203 933 of which 143 931 are of more than 5 ha. Measure of self-sufficiency in bread cereals 93%.

INDUSTRY (1984). Gross value of industrial production FIM 244 745 mill., number of workers 390 301, salaried employees 147 608, motive power 8.7 mill. kW. Index of industrial production 111.8 for 1984 (1980 = 100).

STATE RAILWAYS (Dec. 31, 1985): Length 5 979 km.

MERCHANT FLEET (June 30, 1987): Passenger vessels 167 (253 136 gross reg. tons), tankers 30 (487 476 gross reg. tons), dry cargo vessels 113 (324 455 gross reg. tons), other vessels 113 (70 659 gross reg. tons), total 423 (1 135 726 gross reg. tons).

AUTOMOBILES (Dec. 31, 1986): Passenger cars 1 619 848, lorries and vans 187 465, buses 9 166, other automobiles 12 470, total 1 828 949.

FINNISH AIRLINES (Feb. 28, 1985). Finnair has in use 1 DC-8-62, 3 DC-9-10, 5 DC-9-41, 12 DC-9-51, 3 DC-9 Super 82, 3 DC-10-30, 1 DC-10-30 ER and 3 Fokker F-27 Friendship MK. The company has scheduled flights to 34 foreign and 21 domestic destinations.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the markka (plural: markkaa), which is divided into 100 penniä (singular: penni). The abbreviation used for the markka is FIM. The last par value of the markka was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per markka (equivalent, at the time, to 4.20 markkaa per U.S. dollar). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a currency index. This index is tradeweighted and as from Jan. 1, 1984 indicates the average change in the convertible currencies which are important in Finnish foreign trade. The present currency weights are SEK 20.3, DEM 19.3, GBP 14.3, USD 9.0, other currencies 37.1. The permissible range of fluctuation is about 2.25 per cent on either side of the theoretical arithmetic mean. The fluctuation limits are 106.0 and 101.3.

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1985). There are two big and eight small commercial banks with in all 967 offices, 254 savings banks, 370 co-operative banks, six mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and 48 private insurance companies also grant credits.

RATES OF INTEREST (May 19, 1986). The Bank of Finland's base rate is 7%. The interest rates for domestic lending other than bank financing by the Bank of Finland vary between 4½% and 9½%. Other credit institutions: time deposits 2½%; 6 month deposits 4%; 12 month deposits 5½%; 24 month deposits 7%.

RECENT DEVELOPMENTS IN FINANCIAL MARKETS AND MONETARY POLICY

by Vesa Vihriälä, Lic.Pol.Sc.
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Developments in Finnish financial markets in the course of last year were characterized by two series of events. On the one hand, markets continued to develop at a rapid pace, necessitating changes in monetary policy instruments. On the other hand, confidence in the markka weakened in the late summer of 1986, and consequently short-term interest rates had to be temporarily raised to a very high level. However, a stringent monetary policy stance and an improvement in economic performance towards the end of the year reversed expectations, and confidence in the external value of the markka was restored in early 1987.

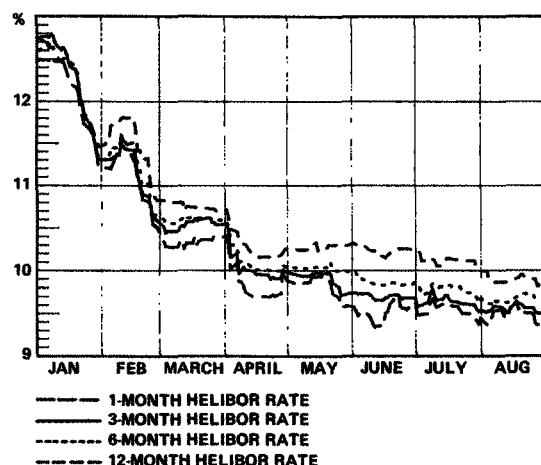
INTEREST RATE DEREGULATION AND CREDIT AND FUNDING FLOWS IN THE BANKING SECTOR

Regulation of banks' lending rates, a major characteristic of the traditional financial system in Finland, has been gradually relaxed since 1983. Indeed, for about two years, now, interest rate regulation has been largely formal, and, since early August 1986, banks have been allowed to set rates on new loans free of any restrictions imposed by the central bank. The guidelines concerning interest rates on credits granted by insurance companies had already been abolished in May 1986. Thus, the era of lending rate regulation is over; loan rates applied by financial institutions can now be considered to be freely determined according to prevailing market conditions. Restrictions on the setting of interest rates remain only in respect of various subsidized loans and relending by insurance companies, which is funded by employment pension contributions collected from companies.

The deregulation of lending rates has concerned rates of interest on new loans. In Finland, rates on outstanding loans have generally been either fixed or (most frequently) tied to the Bank of Finland's base rate. In November 1986, however, the Bank of Finland also decided to allow bank loans in which the rate of interest was tied to some money market rate. This need became apparent when banks' exposure to interest rate risks had grown appreciably because of an increase in the share of funding in the money market. The abrupt rise in short-term interest rates in August 1986 provided concrete proof of the reality and magnitude of these risks.

Initially, the reference rates constructed as the basis for variable rates varied considerably between banks. Consequently, the central bank itself started to calculate money market rates suitable for reference rates and simplified its guidelines on reference rates from the beginning of May 1987. The HELIBOR rates calculated by the Bank of Finland are averages

CHART 1. HELIBOR INTEREST RATES



for the bid rates for certificates of deposit quoted by the 5 biggest banks each day at 1 p.m. (Chart 1).

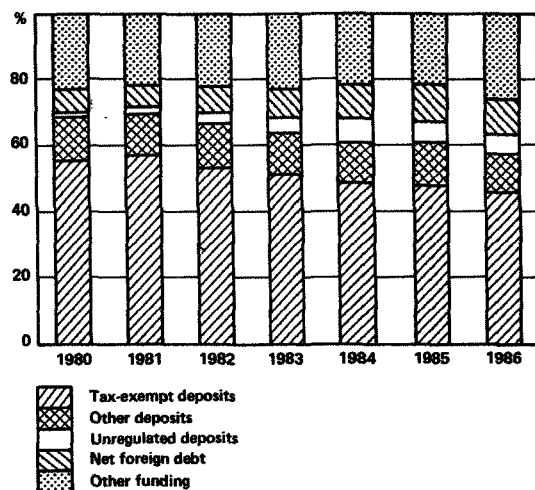
HELIBOR rates have almost entirely superseded other money market rates as reference rates. Preliminary data indicates that, after a slow start, the volume of loans tied to reference rates has recently begun to grow at a rapid pace. It should be noted that the use of reference rates is not permitted in the case of housing loans, which, for the time being, are to remain either fixed-rate or tied to the base rate. This restriction largely reflects the fact that households' tax-exempt deposits are still tied to the Bank of Finland's base rate.

