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THE FINNISH FINANCIAL MARKETS IN INTERNATIONAL PERSPECTIVE

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MAIN TRENDS IN FINNISH FINANCIAL MARKETS

The Finnish financial markets have undergone radical change over the past 15 years. In the second half of the 1970s, the domestic markets were gradually freed from the banks' interest rate cartel and just over ten years later from official regulation. Particularly in the 1980s, the Finnish financial markets were opened up to the rest of the world at an accelerating pace, and in the second half of the decade, most of the foreign exchange controls applying to companies were abolished.

The most important changes in Finland have been the emergence of a money market, the extension of the range of financial instruments available to companies and also, in part, to households, the increase in the number and diversity of financial sector companies and the vigorous growth of financial and investment activity. Thus, the development of the Finnish financial markets has, with a certain lag, followed general European trends. Even so, financial markets in Finland have remained underdeveloped in certain respects, because, among other things, of the small number of participants, the peculiarities of the tax system and the limited borrowing requirements of the central government.

From the beginning of 1987, the Bank of Finland changed its method of monetary policy implementation by introducing open market operations in place of bank-specific central bank financing. At the same time, bank

CDs were freed from the cash reserve requirement. These decisions promoted the emergence of a well-functioning market for short-term funds. Alongside the money market, there has sprung up an interbank market in forward rate agreements (FRAs). At the moment, however, only a few credit institutions participate actively in this market, and hence interest rate developments easily tend to be determined by the expectations of individual market participants. The situation is not likely to improve until the entry of new banks and foreign customers and intermediaries into the market.

With the trend towards securitization, the Finnish capital market has also diversified. In part, securitization (including the growing use of CDs) has involved a switch away from bank deposits and lending to transactions based increasingly on bonds and CDs. At the same time, however, firms' opportunities of directly raising debt and risk finance in the capital market have improved somewhat.

The rapid extension of the right of Finnish companies to use foreign sources of finance without restriction has contributed to an increase in the supply of financing at market-related rates of interest. Large companies have been able to raise funds directly abroad, whereas smaller companies have normally used domestic authorized banks as intermediaries. Recourse to foreign financing has also been encouraged by the high interest rate policy pursued in Finland and the greatly increased direct investment activities of

the Finnish business sector abroad.

The large domestic deposit banks have retained their dominant position in the Finnish financial markets both where households and small and medium-sized companies are concerned. In fact, the continuing importance of bank finance is partly due to the rapid accumulation of debt by households over the past few years. However, the partial tax-exempt status of deposits has also contributed to maintaining the competitiveness of bank credit since it has reduced the funding costs of deposit banks. Apart from retarding the growth of markets for other instruments, the system has especially favoured banks with dense branch networks. It is, however, likely to be abolished within the next few years.

Below there follows a brief discussion of some of the main features of the Finnish financial markets in the light of available international statistics. In general, the figures depict the situation in the mid-1980s and thus unfortunately do not include the developments of the past few years. The countries included in the comparison have been chosen according to availability of statistical data.

GENERAL STRUCTURE OF FINANCIAL MARKETS IN DIFFERENT COUNTRIES

Available comparable data show that a few years ago the Finnish financial markets differed markedly in certain respects from financial markets in many other countries. The high proportion of foreign financing, the central position of banks and the minor — albeit

growing — importance of the securities market most clearly distinguish the Finnish financial markets from financial markets in several other countries. Another salient feature of the Finnish financial markets is the underdeveloped state of the bond market, though here the situation changed rapidly in the late 1980s.

Compared with other countries, Finland is dependent on foreign financing to a fairly large degree (Table 1). There are at least two reasons for this, which are associated with the international integration process under way in Finland. First, Finland has for long had a current account deficit, which in the past few years has become relatively large. Financing this deficit has required net imports of capital from abroad. Secondly in recent years, Finnish firms have expanded their international operations by undertaking direct foreign investments at an accelerating pace, often financing such transactions in the international financial markets either directly or through banks. Facilitating the use of foreign financing has been the stability of the markka's external value, which has reduced the risks associated with foreign currency funding.

During the 1980s, direct foreign financing by Finnish companies increased markedly along with the relaxation of foreign exchange controls. Nevertheless, a substantial share of foreign financing by Finnish companies is still intermediated through banks. About half of the increase in foreign borrowing by financial institutions from 1983 to 1988 was channelled primarily to small and medium-sized Finnish companies. The remainder was used by the financial institutions for financing their own foreign receivables.

Net financing granted by banks accounts for a large proportion of total financing in Finland compared with other

TABLE 1. DEMAND FOR AND SUPPLY OF NET FUNDS BY SECTOR IN SELECTED COUNTRIES, 1988, PER CENT OF TOTAL NET FUNDS

	Canada	France	West Germany	Finland	Sweden	USA
NET FUNDS RAISED BY:						
Financial sector	18.6	42.1	26.4	35.2	44.6	38.0
Other domestic sectors	77.7	51.7	50.9	50.8	48.0	61.9
Rest of the world	3.7	6.3	22.7	14.0	7.4	0.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
NET FUNDS SUPPLIED BY:						
Banks	30.4	53.4	53.4	45.7	20.2	15.2
Other financial institutions	26.6	17.8	5.9	16.7	32.1	65.7
Other domestic enterprises	27.2	24.8	30.2	15.4	22.8	9.6
Public sector	1.3	-1.5	-1.0	4.5	10.7	0.8
Rest of the world	14.5	5.4	5.9	17.8	14.3	8.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
NET LENDING BY THE FINANCIAL SECTOR						
	38.4	29.0	32.9	27.2	7.6	52.9

TABLE 2. CLAIMS AND LIABILITIES IN FINLAND BY SECTOR, 1975, 1983 AND 1988, BILLION FIM

	1975	1983	1988	Change 1983-88, %
CLAIMS (on other sectors)				
Bank of Finland	9.3	27.9	51.9	86.0
Banks	60.0	210.6	568.3	178.4
Insurance institutions	16.9	71.4	142.2	99.2
Other financial institutions	9.1	30.9	92.0	197.7
Public sector	31.5	96.7	150.7	55.8
The public	78.9	204.6	400.9	95.9
Rest of the world	34.3	121.8	258.6	112.3
TOTAL	240.0	763.9	1 664.6	117.9
LIABILITIES (to other sectors)				
Bank of Finland	6.8	20.0	43.4	117.0
Banks	59.9	209.0	555.9	166.0
Insurance institutions	6.0	4.0	9.2	130.0
Other financial institutions	8.9	32.3	90.8	181.1
Public sector	16.1	76.9	120.5	56.7
The public	127.8	352.6	668.9	89.7
Rest of the world	14.5	69.1	175.8	154.4
TOTAL	240.0	763.9	1 664.6	117.9

countries, although it is considerably lower than, for example, in France and Germany. On the other hand, domestic net financing from outside the financial sector is relatively modest. This is probably due to the underdeveloped state of the Finnish securities market, which hampers both direct financing by companies and the operations of other financial intermediaries.

In relative terms, the size of the market for transactions between financial institutions in Finland probably corresponds fairly closely to the international average. This is shown by, among other things, the fact that the sector's financial flows both on the assets and liabilities sides are at roughly the same level as those in other countries. The redistribution of liquidity risks and exploitation of differences in returns have

spread rapidly in the Finnish economy, as is reflected in the continued strong growth of market participants' balance sheets (Table 2). Contributing to the rapid growth in the 1980s of transactions between financial institutions — especially the interbank market — was the expansion of the bank CD market and the increase in the activities of finance companies, which were often financed by banks.

ACTIVITIES OF FINANCIAL INSTITUTIONS

The structure of financial institutions' balance sheets gives a general picture of the return on and liquidity of different financial instruments in different countries. In most countries, loans granted by financial institutions account for 40-60 per cent, securities for 20-30

TABLE 3. BREAKDOWN OF ASSETS OF FINANCIAL INSTITUTIONS IN SELECTED COUNTRIES AT END-1987, PER CENT OF INSTITUTIONS' TOTAL ASSETS

	Cash and deposits	Loans	Securities
Japan	2.3	64.4	22.0
USA	9.7	42.7	31.8
Belgium ¹	24.1	31.4	32.4
United Kingdom	14.9	51.8	13.7
Italy	19.7	46.1	26.1
West Germany	5.7	77.0	13.2
Norway ²	11.4	59.7	22.5
Sweden	10.9	56.8	23.1
Finland ¹	15.2	67.6	8.3

¹ 1986 ² 1984

TABLE 4. BREAKDOWN OF LIABILITIES OF FINANCIAL INSTITUTIONS IN SELECTED COUNTRIES AT END-1987, PER CENT OF INSTITUTIONS' TOTAL LIABILITIES

	Cash and deposits (excl. foreign deposits in parentheses)	Securities
Japan	57.8 (53.2)	9.7
USA	45.5 (44.8)	16.5
Belgium	63.8 (26.2)	17.0
United Kingdom	79.8 (44.2)	10.4
Italy	63.1 (63.1)	7.7
West Germany	37.6 (36.2)	18.0
Norway	52.3 (46.7)	12.1
Sweden	36.6 (34.8)	27.1
Finland	59.8 (48.2)	10.6

per cent and liquid assets (cash and deposits) for 10–15 per cent of their total assets (Table 3). Deviations from one or another of these values are nevertheless fairly common, though, for example, the breakdown of the assets of Norwegian and Swedish financial institutions follows this general pattern quite closely.

The structure of assets of Finnish financial institutions reflects the financial instruments commonly used in the domestic markets and hence differs markedly from the structure of assets in other countries. In Finland, the share of securities in total assets is the lowest of all the countries included in the comparison. In contrast, the share of loans is the second highest. Among Finnish financial institutions, there is a notably higher concentration than in other countries on forms of financing involving only two parties.

On the liabilities side, bond financing plays a distinctly greater role for Finnish financial institutions than it does on the assets side (Tables 3 and 4). This is partly due to the fact that issues by financial institutions account for a relatively large proportion of the modest stock of bonds outstanding in Finland. In this respect, a similar situation prevails, for example, in Sweden and West Germany.

The share of domestic deposits is only slightly higher in

Finland than, for example, in Norway, the United Kingdom and the United States. This suggests that the tax-exempt status of deposits in Finland may not have encouraged their use as strongly as is generally supposed. Support for such an interpretation is provided by the fact that tax-exemption has been associated with a fairly low return on deposits.

Foreign deposits are of considerable significance, for example, for financial institutions in Belgium and the United Kingdom, where these institutions are very active in the euromarkets. High interest rates, together with the stable value of the markka, have also attracted large foreign deposits to Finnish banks. Banks in Sweden, Norway and even West Germany are far less dependent on funds in the form of foreign deposits than Finnish banks.

Developments in the foreign assets and liabilities of banks in the different countries at least give an approximate picture of the extent and growth of their international activities (Table 5). In this respect, banks operating in the euromarkets in the United Kingdom are pre-eminent. In Japan, which has been running a current account surplus, banks are vigorously expanding their international activities and are in second place. In the United States, with its very liq-

uid, open domestic markets, the international activities of banks are also brisk. For banks in the other large European countries, foreign operations are clearly less important.

The activities of Finnish banks in the international financial markets are naturally very modest: on the assets side, shown in Table 5, less than one-tenth of those of banks in West Germany and almost one-fiftieth of those of banks in the United Kingdom. Nonetheless, Finnish banks have rapidly increased their share of international assets since 1975, having doubled it approximately every fifth year and having reached the same level as Swedish banks. Their share of liabilities, however, has grown appreciably only in the 1980s.

THE STRUCTURE OF THE SECURITIES MARKET

Many factors have inhibited the development of the Finnish capital market. The relatively strict tax treatment of shares, statutory arrangements whereby insurance institutions have focussed their lending activities on granting credit and the large stock of outstanding tax-exempt bonds have all tended to reduce the demand for taxable instruments (bonds and shares). The circle of customers and intermediaries has also remained narrow, partly because foreigners' access to

the market is restricted by law. Also contributing to the thinness of the capital market is the minimal borrowing requirements of the central government, preventing the issue of bonds in sufficient quantities for the formation of a reliable and riskfree long-term rate of interest. The lack of reliable ratings for the riskiness of bonds in Finland may also have retarded the growth of the capital market.

An international comparison shows that the stock of outstanding securities in Finland is quite small by international standards (Table 6). In relative terms, it is even more modest than in many other countries with a bank-dominated financial system like Finland's. This is primarily due to the small amount of outstanding bonds. The table does not include the rapid growth in the stock of bonds and shares that occurred in the late 1980s, although this has probably not changed Finland's relative position in the analysis to any marked extent.

The lack of bond-financing in Finland has been partly attributed to the small amount of foreign issues and, since these are subject to authorization by the Bank of Finland, to exchange control. In comparison with, for example, Norway, West Germany or the United Kingdom, foreign issues in Finland are indeed fairly modest, but so too are domestic issues. Hence, it would seem that the thinness of the bond market is in part due to factors other than exchange control, which has largely been dismantled in recent years.

There is a slightly higher concentration of securities holdings in households in Finland than is the case in most other countries included in the analysis (Table 7), whereas non-financial sector companies' holdings of securities are somewhat less in Finland than elsewhere. Possible explanations for this are the concentra-

TABLE 5. FOREIGN ASSETS AND LIABILITIES OF DEPOSIT BANKS IN SELECTED COUNTRIES, 1975, 1983 AND 1988, PER CENT OF TOTAL FOREIGN ASSETS AND LIABILITIES OF ALL DEPOSIT BANKS IN THE INDUSTRIAL COUNTRIES

	1975	1983	1988
ASSETS			
United Kingdom	28.2	27.2	23.1
Japan	4.6	6.1	19.2
USA	12.3	24.3	15.8
France	9.2	8.1	7.2
West Germany	8.6	4.2	6.0
Austria	1.2	1.4	1.4
Canada	3.1	2.3	1.2
Sweden	.	0.5	0.5
Finland	0.1	0.3	0.5
Norway	0.1	0.1	0.2
LIABILITIES			
United Kingdom	30.1	30.3	24.1
Japan	5.9	6.2	19.3
USA	13.9	17.8	16.1
France	9.3	8.9	7.3
West Germany	4.9	3.4	3.3
Austria	1.2	1.5	1.5
Canada	3.1	3.6	1.7
Sweden	.	1.2	1.0
Finland	0.3	0.4	1.1
Norway	0.1	0.4	0.5

TABLE 6. OUTSTANDING SECURITIES BY ISSUING SECTOR IN SELECTED COUNTRIES AT END-1987, VALUE AS PER CENT OF GDP

	Canada	Norway ¹	West Germany	Finland ²	Sweden	United Kingdom
Bonds	88.3	50.0	62.6	35.5	98.9	52.4
of which:						
public sector	70.9	15.3	16.8	12.8	44.5	33.1
financial institutions	17.3	19.0	35.4	13.5	46.3	8.6
other domestic enterprises	. ³	8.6	2.8	6.9	7.0	. ³
rest of world	. ⁴	7.1	7.5	2.4	1.0	10.8
Shares	61.3	24.2	5.9	23.4	44.5	117.3
of which:						
domestic enterprises	56.7	22.7	5.9	20.0	44.5	99.8
foreign enterprises	4.6	1.5	.	3.3	.	17.5
ALLOCABLE TOTAL	149.6	74.2	68.4	58.9	143.4	169.8

¹ 1984

² 1986

³ Included with financial institutions

⁴ Included with shares of foreign enterprises

TABLE 7. OUTSTANDING SECURITIES BY HOLDING SECTOR IN SELECTED COUNTRIES AT END-1987, VALUE AS PER CENT OF GDP

	Canada	Norway ¹	West Germany	Finland ²	Sweden	United Kingdom
Financial sector	49.0	33.2	33.0	21.1	54.3	103.0
of which: monetary institutions incl.						
the central bank	8.2	23.0	23.5	14.5	18.5	13.0
Other enterprises	1.6	16.0	3.9	1.6	18.4	13.2
Households	62.5	. ³	10.0	16.7	22.1	36.9
Public sector	7.3	9.4	1.4	3.3	31.3	4.2
Rest of world	29.1	15.6	14.5	16.2	17.5	12.5
ALLOCABLE TOTAL	149.6	74.2	62.8 ⁴	58.9	143.4	169.8

¹ 1984

² 1986

³ Included with other enterprises

⁴ Excluding a substantial amount of non-allocable issues

tion of a relatively large stock of tax-exempt bonds in the household sector and the generally underdeveloped state of the financial activities of small and medium-sized Finnish enterprises.

FUTURE PROSPECTS

The structure of the financial markets in Finland is rapidly becoming similar to that in other countries. The prominent position of foreign financing is partly due to the cyclical situation and the expansion of Finnish companies abroad, i.e. to factors which are probably of a temporary nature. The development of the capital market is likely to accelerate now that international trade in bonds has been allowed and the central government has decided to place increasing emphasis on taxable bonds. The decisions to impose a fixed rate of tax at source on interest earnings and to abolish the tax-exempt status of bank deposits and the efforts to promote securities investments by pension insurance institutions are all likely to operate in the same direction.

Despite the changes which have taken place, the Finnish financial markets are still dominated by banks to a remarkably high degree. This *per se* is

not necessarily a sign that the financial markets are underdeveloped, closed or functioning inadequately. However, combined with a very narrow and imperfectly functioning capital market and heavy reliance on foreign funds, it points to some inefficiency in the credit market. Finding domestic sources of finance that offer an alternative to the few large banks is not easy, and — partly as a result of monetary policy — high interest rates and other credit costs are driving demand for finance abroad.

Structural change in the Finnish financial markets will also be promoted by their integration with international financial markets and the European markets in particular. The dismantling of foreign exchange controls, which has almost been completed, will increase the number of financing alternatives available to companies and households and lead to fiercer foreign competition. If there are not enough alternative sources of funds available in Finland, the public will gradually turn to foreign competitors to an even greater degree than at present. In open financial markets, such a development will inevitably mean that the range of instru-

ments and the price of financial intermediation will become similar to those abroad — although not necessarily identical.

Even the possibility of Finland's formal participation in European integration (e.g. within the framework of the European Economic Area) will not materially change the course of development. However, the pace of change in the Finnish financial markets may increase, since it is likely that a condition for Finland's participation will be the relatively rapid harmonization of Finnish financial market legislation with practices prevailing elsewhere in Europe. At the same time, it is probable that the consequent increase in the demand for alternative forms of financing will help to sustain the vigorous development going on in the Finnish securities markets.

October 4, 1990

Foreign sources for statistics used in the tables:
Financial Accounts of OECD Countries 1988
International Financial Statistics Yearbook 1989

FINLAND IN 2005: CHALLENGES AND PREPARATION¹

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FINLAND'S INTERNATIONAL ENVIRONMENT

World economy moving towards tripolarization

Competition between the world's different economic systems has come to an end. Socialist countries are changing over to multiparty political systems and market-oriented economies. These developments will cause significant changes in the international division of labour.

Western European countries are becoming integrated within the EC. The former socialist countries of central and eastern Europe are also likely to become a permanent part of an economically integrated Europe. The capital and new technology needed by these countries for modernizing productive facilities and alleviating environmental problems will probably come from the EC area. Support provided by the European market economies in the form of training will also be a significant factor.

It seems evident that Japan and the United States will respond to the challenge of Europe's growing economic strength in the form of both direct investment in Europe and closer economic integration within their own adjacent regions. Japan's interest in the populous and rapidly growing economies of Asia remains strong. The United States and Canada already constitute an integrated economic area. Their interests are turning

more and more towards Latin American countries, for whom North America is a vital market area.

The world economy is becoming a tripolar entity in which rivalry between the regional groupings is keen, especially with regard to technological development. Intra-regional trade is growing rapidly, and restrictions on the mobility of factors of production are gradually being removed. This offers opportunities for the continuation of rapid output growth. The mobility of capital is substantially greater than that of labour, which is subject to efforts to check its flow between countries in differing stages of development.

Energy and environment as constraints on world economic growth

International trade and total world output are estimated to grow at least as fast in the 1990s as in the preceding decade. However, energy prices and environmental problems will act as constraints on growth.

The physical scarcity of energy and other natural resources will probably not limit the growth of output significantly in the coming decades. The depletion of known reserves will set in motion processes that either reduce the dependence on the scarcest resources or increase the reserves of such resources. The forecast rise in prices will accelerate the search for natural resources, make the exploitation of lower quality deposits economical and channel demand into substitute products.

Because the Middle East is crisis-prone, the price of oil is liable to remain considerably higher in the 1990s than the relatively low level experienced in the second half of the 1980s. This will reduce the energy-intensiveness of output in the industrial countries. In fact, most of the increase in the growth of energy consumption is likely to occur in the developing countries and former socialist countries. Growth in the demand for oil products and occasional supply constraints will lead to higher and extremely volatile world energy prices. This will hinder economic development, especially in the former socialist countries and the developing countries, which are highly dependent on imported energy, and will sustain instability in the international financial markets.

The environmental constraint is likely to be a determining factor in the use of energy. Energy will also become more expensive because of investments made in cleansing equipment and combustion technology in order to limit emissions arising from the production of energy. This will raise the cost of energy consumption. The possibility of international harmonization of pollution taxes may also increase the price of energy to the consumer.

