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Price Stability and Economic
Policy Objectives

Finland's Consumption
Tax Reform: From Sales Tax
to Value-Added Tax

Finnish Economy Moving
into Growth Phase

Price Stability and Economic Policy Objectives by Harri Lahdenperä	3
Finland's Consumption Tax Reform: From Sales Tax to Value-Added Tax by Hannu Taipale	9
Finnish Economy Moving into Growth Phase by Sirkka Hämäläinen	13
Items: Banking groups' total assets, non-performing assets and write-offs on loans and guarantees at end-1993 Publications of the Bank of Finland	15
Measures concerning monetary and foreign exchange policy and the financial markets	17
Finland in brief	20
Statistics • List of tables on page	S1
Charts • List of charts on page	S27

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PRICE STABILITY AND ECONOMIC POLICY OBJECTIVES

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In February 1993, the Bank of Finland specified the principles guiding the goals and design of monetary policy. It announced that the objective of monetary policy was to stabilize the rate of inflation at 2 per cent from 1995 onwards.¹ The rate of inflation is measured by the underlying rate of inflation, which is obtained by removing the effect of taxes, subsidies and housing-related capital costs from the consumer price index (CPI). In reality, the inflation target is very close to zero inflation as price indices often tend to be upward biased, for example as a result of changes in the quality of commodities.

An explicit, publicly announced inflation target simplifies the rules by which monetary policy is formulated and conducted under a floating exchange rate regime. From a theoretical point of view there is nothing essentially new about setting an inflation target; rather it is the natural outcome of a long development process. Low inflation was also the fundamental objective under the fixed exchange rate regime, which has predominated in Finland ever since 1865 when the markka became Finland's official currency. However, the floating of the markka has significantly changed the way in which monetary policy is implemented.

A sustained low rate of inflation means in effect that money retains its purchasing power, ie the value of money remains stable. Price stability is the traditional objective of monetary policy, although in the practical conduct of economic policy atti-

tudes towards it have varied considerably in different countries at different times. However, over the last 15 to 20 years the view that monetary policy should seek to deliver low inflation has become firmly established. This largely reflects changes in the framework in which monetary policy is operated and the experiences of monetary policy in different countries over the past few decades.

The reasons why low inflation is the Bank of Finland's fundamental objective are plain: it has become evident that allowing high inflation does not lead to lasting benefits in terms of economic growth, employment and welfare. On the contrary, significant costs may be associated with inflation, particularly now that financial markets have been deregulated and interest rates are determined in the market on the basis of expectations.

MONETARY POLICY AND THE VALUE OF MONEY

The ultimate objective of economic policy is to safeguard and enhance a nation's welfare. Welfare is a very broad concept, embracing rapid economic growth, full employment, equitable income distribution, balanced regional development and a clean environment. Seen in a narrower economic context, welfare depends on individuals' consumption opportunities now and in the future, ie on purchasing power and wealth and their distribution. In the longer term, consumption can only be increased through growth of the economy, increased productivity and higher employment.

Setting price stability as the key objective of monetary policy is based on the view that this is the best way to contribute to sustained growth of the economy, productivity and employment. Thus price stability is not simply an end in itself but rather an instrument for attaining the ultimate objectives of economic policy.

Why, then, is the prime objective of monetary policy low inflation rather than high employment and economic growth, which are, after all, the ultimate objectives of economic policy? Underlying this is the notion that in the longer run inflation is a monetary phenomenon since it is always related to the growth of monetary aggregates, ie the quantity of money and credit in the economy. Thus it is only natural and appropriate that monetary policy, which is the instrument used to influence changes in the quantity of money and credit, is focused on keeping inflation in check.

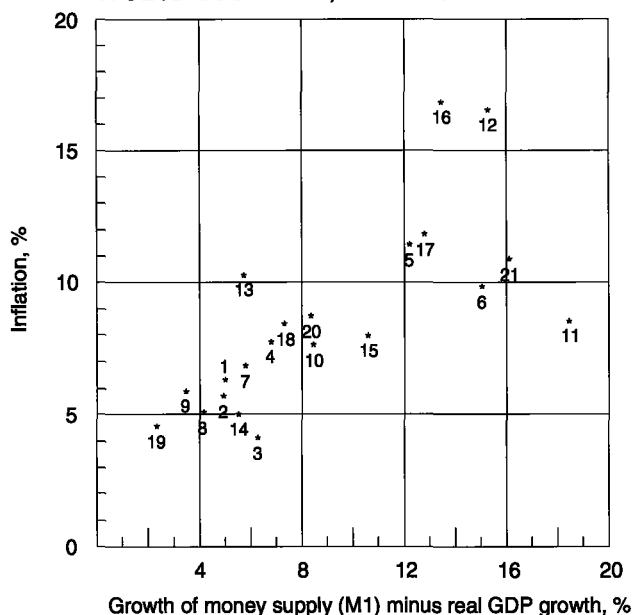
The idea of inflation as a monetary phenomenon is very old. As early as the 18th century, the founders of the classical money theory devised a theory which was subsequently called 'the quantity theory of money'. The key argument of this theory is that, *ceteris paribus*, changes in the quantity of money influence only the general price level, ie the purchasing power of money.