Also enhancing the opportunities for managing interest rate risks are the forward interest rate agreements and swap contracts introduced in the spring of 1987. However, so far only a few such contracts have been entered into.

One consequence of the abolition of interest rate controls is that banks no longer need to use their own finance companies in order to evade regulation. As a result, the rate of growth of lending by finance companies has decelerated markedly. Whereas year-on-year growth was 17 per cent at the end of 1986, it had fallen to less than 2 per cent by June 1987. By contrast, the growth of lending by banks' parent companies accelerated during the first half of the current year. In June, the outstanding stock of commercial bank credits (incl. foreign currency loans and bonds) was 12.7 per cent higher than one year earlier. Viewed over a slightly longer period, the growth rate of lending has, however, slowed down appreciably.

In banks' deposit-taking, the share of unregulated funding has continued to expand (Chart 2). In spite of this, administrative rates of interest are still applied to a significant part of bank funding. Rates of interest on tax-exempt deposits do not depend on market conditions but are linked to the Bank of Finland's base rate. No major changes to the existing practice can be expected before the end of 1988 at the

CHART 2. THE STRUCTURE OF BANKS' FUNDING IN 1980-1986



earliest when the present legislation governing the tax exemption of deposits, which decisively affects the pricing of these deposits, expires.

In 1986, the growth of the money supply decelerated markedly from the early years of the current decade. The slowdown in growth was associated with a reversal of net capital inflows into a net outflow. By contrast, domestic credit expansion continued to make a strong contribution to the growth of the broad money supply (Table 1). Nevertheless, capital inflows can be expected to provide a clearly positive contribution in the current year.

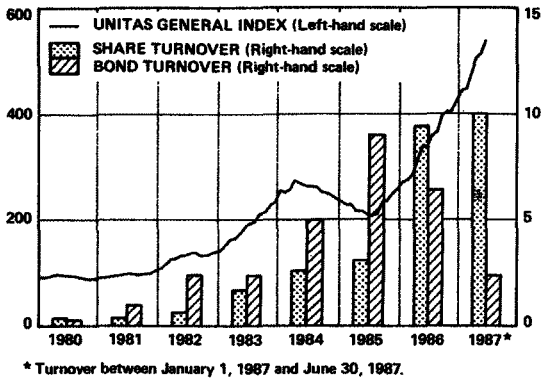
TABLE 1. THE GROWTH OF THE BROAD MONEY SUPPLY, BY COMPONENT

	1980	1981	1982	1983	1984	1985	1986
Growth of broad money, per cent	13.9	15.1	12.8	12.4	15.6	16.8	9.2
Contributions, percentage points							
- Current account	-7.5	-2.2	-4.3	-5.1	-.1	-3.5	-2.7
- Capital inflows	8.9	4.4	4.2	3.7	8.3	6.4	-2.4
- Domestic lending	12.5	12.9	12.9	13.8	7.4	13.9	14.3

CAPITAL MARKET DEVELOPMENTS

The most notable feature of developments in the Finnish capital market has been the continuing strong upward trend in share prices. This may reflect not only an improvement in companies' profit expectations and a rise in the

CHART 3. SECONDARY MARKETS



previously fairly low market values of listed companies to a more realistic level but also a scarcity of paper in the market in relation to the rapidly expanding demand for shares. It has, for example, been endeavoured to promote investment in shares through taxation measures and thereby to increase the proportion of equity in corporate balance sheets. Notwithstanding this, new risk capital raised in the equity market (Table 2) seems to have grown by clearly less than activity in the secondary market. The boom in share prices has been associated with very rapid growth in turnover: in 1986, total turnover tripled and turnover during the first six months of the current year already exceeded the level of the previous year (Chart 3).

TABLE 2. DOMESTIC ISSUES OF SHARES AND BONDS IN 1980 — 1987, FIM BILLION

	Shares ¹⁾		Bonds		
	Total	Public issues	All	Issued by companies	
			Total	Public issues	Public issues
1980	0.4	4.9	2.8	0.3	0.0
1981	0.1	4.5	2.7	0.3	0.1
1982	0.9	7.8	3.6	1.3	0.2
1983	0.9	12.9	5.0	2.0	0.4
1984	2.3	14.9	7.2	2.6	0.5
1985	1.0	22.0	14.5	4.8	3.1
1986	2.5	24.0	13.5	5.0	2.6
1987 ²⁾	1.8	11.3	8.1	1.5	0.7

¹⁾ Listed companies' new risk capital.

²⁾ Up till the end of June.

By contrast, turnover in bonds on the Helsinki Stock Exchange fell in 1986 as compared with the previous year. The same trend seems to be continuing in the current year, although this is not entirely due to a decline in bond trading but also to an increase in trading outside the stock exchange.

Bond issues in 1986 remained at approximately the level of the previous year and new issue activity seems likely to reach the same level this year as well. Just recently, however, the share of public issues in total bond issues has grown. A novel feature in the Finnish capital market is the issue of bonds carrying equity warrants.

MONEY MARKET DEVELOPMENTS

The development of the money market has proceeded at rapid pace over the past eighteen months or so. New instruments and agents have entered the market, forms of activity have become established and the major part of money market deposits is being channelled into negotiable instruments.