For Finland, energy and environmental questions are absolutely vital. Finland's welfare still depends on its forests. About half of the nation's net export earnings derives from forest industry products. Over the long run, changes in the environment will be reflected

¹This article is based on the long-range study, "Finland 1990—2005: A Time of Challenge and Preparation" (in Finnish), Economic Planning Centre, Helsinki 1990.

in the state of the forest reserves. As forest growth slows and the quality of standing timber deteriorates, production possibilities in the forest industries will diminish. Surges in the supply of wood due to the felling of pollution-damaged forests in central Europe will occasionally hamper developments in the Finnish forest industries.

Time needed for improving the Soviet economy

In the 1970s and 1980s, the Soviet Union was Finland's most important trading partner, but with the fall in the price of oil, the share of Finnish trade accounted for by the Soviet Union has decreased sharply. As the traditional planned economy of the Soviet Union has languished, many sectors of the economy have been thrown into a state of confusion and decline, and some regions have sought to break away from the Union. Even if the reforms succeed, the recovery of the Soviet economy will be a very slow process. Putting into practice the new modes of economic thinking may take a long time.

Solution of the immense problems facing the Soviet economy will absorb a large part of both capital from abroad and domestic resources. There is a huge backlog of major investment needs in the Soviet economy. Modernizing and enhancing the efficiency of raw materials and energy production as well as structural changes in manufacturing call for investment on a massive scale. Similarly, there is a need for a substantial increase in investment for environmental protection. Transport and communications systems will have to be improved and modernized. There will also have to be heavy capital outlays on upgrading service sector facilities and housing standards and on securing food supplies.

These investments will require an enormous commitment in terms of resources and a fundamental improvement in the level of technology. Little scope will remain for immediate increases in the level of consumption. As a result, the motivation to work may weaken and the achievement of economic goals may be delayed.

In Finland's trade with the Soviet Union there is likely to be changeover to the use of convertible currencies. In this event the domestic content requirement, which has been an impediment to exports, would be abolished but, on the other hand, price competition in Soviet markets would probably stiffen. Finnish firms cannot compete adequately with large European and Japanese firms in the granting of export credit, and hence Finland's market shares in the Soviet Union will decrease significantly.

Environmental protection is emerging as a key issue in Finnish-Soviet economic relations. The largest part of foreign-derived air pollution in Finland comes from the Soviet Union and other eastern European countries. Accordingly, in the 1990s, Finland will participate in efforts to reduce emissions from Soviet industrial facilities located near the border.

ECONOMIC GROWTH SLOWING IN FINLAND

Main factors affecting growth

Finland's internationally high rate of economic growth has, in recent decades, been based on quantitative increases in labour and capital as well as on increasing efficiency in their use, i.e. improvements in productivity (Table). Particularly in the 1960s and the first half of the 1970s, output grew apace. Industrial activity and foreign trade expanded, and labour shifted from agriculture to manufacturing and the services sector. At the same time, agriculture became more capital-intensive and its productivity improved rapidly.

In the period since the first oil crisis, industrial growth has slowed in Finland as elsewhere, but it has remained at a satisfactory level in comparison to other industrialized countries. Growth has been based on favourable productivity developments in the production of goods. This reflects the narrowing of the technological gap between Finland and the more highly industrialized countries. However, productivity growth in the service industries slowed markedly in comparison to its performance in the 1960s.

TABLE
FACTORS AFFECTING OUTPUT GROWTH IN FINLAND 1960—1989 AND FORECASTS TO 2005

Average annual change, per cent	Output			
	Output	Labour input	Capital input	Total productivity
Total economy				
1960—1973	4.6	-0.1	5.1	3.0
1973—1989	3.2	-0.3	3.7	2.2
1989—2005	2.4	-0.6	2.8	1.9
Agriculture and forestry				
1960—1973	-0.1	-3.8	2.6	2.0
1973—1989	0.5	-3.0	1.5	2.3
1989—2005	0.4	-2.9	0	2.6
Manufacturing				
1960—1973	6.6	1.2	5.6	3.7
1973—1989	3.4	-1.2	3.4	2.9
1989—2005	2.9	-1.5	3.5	2.5
Other industries				
1960—1973	5.3	1.2	5.2	2.7
1973—1989	3.5	0.5	4.0	1.7
1989—2005	2.8	-0.5	3.0	2.1

Economic growth is forecast to slow further in the current decade. The increase in labour supply will come to an end, and the traditionally high investment ratio will fall towards the average level for industrial countries. Moreover, the ageing of the population and abatement in the growth of the capital stock could signify a slight slowing in the rate of increase in productivity.

Labour supply to stabilize

As the postwar baby boom generation entered the labour force from the 1960s onwards, the working age population grew rapidly. Labour supply was also boosted by the movement of women from the home into the open labour market. The female labour force participation rate in Finland is, in fact, among the highest in the world, and women account for nearly half the labour force in Finland. They already constitute a majority among salaried employees.

The growth in labour supply would have been even faster had there been no migration to Sweden, which particularly in the 1960s and latter part of the 1970s took its toll on the Finnish labour market. Another factor limiting labour supply growth has been the early retirement of significant numbers of people. This has resulted in the exceptionally low labour force participation rate among people in the 55 to 64 year age group.

With regard to several factors affecting labour supply, the current decade promises to be quite different from past experience in Finland. Growth of domestic labour supply will wane, the labour market will become internationalized, the labour force will age and the level of education will rise.

The population cohorts reaching working age are shrinking continuously. In this decade, the number entering the labour market will be only

just over half of what it was at the end of the 1960s. The female labour force participation rate will not increase any further, particularly if large numbers of parents of young children avail themselves of the right to child home care support.

The population cohorts reaching retirement age will remain small during the 1990s, and thus the working age population will continue to grow to some extent. But after the turn of the century, the largest age group in Finnish history will reach the age of early retirement. In fact, if the tendency to retire early remains strong, the labour supply will start to decrease at an accelerating pace even before the year 2000. Maintaining the ability and desire to work of the large age groups will be a major manpower issue in the 1990s. Besides affecting the labour market, this issue has important implications for income maintenance and income distribution.

One possible solution to the problem of early retirement would be a significant expansion in part-time work and part-time retirement as an alternative to early retirement. An essential requirement for this is the creation of new, part-time job markets. Otherwise, the lack of such markets in several key sectors of output will slow the expansion of part-time retirement, despite its growing popularity. Another alternative for checking the tendency towards early retirement would be the setting of general restrictions on the right to early retirement.

The expansion of part-time job markets would also increase the variety of available working time models and lessen some of the pressures for shortening normal working hours. Although the number of hours worked per year is short in Finland by international standards, the share of part-time work is small. Less than

10 per cent of Finnish wage and salary earners work part time, whereas the corresponding percentage for the other Nordic countries is many times greater.

There is virtually no foreign labour in Finland. The share of foreigners in the population of Finland is half a per cent, which is among the lowest in Europe. In the future, both immigration into and emigration from Finland will increase, and the Finnish labour market will become more internationalized. The net migration flow will depend, *inter alia*, on the refugee policy pursued by Finland and, above all, on Finland's economic performance in relation to neighbouring countries. Other increasingly important factors influencing migration flows will be housing conditions, taxation and educational opportunities.

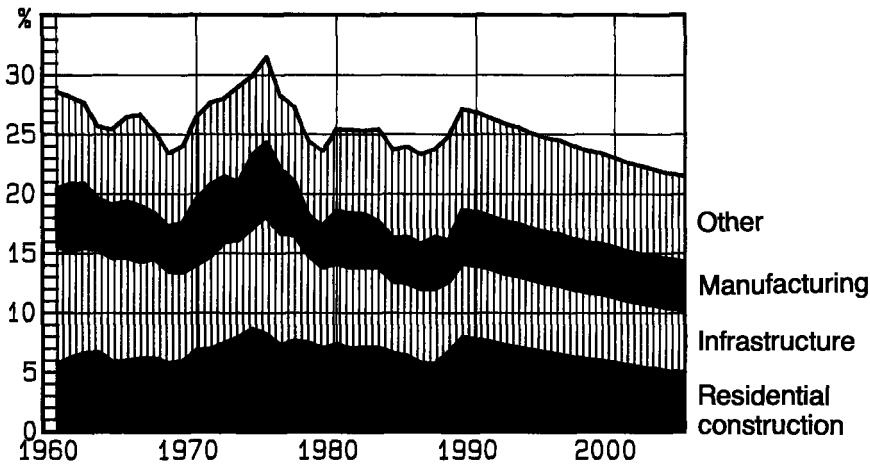
Although labour mobility — frequency of change of employer, occupation or place of residence — is clearly greater for young people than for older people, the relation between ageing and productivity is not as direct. Long work experience and skills acquired on the job improve productivity. Moreover, the ability to learn does not necessarily worsen with age. The rising standard of basic education equips ageing workers better than before to develop their skills and learn new occupations. Hence the ageing of the labour force will not necessarily make the labour market more rigid.

Investment ratio to fall, but productivity will continue to increase rapidly

During the last decade, investment was increasingly directed towards modernizing productive capacity, which can be seen in the increasing share of manufacturing investment accounted for by investment in machinery and equipment. The share of the services sector in total investment has

CHART

FIXED CAPITAL FORMATION AS PER CENT OF GDP, 1960 - 2005



also increased. At the end of the decade housing construction grew at an exceptionally rapid pace (Chart).

The investment ratio is expected to fall during this decade. The prime cause will be the adjustment of housing construction to a level lower than before. The expected fall in agricultural production should likewise be reflected in decreasing agricultural investment. Manufacturing is forecast to account for a growing share of fixed investment. Investment will also grow because of environmental protection needs, which will affect particularly the energy and transportation sectors, as well as manufacturing.

Expenditure on R & D in Finland amounts to some 2 per cent of GDP, which is about the average for OECD countries. The ratio doubled in the 1980s and is expected to continue to grow in this decade. Expenditure on training in the business sector is also expected to increase. Now, at the beginning of the 1990s, spending on training in manufacturing amounts to one-tenth of fixed investment in that sector, but it is expected to grow faster than fixed investment.

Training is likely to be extended to include all personnel; currently it affects mainly white-collar employees.

Direct investment abroad by Finnish firms grew dramatically in the 1980s. Whereas in the 1970s it amounted to less than one per cent of domestic capital formation, now, in 1990, it already amounts to about one-tenth. Foreign direct investment in Finland amounts to less than one per cent of aggregate investment in Finland. The internationalization of Finnish firms nonetheless still lags far behind that of firms in, for example, Sweden, Switzerland and many EC countries. Direct investment abroad could continue to grow rapidly, as smaller and smaller firms come to see it is an indispensable means of competition.

The application of new technology through investment in machinery and equipment together with spending on research and training and international investment are essential for increasing productivity. Indeed, productivity is expected to continue to improve rapidly, though the improvement will be held back somewhat by the "maturing" of Finland as an industrialized country and by

the ageing of the population and workforce.

The changing international competitive environment resulting from European integration and the GATT process, as well as the development of information technology, imply an acceleration in productivity growth in the service industries in particular. Up till now this sector has been relatively sheltered from competition, but the situation will change with the strengthening of foreign competition and the depletion of labour reserves.

Productivity growth in goods production will also continue without any significant slowdown. However, this will be achieved more as a result of reorganization of production at the firm and plant level, rather than by way of increasing capital intensity and firm size, as has been the case till now.

Improvement of the external balance essential in the coming years

The operating environment for economic policy has changed over the last decade. A stable markka has become an increasingly important ob-

jective, as it provides an anchor for firms, households and the public sector in today's changing and uncertain international environment. A stable price level and a stable currency encourage improvements in real competitiveness through increasing efficiency in production.

The major economic problem of the 1990s will be the proneness towards inflation and the external imbalance. The large current account deficit is the result of excessive growth in domestic consumption and investment relative to domestic output. Savings have not been sufficient to finance growing investment, with the result that the foreign debt has been increasing rapidly. This imbalance has kept the rate of inflation higher than in competitor countries on average.

The rise in households' consumption and fall in their savings in relation to disposable income can be attributed to favourable expectations regarding income and wealth. These, in turn, have been fuelled by the deregulation of financial markets and the associated rapid growth in credit, a tax system that allows the accumulation of debt and a boost to consumption from the large proportion of the population in the high-consumption age groups. The drying up of labour reserves and growing demand for labour have reduced unemployment and kept wage demands high.

The external imbalance engendered by vigorous growth in domestic demand and declining price competitiveness pushed the level of interest rates up sharply in the second half of the 1980s. Fiscal and incomes policy have not been sufficiently effective to restore balance.

Getting on the path of balanced growth will require that output grows noticeably faster than domestic expenditure in the 1990s. On the other hand,

than in competitor countries, as this would put the external balance in jeopardy. This could mean that growth will be slower than in the 1980s and slower than in competitor countries. In that case, inflation would slow, price competitiveness would improve and interest rates would return to a level supporting investment, output growth and employment.

Curbing the growth of expenditure will be facilitated by the fact that pressures to increase public spending on consumption and investment stemming from changes in population structure will be minimal in the 1990s. The public sector could in fact continue to run substantial surpluses. Nonetheless upward pressure on public sector spending will increase after the turn of the century, as expenditure on health and social services needed by the ageing population increases. For this reason it is essential that efficiency be improved in the public sector, especially at the local government level.

Household consumption demand has grown at a very fast pace, and the savings ratio has fallen. In the coming years, the savings ratio could increase slightly, along with a weakening in income expectations and a rise in debt repayments. Over the longer term, however, private consumption is likely to expand at a brisk pace. As regards young people, the outlook for employment and income is favourable, and this will probably be reflected in a rapid increase in indebtedness. Household income in the large age groups will reach its peak per capita after the children have left home. A relatively high level of wealth and good pension security will not encourage saving for old age, and hence the traditionally high savings ratio of the elderly could decrease.

Household savings as a proportion of the national product could remain low over the

long run. Hence it is important that saving in the form of employment pension insurance be as high as possible. In this way national savings would be supported and provision made for funding the sharp increase in pension costs expected to take place after the turn of the century. The protection of employment pension funds against inflation should be improved by setting a substantially higher rate of interest on pension fund assets than at present. This would mean that a smaller share of pension funds' income than at present would be needed to cover the payment of current pension benefits.

At the same time, the level of funding of pension schemes should be raised further by requiring employees to contribute. This would mean that the large age groups currently in employment would pay for a greater proportion of their future pension benefits and thus ease the burden to be borne by the substantially smaller age groups still working when these pensions are paid out. For this measure to be of any real significance, the labour organizations must be prepared to lower their wage demands correspondingly. Otherwise, the result would simply be a rise in the level of costs and an acceleration in inflation.

An export surplus in goods and services equivalent to at least 2 per cent of national product will be needed in order to reduce foreign debt to less than 20 per cent of national product by the year 2005. The surplus will be necessary because interest payments on foreign debt will remain high.

Developments in Finland's net foreign debt will be highly sensitive to the timing of export surpluses during the current decade. If imports and exports of goods and services increase steadily so that the export surplus amounts to 2 per cent of national product each

year, the national debt will rise to nearly 40 per cent of GDP before starting to fall. The growth of indebtedness would, however, keep the level of interest rates so high that increases in output and income would be smaller than forecast. The present projection is based on the assumption that high interest rates restore external balance in the first half of the 1990s. This, in turn, requires that structural rigidities do not hinder the adjustment process.

October 1, 1990

SURVEY OF DIRECT INVESTMENTS IN 1989

Each year the Bank of Finland carries out a survey of Finnish direct investment abroad in which it collects data on the financial statements of Finnish-owned subsidiaries and associates abroad. For 1989, corresponding data has for the first time also been collected on foreign firms' subsidiaries and associates that operate in Finland.

The stock of direct investments, calculated on the basis of financial statements, is now uniformly available for both Finnish and foreign firms. This data, which is consistent with international recommendations, will be utilized in compiling balance of payments statistics. This brings a substantial change in the current data base for direct investment and reduces its comparability with previous years' data.

The internationalization of Finnish firms has proceeded apace, as has the number of their subsidiaries and associates. The survey of Finnish-owned subsidiaries and associates for 1989 has been trimmed down to include only those firms whose balance sheet totals exceed FIM 50 million. These firms account for about 90 per cent of the total stock of investment.

The survey of foreign firms' subsidiaries and associates operating in Finland was all-inclusive.

Finnish firms' direct investment abroad

*Stock of investment.*¹ According to the survey, the book value of the stock of Finnish firms' investment in their subsidiaries and associates abroad amounted to FIM 28.7 billion at year-end 1989. Manufacturing firms accounted for FIM 16.7 billion of the total. The most important manufacturing sector was metal and engineering. Finance and insurance accounted for FIM 7.7 billion of the total. Over 40 per cent of the stock of investment was in the EC area.

Reinvested earnings² and return on investment. The survey indicates that Finnish firms' subsidiaries and associates did not earn any net income on reinvested earnings in 1989. When reported earnings for the accounting year are reduced by reported losses and dividend distributions from the previous accounting year, the net result is a negative figure of FIM 527 million.

Profits remitted to Finland by subsidiaries and associates abroad in the form of dividends, interest, profits on transactions in goods and services, licence fees and royalties totalled FIM 1 073 million. Profits remitted to Finland and reinvested earnings totalled FIM 546 million.

Operations abroad of Finnish-owned manufacturing companies. In 1989, the total turnover of Finnish manufacturing companies' operations abroad was FIM 83.4 billion. Half of that amount was accounted for by the metal and engineering industry. Manufacturing companies employed nearly 124 000 persons abroad.

The survey indicates that Finnish-owned manufacturing companies' average profitability, based on operating margins, fell from the previous year by one percentage point to 7 per cent of turnover. Based on net profit, average profitability fell by two percentage points to nil. The survey results cannot, however, be relied upon to give a truly credible picture of profitability because they are based entirely on financial statements.

According to the survey, the forest industry was again the most profitable sector abroad, although the average operating margin fell by 5 percentage points to 8 per cent. For manufacturing as a whole, the most profitable market area, based on operating margins, was North America.

Foreign direct investment in Finland

Stock of foreign direct investment. According to the survey, the total book value of foreign companies' investments in subsidiaries and associates located in Finland was FIM 16.2 billion at year-end 1989. Manufacturing companies accounted for 45 per cent of the total. The single sector accounting for the greatest share, about 40 per cent, of the

¹ The stock has been calculated by adding parent-company loans of more than one year to a company's capital account (shareholders' equity + reserves + valuation items) weighted by the investor's share.

² Reinvested earnings are equal to profit weighted by the investor's share before adjustment items, excluding the proposed dividend for the previous accounting year weighted by the investor's share.

total was that of sales companies. Over one half of the total stock of investment was accounted for by Swedish firms.

Reinvested earnings and return on investment. Foreign-owned companies reinvested FIM 955 million of their 1989 earnings and remitted FIM 2 355 to their parent companies in the form of dividends, interest, profits on transactions in goods and services, licence fees and royalties. The combined total of reinvested and repatriated earnings for 1989 was FIM 3 310.

Effects on balance of payments data

The forthcoming change in the compilation principles means that a break in comparability will be present in balance of payments data. For the first time reinvested earnings will be included as investment income and expenditure in the current account and, correspondingly, as direct investment abroad and in Finland in the capital account. This will increase the 1989 current account deficit figure by some FIM 1.5 billion. Similarly, this change in compilation methods will increase the net for-

eign debt figure by some FIM 13 billion.

The stock figures for 1989 will be changed in the official balance of payments statistics in time for the next publication of such data in November 1990. As far as current account and capital account figures are concerned, the results of the survey will be taken into account in cooperation with the Central Statistical Office in Finland. It has been tentatively agreed that the necessary adjustments to the present SNA-based compilation system will be effected in summer 1991.

FINLAND'S NEW COINS

Finland is to introduce a new series of coins. In the first phase, to be implemented in November 1990, new 10 and 50 penni coins will be put into circulation. The present 10 and 50 penni coins will remain legal tender, however. The introduction of the new coins in penni denominations will be followed by the issue of new 1 and 5 markka coins in 1993.

The Government first announced the decision to introduce the new coins in June 1987. A new series was deemed necessary in order to give the Finnish coins a uniform appearance. The present coins do not form a coherent and logical series in terms of size or value. Nor does the series as whole meet present-day aesthetic demands.

The motifs of the new coins are taken from nature. The new 10 penni features the lily of the valley and the new 50 penni coin the brown bear. The coins have been designed by the sculptor Antti Neuvonen.

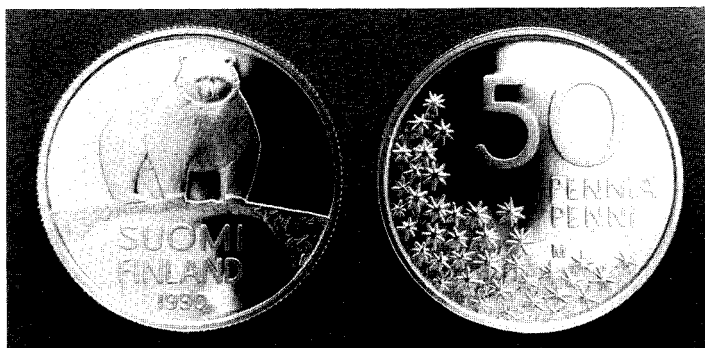
The new coins will be of a new size, which is significantly smaller than that of the coins in the present series. The new coins will be struck in cupronickel of silver colour. The inscription "Suomen tasavalta"

(the Republic of Finland) on the present coins has been replaced by the inscription "Suomi Finland".

With the introduction of the new coins, the present 5 and 20 penni coins will be withdrawn from circulation. These denominations will gradually be phased out, and no new coins in these denominations will be minted after October.

They will however remain legal tender.

The withdrawal of the 5 penni coin necessitates a change in the rules for the rounding of sums. Sums ending in one to four pennis will be rounded down and sums ending in five to nine pennis rounded up. The new rules will apply from November 1, 1990.



MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM SEPTEMBER 1989 TO SEPTEMBER 1990

1989

SEPTEMBER

Foreign Exchange Regulations.

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

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

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

foreign lender.

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

Cash reserve requirement.

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

OCTOBER

Government cash fund deposits.

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

Cash reserve requirement.

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

NOVEMBER

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

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

Cash reserve requirement.

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

DECEMBER

Cash reserve requirement.

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

1990

JANUARY

Prime rates. The Bank of Finland complements its recommendations on reference rates to banks by permitting them to apply their own prime rates in all their lending and deposit-taking, with effect from January 1, 1990.

Money market operations. As from January 1, 1990, only CDs issued by banks which meet the following requirements can be accepted for use in money market dealings: the bank's capitalization exceeds the minimum amount set by the Bank of Finland, the bank meets the minimum capital adequacy requirements set by the BIS and operates as a market maker in the CD market. These banks may at the same time act as the Bank of Finland's market counterparties and may be granted access to call money credit. As a rule, a one-year transition period will be applied in the introduction of the new requirements for banks which are already entitled to call money credit and in whose CDs the Bank of Finland deals.

Cash reserve requirement. The Bank of Finland adjusts the cash reserve requirement for certain banks. Together with the current 8 per cent ratio, the banks' average deposit requirement remains at about 9.1 per cent of the cash reserve base in December.

Provided bank lending does not accelerate sharply in January-February 1990, the collection of additional deposits under the supplementary cash reserve agreement will be discontinued. The non-interest-bearing additional deposits collected on the basis of the lending growth

figures at the end of December 1989 will remain at the Bank of Finland and be refunded at the latest in July-December of the current year in six equal instalments at the end of each month.

FEBRUARY

Foreign Exchange

Regulations. The Bank of Finland allows the sale abroad of new markka-denominated bonds of over one year's maturity as from February 1, 1990, with the exception of bonds issued by housing and real estate companies. The present ban on cross-border sales remains in force for bonds issued previously. Effective the same date, non-residents will be allowed to issue markka-denominated bonds in Finland.

With effect from the beginning of February, the Bank of Finland also decides to exempt Finnish companies' share issues abroad from the requirement of prior authorization. Starting from this date, the Bank of Finland no longer requires quotation by the Helsinki Stock Exchange or the OTC market as a condition for the issue of foreign securities in Finland. Similarly, it is no longer necessary for non-residents purchasing Finnish securities to effect their purchases through the Helsinki Stock Exchange or the OTC market.

MARCH

Finance companies accorded the right to intermediate foreign

finance. The Bank of Finland decides that, with effect from March 1, 1990, finance companies may apply for the right to intermediate and raise foreign loans to the extent permitted by the limits on their foreign

currency positions. Previously only deposit banks were accorded this right.

APRIL

Cash reserve agreement.

The Bank of Finland signs a new cash reserve agreement with the deposit banks on April 26, 1990. According to the new agreement, the cash reserve base comprises domestic deposits by the public and the rate of interest payable on cash reserve deposits is the 3-month HELIBOR rate less three percentage points, not however less than 8 per cent. The new cash reserve base is applied for the first time to deposits in April and interest will be paid at the new rate with effect from May 1, 1990.

MAY

Cash reserve requirement.

The cash reserve requirement corresponding to the new cash reserve agreement amounts to 8 per cent of the cash reserve base at the end of April.

JULY

Foreign Exchange

Regulations. The Bank of Finland allows private persons to undertake foreign investments and grant loans of over one year's maturity to non-residents without upper limit as from July 1, 1990. This liberalization measure also applies to corporate entities, such as housing and real estate companies, considered comparable to private persons. Furthermore, local authorities are allowed to make foreign investments, grant loans of over one year's maturity to non-residents and raise foreign loans of over one year's maturity for financing their own operations.

The Bank of Finland also increases the opportunities of financial sector enterprises to engage in foreign operations. In addition to banks, mortgage banks and credit companies are, with effect from July 1, 1990, able to apply for the right to intermediate and raise foreign loans and the right to make foreign investments within the limits of their foreign currency positions. Finance companies have been able to apply for the right to intermediate foreign loans since March 1, 1990. **Investment reserves.** On July 12, the Government

decides to release, as from January 1, 1991, companies' investment reserves set up in respect of profits earned in 1985-1987. These reserves are to be used by the end of 1992.

SEPTEMBER

Foreign Exchange Regulations. By decision of the Bank of Finland, derivative instruments based on Finnish shares and warrants carrying the right to purchase restricted shares may be sold to non-residents as from September 1, 1990.

However, legislation restricting foreigners' ownership rights prohibits the transfer of restricted shares underlying derivative contracts and warrants to non-residents.

The decision applies to all standardized and unstandardized options and futures based on Finnish shares and other contracts of a similar nature.

The Bank of Finland further decides that residents may, without restriction, buy and sell derivative instruments based on foreign shares as from September 1, 1990.

LAND, CLIMATE AND POPULATION

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

Finland has a population of 4 969 200 (Dec. 31, 1989) and an average population density of 16.3 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 490 800 inhabitants, Tampere (Tammerfors) 171 300, Espoo (Esbo) 169 400, Turku (Åbo) 158 900 and Vantaa (Vanda) 152 500.

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

FORM OF GOVERNMENT

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

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

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

Social Democratic Party 56; National Coalition Party 53; Centre Party 40; Left-Wing Alliance 20; Swedish People's Party 13; Rural Party 9; Christian League 5; and the Greens 4.

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

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

INTERNATIONAL RELATIONS

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

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

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

THE ECONOMY

Output and employment. The Finnish economy is essentially based on private enterprise, with over 80% of manufacturing output and some 90% of banking services produced by pri-

vate companies. Of the gross domestic product of FIM 431 billion in basic values in 1989, 3% was generated in agriculture and fishing, 3% in forestry, 25% in industry, 9% in construction, 11% in trade, restaurants and hotels, 8% in transport and communications, 4% in finance and insurance, 19% in other private services and 17% by producers of government services. Of total employment of 2.5 million persons in 1989, 9% were engaged in primary production, 31% in industry and construction and 60% in services.

In 1989, expenditure on the gross domestic product in purchasers' values amounted to FIM 495 billion and was distributed as follows: net exports -1.7% (exports 23.6%, imports -25.3%), gross fixed capital formation 27%, private consumption 52% and government consumption 20%. Finland's gross tax ratio (gross taxes in relation to GDP) was 37% and the net tax ratio (net taxes in relation to GDP) 25%, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.7% in the period 1950-59, 5.0% in 1960-69, 3.7% in 1970-79, 3.6% in 1980-89 and 4.3% in 1950-89. Finland's GDP per capita in 1989 was USD 23 200. According to preliminary data, this put Finland in second place after Switzerland among the 24 member countries of the OECD.

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

In 1989, the share of forest industry products in total merchandise exports was 40%, the share of metal and engineering products 42% and the share of other goods 18%. Raw materials and intermediate goods (incl. crude oil) accounted for 54% of merchandise imports, fuels for 3%, investment goods for 19% and consumption goods for 23%.

Forest resources. Finland has fairly abundant forest resources, but

only limited amounts of other raw materials. The growing stock comprises 1 660 million cubic metres, of which 45 % is pine, 37 % spruce and 18 % broad-leaved species, chiefly birch. The annual growth increment totals 68 million cubic metres and the total drain calculated on the basis of commercial fellings was 59 million cubic metres in 1989.

Energy. In 1989, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 46 %, heating for 21 %, transportation for 14 % and other purposes for 19 %. The sources of primary energy in 1988 were as follows: oil 31 %, coal 11 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 29 %, others 14 %. Compared internationally (1988), Finland's consumption of 6.0 toe per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (OECD definition) in Finland was 42 %, as compared with 62 % in western Europe on average.

FINANCE AND BANKING

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

International payments.

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

Outward direct investment is permitted without the Bank of Finland's authorization except for direct investments in the Soviet Union and Bulgaria. Similarly, inward direct investment is permitted without the Bank of Finland's authorization except for direct investments in enterprises in the financial sector and direct investments by the Soviet Union and Bulgaria. Foreign

investors may also buy Finnish shares and markka-denominated bonds. Finnish companies may freely raise foreign credits of over one year's maturity and grant credits of over one year's maturity to non-residents. Finnish residents may invest freely in foreign securities and real estate.

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

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

Other banks (Dec. 31, 1989).

Finland has four major groups of deposit banks with a total of more than 3 500 offices. There are two big commercial banks with national branch networks and eight smaller ones, four of which are foreign-owned. The commercial banks have a total of 33 foreign branches, subsidiaries and associate banks and 26 representative offices abroad. There are 178 savings banks and 360 cooperative banks with their own extensive branch networks. The government-owned Postipankki has 67 branches and also offers basic services in post offices. In addition, foreign banks have 9 representative offices in Finland.

Financial markets. Of the total stock of FIM 580 billion in outstanding domestic credit at the end of 1988, 64 % was provided by deposit banks, 4 % by mortgage banks, 15 % by insurance companies, 8 % by other credit institutions and 9 % by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was

progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, 71 % of the instruments, which totalled approximately FIM 150 billion at end-1989, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds intermediated through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 83 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 125 billion (at end-1989). Four foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1989 totalled FIM 105 billion; government bonds made up 28 % of the total. Turnover on the Stock Exchange in 1989 amounted to FIM 41 billion; the share of shares and subscription rights in the total was approximately 82 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND, MILL. FIM

	1989		1990			
	Sept. 29	Dec. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
ASSETS						
Gold and foreign currency claims	27 663	23 009	36 113	36 322	36 782	36 298
Gold	2 129	2 179	2 180	2 180	2 180	2 180
Special drawing rights	878	966	782	789	791	790
IMF reserve tranche	952	950	814	821	825	823
Convertible currencies	23 628	18 822	32 232	32 427	32 882	32 412
Tied currencies	76	92	105	105	105	93
Other foreign claims	4 061	3 300	2 530	2 530	2 536	2 533
Markka subscription to Finland's IMF quota	2 172	2 103	2 154	2 154	2 154	2 154
Term credit	1 888	1 198	376	377	382	379
Claims on financial institutions	27 905	39 054	23 885	23 676	23 894	23 349
Call money credits	75	38	1	19	20	14
Certificates of deposit	22 152	33 230	18 170	18 134	18 240	17 754
Term credits	—	—	—	—	—	—
Till-money credits	2 569	3 310	3 292	3 102	3 243	3 186
Financing of crop failure loans	594	—	—	—	—	—
Bonds	2 278	2 238	2 184	2 184	2 153	2 156
Other claims on financial institutions	238	238	238	238	238	238
Claims on the public sector	1 135	1 137	1 281	1 297	1 357	1 358
Treasury notes and bills	—	—	—	—	—	—
Bonds	42	8	7	23	28	28
Total coinage	1 094	1 129	1 274	1 274	1 330	1 330
Other claims on the public sector	—	—	—	—	—	—
Claims on corporations	2 392	2 207	1 828	1 815	1 801	1 791
Financing of exports	23	1	0	0	0	0
Financing of domestic deliveries (KTR)	1 851	1 697	1 351	1 338	1 326	1 320
Bonds: KTR credits	310	302	271	271	271	268
Bonds: Other	22	21	11	11	10	10
Other claims on corporations	186	186	195	195	194	194
Other assets	97	571	113	113	112	113
Accrued items	—	464	—	—	—	—
Other assets	97	107	113	113	112	113
Total	63 254	69 279	65 749	65 754	66 483	65 441
LIABILITIES						
Foreign currency liabilities	962	697	852	1 037	1 111	1 178
Convertible currencies	60	42	28	28	25	26
Tied currencies	902	656	825	1 009	1 086	1 152
Other foreign liabilities	2 954	2 860	2 883	2 889	2 892	2 891
IMF markka accounts	2 173	2 103	2 154	2 154	2 154	2 154
Allocations of special drawing rights	781	758	729	736	738	737
Notes and coin in circulation	11 739	13 129	13 426	13 372	13 417	13 418
Notes	10 729	12 073	12 309	12 255	12 300	12 300
Coin	1 010	1 056	1 117	1 117	1 117	1 118
Certificates of deposit	20	—	40	—	—	—
Liabilities to financial institutions	25 625	26 303	22 405	22 299	22 690	21 973
Call money deposits	208	569	362	258	653	541
Term deposits	—	—	—	—	—	—
Cash reserve deposits	25 089	25 506	21 999	21 999	21 999	21 395
Capital import deposits	290	190	—	—	—	—
Other liabilities to financial institutions	39	38	44	42	38	37
Liabilities to the public sector	1 504	5 325	5 495	5 306	5 115	4 925
Cheque accounts	1	0	0	1	0	0
Cash fund deposits	—	3 770	—	—	—	—
Pension fund deposits	—	—	3 881	3 691	3 501	3 311
Counter-cyclical deposits	1 318	1 319	1 318	1 318	1 318	1 318
Export deposits	184	235	292	292	292	292
Other liabilities to the public sector	1	1	4	4	4	4
Liabilities to corporations	10 826	10 810	10 463	10 463	10 420	10 439
Deposits for investment and ship purchase	10 258	10 228	10 463	10 463	10 420	10 439
Capital import deposits	567	583	—	—	—	—
Other liabilities to corporations	0	—	—	—	—	—
Other liabilities	56	1 294	61	56	54	60
Accrued items	—	1 241	—	—	—	—
Other liabilities	56	53	61	56	54	60
Valuation account and reserves	3 734	2 696	3 960	4 169	4 620	4 393
STRAs capital	400	400	400	400	400	400
Capital accounts	5 436	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	436	436	764	764	764	764
Profit/loss for the accounting year	—	328	—	—	—	—
Total	63 254	69 279	65 749	65 754	66 483	65 441

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

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible reserves, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
1985	2 081	931	775	18 572	22 359	-285	22 074	-849	21 225	1 023	4 300	3 277
1986	2 081	983	793	6 778	10 635	3 421	14 056	-838	13 218	1 002	2 001	999
1987	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
1988	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
1989	2 179	966	950	18 780	22 875	-564	22 311	440	22 751	1 137	5 325	4 188
1989												
Sept.	2 129	878	952	23 568	27 527	-826	26 701	1 107	27 808	1 135	1 504	369
Oct.	2 129	1 055	927	21 841	25 952	-307	25 645	772	26 417	1 112	2 683	1 571
Nov.	2 129	851	967	19 826	23 773	-381	23 392	769	24 161	1 126	4 150	3 024
Dec.	2 179	966	950	18 780	22 875	-564	22 311	440	22 751	1 137	5 325	4 188
1990												
Jan.	2 179	900	954	26 179	30 212	-584	29 628	432	30 060	1 168	6 384	5 216
Feb.	2 179	846	913	26 289	30 227	-311	29 916	433	30 349	1 185	6 523	5 338
March	2 180	791	910	29 685	33 566	-962	32 604	273	32 877	1 203	6 655	5 452
April	2 180	779	899	30 034	33 892	-920	32 972	-40	32 932	1 217	6 950	5 733
May	2 180	796	902	30 875	34 753	-1 163	33 590	-39	33 551	1 229	7 205	5 976
June	2 180	778	865	30 550	34 373	-1 065	33 308	-40	33 268	1 285	7 205	5 920
July	2 180	771	858	31 272	35 081	-694	34 387	-43	34 344	1 266	6 635	5 369
Aug.	2 180	780	813	31 799	35 572	-684	34 888	-352	34 536	1 281	5 685	4 404
Sept.	2 180	790	823	32 386	36 179	-1 059	35 120	-358	34 762	1 358	4 925	3 567

End of period	Domestic financial sector						Corporate sector			Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	Term claims on deposit banks	Call money claims on deposit banks, net	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to financial institutions, net	Net claims (13+14-15+16-17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19-20)		
	13	14	15	16	17	18	19	20	21	22	23
1985	.	4 014	10 222	1 925	-1 386	-2 897	4 525	4 113	412	8 072	.
1986	2 381	6 687	9 270	2 305	-2 240	4 343	4 581	4 757	-176	8 668	.
1987	—	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970
1988	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130
1989	33 230	-531	25 506	3 310	-2 248	12 751	2 000	10 604	-8 604	13 129	—
1989											
Sept.	22 152	-133	25 089	2 569	-2 781	2 280	2 184	10 617	-8 433	11 739	20
Oct.	25 623	-419	25 377	3 023	-2 374	5 224	2 096	10 597	-8 501	11 775	—
Nov.	29 475	261	25 581	2 925	-2 170	9 250	2 066	10 590	-8 524	11 894	—
Dec.	33 230	-531	25 506	3 310	-2 248	12 751	2 000	10 604	-8 604	13 129	—
1990											
Jan.	34 050	-3 243	25 441	8 099	-2 377	15 842	1 950	10 453	-8 503	22 760	—
Feb.	33 720	-1 367	26 068	7 677	-2 378	16 340	1 919	10 460	-8 541	23 178	—
March	25 994	696	26 465	4 002	-2 397	6 624	1 857	10 415	-8 558	14 782	1 050
April	24 818	855	26 069	3 770	-2 374	5 748	1 809	10 480	-8 671	13 762	690
May	23 498	-1 008	22 855	3 627	-2 357	5 619	1 761	10 388	-8 627	13 501	630
June	22 911	-480	22 750	3 207	-2 310	5 198	1 706	10 226	-8 520	13 655	40
July	20 057	-485	22 679	3 752	-2 416	3 061	1 662	10 165	-8 503	13 592	40
Aug.	19 123	-787	21 999	3 196	-2 394	1 927	1 632	10 259	-8 627	13 314	40
Sept.	17 754	-527	21 395	3 186	-2 357	1 375	1 588	10 235	-8 647	13 418	—

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
1985	.	.	.	.	201	-1 011	1 212
1986	.	.	.	.	1 599	-1 074	2 673
1987	1 263	23 658	-17 520	-4 875	-6 818	626	-12 319
1988	13 840	19 190	-16 850	11 500	463	-629	12 592
1989	131 110	3 855	99 245	28 010	-425	441	27 144
1989							
Sept.	14 260	—	9 950	4 310	73	-633	5 016
Oct.	16 720	—	13 920	2 800	-72	214	2 514
Nov.	18 220	350	13 560	4 310	510	-170	4 990
Dec.	10 850	530	6 770	3 550	-475	317	2 758
1990							
Jan.	18 660	4 710	13 750	200	14	2 726	-2 512
Feb.	31 775	14 350	18 020	-595	-46	-1 922	1 281
March	24 811	4 739	27 905	-7 833	698	-1 365	-5 770
April	16 470	150	16 762	-442	305	146	-283
May	15 510	1 610	16 250	-2 350	-998	865	-4 213
June	15 310	250	13 570	1 490	-8	-536	2 018
July	7 290	—	11 600	-4 310	7	12	-4 315
Aug.	10 230	20	10 780	-570	4	306	-872
Sept.	11 110	100	11 890	-880	0	-260	-620

2.2 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies			Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
1	2	3	4	5	6	
1985	16 982	1 733	15 249	708	-9 005	6 951
1986	11 446	1 319	10 127	-2 461	-92	7 574
1987	21 671	1 158	20 513	-233	-1 287	18 994
1988	16 488	1 543	14 946	9 086	-377	23 654
1989	<u>10 531</u>	<u>3 563</u>	<u>6 967</u>	<u>8 031</u>	<u>205</u>	<u>15 204</u>
1989						
Aug.	12 652	1 187	11 465	15 126	-220	26 371
Sept.	11 782	1 669	10 113	13 261	—	23 374
Oct.	11 323	2 260	9 063	10 774	—	19 836
Nov.	11 487	2 934	8 552	8 784	—	17 336
Dec.	<u>10 531</u>	<u>3 563</u>	<u>6 967</u>	<u>8 031</u>	<u>205</u>	<u>15 204</u>
1990						
Jan.	9 339	3 793	5 545	11 854	125	17 524
Feb.	9 073	3 764	5 309	8 215	-1 741	11 783
March	10 328	3 418	6 910	14 739	-2 323	19 326
April	11 327	3 403	7 924	14 493	-5 546	16 871
May	12 591	3 029	9 562	15 073	-8 339	16 296
June	11 858	3 140	8 718	15 692	-8 229	16 181
July	11 694	3 567	8 126	16 094	-8 013	16 207
Aug.	11 504	3 659	7 845	14 059	-7 745	14 159

2.3 BANKS' CENTRAL BANK POSITION, MILL. FIM

Average of daily observations	Call money credits	Bank CDs held by the Bank of Finland	Gross debt to the Bank of Finland (1+2)	Call money deposits	Holdings of CDs issued by the Bank of Finland	Cash reserve deposits	Gross claim on the Bank of Finland (4+5+6)	Net position (3-7)
1	2	3	4	5	6	7	8	
1985	5 812	.	5 812	4 527	.	9 578	14 105	-8 293
1986	7 117	120	7 237	1 256	.	9 189	10 445	-3 208
1987	481	1 581	2 062	703	4 705	10 092	15 501	-13 439
1988	128	2 190	2 319	621	5 044	15 159	20 824	-18 505
1989	373	15 146	15 519	403	465	23 035	23 903	-8 384
1989								
Sept.	41	19 738	19 779	446	47	24 669	25 161	-5 382
Oct.	62	24 529	24 591	483	11	25 098	25 592	-1 001
Nov.	360	26 702	27 062	363	—	25 384	25 747	1 315
Dec.	328	31 497	31 824	462	—	25 574	26 036	5 788
1990								
Jan.	308	34 151	34 459	1 200	860	25 504	27 564	6 895
Feb.	367	43 675	44 043	1 017	12 978	25 463	39 459	4 584
March	131	36 855	36 987	1 885	7 299	26 094	35 278	1 709
April	222	26 291	26 513	406	908	26 452	27 766	-1 254
May	175	26 112	26 287	700	654	25 965	27 319	-1 032
June	79	22 624	22 703	534	290	22 848	23 671	-969
July	3	21 435	21 438	542	40	22 748	23 330	-1 892
Aug.	35	19 648	19 683	615	40	22 657	23 312	-3 629
Sept.	18	18 165	18 184	584	17	21 939	22 539	-4 356

3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates			Cash reserve requirement	
		1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10
1985	..	..	..	..	..	13.37	13.37	9.04	5.6	.
1986	11.87	..	..	..	..	13.43	11.34	7.46	4.8	.
1987	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.
1988	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67	8.0	0.5
1989										
Sept.	8.56	12.69	13.09	13.30	13.40	15.00	4.00	7.50	8.0	0.8
Oct.	10.31	14.06	14.19	14.22	14.19	15.00	4.00	7.50	8.0	1.0
Nov.	12.78	14.78	14.77	14.66	14.51	15.00	4.00	8.50	8.0	1.1
Dec.	15.03	16.23	16.08	15.56	15.17	15.00	4.00	8.50	8.0	1.1
1990										
Jan.	S	16.01	16.05	15.73	15.45	15.00	4.00	8.50	8.0	1.1
Feb.	S	16.01	16.01	15.73	15.39	15.00	4.00	8.50	8.0	.
March	8.97	15.08	15.38	15.40	15.37	15.00	4.00	8.50	8.0	.
April	8.86	13.16	13.94	14.33	14.70	15.00	4.00	8.50	8.0	.
May	9.47	12.25	12.77	13.17	13.74	15.00	4.00	8.50	8.0	.
June	8.22	12.07	12.52	13.17	13.79	15.00	4.00	8.50	8.0	.
July	8.23	11.69	12.45	13.01	13.63	15.00	4.00	8.50	8.0	.
Aug.	8.76	12.03	12.51	12.94	13.52	15.00	4.00	8.50	8.0	.
Sept.	9.62	12.59	13.09	13.46	13.93	15.00	4.00	8.50	8.0	.