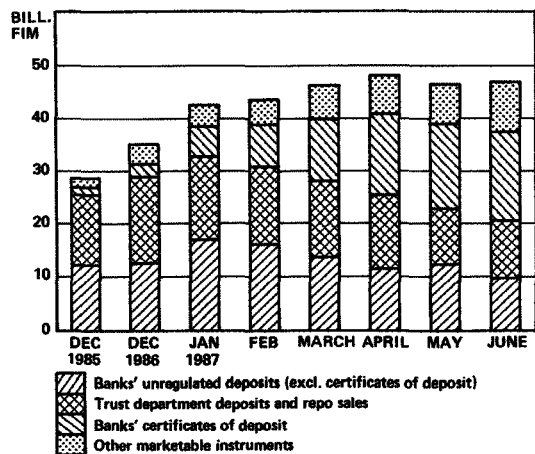
In the spring of 1986, the first commercial paper programmes were announced. After a slow start the size of the market subsequently expanded so that by June 1987 outstanding issues of commercial paper exceeded FIM 8 billion. Admittedly, almost half of this amount has probably been issued by bank-owned finance companies and thus represents deposit-taking by bank groups. Also, the first local authority paper programmes were agreed upon during the first half of this year. Although the outstanding amount of local authority paper is still insignificant, this instrument offers local authorities a potentially very useful means of short-term financing, so that volumes can be expected to grow rapidly.

An important step as regards improving the functioning of the secondary market was the agreement reached between the five biggest banks at the end of 1986 on the rules of the game to be observed in the market. According

to the agreement, quotations for certificates of deposit are binding up to FIM 10 million.

Of even greater importance for the development of the money market, however, has been the growth of the share of negotiable instruments. Crucial in this respect has been the explosive increase in the number of banks' certificates of deposit during the first half of the current year (Chart 4). This is a consequence of the Bank of Finland's decision to free certificates of deposit from the cash reserve requirement with effect from January 1, 1987, and of the noticeably more liberal practice with regard to issue permits adopted by the Ministry of Finance at the same time. Hence, certificates of deposit seem likely to develop into the key money market instrument. In addition to these, commercial paper and local authority paper as well as Treasury notes, which have been auctioned since 1985, can also be expected to grow in importance. Nevertheless, it is most unlikely that all money market deposits will become negotiable. Exemption from stamp duty will tend to maintain the demand of small companies for trust department loans while forward contracts¹ will continue to offer exporters a convenient way of making short-term markka placements.

CHART 4. VOLUMES OF MONEY MARKET INSTRUMENTS FROM DECEMBER 1985 TO JUNE 1987



As regards short-term deposits, the market can already be considered to function fairly well, even if the volumes clearly fall as maturity approaches one year. Nevertheless, some pressures have appeared in the market for developing money market instruments with a maturity exceeding one year. In the case of certificates of deposit, the maturity range was extended only recently when the Ministry of Finance granted permits for the issue of certificates with a maturity of between 1 and 5 years. The introduction of such paper fills the maturity gap in the maturity distribution of negotiable assets between money market instruments and bonds.

The expansion of the money market has also been reflected in some sharpening of competition. For example, a typical spread on deals in certificates of deposit was for long 0.2 percentage point. In the course of the spring, however, some of the active agents in the money market narrowed their spreads slightly, so that at the beginning of June the spread was generally 0.1 percentage point. This is still a wide margin by international standards, but with the entry of new banks and other agents into organized money market operations spreads should narrow further.

NEW INSTRUMENTS OF MONETARY POLICY

In recent years, the key instrument of monetary policy has been the rates of interest applied in the Bank of Finland's call money market: the call money credit rate and the call money deposit rate. As banks were able to become indebted to an unlimited extent with respect to their practical needs and, conversely, to make an unlimited amount of deposits overnight with the central bank at a given rate of interest, the interest rates applied to all short-term assets were pegged to the call money rates.

Moreover, as the Bank of Finland's chosen exchange rate policy has been the maintenance of a stable effective exchange rate for the markka, the public's decisions concerning

¹ For developments in the foreign exchange markets, see the back article in the October 1986 issue of the Bulletin.

capital inflows and outflows have been reflected more or less directly in the central bank's foreign exchange reserves and the banks' central bank position without any direct impact on the level of interest rates. Certainly, from the point of view of maintaining stable interest rates, this situation has been useful. At the same time, however, the system has lacked an automatic mechanism whereby interest rates could have altered in a way curbing capital movements. Changes in short-term interest rates have required a discrete decision by the Bank of Finland.

Nor has the development of the money market been supported by the ease with which banks have been able to resort to the call money market for evening out any fluctuations in their liquidity or by the concentration of central bank operations exclusively on overnight money.

It was these considerations which prompted the changes implemented in the call money market and monetary policy instruments at the end of 1986 and during the first half of the current year. The aim has been a system in which interest rates are determined in the market and monetary policy is pursued through intervention on a desired scale.

From the beginning of December 1986 up to the end of April this year, the Bank of Finland applied a system under which, in addition to call money market credit, banks were able to obtain central bank finance in the form of longer-term fixed-rate loans. These longer-term 3-month credits were offered to banks through auctions. In February and March, the Bank of Finland also occasionally accepted 3-month fixed-rate deposits from banks. Since the beginning of May, the system of term credits and deposits has no longer been applied. Instead, it has been supplanted by open market operations in certificates of deposit. In the same context, the banks' opportunities to use call money credits were sharply curtailed². Coupled with the low interest rates applied to call money deposits, this

restriction implies that fluctuations in banks' liquidity are directly reflected in short-term interest rates.

Through its open market operations, the Bank of Finland is able to affect banks' liquidity and thereby short-term interest rates. By buying certificates of deposit, the Bank of Finland initially reduces banks' call money credits and/or increases their call money deposits, which tends to lower short-term interest rates. Conversely, by selling certificates of deposit the Bank of Finland in the first place reduces banks' call money deposits or increases their call money credits, which is reflected in a rise in the shortest rates in inter-bank placements. If the shortest (one-day and weekly) rates are generally expected to remain at a higher level for a long time, then the longer-term (3-, 6- and 12-month) rates also rise to a corresponding extent.

Money market rates, in turn, affect, inter alia, interest rates on new credits and banks' lending. Rates of interest on outstanding corporate credits are also, to an increasing extent, tied to prevailing money market rates, with the HELIBOR rate frequently being used as the reference rate for variable-rate loans. Experience so far suggests that open market operations are a practicable and flexible way of influencing developments in liquidity and interest rates.

Although open market operations have become the main means of implementing monetary policy, the central bank has not abandoned the use of the base rate and the cash reserve requirement. However, the respective roles of these instruments have changed. At present, the base rate is used primarily to directly affect rates of interest on outstanding credits tied to the base rate as well as rates on tax-exempt deposits held with banks. But, as these deposits still represent an important way of funding bank lending, the pricing of new credits is also affected by changes in the base rate.

Whereas previously under the very flexible call money credit facility the cash reserve require-

² See the front article in the May 1987 issue of the Bulletin.

ment largely constituted a "tax" on bank deposits, it now influences the liquidity of the banking system directly and thereby short-term interest rates. Although the efficiency of the cash reserve requirement has increased in this sense, the scope for using it is nevertheless limited, because a too burdensome requirement tends to lead to the intermediation of finance through channels outside banks' balance sheets.

INTEREST RATE DEVELOPMENTS AND MONETARY POLICY

The first half of 1986 saw the continuation of the cautious policy of lowering nominal interest rates. The Bank of Finland's call money rates, which at that time largely determined

CHART 5. SHORT-TERM INTEREST RATES

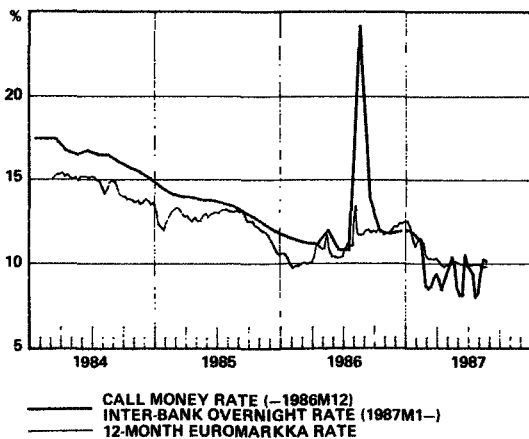
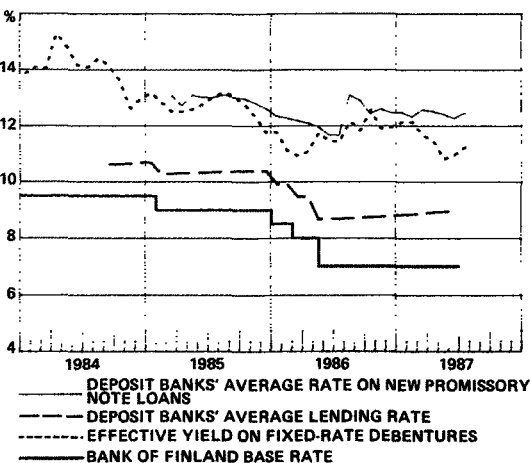


CHART 6. LONG-TERM INTEREST RATES



the level of money market rates, were gradually lowered in line with the slowdown in inflation. The Bank of Finland's base rate was also lowered on three occasions in the spring by a total of 2 percentage points. This was reflected in a corresponding fall in interest rates applied to tax-exempt bank deposits and outstanding bank credits. The prime objective of central bank policy remained to curb inflation so that the prevailing level of exchange rates, which was realistic in the light of underlying economic factors, could be adhered to (Charts 5 and 6).

In May 1987, partly in connection with the devaluation of the Norwegian krone, doubts emerged in the market about the external value of the markka. As a consequence call money rates were temporarily raised in the middle of the month and the currency index was allowed to rise slightly within its band. These measures quickly calmed the market and the gradual lowering of call money rates was already resumed at the end of May.

In late July, there was a resurgence of speculative pressures against the markka. The foreign exchange reserves started to decline rapidly, as both domestic economic agents and foreign investors sought to convert their markka-denominated receivables into foreign currency claims and their foreign currency debt into markka liabilities (Chart 7). The Bank of Finland reacted to this situation by announcing that it would adhere to the prevailing level of exchange rates and that call money rates would be raised, if necessary very sharply, if the foreign exchange reserves continued to fall.

However, the central bank's announcement did not immediately convince the market, and currency continued to flow out of the country. Consequently, the call money credit rate was raised to 40 per cent. In about a week, the market had calmed down to the extent that call money rates could be lowered to 17 and 16 per cent still in August.

Nevertheless, doubts about the markka lingered on until the end of 1986, and, for

example, a fall in the foreign exchange reserves in December again forced the Bank to temporarily raise call money rates. From the beginning of the year, however, positive news about the performance of the Finnish economy increased: investment was better than anticipated, exports to western markets expanded rapidly and growth prospects as a whole were brighter than expected previously. This convinced the market that the exchange rate of the markka was consistent with underlying economic factors and that there was a readiness in monetary policy for sufficient restraint if necessary.

With the restoration of confidence, particularly short-term capital inflows have increased rapidly. The central bank has reacted to this by allowing the currency index to strengthen slightly and by absorbing liquidity both through sales of certificates of deposit and (to a lesser degree) forward intervention. In spite of this partial neutralization, money market rates have clearly fallen (for example, interest rates on 3-month certificates of deposit had fallen by some 3 percentage points by the summer from 12.75 per cent in January). However, the fall in interest rates has been largely confined to

short-term rates, whereas rates on longer-term, for example 12-month, certificates of deposit, and yields on bonds have fallen by noticeably less. Interest rates on new bank loans have also remained virtually unchanged during the first half of the year, reflecting not only the modest fall in long-term market rates but also unchanged rates on tax-exempt deposits. The base rate has not been lowered since May 1986.

At the moment, the market does not seem to expect any major fall in short-term rates. Developments in inflation and the current account also give reason to assume that there is no scope for any significant easing in monetary policy without sufficient support from fiscal and incomes policies. A slight increase in the cash reserve requirement (from 4.7 to 4.9 per cent) in late August signalled the central bank's view in this respect. On the other hand, growth prospects are satisfactory and inflation in Finland is running at the same rate as in competitor countries. Under these conditions, the policy of maintaining a stable markka should allow the gradual lowering of Finnish interest rates closer to the international level in the somewhat longer run.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM SEPTEMBER 1986 TO OCTOBER 1987

1986

September

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits	Rate on call money deposits
	Per cent	Per cent
September 2	16.0	15.0
September 5	15.0	14.0
September 9	14.0	13.0
September 12	13.5	12.5
September 18	13.0	12.0
September 26	12.5	11.5

Cash reserve requirement. As an exception to the cash reserve agreement concluded with the banks, the Bank of Finland decides to pay interest on cash reserve deposits for the period September–December 1986 at a rate which is 3 percentage points below the Bank of Finland call money lending rate, however, not less than 1/4 percentage point below the Bank of Finland base rate.