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

Average of daily observations	3 currencies ¹				12 currencies ²			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
	1	2	3	4	5	6	7	8
1985	6.8	6.9	7.0	7.2	..	..	..	..
1986	5.9	5.9	5.9	5.8	..	..	..	..
1987	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
1988	5.9	6.0	6.2	6.4	7.8	8.0	8.1	8.3
1989	8.3	8.4	8.5	8.5	9.7	9.8	9.9	9.9
1989								
Sept.	8.5	8.6	8.6	8.6	9.9	10.0	10.0	9.9
Oct.	8.9	9.0	8.9	8.8	10.4	10.5	10.4	10.4
Nov.	8.8	9.0	9.0	8.9	10.5	10.7	10.7	10.7
Dec.	9.0	9.0	9.0	8.9	10.8	10.9	10.9	10.9
1990								
Jan.	8.8	9.0	9.2	9.2	10.8	11.0	11.2	11.3
Feb.	8.9	9.1	9.3	9.6	11.1	11.3	11.5	11.7
March	8.9	9.1	9.4	9.7	11.2	11.4	11.6	11.8
April	8.8	9.1	9.3	9.7	10.9	11.1	11.3	11.6
May	8.8	9.0	9.2	9.5	10.6	10.7	10.9	11.2
June	8.8	8.9	9.1	9.4	10.5	10.6	10.8	11.0
July	8.9	8.9	9.1	9.2	10.4	10.6	10.7	10.9
Aug.	8.9	9.0	9.2	9.3	10.5	10.7	10.9	11.1
Sept.	8.9	9.0	9.2	9.4	10.5	10.8	11.0	11.2

3.3 COVERED EURO-DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
	1	2	3	4
1985	12.9	12.8	12.8	12.6
1986	12.1	11.7	11.5	11.1
1987	9.8	9.9	9.9	10.1
1988	9.6	9.8	10.0	10.3
1989	11.8	12.1	12.1	12.2
1989				
Sept.	11.9	12.5	12.8	12.9
Oct.	13.6	13.8	13.8	13.7
Nov.	14.2	14.3	14.3	14.1
Dec.	15.7	15.6	15.2	14.9
1990				
Jan.	14.9	15.4	15.1	15.0
Feb.	15.0	15.0	14.9	14.7
March	14.3	14.7	14.8	14.7
April	12.7	13.6	13.9	14.4
May	12.1	12.8	13.2	13.8
June	11.9	12.5	13.1	13.7
July	11.6	12.5	13.0	13.6
Aug.	11.9	12.5	12.9	13.4
Sept.	12.5	13.1	13.4	13.8

¹ DEM 60 per cent, USD 30 per cent, GBP 10 per cent.

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

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

End of period	Lending						Deposits					
	New credits ¹			Average lending rate	Of which: Commercial banks	Savings accounts and ordinary deposit accounts	12-month time deposits	24-month time deposits	Average rate of interest on regulated deposits	Average rate of interest on unregulated deposits	Average rate of interest on total deposits	
	Cheque account and post-office giro credits	Bills of exchange	Loans									New lending, total
1	2	3	4	5	6	7	8	9	10	11	12	
1985	12.04	12.94	10.62	11.55	10.37	10.37	4.75	7.50	8.75	5.91	13.24	6.81
1986	10.89	12.30	9.76	10.64	8.82	8.81	2.75	5.75	7.00	4.43	11.84	5.35
1987	10.50	12.31	10.01	10.62	9.12	8.99	2.75	5.75	7.00	4.56	10.13	5.29
1988	10.22	12.27	10.50	10.72	10.37	10.25	3.75	6.75	8.00	5.87	9.80	6.20
1989	12.97	13.47	11.58	12.07	11.86	11.80	4.50	.	7.50	6.60	11.92	7.37
1989												
Aug.	12.67	13.36	11.33	11.79	10.37	10.20	3.50	.	5.50	5.48	11.60	7.07
Sept.	12.28	13.54	11.84	12.21	10.46	10.31	3.50	.	5.50	5.53	11.92	7.29
Oct.	14.08	14.12	12.09	12.72	10.72	10.59	3.50	.	5.50	5.57	12.56	7.56
Nov.	14.99	14.77	12.90	13.58	11.60	11.44	4.50	.	6.50	6.40	13.27	8.35
Dec.	16.36	15.37	13.28	14.02	11.86	11.80	4.50	.	7.50	6.60	14.18	8.77
1990*												
Jan.	13.55	15.71	13.02	13.73	11.99	11.91	4.50	.	7.50	6.45	14.40	8.66
Feb.	S	S	S	S	12.00	11.89	4.50	.	7.50	6.36	14.35	8.50
March	14.71	15.64	12.99	13.84	11.94	11.76	4.50	.	7.50	6.52	14.52	8.53
April	11.92	15.56	13.29	13.61	11.77	11.53	4.50	.	7.50	6.49	14.05	8.66
May	12.86	15.40	13.17	13.61	11.71	11.44	4.50	.	7.50	6.40	13.60	8.50
June	13.25	15.36	13.19	13.73	11.66	11.41	4.50	.	7.50	6.34	13.01	8.26
July	12.73	15.43	13.35	13.84	11.60	11.30	4.50	.	7.50	6.39	12.94	8.22
Aug.	11.33	15.39	13.24	13.46	11.63	11.34	4.50	.	7.50	6.42	12.78	8.22

¹ Average rate of interest for period.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market yields							Offer yield on taxable public issues
	Reference rates calculated by the Bank of Finland		Taxable government bonds	Taxable public issues	Issued by:		Taxfree public issues	
	3 years	5 years			Financial institutions	Corporations		
	1	2	3	4	5	6	7		8
1985	..	..	.	12.7	..	..	10.1	12.7
1986	..	..	.	11.7	..	..	8.3	11.3
1987	..	..	.	11.2	11.1	11.2	8.1	10.7
1988	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4
1989	12.2	12.0	12.1	11.9	12.0	12.0	8.1	11.7
1989								
Aug.	11.9	11.7	11.9	11.9	11.8	12.0	8.5	11.5
Sept.	12.5	12.0	12.2	12.1	12.0	12.2	8.4	11.9
Oct.	13.3	12.8	12.4	12.4	12.6	12.3	8.4	11.9
Nov.	13.3	12.9	12.6	12.4	12.2	12.6	8.7	12.2
Dec.	13.5	13.0	12.9	12.4	12.1	12.6	8.9	12.5
1990								
Jan.	13.5	13.0	12.7	12.7	12.9	12.4	8.7	11.3
Feb.	13.5	13.0	S	S	S	S	S	12.9
March	13.8	13.4	13.2	13.2	13.3	13.1	8.6	13.0
April	13.8	13.5	13.4	13.3	13.5	13.1	8.7	12.7
May	13.8	13.7	13.1	13.5	13.6	13.5	8.8	13.3
June	13.8	13.7	13.1	13.3	13.3	13.6	8.7	13.1
July	13.8	13.7	13.4	13.3	13.5	13.1	9.0	13.2
Aug.	13.7	13.7	13.2	13.3	13.5	13.1	9.1	13.1

4. RATES OF EXCHANGE

4.1 AVERAGE SPOT SELLING RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt a.M.	Amsterdam	Brussels	Zurich
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF
	1	2	3	4	5	6	7	8	9	10	11
1985	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	2.5360
1986	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	2.8349
1987	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	2.9563
1988	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	2.8700
1989	4.295	3.632	7.051	6.104	0.6673	0.6234	0.5886	2.2879	2.0281	0.10925	2.6306
1989											
Sept.	4.419	3.744	6.952	6.050	0.6698	0.6215	0.5830	2.2650	2.0088	0.10827	2.6202
Oct.	4.281	3.649	6.809	6.115	0.6648	0.6177	0.5892	2.2951	2.0326	0.10933	2.6260
Nov.	4.262	3.649	6.715	6.180	0.6644	0.6190	0.6001	2.3302	2.0648	0.11108	2.6348
Dec.	4.125	3.556	6.597	6.262	0.6569	0.6167	0.6107	2.3725	2.1016	0.11294	2.6339
1990											
Jan.	4.010	3.431	6.632	6.270	0.6508	0.6139	0.6117	2.3708	2.1018	0.11317	2.6457
Feb.	3.960	3.315	6.724	6.277	0.6482	0.6129	0.6128	2.3635	2.0966	0.11322	2.6625
March	4.030	3.416	6.561	6.308	0.6548	0.6125	0.6177	2.3648	2.1001	0.11399	2.6677
April	4.000	3.439	6.557	6.362	0.6546	0.6117	0.6217	2.3704	2.1060	0.11472	2.6899
May	3.931	3.351	6.612	6.351	0.6503	0.6111	0.6213	2.3666	2.1041	0.11469	2.7738
June	3.966	3.385	6.780	6.318	0.6516	0.6133	0.6186	2.3540	2.0913	0.11461	2.7822
July	3.848	3.328	6.959	6.300	0.6473	0.6112	0.6166	2.3463	2.0824	0.11404	2.7628
Aug.	3.710	3.245	7.061	6.346	0.6431	0.6106	0.6182	2.3628	2.0973	0.11495	2.8338
Sept.	3.715	3.212	6.993	6.358	0.6451	0.6125	0.6200	2.3667	2.1000	0.11514	2.8450

Average of daily quotations	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Tokyo	Moscow	Melbourne	ECU	SDR
	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 JPY	1 SUR	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22
1985	0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879
1986	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
1987	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
1988	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	0.03273	6.891	3.309	4.954	5.61826
1989	0.6757	0.00315	0.3254	0.0276	0.0782	0.0364	0.03122	6.817	3.423	4.731	5.49375
1989											
Sept.	0.6723	0.00316	0.3220	0.0273	0.0740	0.0363	0.03047	6.870	3.435	4.694	5.49998
Oct.	0.6776	0.00314	0.3263	0.0272	0.0717	0.0362	0.03014	6.801	3.338	4.710	5.43586
Nov.	0.6868	0.00319	0.3312	0.0273	0.0705	0.0367	0.02971	6.799	3.359	4.765	5.43347
Dec.	0.6959	0.00321	0.3371	0.0273	0.0691	0.0369	0.02872	6.716	3.263	4.810	5.35882
1990											
Jan.	0.6980	0.00319	0.3371	0.0272	0.0684	0.0367	0.02768	6.640	3.159	4.812	5.27623
Feb.	0.6975	0.00320	0.3359	0.0271	0.0684	0.0367	0.02723	6.591	3.029	4.829	5.24250
March	0.7021	0.00322	0.3362	0.0270	0.0682	0.0370	0.02634	6.610	3.067	4.827	5.23570
April	0.7072	0.00324	0.3372	0.0270	0.0680	0.0375	0.02528	6.582	3.075	4.847	5.19392
May	0.7044	0.00323	0.3366	0.0270	0.0679	0.0380	0.02562	6.575	3.017	4.849	5.17416
June	0.7011	0.00322	0.3348	0.0271	0.0683	0.0382	0.02582	6.620	3.105	4.850	5.20247
July	0.7009	0.00322	0.3338	0.0270	0.0680	0.0384	0.02581	6.549	3.068	4.856	5.16136
Aug.	0.7057	0.00322	0.3361	0.0270	0.0677	0.0384	0.02519	6.480	3.020	4.899	5.09787
Sept.	0.7081	0.00318	0.3367	0.0270	0.0680	0.0378	0.02681	6.523	3.083	4.898	5.15451

4.2 CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index	Other currency indices		Currency	Weights of the Bank of Finland currency index As from October 8, 1990
		Payments currency index	MERM index		
	1	2	3		4
1985	102.5	109.4	112.5	USD	8.7
1986	103.9	106.3	110.4	GBP	12.9
1987	103.3	103.2	106.1	SEK	19.0
1988	102.0	101.1	104.7	NOK	4.0
1989	98.4	98.4	102.8	DKK	4.5
				DEM	19.1
1989				NLG	4.8
Sept.	98.0	98.6	103.1	BEF	3.1
Oct.	97.7	97.9	102.0	CHF	2.4
Nov.	98.1	98.2	102.1	FRF	6.8
Dec.	97.9	97.6	100.9	ITL	5.1
				ATS	1.6
				ESP	2.0
1990				JPY	6.0
Jan.	97.2	96.7	99.2		
Feb.	97.1	96.4	98.4		
March	97.0	96.7	98.7		
April	97.0	96.6	98.0		
May	96.9	96.2	97.5		
June	97.2	96.6	97.9		
July	97.1	95.9	96.9		
Aug.	97.0	95.4	95.7		
Sept.	97.3	95.6	96.6		

5. OTHER DOMESTIC FINANCING

5.1 BANK DEPOSITS BY THE PUBLIC, MILL. FIM

End of period	Demand deposits	Time deposits	Investment accounts	Markka deposits, total (1+2+3)	Foreign currency deposits	Unregulated deposits	Total deposits (4+5+6)
	1	2	3	4	5	6	7
1985	19 268	125 366	1 781	146 415	6 184	13 998	166 597
1986	18 393	137 521	3 423	159 337	4 259	17 271	180 866
1987	20 377	155 115	5 243	180 735	3 915	17 892	202 542
1988*	24 831	194 181	5 089	224 102	4 561	41 028	269 690
1989*	28 503	201 392	10 176	240 071	7 133	75 522	322 725
1989*							
June	29 176	196 927	8 080	234 182	6 499	57 898	298 580
July	29 608	195 487	8 371	233 465	6 745	58 715	298 925
Aug.	28 191	195 844	8 612	232 647	6 633	62 039	301 319
Sept.	27 588	196 169	9 219	232 975	6 235	67 515	306 724
Oct.	28 296	195 743	9 667	233 706	6 591	71 727	312 023
Nov.	27 687	195 226	9 913	232 825	6 504	80 414	319 743
Dec.	28 503	201 392	10 176	240 071	7 133	75 522	322 725
1990*							
Jan.	32 618	199 773	10 692	243 084	10 487	82 920	336 492
Feb.	33 833	201 002	10 645	245 480	10 439	S	S
March	29 236	205 151	10 687	245 073	9 300	73 595	327 968
April	29 354	205 732	11 005	246 091	7 571	72 984	326 646
May	29 857	205 719	11 293	246 869	8 694	73 082	328 645
June	30 140	208 628	11 214	249 982	8 435	71 385	329 803

5.2 BANK LENDING TO THE PUBLIC, MILL. FIM

End of period	Cheque account and postal giro credits	Bills of exchange	Loans	Markka lending, total (1+2+3)	Foreign currency credits	Total lending (4+5)
	1	2	3	4	5	6
1985	6 313	7 471	132 668	146 451	24 236	170 687
1986	7 542	6 354	152 335	166 231	24 450	190 681
1987	8 507	5 177	178 698	192 382	36 475	228 857
1988*	11 358	5 920	234 268	251 545	49 910	301 455
1989*	15 270	5 651	255 410	276 331	71 323	347 654
1989*						
June	13 422	5 347	248 921	267 691	60 671	328 362
July	14 052	5 305	250 961	270 318	59 621	329 939
Aug.	13 931	5 358	253 401	272 691	60 892	333 582
Sept.	14 691	5 436	256 014	276 141	62 836	338 978
Oct.	15 190	5 471	256 958	277 619	65 326	342 945
Nov.	15 584	5 465	257 252	278 300	67 947	346 246
Dec.	15 270	5 651	255 410	276 331	71 323	347 654
1990*						
Jan.	17 098	5 545	257 211	279 853	79 984	359 837
Feb.	17 489	5 528	257 444	280 460	78 896	359 357
March	16 766	5 629	256 786	279 181	82 101	361 282
April	17 095	5 666	255 254	278 014	85 607	363 621
May	17 429	5 809	252 263	275 501	90 326	365 827
June	17 659	5 887	258 422	281 968	93 398	375 366

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL. FIM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)
		Claims on the central government	Claims on the public	Total (2+3)			
	1	2	3	4	5	6	7
1985	-6 641	-8 694	209 231	200 537	-27 244	27 694	166 652
1986	-16 784	-13 884	237 514	223 630	-27 522	27 838	179 324
1987	-25 484	-14 977	277 068	262 090	-36 145	30 342	200 461
1988	-40 670	-15 356	352 371	337 015	-50 306	35 232	246 039
1989*	-59 049	-18 868	407 433	388 565	-58 985	41 444	270 531
1989*							
June	-50 499	-11 982	384 021	372 039	-58 889	42 526	262 651
July	-49 924	-13 556	385 135	371 579	-59 946	41 333	261 708
Aug.	-51 975	-14 549	390 251	375 703	-62 613	40 017	261 115
Sept.	-53 458	-15 381	396 292	380 911	-66 143	39 625	261 310
Oct.	-55 551	-15 567	399 696	384 128	-66 557	40 176	262 020
Nov.	-57 974	-18 766	403 920	385 154	-65 808	39 730	261 372
Dec.	-59 049	-18 868	407 433	388 565	-58 985	41 444	270 531
1990*							
Jan.	-55 383	-16 776	420 643	403 866	-64 208	54 151	284 275
Feb.	-55 962	-18 534	421 808	403 274	-60 253	56 924	287 060
March	-62 202	-19 004	424 958	405 954	-65 532	44 397	278 220
April	-66 857	-16 136	426 742	410 606	-67 451	43 428	276 298
May	-66 737	-15 311	431 336	416 026	-70 695	44 844	278 594
June	-69 256	-15 410	435 821	420 412	-69 296	44 996	281 860

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

End of period	Foreign debt			Domestic debt				Total central government debt (4+8)	Out-standing lending	Cash funds	
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills				Total (5+6+7)
	1	2	3	4	5	6	7	8	9	10	11
1985	17 316	2 703	5 658	25 677	14 994	4 107	2 203	21 304	46 981	36 032	6 383
1986	17 905	3 038	6 038	26 981	18 059	4 481	2 474	25 013	51 994	38 028	11 686
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 035	11 553
1988	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	42 990	15 858
1989	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	45 356	21 248
1989											
Aug.	18 809	1 166	3 390	23 365	24 352	4 798	420	29 570	52 935	44 786	17 363
Sept.	18 764	1 160	3 377	23 301	24 404	4 799	280	29 483	52 784	45 032	17 846
Oct.	18 591	1 138	3 385	23 114	23 998	4 801	250	29 049	52 163	45 371	17 788
Nov.	18 601	853	3 319	22 773	23 988	4 798	250	29 036	51 809	45 471	21 445
Dec.	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	45 356	21 248
1990											
Jan.	18 353	851	3 350	22 554	23 172	5 747	100	29 019	51 573	45 808	19 182
Feb.	18 322	729	3 303	22 354	23 122	5 728	—	28 850	51 204	46 061	20 715
March	18 310	663	3 155	22 128	22 403	5 723	—	28 126	50 254	46 432	22 657
April	17 508	666	3 143	21 317	22 136	5 360	—	27 496	48 813	46 854	18 457
May	17 501	503	3 122	21 126	21 734	5 185	—	26 919	48 045	47 207	17 268
June	17 537	502	3 061	21 100	21 827	5 182	—	27 009	48 109	47 559	16 764
July	18 482	499	3 185	22 166	22 061	5 182	—	27 243	49 409	48 008	19 082
Aug.	18 515	501	3 180	22 196	21 978	5 182	120	27 280	49 476	..	..