October

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits	Rate on call money deposits
	Per cent	Per cent
October 2	12.0	11.0
October 16	11.8	10.8

The decision of the Parliamentary Bank Supervisors on the temporary removal of the upper limit on the call money lending rate expires on October 21, 1986. From that date, the upper limit on the call money lending rate is again the base rate plus 15 percentage points.

Investment reserves. On October 23, 1986, the Council of State decides to release, as from April 1, 1986, investment reserves made for accounting periods ending in 1984 for use in the Greater Helsinki area. The utilization period is to expire on December 31, 1987.

In the same context, the Council of State decides to raise the special investment allowance from 3 to 6 per cent outside the Greater Helsinki area. The increased allowance can be applied to investment reserves to be used during accounting periods ending between November 1, 1986 and December 31, 1987.

Change in the cash reserve agreement. Samuel Montagu Osakepankki starts operations in Finland at the beginning of October, and on October 17, 1986 it joins the cash reserve agreement between the Bank of Finland and the banks.

November

Changes in the terms of central bank financing. As from the beginning of November, the Bank of Finland grants Samuel Montagu Osakepankki the same rights to central bank financing and to participation in the call money market as the other commercial banks. After Bank of Helsinki Ltd ceases operations as an independent bank and is merged with Union Bank of Finland Ltd at the beginning of November, the Bank of Finland cancels the rights of Bank of Helsinki Ltd to central bank financing and to participation in the call money market with effect from November 1, 1986.

Lending rates. On November 28, 1986, the Bank of Finland decides that henceforth lending rates applied in short- (up to 1 year) and medium-term (between 1 and 5 years) loan

agreements may be linked to a reference rate which reflects the cost of unregulated short-term funding. The introduction of a reference rate requires the prior approval of the Bank of Finland.

Banks are still required to link lending rates on all housing loans and on all long-term loans of more than five years to the Bank of Finland's base rate or to charge fixed rates of interest on such loans. In addition, banks may continue to apply these interest rates to short- and medium-term credits. Similarly, they may continue to link lending rates on short-term credits to the call money rate.

December

Terms of central bank financing. On December 1, 1986, the Bank of Finland introduces a system under which the banks may, in addition to call money credit, also obtain central bank financing in the form of longer-term credits at fixed rates of interest. Initially, only three-month credits are to be granted and the quantity of credit and the rate of interest charged are to be determined on the basis of banks' requests for credit within the framework of the targets set for central bank financing by the Bank of Finland. The upper limit on the rate of interest applied to fixed-rate term loans extended by the central bank is the same as that on the call money lending rate, i.e. the base rate plus 15 percentage points.

For the present, the Bank of Finland does not undertake to accept longer-term deposits at fixed rates.

Call money market. The Bank of Finland lowers the call money deposit rate from 10.8 to 9.0 per cent as from December 1 and raises the rate on call money credits from 11.8 to 11.9 per cent as from December 2 and further to 12.0 per cent as from December 9.

Credits for the financing of domestic suppliers' deliveries. The rate of interest applied to

credits for the financing of domestic suppliers' deliveries is raised by one percentage point to the equivalent of the base rate plus 2.0 percentage points as from December 10, 1986. The Bank of Finland's share in the financing of domestic suppliers' deliveries is raised from 30 per cent to 40 per cent for the period from December 10, 1986 to December 31, 1987. At the same time, it is decided to again permit the use of credits for the financing of domestic suppliers' deliveries in the financing of sawmill investments.

1987

January

Financing of short-term export credits. As from the beginning of 1987, the Bank of Finland restricts the financing of short-term export credits to concern export companies the turnover of which does not exceed FIM 200 million.

New-export credits. As from the beginning of 1987, the Bank of Finland restricts the use of new-export credits so that the duration of a new-export credit extended to a company cannot exceed five years from the drawing of the first credit instalment. The rate of interest collected by the Bank of Finland from banks for new-export credits is raised to the same level as that applied to the financing of short-term export credits, i.e. the Bank of Finland's base rate.

Cash reserve agreement. The Bank of Finland and the banks agree on the revision of the cash reserve agreement as from January 1, 1987 so that certificates of deposit and certain long-term foreign credits intermediated by banks are no longer subject to the cash reserve requirement.

Amendments to Foreign Exchange Regulations. As from January 1, 1987, the Bank of Finland grants the Labour Savings Bank of Finland the status of an authorized bank.

Call money market. The Bank of Finland lowers the rate on call money credits from 12.0 to 11.9 per cent as from January 26.

February

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits Per cent	Rate on call money deposits Per cent
February 2	11.8	9.0 (unchanged)
February 13	11.7	8.5
February 20	11.6	8.0

Term deposits. With effect from February 4, 1987, the Bank of Finland allows the banks entitled to central bank financing to make bids for three-month fixed-rate deposits with the Bank of Finland. This arrangement is to operate alongside the existing arrangement for three-month central bank credits.

March

Call money market. The Bank of Finland implements the following changes in its call money rates:

Effective as from	Rate on call money credits Per cent	Rate on call money deposits Per cent
March 5	11.5	7.5
March 17	11.4	7.5

Banks' central bank financing. On March 17, 1987, the Bank of Finland complements the system of monetary control by introducing dealings in certificates of deposit with banks on an experimental basis alongside term credits and term assets. At the same time, the use of call money credits is limited as from March 30, 1987. With effect from that date, each bank may daily resort to call money credit only up to an amount corresponding to 7.5 per cent of the total amount of its equity capital and cash reserve deposits. A penalty rate of interest is to be charged on credit exceeding the limit.

April

Call money market. The Bank of Finland lowers the call money credit rate from 11.4 to 11.2 per cent as from April 2 and further to 11.0 per cent as from April 29.

May

Interest rate policy. As from the beginning of May, the Bank of Finland reduces the restrictions on the use of money market rates as reference rates for bank loans. Besides the base rate, the banks may, without special approval, use some other Bank of Finland rate, the official money market rate used in market transactions or some derivative of these rates as reference rates for all lending except housing loans.

As from May 1, the Bank of Finland begins to publish daily 1, 2, 3, 6, and 12-month HELIBOR (Helsinki Interbank Offered Rate) rates, which the banks may henceforth use as reference rates in their lending. HELIBOR rates are the average bid rates for each category of certificate of deposit as quoted by the five largest banks each day at 1 p.m.

June

Revisions to the Foreign Exchange Regulations. The Bank of Finland decides on certain revisions to the Foreign Exchange Regulations that enter into force on June 15, 1987.

With certain exceptions, it is allowed to make direct investments abroad without obtaining the advance permission of the Bank of Finland up to the value of FIM 30 million. It is, however, necessary to provide the authorized bank with the information required by the Bank of Finland.

In payments of suppliers' credits for imports, credit periods exceeding six months are

allowed without the special permission of the Bank of Finland up to the maximum amount of FIM 100 000.

The handling of applications for permission in respect of recreational dwellings abroad is transferred to the authorized banks. The upper limit of FIM 600 000 permitted for a purchase is not amended in this context, and for purchases exceeding this amount, the Bank of Finland grants permission on a case-by-case basis.

Investments abroad in publicly quoted securities are allowed up to the maximum amount of FIM 50 000.

Details of other minor changes and revisions to the Foreign Exchange Regulations are to be released when new pages of the Foreign Exchange Regulations are published.

July

Call money market. With the effect from July 1, 1987, the Bank of Finland supplements the conditions governing borrowing by commercial banks in the Bank of Finland's call money market (see March 1987) by stipulating that the upper limit on the right of an individual bank to resort to call money credits is, in all cases, not less than FIM 10 million.

August

Revision of foreign exchange regulations. The Bank of Finland decides to extend the right of enterprises, previously granted only to manufacturing and shipping companies, to raise foreign loans with a maturity of at least five years for the financing of their operations. As from August 1, 1987, this right also applies to other companies and cooperative societies carrying on business activity, with the exception of financial and insurance institutions and housing and real estate companies.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 4.7 per cent to 4.9 per cent of the total stock of deposits in August.

October

Amendments to Foreign Exchange Regulations. The Bank of Finland decides to allow authorized banks to write and purchase markka options as from October 1, 1987. At the same time, the Bank of Finland grants companies and other residents the right to purchase such options. Banks had previously been allowed to write foreign currency options but not markka options. Markka options entitle but do not oblige the holder to purchase or sell foreign currency at an agreed markka rate within an agreed period.

ITEMS

Finland's balance of payments in January-June 1987.

According to the Bank of Finland's preliminary figures, the current account showed a deficit of FIM 4 539 million in January-June this year. The net inflow of long-term capital amounted to FIM 1 887 million and the net inflow of short-term capital to FIM 15 125 million. Most of the short-term capital inflow consisted of capital imports by authorized banks. The Bank of Finland's foreign exchange reserves increased by FIM 12 472 million and amounted to FIM 26 051 million at the end of June. In the corresponding period of 1986, the current account had shown a deficit of FIM 3 484 million.

Current account. Compiled on a balance-of-payments (SNA) basis, the trade account (incl. adjustment items) registered a surplus of FIM 1 244 million in January-June, compared with a surplus of FIM 1 309 million in the corresponding period of 1986. Commodity exports grew by 10 per cent in value and by 8 per cent in volume. Export volumes grew in all industrial sectors except the textile, wearing apparel and leather industries. The value of imports was up 11 per cent and the volume of imports up 16 per cent on the January-June period last year. Import volumes of raw materials and intermediate goods grew by 13 per cent, fuels and lubricants by 12 per cent, investment goods by 21 per cent and consumer goods by 17 per cent. Contributing to the high growth figures were the low levels recorded for the second quarter of last year.

The services account registered a deficit of FIM 559 million in January-June, as compared with a surplus of 72 million in the corresponding period last year. The surplus of 1 298 million on the transport account was FIM 200 million less than in January-June last year. Travel receipts grew by 11 per cent and travel expenditure by 18 per cent, giving rise to a deficit of FIM 1 561 million on the travel account. In the first six months of the previous

year, the travel account had shown a deficit of FIM 1 245 million. The "other services account" posted a deficit of FIM 296 million.

Interest payments on foreign loans amounted to FIM 5 750 million. With interest income on foreign assets of FIM 1 764 million, the investment account showed a deficit of FIM 3 986 million. This was FIM 240 million more than in the corresponding period last year. The unrequited transfers account registered a deficit of FIM 1 019 million.

Capital account. Drawings of long-term loans amounted to FIM 13 037 million in January-June, which was FIM 4.6 billion more than in the corresponding period last year. The central government accounted for FIM 3 870 million of the drawings. Redemptions of long-term loans totalled FIM 6 420 million. Drawings of long-term export credits granted to foreign customers reached FIM 880 million and repayments of outstanding export credits FIM 707 million. Finnish net direct investment abroad totalled FIM 1 540 million and net foreign direct investment in Finland FIM 282 million. The total net inflow of long-term capital amounted to FIM 1 887 million, which was about FIM 0.3 billion more than in the corresponding period last year.

The inflow of short-term capital (incl. errors and omissions) totalled FIM 12 472 million in January-June. Short-term liabilities related to imports grew by an estimated FIM 2 523 million, while net prepayments and receivables related to exports fell by FIM 1 108 million. The net short-term liability of the authorized banks increased by FIM 10 986 million.

The foreign exchange reserves of the Bank of Finland grew by FIM 12 472 million in January-June. The convertible foreign exchange reserves increased by FIM 589 million, while tied currency claims declined by FIM 117 million. At the end of June, the convertible foreign

exchange reserves of the Bank of Finland totalled FIM 22 844 million and tied currency claims FIM 3 207 million.

At the end of June, Finland's net foreign debt totalled FIM 51 208 million, of which the central government accounted for FIM 24 923 million. The net long-term debt amounted to FIM 60 058 million and net short-term claims to FIM 8 850 million.