5.5 MARKKA BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1985	4 799	9 112	5 994	435	33	8 070	6 394	5 909	20 373
1986	4 976	10 638	6 532	422	105	5 987	7 487	9 199	22 674
1987	4 477	9 510	8 119	206	69	9 409	8 830	4 142	22 380
1988	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1989									
Aug.	247	103	450	35	—	507	200	128	835
Sept.	789	663	800	7	3	1 210	273	779	2 262
Oct.	72	1 040	160	8	7	974	—	313	1 287
Nov.	150	875	—	23	—	761	—	288	1 048
Dec.	258	850	—	9	—	665	—	452	1 117
1990*									
Jan.	399	818	—	—	—	110	—	1 107	1 217
Feb.	437	2 888	—	—	—	1 976	357	992	3 325
March	602	2 242	—	—	—	980	—	1 864	2 844
April	162	730	—	—	—	620	—	272	892
May	350	631	1 400	340	8	2 198	—	531	2 729
June	273	1 436	—	—	500	1 140	—	1 069	2 209
July	200	550	—	—	150	570	—	330	900
Aug.	431	1 804	270	—	200	2 234	—	471	2 705

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1985	10 482	26 173	18 575	661	56	10 967	19 002	25 977	55 947
1986	14 075	31 902	22 091	1 042	177	16 432	23 314	29 541	69 287
1987	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
1988*	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
1989*	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1989*									
II	20 841	48 406	28 843	1 519	283	38 183	28 877	32 831	99 892
III	21 537	48 392	28 714	1 539	288	39 154	28 279	33 036	100 470
IV	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990*									
I	21 865	55 500	27 631	1 531	296	43 578	25 730	37 515	106 823
II	21 283	54 539	27 461	1 803	954	44 521	23 698	37 820	106 039

5.6 HELSINKI STOCK EXCHANGE

During period	Turnover, mill.FIM			Share prices Unitas index ¹ , 1975 = 100		
	Shares and subscription rights	Bonds and debentures	Total (1+2)	Banks	Industry	Overall index
	1	2	3	4	5	6
1985	3 114	9 046	12 160	184	234	229
1986	9 488	6 479	15 968	254	357	350
1987	26 641	4 604	31 245	319	603	546
1988	31 734	5 718	37 452	404	734	677
1989	33 160	7 375	40 536	441	793	742
1989						
Aug.	3 198	1 171	4 370	466	829	776
Sept.	2 265	400	2 665	429	786	732
Oct.	1 304	689	1 993	397	727	677
Nov.	1 081	876	1 957	369	674	627
Dec.	2 929	1 471	4 400	354	669	619
1990						
Jan.	4 475	709	5 184	332	701	633
Feb.	1 324	15	1 339	319	745	661
March	1 520	599	2 120	320	715	638
April	850	250	1 100	314	660	594
May	1 199	632	1 831	308	632	572
June	804	341	1 145	306	628	567
July	468	216	684	291	598	538
Aug.	870	145	1 015	280	594	532

¹ Average of daily observations.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	Transport receipts	Travel receipts	Other services receipts	Services receipts, of total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account of receipts (6+7+8)	Imports of goods, c.i.f.	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1985	82 475	6 216	3 258	6 224	15 698	98 173	5 847	3 791	107 811	80 764	2 545	5 031	6 554
1986	81 066	5 757	3 195	5 616	14 568	95 634	4 510	3 609	103 752	76 736	2 160	5 587	5 415
1987	83 826	6 370	3 736	6 099	16 204	100 030	5 075	3 231	108 336	81 867	2 610	6 811	6 488
1988	91 313	7 026	4 280	6 132	17 438	108 750	7 836	4 415	121 002	91 232	3 338	7 907	7 390
1989*	98 265	7 700	4 484	6 611	18 796	117 061	10 446	3 714	131 221	104 385	3 685	8 958	8 509
1988													
I	20 516	1 623	776	1 583	3 982	24 498	1 863	1 083	27 443	19 684	671	1 829	2 011
II	22 569	1 752	1 041	1 379	4 172	26 740	1 890	1 119	29 750	23 184	780	1 916	1 730
III	21 621	1 880	1 486	1 264	4 631	26 251	1 978	1 133	29 363	23 767	943	2 210	1 789
IV	26 608	1 771	977	1 905	4 653	31 261	2 105	1 080	34 446	24 597	944	1 951	1 860
1989*													
I	24 944	1 851	869	1 335	4 055	28 998	2 505	867	32 370	24 290	824	1 977	2 109
II	23 370	1 946	1 076	1 568	4 590	27 960	2 488	946	31 394	24 759	951	2 148	2 173
III	22 534	2 004	1 420	1 673	5 098	27 632	2 567	942	31 141	25 634	957	2 409	2 008
IV	27 418	1 899	1 120	2 034	5 053	32 471	2 886	958	36 315	29 702	954	2 424	2 218
1990*													
I	24 418	2 053	890	1 417	4 360	28 778	3 057	989	32 823	24 697	967	2 457	2 267
II	26 482	2 142	1 083	1 615	4 840	31 323	3 362	1 069	35 754	27 544	1 057	2 700	2 329

During period	Services expenditure, total (11+12 services +13)	Imports of goods and services (10+14)	Investment expenditure (15+16)	Transfers and other expenditure (17)	Current account expenditure (15+16 +17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21 +22)	Goods account and net (19+23)(7-16)	Investment income, net (8-17)	Transfers and other, net (9-18)	Current account (24+25 +26)=
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1985	14 130	94 893	12 134	5 300	112 327	1 711	3 671	-1 773	-330	1 568	3 279	-6 287	-1 509	-4 517
1986	13 162	89 898	11 719	5 964	107 580	4 329	3 597	-2 392	201	1 406	5 735	-7 209	-2 355	-3 828
1987	15 909	97 775	12 617	5 860	116 251	1 960	3 760	-3 075	-390	296	2 255	-7 542	-2 629	-7 915
1988	18 634	109 866	15 769	6 975	132 610	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 933	-2 560	-11 608
1989*	21 152	125 537	20 500	7 184	153 221	-6 120	4 015	-4 473	-1 898	-2 356	-8 476	-10 054	-3 470	-22 000
1988														
I	4 510	24 194	3 882	1 974	30 050	832	952	-1 053	-428	-529	303	-2 019	-891	-2 606
II	4 426	27 610	3 863	1 556	33 029	-616	972	-875	-351	-254	-870	-1 972	-437	-3 279
III	4 942	28 709	3 511	1 558	33 778	-2 146	937	-723	-525	-311	-2 457	-1 533	-424	-4 415
IV	4 756	29 353	4 514	1 888	35 754	2 010	827	-975	45	-102	1 908	-2 409	-808	-1 308
1989*														
I	4 909	29 199	4 080	1 956	35 236	654	1 028	-1 108	-774	-855	-201	-1 575	-1 089	-2 865
II	5 272	30 031	5 514	1 815	37 360	-1 390	995	-1 072	-605	-682	-2 071	-3 026	-869	-5 966
III	5 374	31 008	5 113	1 656	37 777	-3 100	1 047	-989	-335	-276	-3 376	-2 546	-714	-6 636
IV	5 596	35 298	5 793	1 756	42 847	-2 284	945	-1 305	-184	-543	-2 828	-2 907	-798	-6 532
1990*														
I	5 691	30 388	5 897	2 001	38 287	-279	1 086	-1 567	-851	-1 331	-1 611	-2 840	-1 013	-5 463
II	6 087	33 631	6 852	2 217	42 700	-1 062	1 085	-1 617	-714	-1 246	-2 308	-3 490	-1 148	-6 946

6.2 CAPITAL ACCOUNT, MILL. FIM

During period	Direct investment in Finland	Portfolio investment in Finland	Long-term credits				Imports of other long-term capital	Imports of long-term capital (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Exports of other long-term capital	Exports of long-term capital (9+10+11+12)	Long-term capital account (8-13)
			Central government	Authorized banks	Others	Total (3+4+5)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1985	392	4 264	1 556	1 489	442	3 487	140	8 283	2 073	1 329	-1 313	1 026	3 115	5 168
1986	1 627	646	-63	5 935	-482	5 390	87	7 750	3 641	2 347	-381	702	6 309	1 441
1987	424	179	2 284	5 700	2 526	10 510	91	11 204	3 741	2 434	158	3 103	9 436	1 768
1988	1 164	245	-1 682	9 781	9 073	17 172	85	18 666	7 935	1 347	1 369	1 898	12 550	6 117
1989*	1 353	548	-1 854	14 659	10 854	23 659	79	25 639	11 900	187	2 934	778	15 799	9 840
1988														
I	63	347	-857	361	3 231	2 735	89	3 234	1 113	900	8	572	2 593	642
II	313	-313	1 179	2 356	1 592	5 127	-42	5 085	2 972	139	218	432	3 761	1 324
III	107	21	-1 571	3 011	887	2 327	-19	2 436	1 677	170	67	379	2 293	143
IV	681	190	-433	4 053	3 363	6 983	57	7 911	2 173	138	1 076	515	3 902	4 009
1989*														
I	-165	695	-141	5 951	2 199	8 009	42	8 581	3 173	-372	1 395	1 057	5 253	3 328
II	176	-241	-1 197	1 491	2 951	3 245	-22	3 158	1 785	430	543	160	2 918	240
III	484	87	-93	2 452	1 938	4 297	-16	4 852	3 237	333	225	158	3 953	899
IV	858	7	-423	4 765	3 766	8 108	75	9 048	3 705	-204	771	-597	3 675	5 373
1990*														
I	523	470	-341	7 635	11 659	18 953	126	20 072	2 214	293	98	354	2 959	17 113
II	488	440	-1 051	2 560	2 428	3 937	-34	4 831	2 836	-380	-1	-140	2 315	2 516

During period	Basic balance	Short-term capital imports of authorized banks	Import liabilities and prepayments related to exports	Imports of short-term capital (16+17)	Short-term capital exports of authorized banks	Export receivables and prepayments related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. errors and omissions	Short-term capital account (18-21+22)	Overall balance excl. reserve movements (15+23)	Change in central bank's foreign exchange reserves (26+27)	Of which	
												Convertible reserves	Tied reserves
	15	16	17	18	19	20	21	22	23	24	25	26	27
1985	651	6 890	350	7 240	323	1 732	2 055	-2 092	3 093	3 744	-3 744	-3 729	-15
1986	-2 387	6 019	-3 796	2 222	9 933	-92	9 841	2 075	-5 544	-7 930	7 930	11 678	-3 748
1987	-6 147	19 324	-665	18 659	-7 343	-183	-7 526	-4 302	21 883	15 736	-15 736	-17 817	2 081
1988	-5 492	10 950	-399	10 551	5 970	644	6 614	1 737	5 674	183	-183	-517	334
1989*	-12 160	5 185	1 437	6 622	2 641	1 167	3 807	3 384	6 199	-5 961	5 961	4 455	1 506
1988													
I	-1 965	6 244	-1 632	4 612	2 966	-692	2 274	1 968	4 305	2 341	-2 341	-1 295	-1 046
II	-1 955	13 610	484	14 094	4 363	-692	3 671	-3 750	6 673	4 718	-4 718	-4 662	-57
III	-4 272	-142	1 411	1 269	3 405	1 014	4 419	334	-2 816	-7 088	7 088	6 337	751
IV	2 700	-8 761	-663	-9 424	-4 764	1 014	-3 750	3 185	-2 488	212	-212	-897	685
1989*													
I	463	6 707	-263	6 444	4 685	705	5 390	303	1 357	1 820	-1 820	-1 372	-449
II	-5 727	9 788	-2 086	7 703	4 648	704	5 352	2 202	4 552	-1 174	1 174	152	1 022
III	-5 737	4 629	1 086	5 715	4 747	-121	4 626	1 661	2 750	-2 987	2 987	1 802	1 185
IV	-1 159	-15 939	2 700	-13 239	-11 439	-121	-11 560	-782	-2 461	-3 620	3 620	3 873	-253
1990*													
I	11 649	18 928	679	19 607	11 408	-30	11 378	-9 031	-803	10 847	-10 847	-11 254	408
II	-4 430	9 148	371	9 519	6 379	-30	6 349	2 034	5 204	774	-774	-873	100

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

End of period	Long-term liabilities							Long-term assets					Long-term debt, net (8-13)	
	Direct investment in Finland	Portfolio investment in Finland	Long-term credits			Other long-term capital	Total (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Other long-term capital	Total (9+10+11+12)		
			Central government	Authorized banks	Others									Total (3+4+5)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1985	3 274	6 313	25 678	6 410	34 276	66 364	652	76 603	10 524	2 350	6 539	3 053	22 466	54 137
1986	4 892	7 992	26 292	11 992	32 044	70 330	739	83 953	13 727	4 697	5 649	3 685	27 758	56 195
1987	5 285	6 382	27 861	17 365	33 088	78 314	830	90 810	16 651	7 131	5 240	6 607	35 629	55 181
1988	6 438	6 848	26 011	27 427	41 787	95 226	915	109 427	24 562	8 478	6 686	8 543	48 269	61 158
1989*	7 738	9 208	23 118	39 716	51 212	114 046	994	131 986	36 063	8 665	9 469	9 169	63 366	68 620
1988														
I	5 340	7 406	26 637	17 594	35 883	80 114	919	93 779	17 730	8 031	5 248	7 171	38 180	55 599
II	5 664	6 471	28 390	20 464	38 232	87 084	877	100 096	21 168	8 170	5 685	7 701	42 724	57 372
III	5 768	5 557	26 991	23 697	39 248	89 935	858	102 118	22 852	8 340	5 787	8 111	45 090	57 028
IV	6 438	6 848	26 011	27 427	41 787	95 226	915	109 427	24 562	8 478	6 686	8 543	48 269	61 158
1989*														
I	6 233	7 833	25 357	32 799	43 289	101 448	957	116 471	25 355	8 106	8 025	9 579	51 065	65 406
II	6 421	7 881	24 178	34 097	46 669	104 943	935	120 180	28 044	8 536	8 674	9 784	55 038	65 142
III	6 740	8 258	23 893	36 200	48 032	108 124	919	124 041	30 773	8 869	8 830	9 922	58 394	65 647
IV	7 738	9 208	23 118	39 716	51 212	114 046	994	131 986	36 063	8 665	9 469	9 169	63 366	68 620
1990*														
I	8 036	9 678	21 920	44 275	61 390	127 586	1 120	146 420	37 834	8 958	9 366	9 488	65 646	80 774
II	8 736	10 118	20 838	46 780	63 601	131 218	1 086	151 158	40 540	8 578	9 318	9 347	67 783	83 375

End of period	Short-term liabilities				Short-term assets				Short-term liabilities, net (18-22)	Debt, net (14+23)	Debt service payments	Of which: repayments	Debt service ratio
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits and other liabilities	Total (15+16+17)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits and other assets	Total (19+20+21)					
	15	16	17	18	19	20	21	22	23	24	25	26	27
1985	4 070	51 374	17 474	72 918	25 183	36 208	18 450	79 841	-6 922	47 215	11 287	4 808	10.5
1986	3 455	56 881	14 483	74 819	16 613	46 141	19 279	82 034	-7 215	48 980	13 462	6 018	13.0
1987	3 362	73 132	16 898	93 392	31 134	38 798	18 060	87 993	5 400	60 581	14 203	6 516	13.1
1988	3 341	83 828	15 919	103 088	32 037	44 768	20 830	97 635	5 452	66 610	11 760	3 750	9.7
1989*	3 558	89 013	19 389	111 959	25 113	47 409	21 834	94 355	17 604	86 224	11 405	1 255	8.7
1988													
I	3 467	79 633	14 053	97 153	33 515	41 764	18 861	94 140	3 013	58 612	2 416	378	8.8
II	3 177	91 364	14 577	109 118	39 025	46 127	17 560	102 711	6 407	63 779	2 779	788	9.3
III	3 539	90 827	17 297	111 663	32 750	49 532	20 090	102 372	9 291	66 319	3 812	2 260	13.0
IV	3 341	83 828	15 919	103 088	32 037	44 768	20 830	97 635	5 452	66 610	2 752	324	8.0
1989*													
I	3 278	90 535	16 771	110 584	33 376	49 453	21 539	104 368	6 216	71 622	2 337	738	7.2
II	3 136	100 323	15 521	118 979	32 142	54 101	23 415	109 658	9 322	74 464	4 563	1 513	14.5
III	3 919	104 952	16 731	125 602	29 839	58 848	23 541	112 228	13 374	79 021	3 226	656	10.4
IV	3 558	89 013	19 389	111 959	25 113	47 409	21 834	94 355	17 604	86 224	1 279	-1 652	3.5
1990*													
I	4 036	107 940	21 236	133 212	35 895	58 817	23 356	118 068	15 144	95 918	5 388	2 524	16.4
II	4 195	117 088	20 837	142 119	36 764	65 196	24 038	125 998	16 121	99 496	7 025	3 511	19.6

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

End of period	Long-term liabilities					Long-term assets					Long-term liabilities, net (5-10)
	Corporate sector	Financial institutions	Central government	Local government	Total (1+2+3+4)	Corporate sector	Financial institutions	Central government	Other	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1985	35 709	13 980	26 330	585	76 603	17 102	3 131	1 955	279	22 466	54 137
1986	36 243	20 169	27 031	509	83 953	19 209	5 721	2 309	520	27 758	56 195
1987	34 876	26 734	28 691	511	90 810	22 517	9 740	2 653	719	35 629	55 181
1988	40 875	41 127	26 926	499	109 427	31 168	12 977	3 101	1 024	48 269	61 158
1989*	50 944	56 355	24 112	575	131 986	42 337	15 140	3 517	2 372	63 366	68 620
1988											
I	37 623	28 095	27 556	506	93 779	23 808	10 716	2 851	806	38 180	55 599
II	38 856	31 463	29 267	513	100 096	27 482	11 455	2 887	901	42 724	57 372
III	38 060	35 695	27 849	516	102 118	29 354	11 830	2 938	968	45 090	57 028
IV	40 875	41 127	26 926	499	109 427	31 168	12 977	3 101	1 024	48 269	61 158
1989*											
I	41 662	47 978	26 314	515	116 471	32 212	14 288	3 299	1 266	51 065	65 406
II	43 121	51 447	25 113	501	120 180	35 327	14 978	3 331	1 402	55 038	65 142
III	45 516	53 224	24 812	491	124 041	37 332	15 906	3 374	1 782	58 394	65 647
IV	50 944	56 355	24 112	575	131 986	42 337	15 140	3 517	2 372	63 366	68 620
1990*											
I	61 122	61 653	23 040	604	146 420	44 095	15 179	3 699	2 673	65 646	80 774
II	63 930	64 726	21 924	579	151 158	46 941	14 139	3 734	2 969	67 783	83 375

7. FOREIGN TRADE

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

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
	1	2	3
1985	84 028	81 520	2 508
1986	82 579	77 601	4 978
1987	85 516	82 807	2 709
1988	92 902	92 118	784
1989*	99 794	105 288	-5 494
1989**			
Aug.	7 885	9 879	-1 994
Sept.	7 553	8 596	-1 043
Oct.	10 390	10 873	-483
Nov.	9 431	9 920	-489
Dec.	7 978	9 018	-1 040
1990*			
Jan.	8 531	8 323	208
Feb.	8 035	8 104	-69
March	8 207	8 559	-352
April	9 077	9 912	-835
May	9 034	9 460	-426
June	8 773	8 421	352
July	7 143	7 691	-548
Aug.	7 659	8 077	-418

7.2 FOREIGN TRADE: INDICES OF VOLUME, UNIT VALUE AND TERMS OF TRADE, 1980=100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1985	115	104	138	135	102
1986	116	110	135	121	111
1987	118	119	138	119	116
1988	121	130	145	122	119
1989*	121	144	156	126	123
1989**					
I	114	116	140	120	117
II	123	133	141	121	117
III	113	134	147	123	119
IV	136	137	150	124	121
1989*					
I	123	132	156	128	122
II	116	136	155	126	123
III	112	141	155	126	124
IV	134	163	157	126	125
1990*					
I	122	134	154	128	120
II	132	152	157	126	125

¹Owing to certain technical difficulties during the summer months 1989 the figures for individual months of the foreign trade statistics compiled by the Board of Customs may contain inaccuracies. However, the cumulative total for 1989 should not be unduly affected.