MAJOR BALANCE OF PAYMENTS ITEMS JANUARY-JUNE 1987, MILLION FIM¹

	Receipts	Expenditure	Net
Trade (exports f.o.b., imports c.i.f.)	42 196	40 485	1 711
Adjustment items	-644	-177	-467
Trade account	41 552	40 308	1 244
Transport (c.i.f.)	2 365	1 067	1 298
Travel	1 497	3 058	-1 561
Other services	2 357	2 653	-296
Services account	6 220	6 778	-559
GOODS AND SERVICES ACCOUNT	47 771	47 086	685
Investment income, net	1 764	5 750	-3 986
Unrequited transfers	252	1 271	-1 019
Other	1 743	1 963	-219
A. CURRENT ACCOUNT	51 530	56 069	-4 539
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits: ²			
drawings	-880	13 037	12 157
redemptions	707	-6 420	-5 713
Direct investment	-1 540	282	-1 258
Other long-term capital	-2 942	-357	-3 299
B. LONG-TERM CAPITAL ACCOUNT	-4 655	6 542	1 887
BASIC BALANCE (A + B)			-2 653
Prepayments and liabilities related to imports			2 523
Prepayments and receivables related to exports	1 057	51	1 108
Short-term capital of authorized banks			10 986
Other short-term capital			1 780
Errors and omissions			-1 273
C. SHORT-TERM CAPITAL ACCOUNT			15 125
D. ALLOCATIONS OF SDRs			-
OVERALL BALANCE (A + B + C + D)			12 472
Change in the foreign exchange reserves of the Bank of Finland			-12 472

Assets: increase -, decrease +
Liabilities: increase +, decrease -

¹ Preliminary figures.

² Assets include export credits only.

Labour disputes in 1986. According to data compiled by the Central Statistical Office of Finland, there was a total of 1 225 labour disputes in Finland during 1986. They involved a total of 602 000 workers and resulted in the loss of nearly 2.8 million working days. Compared with the previous year (1985), the number of labour disputes grew by 377. The number of lost working days, 2.8 million, is the highest since the general strike of 1956, when 6.9 million working days were lost.

The vast majority (90 per cent) of labour disputes in 1986 were strikes. Strikes accounted for 89 per cent of all workers engaged in labour disputes in 1986 and for 85 per cent of all lost working hours.

The number of short labour disputes lasting less than four hours seems to have declined from the previous year. 1986 saw several unusually long labour disputes, four of which lasted more than 30 working days (excl. Sundays and holidays).

Of the causes of labour disputes in 1986, 39 per cent had to do with rates of pay, especially piece rates. The large category "other cause", 41 per cent, covers a wide range of other issues giving rise to labour disputes.

Labour disputes of salaried employees totalled 28 in 1986 and involved more than 85 000 salaried employees. They resulted in the loss of 8.5 million working hours, which represents 38 per cent of all working hours lost in 1986.

(Continued from page 2)

SPECIAL FEATURES OF FINNISH UNEMPLOYMENT

The average annual growth rate of Finland's real GDP was 2.3 per cent between 1975 and 1979 and 3.2 per cent between 1980 and 1985. The unemployment rate averaged 5.0 and 5.7 per cent, respectively, during these periods, compared with only 1.8 per cent in 1974. Thus, the upward shift in the level of unemployment took place in Finland in the late 1970s and not in the 1980s, as was the case in European OECD countries in general.

The rise in unemployment can be primarily attributed to a lengthening in the duration of unemployment in all categories of unemployed, whereas no significant trend change can be discerned in the flow of individuals into unemployment. In the 1980s, total unemployment has averaged 150 000, with some 350 000 new spells of unemployment being recorded annually. In spite of the recurrence of unemployment, unemployment has affected a far greater number of people than the average stock figure of unemployment indicates; however, most of the spells of unemployment have been fairly short. In the early years of the 1980s, 70 per cent of all spells of unemployment lasted less than three months, but they represented only about 30 per cent of total unemployment. An almost equally large proportion of all jobless days was accounted for by the long-term unemployed who had been continuously unemployed for over one year.

Manpower policy measures have for long been selectively targetted at youths and the long-term unemployed. The share of youths, between 15 and 24 years of age, in the total number of unemployed has fallen by about 10 percentage points from about 35 per cent at the beginning of the decade. Also contributing slightly to this development has been a decline in the relative share of young people in the labour force due to demographic change. Last year, about one-fifth of unemployed youths whose spell of unemployment came to an end

were found employment through special employment measures, even if the youth unemployment rate remained at 10.2 per cent.

Special measures for employing the long-term unemployed are well-founded not only because of the uneven incidence of unemployment but also because the likelihood of finding a job diminishes substantially once a spell of unemployment has lasted for over six months. In seeking more permanent solutions, measures entailing the provision of temporary jobs can also prove useful in cases where the lengthening of unemployment would worsen the chances of finding work irrespective of the original qualities of the unemployed person. Such situations may arise, for example, as a result of a loss of occupational skills or stigmatization based on prejudice. Long-term unemployment consisting of recurrent spells of unemployment has nevertheless turned out to be more widespread than assumed, being two or three times higher than continuous long-term unemployment in the development regions. This may reflect an excessive concentration of manpower policy measures on temporary employment schemes.

The lengthening in the average duration of unemployment also poses the question as to whether the rise in unemployment is the result of growing occupational or regional mismatches between labour supply and demand. The pace of industrial change in the economy, as measured by relative changes in employment shares between industries, suggests, however, that the rate of structural change has decelerated rather than accelerated compared with the early 1970s; nor do regional or occupational indicators support the view of an exacerbation of structural imbalance in Finland. Quite another matter is the fact that, owing to quantitative and demographic changes in the labour force, people already in employment will have to change their occupations, jobs and places of residence more frequently than before in response to changes in the labour market, thus accentuating the increased need for long-term manpower policy measures.

RECENT CHANGES IN THE LABOUR MARKET

TABLE 4. LABOUR FORCE INDICATORS¹

	1987	1986	1986	1985	
	January-June				
Labour force, 1 000s	2546	2560	2571	(2612)	(2600)
Labour force participation rate, 15-74 years	68.4	68.9	69.2	(70.3)	(70.1)
Total employment, 1 000s	2405	2412	2431		2437
Unemployment, 1 000s	141	148	140	(181)	(163)
Unemployment rate, per cent	5.5	5.8	5.4	(6.9)	(6.3)

¹ From the beginning of 1987, the compilation of official unemployment statistics was revised so that only those persons on unemployment pension who want and seek work are now classified as unemployed and hence included in the labour force. Previously, all recipients of unemployment pension were classified as unemployed. Figures corresponding to the old method of calculation are given in brackets; figures based on the new definition are also shown for 1986.

When interpreting the figures in Table 4, it is important to note that, with the introduction of the new method of classification, an increase in the number of persons on unemployment pension reduces both the size of the labour force and the number of unemployed. Last year, some 17 000 new unemployment pensions were granted and at the end of the year recipients of unemployment pension totalled 63 000, which was 12 000 more than at the end of 1985. New early retirement and child-care leave schemes also curbed the increase in labour supply in 1986. Whereas in the early 1980s the average annual increase in labour supply exceeded 30 000, last year the labour force increased by only 12 000. The increase in the number of persons on unemployment pension actually resulted in a fall in the size of the labour force in the first half of this year as compared with the corresponding period of last year.