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, f.o.b.					Imports by use of goods, c.i.f.				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1985	6 728	25 030	9 803	24 412	18 055	38 676	17 770	11 675	12 967	432
1986	6 947	24 600	7 858	26 115	17 059	39 292	10 070	12 898	15 069	272
1987	7 470	27 058	7 770	26 230	16 988	41 174	9 406	14 138	17 478	611
1988	7 567	30 474	8 450	29 225	17 186	45 790	7 533	17 274	20 828	693
1989*	7 418	32 520	8 843	32 684	18 329	51 726	8 283	20 462	24 056	761
1989**										
Aug.	477	2 978	668	2 379	1 383	5 029	862	1 748	2 189	51
Sept.	597	2 598	648	2 223	1 487	3 941	753	1 778	2 003	121
Oct.	719	2 913	967	3 866	1 925	5 463	733	2 055	2 546	76
Nov.	700	2 859	844	3 318	1 710	4 697	903	1 996	2 284	40
Dec.	618	2 552	684	2 805	1 319	4 326	796	1 867	1 963	66
1990*										
Jan.	617	2 324	824	3 426	1 340	4 031	534	1 778	1 951	29
Feb.	666	2 447	829	2 596	1 497	4 053	428	1 576	1 979	68
March	622	2 784	753	2 614	1 434	4 200	478	1 665	2 177	39
April	681	2 815	803	3 303	1 475	4 594	718	2 007	2 403	190
May	849	2 828	810	3 077	1 470	4 645	760	1 780	2 192	83
June	740	2 593	744	3 308	1 388	4 119	811	1 613	1 832	46
July	492	2 425	624	2 492	1 110	3 682	552	1 473	1 899	85
Aug.	515	2 766	826	2 305	1 247	3 859	751	1 504	1 939	24

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1989*		1990*		1989*		1990*	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period on the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	75 493	75.6	45 494	6.9	82 767	78.6	48 758	9.1
OECD Europe	64 393	64.5	39 373	7.7	67 056	63.7	39 843	10.2
Of which:								
Austria	1 175	1.2	636	0.6	1 295	1.2	813	24.7
Belgium and Luxembourg	1 947	2.0	1 232	8.3	2 932	2.8	1 702	7.1
Denmark	3 257	3.3	2 073	11.3	3 290	3.1	2 075	20.2
France	5 453	5.5	3 843	25.0	4 418	4.2	2 775	24.8
Federal Republic of Germany	10 785	10.8	6 909	14.2	18 234	17.3	10 644	7.1
Italy	2 989	3.0	1 917	9.2	4 900	4.7	3 006	12.3
Netherlands	3 961	4.0	2 555	13.3	3 416	3.2	1 868	3.0
Norway	2 920	2.9	1 769	12.0	2 457	2.3	1 778	31.7
Spain	1 831	1.8	1 269	25.6	1 129	1.1	699	11.3
Sweden	14 314	14.3	8 409	6.3	14 314	13.6	8 021	2.5
Switzerland	1 680	1.7	1 035	9.8	1 829	1.7	1 030	3.9
United Kingdom	11 958	12.0	6 413	-10.9	6 898	6.6	4 036	9.0
Other OECD	11 100	11.1	6 121	2.3	15 711	14.9	8 915	4.3
Of which:								
Canada	1 359	1.4	753	-0.8	919	0.9	459	-1.1
Japan	2 033	2.0	839	-27.4	7 695	7.3	4 164	-2.2
United States	6 388	6.4	3 870	17.1	6 669	6.3	4 094	13.9
CMEA countries	16 248	16.3	8 098	-16.2	14 907	14.2	7 400	-6.0
Of which:								
Soviet Union	14 496	14.5	7 057	-18.3	12 152	11.5	5 819	-8.1
Developing countries	7 224	7.2	4 632	19.9	6 612	6.3	3 716	-0.2
OPEC countries	1 558	1.6	957	14.8	680	0.6	418	13.1
Other	5 666	5.7	3 675	21.3	5 932	5.6	3 298	-1.7
Other countries	829	0.8	576	20.4	1 002	1.0	597	-16.1
TOTAL	99 794	100.0	58 800	4.0	105 288	100.0	60 470	6.1
Of which:								
EEC countries	43 869	44.0	27 279	7.9	46 903	44.5	28 059	11.5
EFTA countries	20 195	20.2	11 905	7.0	20 006	19.0	11 701	7.3

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4						5	6	7	8	9
1985	181 664	68 218	69 599	10 453	1 772	331 706	98 173	94 893	334 986
1986	189 113	70 325	69 328	10 738	810	340 314	99 498	97 795	342 017
1987	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
1988*	209 956	75 190	81 839	11 446	9 062	387 493	105 897	118 405	374 985
1989*	218 243	77 255	93 766	11 174	14 533	414 971	107 815	128 440	394 346
1988*									
I	52 067	18 583	19 747	2 872	1 301	94 570	25 520	28 027	92 063
II	51 661	18 726	19 981	2 723	3 226	96 317	26 483	29 627	93 172
III	52 766	18 875	21 024	3 002	2 310	97 976	26 237	30 790	93 424
IV	53 462	19 007	21 087	2 849	2 225	98 630	27 657	29 961	96 325
1989*									
I	53 997	19 127	21 736	2 744	2 996	100 600	27 795	31 718	96 677
II	54 492	19 232	23 338	2 773	2 516	102 351	26 012	30 276	98 086
III	54 851	19 368	23 890	2 761	3 814	104 682	26 549	31 875	99 357
IV	54 903	19 528	24 802	2 897	5 207	107 338	27 459	34 571	100 226
1990*									
I	54 471	19 735	23 982	2 965	3 061	104 214	27 086	32 536	98 764
II	55 168	19 850	23 166	3 033	3 667	104 884	29 138	34 176	99 847

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.6)	(87.9)	(16.5)	(30.0)	(41.4)	(10.5)
	1	2	3	4	5	6	7
1985	100.4	99.8	100.4	100.1	100.6	100.3	100.2
1986	101.9	102.8	102.0	102.3	103.0	101.2	100.4
1987	107.2	99.9	107.2	106.5	110.2	105.4	107.8
1988*	110.9	108.8	111.0	113.1	114.5	107.6	110.1
1989*	113.8	117.2	114.1	115.9	120.7	108.6	110.2
1989*							
July	113.5	112.3	114.6	114.1	121.5	110.2	107.5
Aug.	115.3	107.2	116.4	116.1	127.0	109.1	107.7
Sept.	113.8	113.3	114.7	116.2	122.2	108.9	105.9
Oct.	113.2	120.2	113.8	113.6	121.7	108.1	107.5
Nov.	113.9	118.7	114.0	115.6	120.3	108.8	112.1
Dec.	113.0	116.8	112.6	111.0	121.1	106.6	115.8
1990*							
Jan.	114.7	115.8	114.0	115.6	120.8	108.3	118.9
Feb.	114.9	118.8	115.1	116.5	123.8	107.1	115.3
March	114.1	110.9	114.7	117.3	120.2	108.1	114.5
April	116.9	116.7	115.4	117.5	124.1	110.5	114.3
May	115.0	136.7	114.9	114.5	121.2	109.6	111.8
June	114.8	121.3	115.7	123.1	122.5	107.5	106.1
July	109.8	72.1	111.2	112.6	117.2	106.5	114.0

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

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	104.7	102.5	94.0	88.4	99.9	99.5	105.2	102.1
1987	111.3	107.7	95.6	89.0	101.0	102.6	114.3	106.8
1988*	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.5
1989*	124.2	117.0	130.3	132.9	137.6	125.2	160.3	114.7
1989*								
June	123.2	119.2	..	..	..	..	..	115.4
July	120.9	116.4	..	..	..	..	..	114.6
Aug.	126.9	117.0	..	..	..	..	..	115.8
Sept.	125.1	117.3	..	..	..	..	..	115.3
Oct.	130.2	116.0	..	..	..	..	..	115.7
Nov.	130.4	117.9	..	..	..	..	..	116.3
Dec.	120.8	112.9	..	..	..	..	..	115.0
II	123.8	118.5	131.7	132.6	144.1	121.8	166.9	114.7
III	124.3	116.9	133.1	133.3	132.6	135.0	151.3	115.2
IV	127.1	115.6	135.3	142.3	138.7	133.2	189.3	115.6
1990*								
Jan.	125.7	113.1	..	..	..	..	..	116.3
Feb.	121.8	103.0	..	..	..	..	..	115.2
March	125.2	119.7	..	..	..	..	..	117.0
April	123.4	115.7	..	..	..	..	..	117.4
May	124.2	113.6	..	..	..	..	..	117.8
June	119.1	112.4	..	..	..	..	..	117.1
I	124.2	111.9	138.4	134.8	157.7	134.4	148.4	116.2
II	122.2	113.9	133.6	129.5	173.5	120.4	167.3	117.4

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domes- tic goods	Imported goods		Export- ed goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	106.9	106.6	106.2	106.6	107.8	107.2	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
1987	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
1988	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
1989¹	135.6	136.4	133.8	137.4	132.1	136.4	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
1989¹														
Aug.	..	..	..	..	..	..	120.6	107.6	111.8	92.3	108.3	110.6	107.3	125.8
Sept.	..	..	..	..	..	..	121.9	108.1	112.4	92.3	108.8	111.3	107.6	127.6
Oct.	..	..	..	..	..	..	122.4	108.7	113.2	92.5	109.2	111.7	108.0	128.2
Nov.	..	..	..	..	..	..	122.3	108.9	113.5	92.3	109.1	111.2	108.0	128.6
Dec.	..	..	..	..	..	..	123.0	109.0	113.6	92.4	109.3	111.5	108.2	129.8
II	135.7	136.9	134.3	137.0	131.3	136.3	119.7	107.3	111.1	93.1	107.6	110.1	106.4	124.6
III	136.1	137.3	134.3	137.5	131.5	136.4	121.0	107.7	111.9	92.4	108.4	110.8	107.3	126.1
IV	139.0	139.8	137.2	140.0	135.8	138.5	122.5	108.9	113.4	92.4	109.2	111.5	108.1	128.9
1990¹														
Jan.	..	..	..	..	..	..	124.8	109.4	113.9	93.0	109.4	111.5	108.4	130.4
Feb.	..	..	..	..	..	..	125.3	109.2	113.8	92.5	108.9	110.2	108.2	130.8
March	..	..	..	..	..	..	125.7	109.3	114.1	91.9	109.0	110.1	108.5	131.7
April	..	..	..	..	..	..	126.4	109.7	114.7	91.4	109.6	110.4	109.2	134.7
May	..	..	..	..	..	..	127.0	110.5	115.8	91.2	109.8	110.6	109.5	135.0
June	..	..	..	..	..	..	127.3	110.5	115.8	91.3	109.9	110.4	109.6	135.2
July	..	..	..	..	..	..	127.5	110.5	115.8	91.2	110.1	110.6	109.8	135.3
Aug.	..	..	..	..	..	..	128.1	111.5	116.3	94.1	110.4	110.2	110.6	135.4
I	142.3	142.9	140.3	145.7	138.3	143.8	125.2	109.3	113.9	92.5	109.1	110.6	108.4	131.0
II	146.8	147.6	145.9	149.4	142.6	147.5	126.9	110.2	115.4	91.3	109.8	110.5	109.4	135.0

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry				Unemployed	Unemployment rate
				Self-employed	Wage and salary earners	Industry	Construction	Service industries			
				1000 persons		1000 persons					
	%										
	1	2	3	4	5	6	7	8	9	10	11
1985	69.2	2 566	2 437	361	2 076	280	597	178	1 380	129	5.0
1986	69.1	2 569	2 431	359	2 071	266	589	185	1 391	138	5.4
1987	68.6	2 554	2 423	372	2 051	251	569	184	1 419	130	5.1
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1989											
July	68.6	2 557	2 468	366	2 102	203	560	198	1 506	89	3.5
Aug.	68.2	2 543	2 451	347	2 104	199	567	194	1 491	92	3.6
Sept.	68.4	2 550	2 463	364	2 099	216	574	205	1 468	87	3.4
Oct.	68.6	2 558	2 484	379	2 105	219	557	201	1 507	73	2.9
Nov.	68.7	2 559	2 472	372	2 100	212	562	194	1 504	88	3.4
Dec.	68.8	2 566	2 476	367	2 109	213	566	208	1 490	90	3.5
1990											
Jan.	68.6	2 558	2 488	376	2 111	221	563	201	1 503	70	2.7
Feb.	69.1	2 575	2 493	369	2 124	216	560	211	1 506	82	3.2
March	68.4	2 553	2 478	358	2 120	212	552	206	1 509	74	2.9
April	68.6	2 561	2 472	364	2 108	214	563	201	1 495	89	3.5
May	68.6	2 561	2 484	360	2 124	204	551	215	1 513	77	3.0
June	68.6	2 563	2 475	352	2 123	201	561	209	1 503	88	3.4
July	68.5	2 560	2 472	358	2 114	207	564	206	1 495	88	3.4

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

During period	Revenue						Expenditure				
	Direct taxes	Indirect taxes	Other taxes and similar revenue	Other revenue	Revenue before financial transactions (1+2+3+4)	Redemptions of loans granted by the state	Revenue before borrowing (5+6)	Consumption	Transfers and subsidies	Of which:	
										Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11
1985	25 750	47 578	546	10 415	84 290	2 071	86 361	24 835	49 269	21 183	26 866
1986	28 079	51 733	323	11 640	91 774	2 209	93 983	26 354	52 845	23 215	28 131
1987	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
1988	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1989											
July	3 938	7 353	62	945	12 298	115	12 412	3 453	5 043	2 594	2 203
Aug.	3 211	6 455	119	1 065	10 850	488	11 338	2 780	5 768	2 685	2 918
Sept.	3 172	5 474	46	1 354	10 046	210	10 256	2 792	5 100	2 659	2 312
Oct.	3 108	6 457	46	969	10 581	101	10 682	2 950	6 203	3 001	3 058
Nov.	3 199	7 013	47	1 396	11 655	391	12 045	2 942	6 912	2 817	3 944
Dec.	3 518	7 813	-60	2 471	13 742	209	13 951	2 877	7 315	2 752	3 831
1990											
Jan.	3 134	6 036	76	1 244	10 490	4	10 494	3 290	5 810	2 890	2 813
Feb.	3 287	5 579	50	908	9 824	49	9 873	3 170	6 209	2 717	3 181
March	3 073	6 407	50	1 151	10 681	87	10 768	3 274	6 215	3 084	2 937
April	4 165	5 511	53	2 051	11 780	1 567	13 347	3 412	6 995	3 337	3 129
May	3 107	7 593	62	1 650	12 412	337	12 749	3 547	6 974	2 982	3 718
June	3 374	6 942	44	1 278	11 638	142	11 781	3 470	6 329	3 644	2 544
July	4 052	7 321	76	1 294	12 743	14	12 758	4 131	6 660	2 985	3 340

During period	Expenditure					Financial balance			
	Fixed investment	Other expenditure	Expenditure before financial transactions (8+9+12+13)	Lending and other financial investment	Expenditure before redemptions of state debt (14+15)	Revenue surplus (5-14)	Net borrowing requirement (7-16)	Net borrowing	Cash surplus (18+19)
1985	5 700	4 936	84 739	4 982	89 722	-449	-3 361	3 506	145
1986	6 111	5 058	90 368	4 913	95 281	1 406	-1 298	4 203	2 905
1987	7 089	4 732	100 738	5 672	106 410	-1 090	-4 280	7 604	3 324
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417	3 287
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 852	-4 010	3 842
1989									
July	619	-13	9 103	414	9 517	3 195	2 895	-151	2 744
Aug.	634	309	9 490	467	9 957	1 359	1 381	-519	862
Sept.	740	649	9 282	470	9 752	765	505	-75	429
Oct.	779	671	10 604	617	11 221	-23	-539	-532	-1 072
Nov.	758	193	10 805	503	11 308	850	737	-387	351
Dec.	1 107	-41	11 258	479	11 736	2 484	2 215	1 063	3 277
1990									
Jan.	371	590	10 061	673	10 735	429	-241	-1 141	-1 382
Feb.	361	150	9 890	382	10 272	-66	-399	-365	-763
March	377	537	10 403	504	10 907	278	-139	-949	-1 088
April	392	639	11 438	2 021	13 459	342	-112	-1 216	-1 328
May	501	930	11 952	772	12 724	460	25	-802	-777
June	536	288	10 623	760	11 382	1 015	399	-16	383
July	487	114	11 392	589	11 981	1 351	777	1 341	2 118

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

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

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

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

Table 2.2 As from the beginning of 1990, the statistics on the forward exchange market are based on data on individual contracts against the Finnish markka as reported by banks (excluding Columns 5 and 6). The new statistical system covers all authorized banks and contracts. The rates of ex-

change used in the statistics are the forward rates on the contract date.

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

3 RATES OF INTEREST

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

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

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

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

Table 3.5 *Secondary market yields.* Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered

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

4 RATES OF EXCHANGE

Table 4.1 The quotation of the noncommercial rate for the Belgian franc, BEL, was terminated on March 2, 1990. Since then there has been only one rate for the Belgian franc. As from the beginning of May 1990 the standard abbreviation is BEF. Prior to that date, the quotations given in Column 10 are those of BEC (the commercial rate). The time series for BEC and BEL are shown separately for the last time in the May 1990 issue of the Bulletin.

Table 4.2 The weights of the Bank of Finland currency index (Column 1) are moving averages of the shares of countries in Finland's merchandise export and import trade. The index comprises 14 convertible currencies. The index values are based on the Bank of Finland's daily quotations at noon. The weights of the payments currency index (Column 2) are moving averages of the shares of payments currencies in Finland's trade. The index comprises

14 convertible currencies. The weights of the MERM index (Column 3) are fixed 1977 weights computed on the basis of the IMF's world trade model. Fourteen currencies are included in this index.

5 OTHER DOMESTIC FINANCING

Table 5.1 Source: The Central Statistical Office of Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and local government. Domestic foreign-currency deposits are included in the figures. Time deposits (Column 2) consist of tax-exempt time deposits held by the public. Investment accounts (Column 3) are taxable time deposits held by the public. For the definition of unregulated deposits (Column 6), see the explanation under Table 3.4. Since the beginning of 1987, the figures for banks' holdings of certificates of deposit issued by other banks have been netted out. Netting out is done by the Bank of Finland.

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

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

Table 5.4 Source: State Treasury Office. *Foreign debt*. Other bonds and debentures (Column 2) are so-called private placings. Long-term promissory notes (Column 3) are bank loans. Outstanding lending (Column 3)

comprises the stock of central loans granted from the central government budget and from extra-budgetary funds. Cash funds (Column 11) comprise the cash funds held in central government accounting offices, funds held in cheque and postal giro accounts, as well as placements of central government cash funds. The main part of the latter is reserved for covering transferable allocations budgeted in previous years (for details, see the article "State Borrowing and Cash Management" by Pekka Laajanen and Pekka Saarinen in the August 1987 issue of the Bulletin). Transferable allocations amounted to FIM 8.1 billion at the end of 1988.

Table 5.5 Tables A and B on the markka bond market include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland.

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

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

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

Table 6.3 Net foreign debt (Columns 1-24) at the end of a period is classified in the same way as the corresponding data on changes in the capital account (Table 6.2). The items included in net foreign debt have been translated into markkaa using the spot rates for each date. Thus the figures include the impact of changes in exchange rates. Debt service payments (Column 25): the total of net payments of interest, divi-

dends and remunerations relating to long- and short-term foreign liabilities and assets plus net repayments relating to long-term foreign liabilities and assets. Repayments do not include early repayments of loans, repatriations of equity capital included under direct investment, repurchases of shares included under portfolio investment (since 1986), repayments of the Bank of Finland's reserve tranche and oil facility credits, or repayments of rouble-denominated assets included under loan assets. The debt-service ratio (Column 27) = service charges on net foreign debt as a percentage of current account earnings.

Table 6.4 All direct investments have been placed under the corporate sector (Columns 1 and 6). Other (Column 9) consists mainly of long-term assets of private persons.

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

7 FOREIGN TRADE

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

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

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

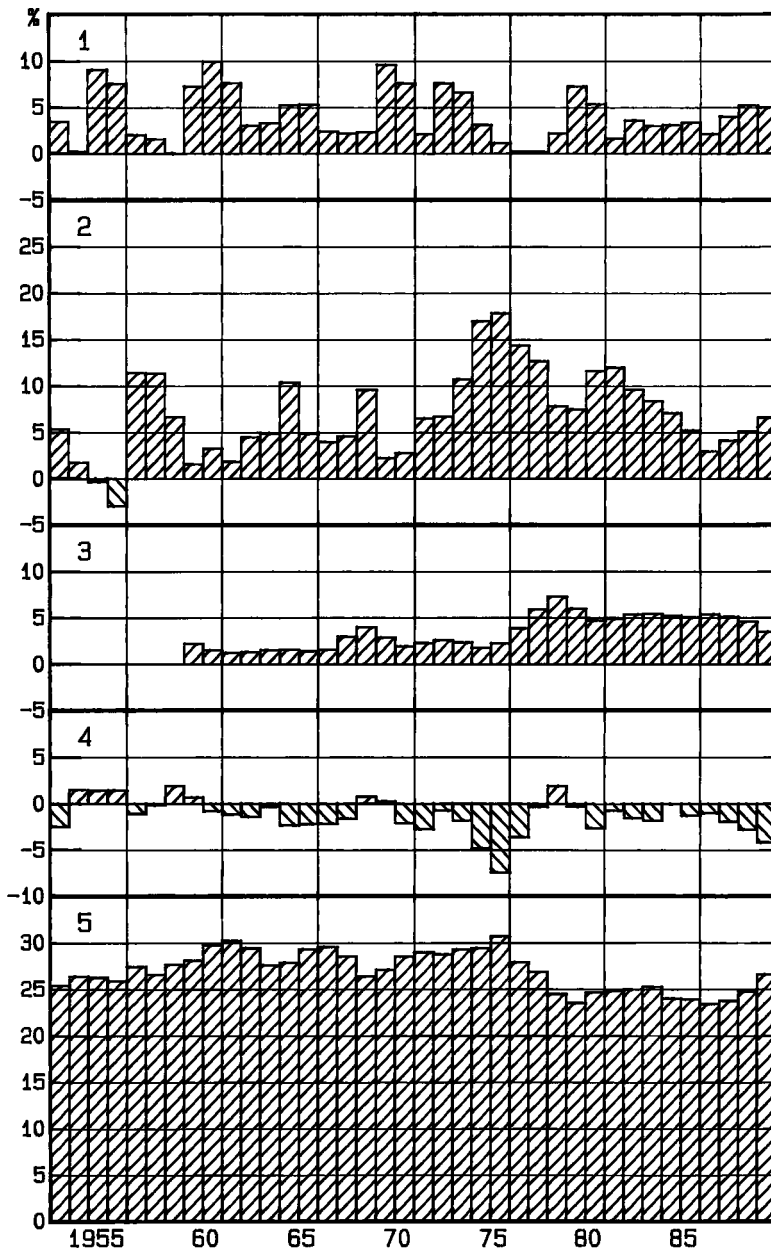
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

Table 8.6 Source: Ministry of Finance.

1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Items affecting domestic liquidity	S29
5. Overnight rates	S30
6. HELIBOR rates of interest (daily)	S30
7. HELIBOR rates of interest (monthly)	S30
8. Rates of interest applied by the Bank of Finland	S31
9. 3-month covered Eurodollar rate and 3-month currency basket rates	S31
10. Rates on bonds and debentures	S31
11. Bank of Finland currency index (monthly)	S32
12. Bank of Finland currency index (daily)	S32
13. Changes in the exchange rates of selected Nordic currencies	S32
14. Changes in the exchange rates of selected major currencies	S33
15. Bank deposits from the public	S33
16. Bank lending to the public	S33
17. Money supply	S34
18. Direct investment	S34
19. Central government debt	S34
20. Current account	S35
21. Foreign debt	S35
22. Balance of payments	S36
23. Debt service ratio	S36
24. Foreign trade	S37
25. Foreign trade: prices and terms of trade	S37
26. Finland's export performance	S37
27. Production	S38
28. Fixed investment	S38
29. Employment and unemployment rate	S39
30. Prices and wages	S39
31. Central government finances	S40

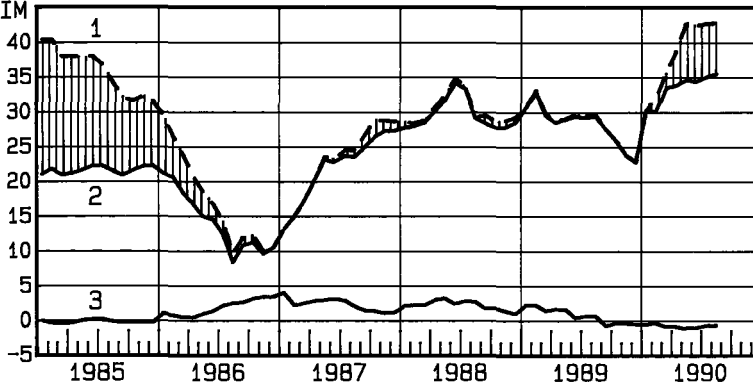
1. LONG-TERM INDICATORS



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

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

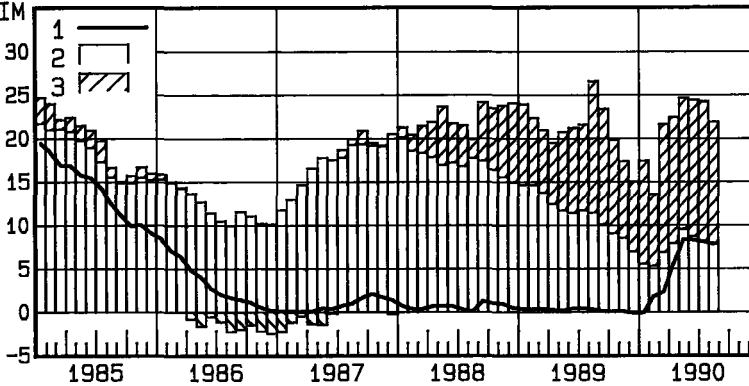
Bill.FIM



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

3. FORWARD MARKET

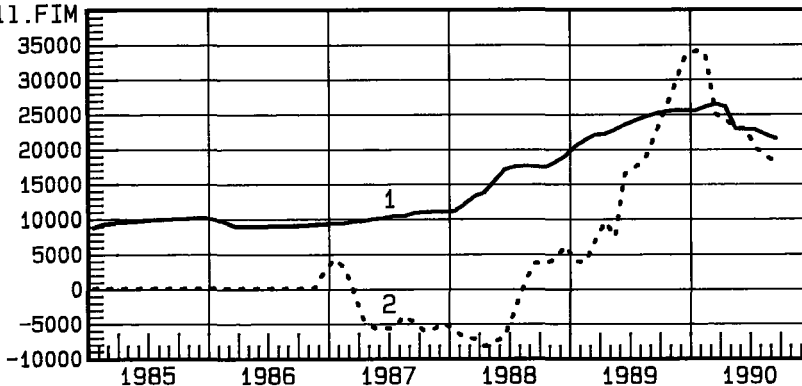
Bill.FIM



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

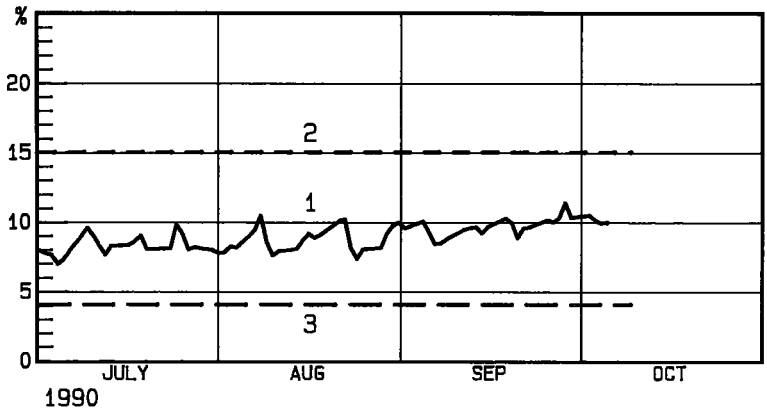
4. ITEMS AFFECTING DOMESTIC LIQUIDITY

Mill.FIM



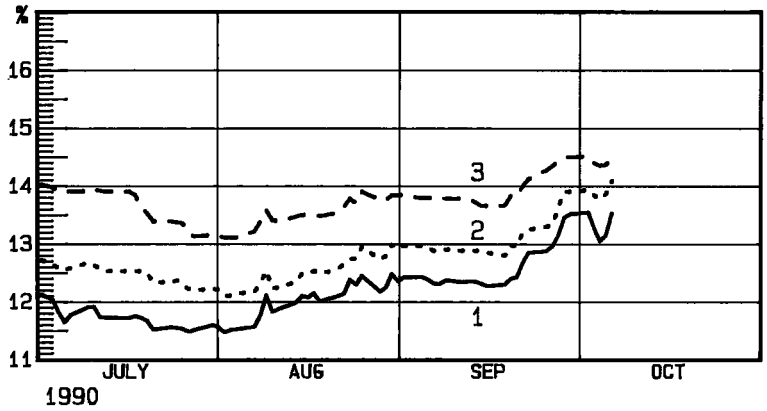
1. Cash reserve deposits
2. Bank of Finland's holdings of money market instruments, net

5. OVERNIGHT RATES



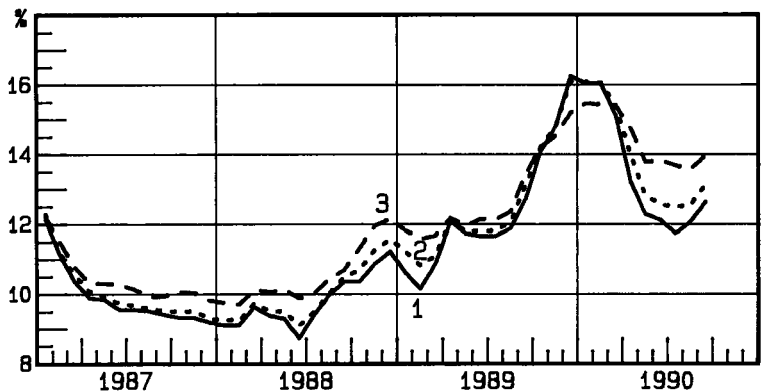
- 1. Inter-bank overnight rate
 - 2. Call money credit rate
 - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



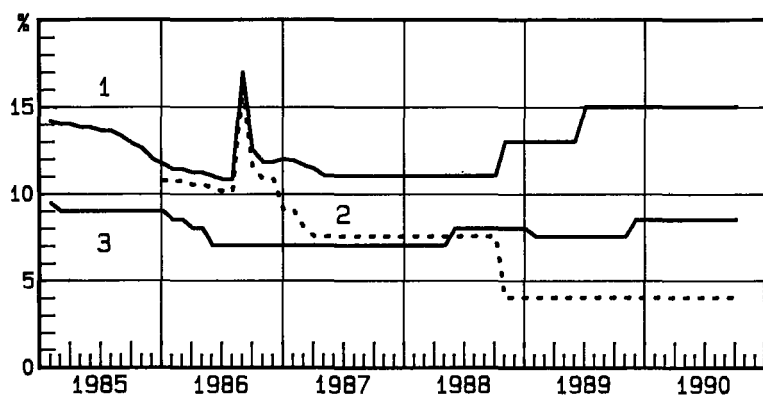
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Daily observations

7. HELIBOR RATES OF INTEREST



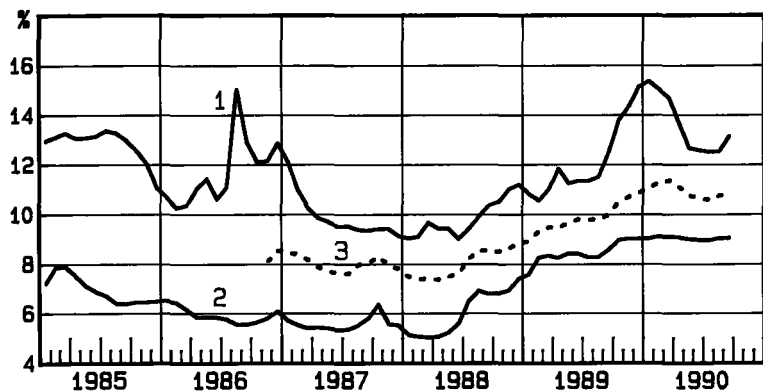
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Monthly averages

8. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



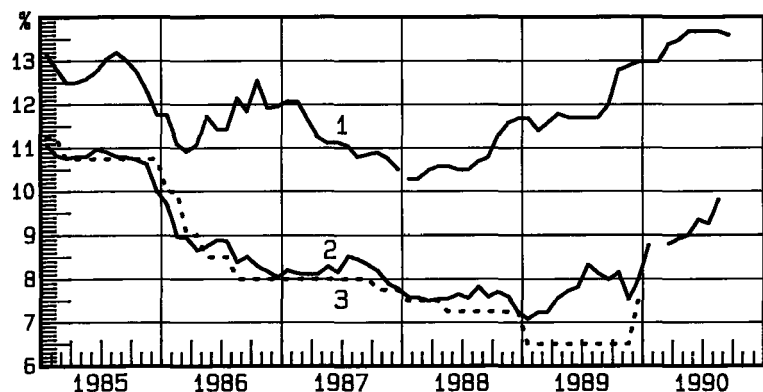
- 1. Call money credit rate
 - 2. Call money deposit rate
 - 3. Base rate
- End-of-month observations

9. 3-MONTH COVERED EURODOLLAR RATE AND 3-MONTH CURRENCY BASKET RATES



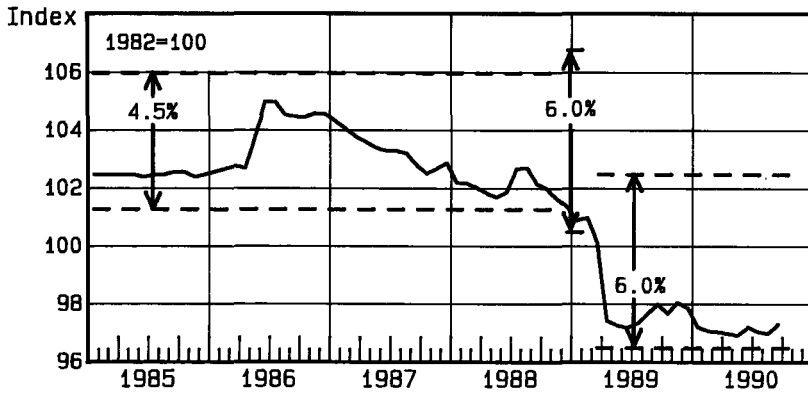
- 1. Covered Eurodollar rate
- 2. 3-currency basket rate (DEM 60 %, USD 30 %, GBP 10 %)
- 3. 14-currency basket rate (Bank of Finland currency index weights)

10. RATES ON BONDS AND DEBENTURES



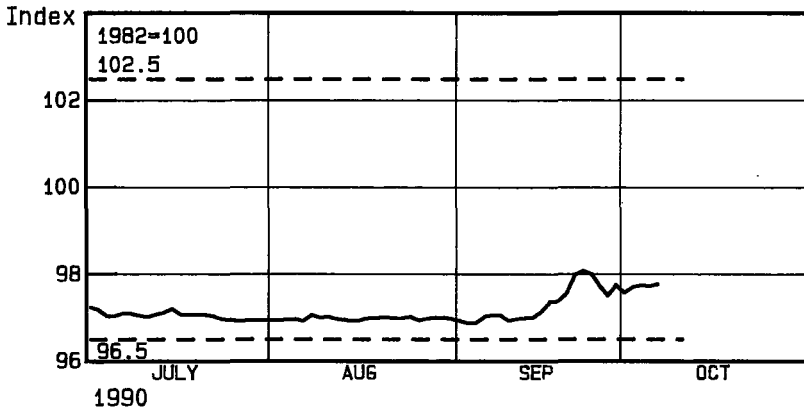
- 1. Long-term (5-year) market rate (before 1988 rate on (3-6 year) fixed-rate debentures)
- 2. Rate on (9-10 year) tax-free government bonds
- 3. Rate at issue on new 10-year taxfree government bonds

11. BANK OF FINLAND CURRENCY INDEX



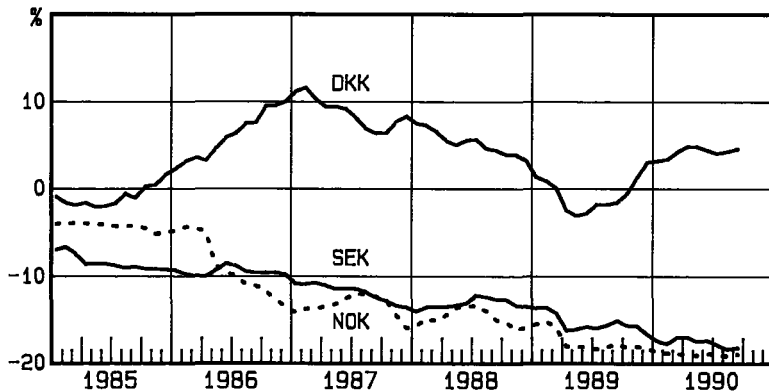
4.5 % and 6.0 % = fluctuation range of the index
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX



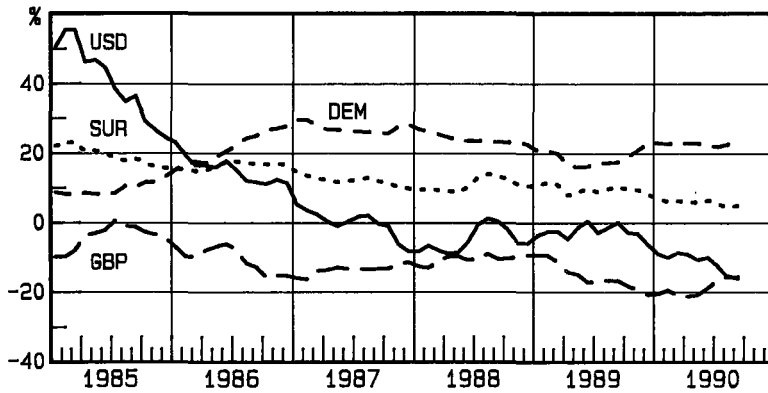
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



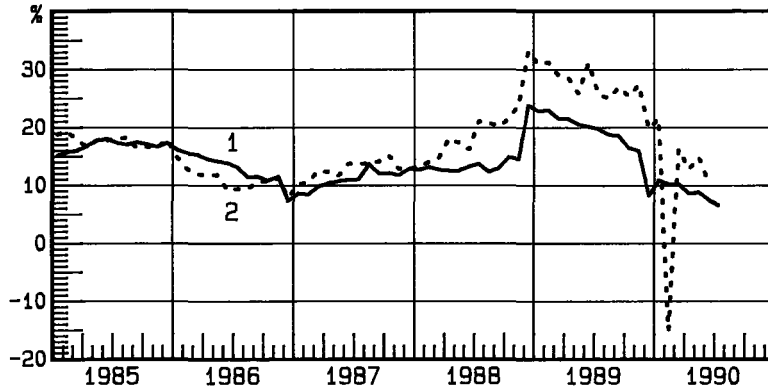
Monthly changes in markka selling rates calculated from the average rates for January 1982

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



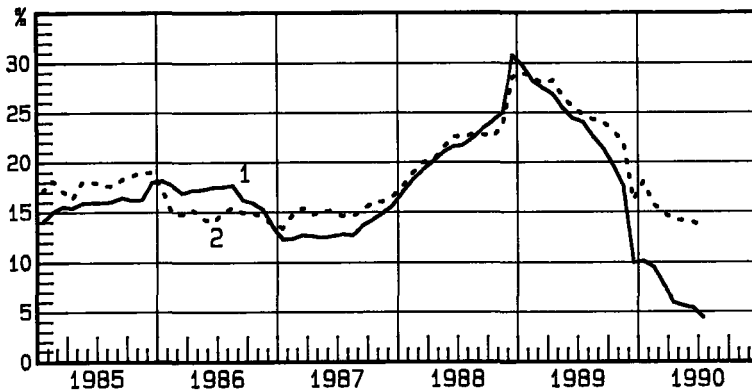
Monthly changes in markka selling rates calculated from the average rates for January 1982

15. BANK DEPOSITS FROM THE PUBLIC



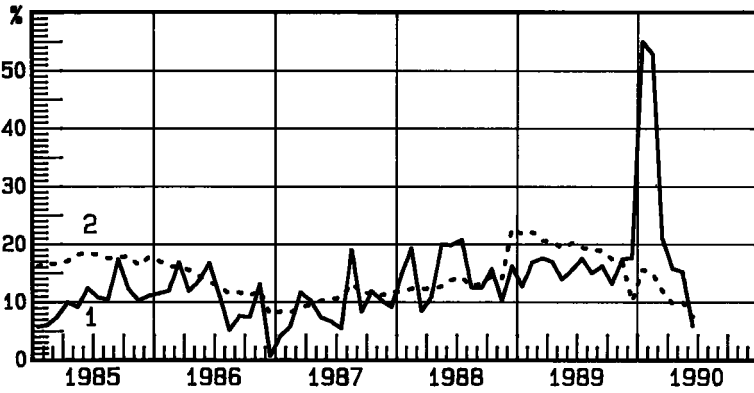
1. Regulated deposits
2. Total deposits
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



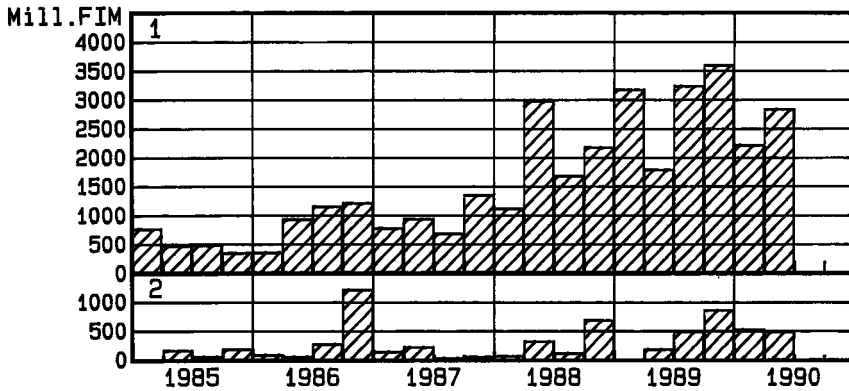
1. Markka lending
2. Total lending
Change from the corresponding month of the previous year, per cent