Last year, the demand for labour fell for the first time since 1978. Since employment in the service sector increased only slightly by 14 000, total employment fell by 6 000. The numbers employed decreased in agriculture, forestry and industry. This trend strengthened in the first half of this year, with employment decreasing particularly in industry and increasing in the financing, insurance and business services sector.

Unemployment has continued to remain the main disequilibrium problem in the Finnish economy. Last year, unemployment increased by 18 000 and the unemployment rate approached 7 per cent, the figure corresponding to the new method of classification being 5.4 per cent. According to the Labour Force Survey of the Central Statistical Office of Finland, the unemployment rate in the first half of this year was only 0.3 percentage point lower than in the corresponding period of last year, whereas the number of unemployed job-seekers recorded by the Ministry of Labour fell by less than the increase in the number of persons on unemployment pension. Hence, there has been no easing in the unemployment problem, even though talk of labour shortages has received great prominence in the press. However, the difficulties experienced in obtaining skilled labour would seem to be confined to certain individual occupational or regional sub-sectors of the labour market, and, for example, the results of the Business Survey published by the Confederation of Finnish Industries do not support the view of the wider significance of this problem.

August 28, 1987

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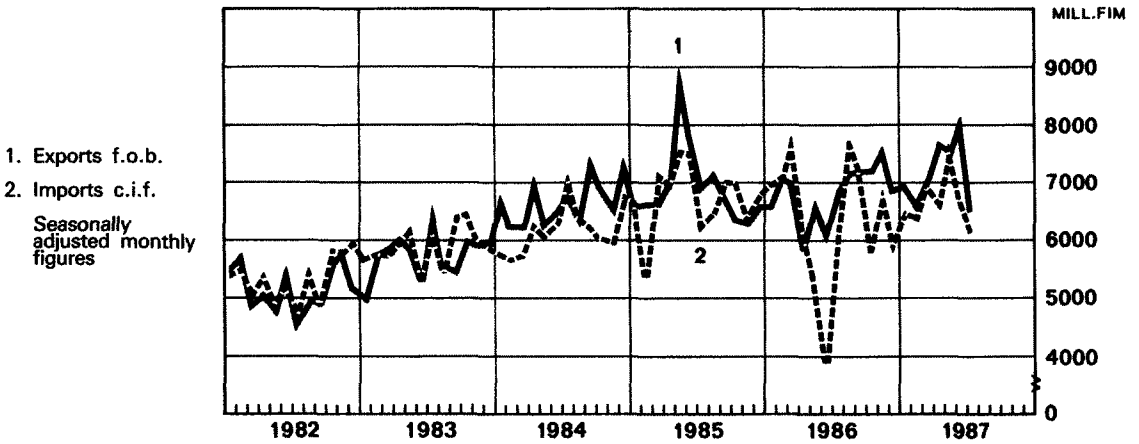
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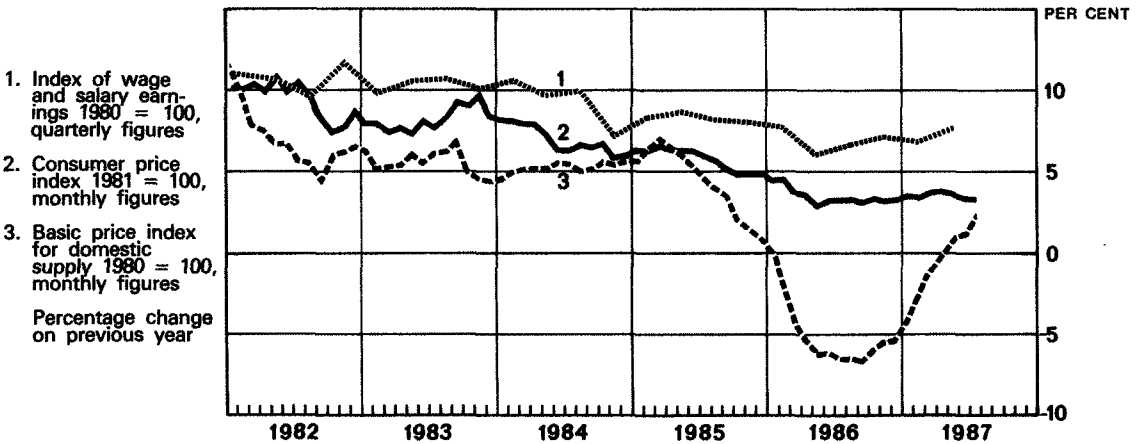
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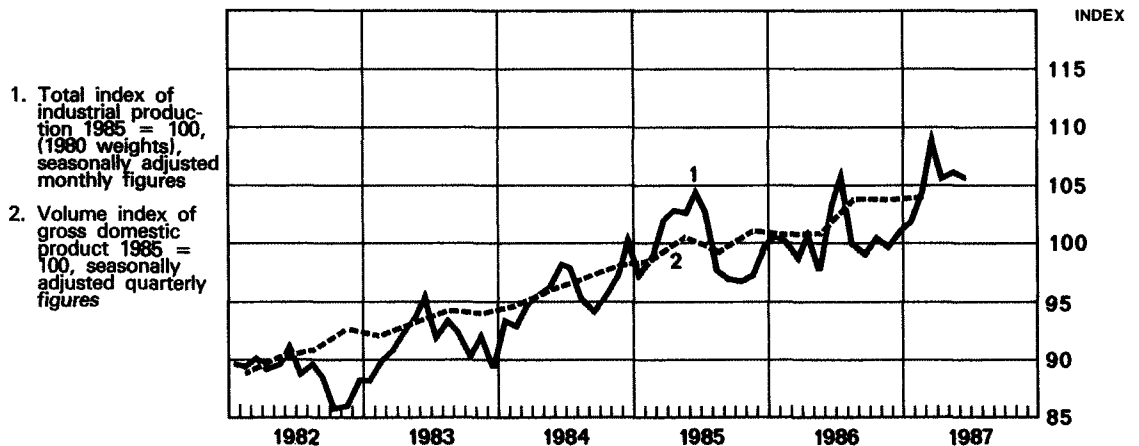
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