17. MONEY SUPPLY



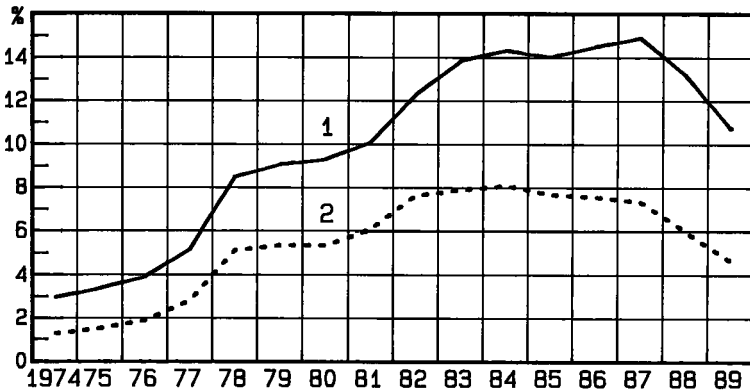
- 1. Narrow money supply (M1)
 - 2. Broad money supply (M2)
- Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



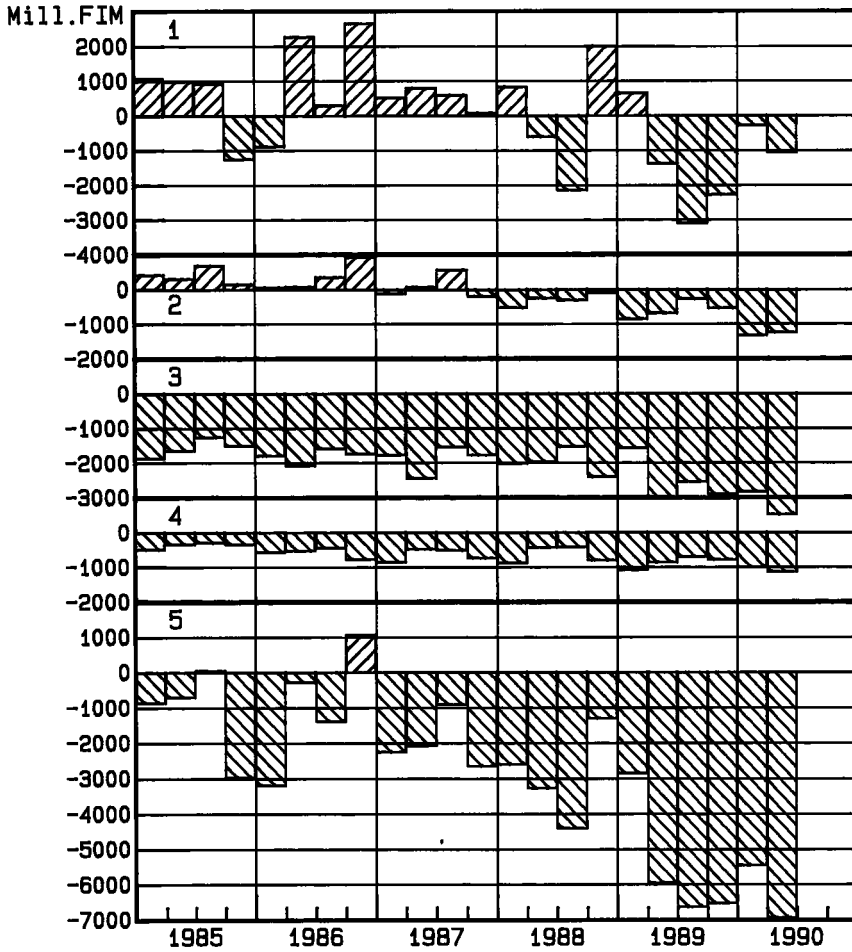
- 1. Finnish direct investment abroad, net
- 2. Foreign direct investment in Finland, net

19. CENTRAL GOVERNMENT DEBT



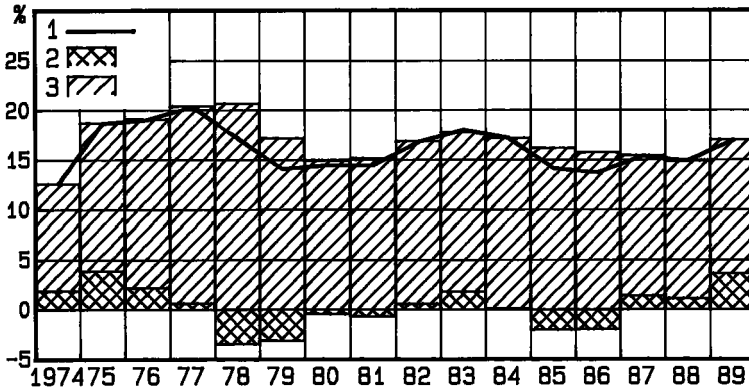
- 1. Total debt
 - 2. Of which: foreign debt
- As a percentage of GDP

20. CURRENT ACCOUNT



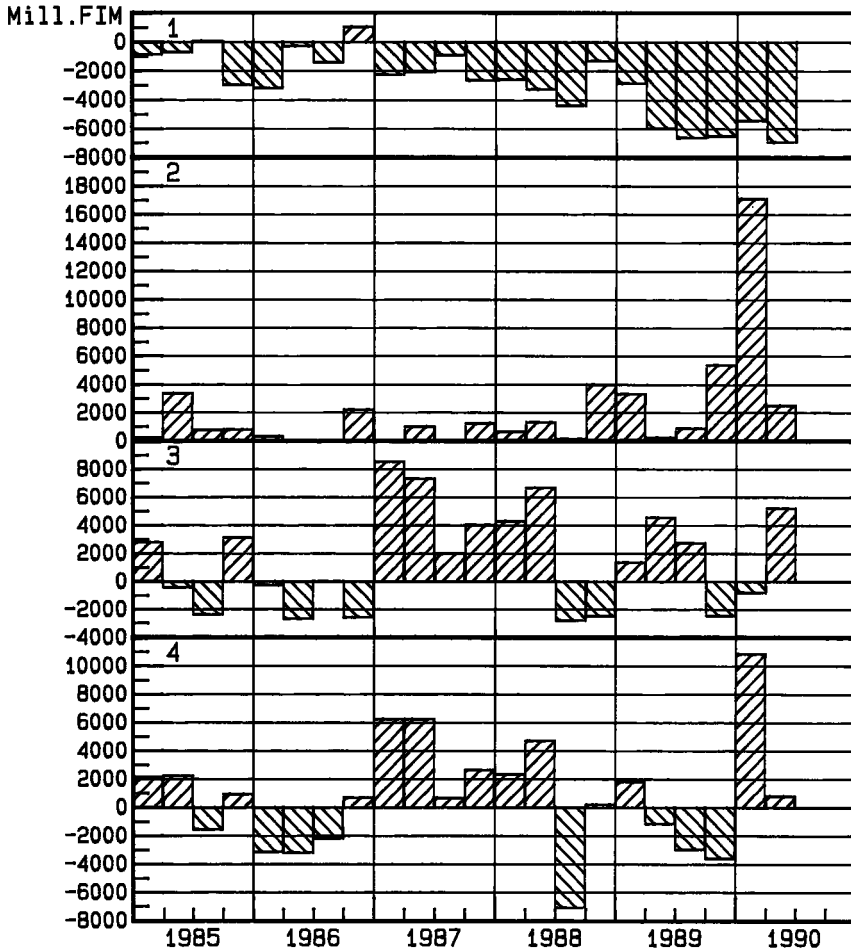
- 1. Trade account
- 2. Services account
- 3. Investment income account
- 4. Unrequited transfers account and other items, net
- 5. Current account

21. FOREIGN DEBT



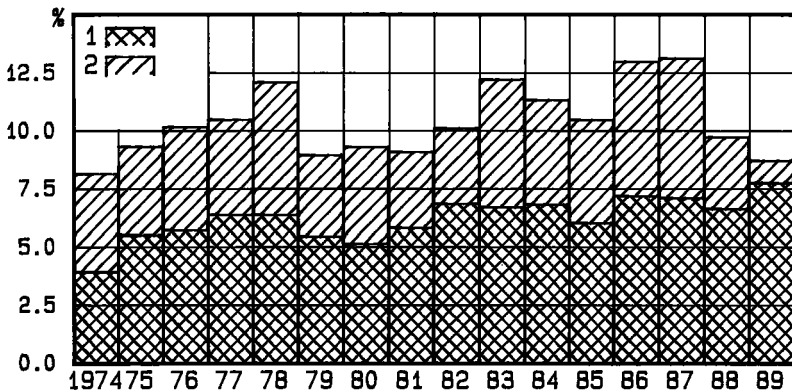
- 1. Total foreign net debt
 - 2. Short-term net debt
 - 3. Long-term net debt
- As a percentage of GDP

22. BALANCE OF PAYMENTS



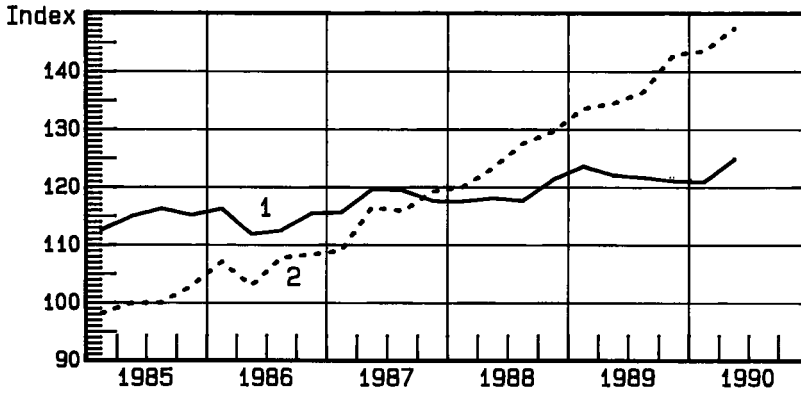
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance=change in the foreign exchange reserves of the Bank of Finland

23. DEBT SERVICE RATIO



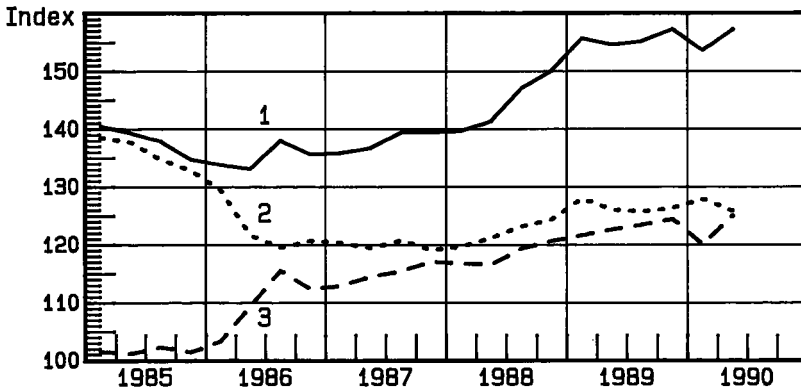
1. Interest payments
 2. Redemptions
- As a percentage of current account earnings

24. FOREIGN TRADE



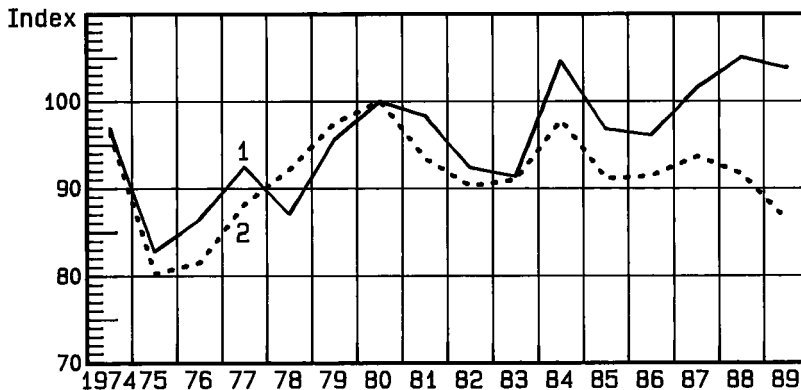
- 1. Total exports
 - 2. Total imports
- Volume index, 1980 = 100, four-quarter moving average shown as at the last quarter

25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



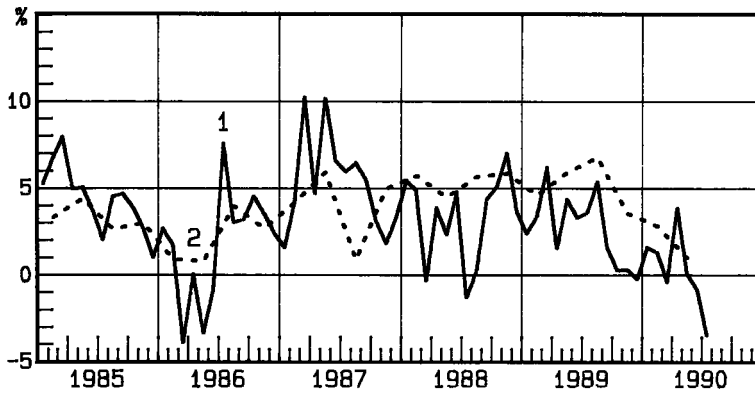
- 1. Unit value index of exports
 - 2. Unit value index of imports
 - 3. Terms of trade
- 1980 = 100

26. FINLAND'S EXPORT PERFORMANCE



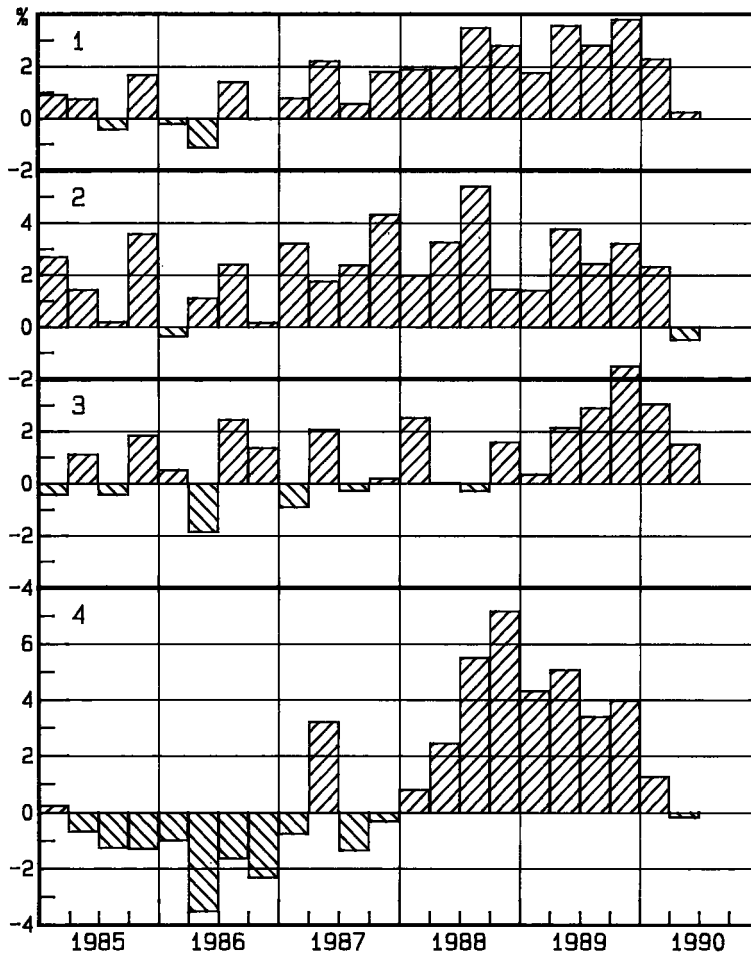
- 1. Value of exports to western countries in relation to exports of OECD Europe
 - 2. Volume of western exports in relation to exports of OECD Europe
- 1980 = 100

27. PRODUCTION



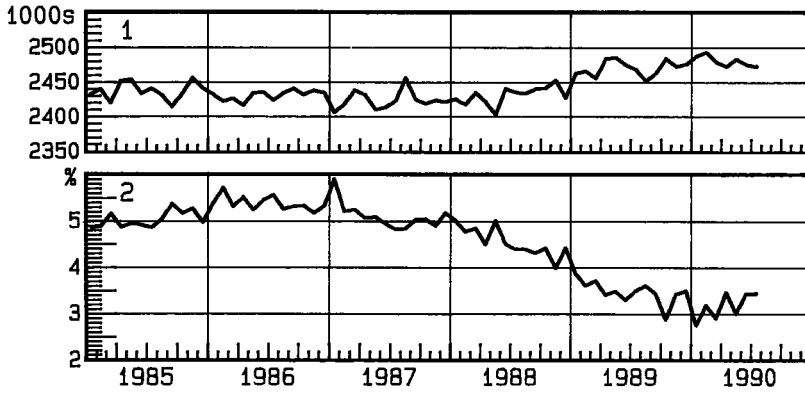
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

28. FIXED INVESTMENT



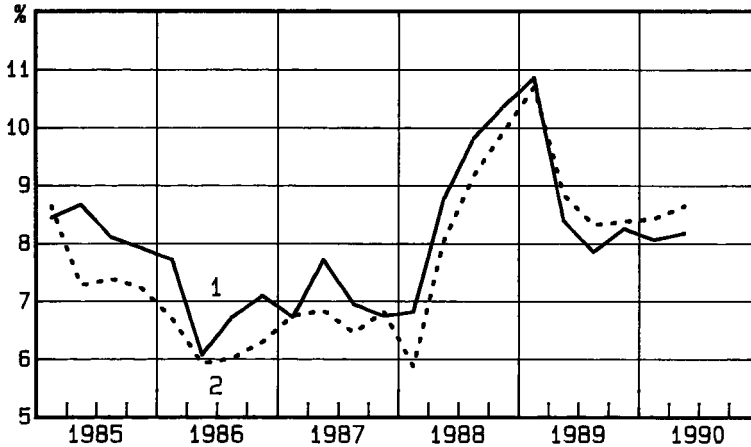
1. Total fixed investment
 2. Investment in machinery and equipment
 3. Building investment, excl. residential buildings
 4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE

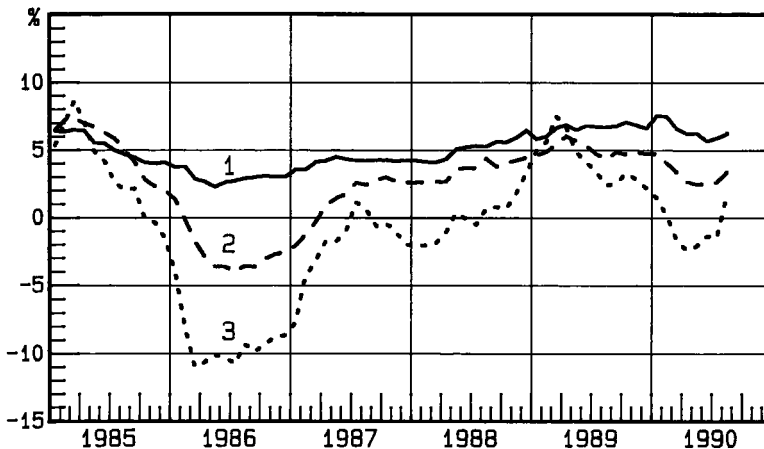


1. Employment, 1000 persons
2. Unemployment rate, per cent

30. PRICES AND WAGES

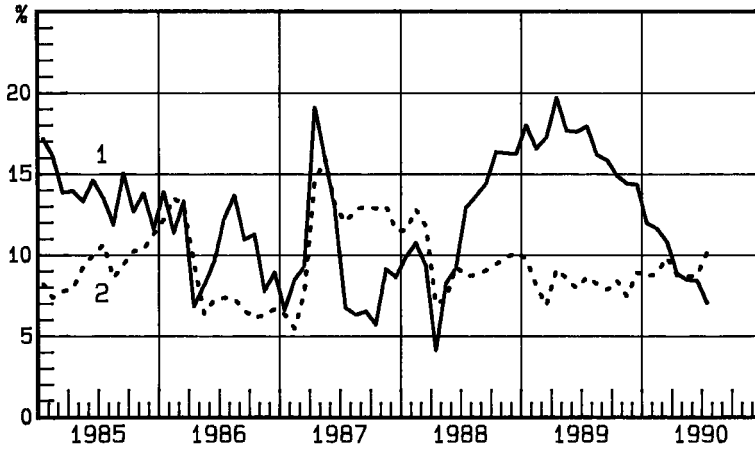


1. Index of wage and salary earnings, all wage and salary earners
 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



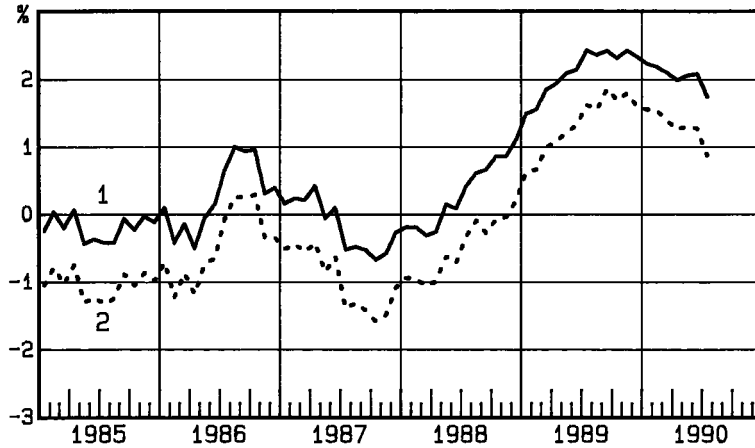
1. Consumer price index
 2. Wholesale price index
 3. Import price index
- Change from the corresponding month of the previous year

31. CENTRAL GOVERNMENT FINANCES



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

Changes calculated from 12-month moving totals and shown as at the last month, per cent



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

12-month moving total shown as at the last month and as a percentage of GDP

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