Of course, the above does not imply that monetary factors alone are significant in determining inflation. Supply and demand conditions in the commodity and labour markets also have a major impact. But in the longer run, inflation is crucially dependent on the evolution of monetary aggregates, ie monetary policy (Chart 1).

¹ See the article by Pentti Pikkarainen and Timo Tyrväinen in the June-July 1993 issue of the Bulletin.

CHART 1.

INFLATION AND GROWTH OF MONEY SUPPLY
IN OECD COUNTRIES, 1970 - 1992



1. United States
2. Japan
3. Germany
4. France
5. Italy
6. United Kingdom
7. Canada
8. Austria
9. Belgium
10. Denmark
11. Finland
12. Greece
13. Ireland
14. Netherlands
15. Norway
16. Portugal
17. Spain
18. Sweden
19. Switzerland
20. Australia
21. New Zealand

Thus setting a low and stable rate of inflation as the Bank of Finland's prime monetary policy objective is based on the idea that monetary policy offers a more effective means than other economic policies of influencing price developments and achieving permanently low inflation. Or to reverse the reasoning: no lasting gains can be obtained in terms of economic growth and employment by giving way on the price stability objective.

INFLATION AND EMPLOYMENT

The Great Depression of the 1930s led to a change in economic policy thinking and an intensification of financial market regulation. The breakthrough of Keynesian economics led to a major change in the choice of goals for monetary policy and the way in which policy was implemented. Keynes argued that economic policy should seek to achieve and maintain full employment. He further argued that monetary policy should be

used to support other economic policies directed at achieving full employment.

After the collapse of the gold standard many countries started to restrict the convertibility of their currencies and bilateral payment agreements between countries became common. After the outbreak of the Second World War in 1939 Finland also adopted comprehensive exchange control. In response to the banking crisis of the 1930s, many countries imposed controls on banking. In Finland, an interbank cartel agreement on deposit rates was concluded in 1931 and a similar agreement covering also lending rates was signed ten years later. In the postwar era, interest rate regulation was tightened still further: after 1953, the Bank of Finland no longer granted rediscount credit to banks which applied higher interest rates than the rediscount rate on their lending to the public. Although interest rate regulation was eased slightly in 1960, fairly extensive exchange and interest rate con-

trols remained in force in Finland until the 1980s.

From the 1950s to the 1970s, economic policy thinking was largely dominated by the view that there is a trade-off between unemployment and inflation²: a low rate of unemployment is related to a higher, but stable, rate of inflation; conversely a high rate of unemployment is related to a lower rate of inflation. The task of economic policymakers was to choose the appropriate combination of unemployment and inflation and to use all available economic policy instruments to achieve this 'optimum'.

As the years passed, the relationship implied by the Phillips curve seemed to agree less and less with events in the real world. Starting in the late 1960s, inflation accelerated in the industrialized countries at the

² This thinking is based on the Phillips curve; see Phillips, A.W. (1958) 'The relation between unemployment and the rate of change of money wage rates in the United Kingdom, 1861-1957', *Economica* 25:283-300.

same time as unemployment rose, and by the mid-1970s practically the entire industrial world was experiencing high inflation and high unemployment simultaneously, ie stagflation. Performance in different countries also showed that countries with higher inflation did not have higher employment, rather just the opposite.

In view of these developments, economic policy thinking began to focus increasingly on the role of expectations in the decision-making of economic agents. When efforts were made to improve employment by expansionary economic policies and thus higher inflation, expectations of higher inflation were reflected in the behaviour of employees and firms, ie inflation expectations were transmitted to wages and prices. Thus economic policy measures affected nominal wages and prices even before the measures were taken, whereas they had barely any impact on growth and employment. These experiences were reflected in the economic policies pursued in different countries. From the late 1970s onwards, monetary policies in industrialized countries were directed more explicitly than before towards achieving and maintaining low inflation.

Keynesian economics, with its emphasis on active fiscal policy and full employment, never gained the same degree of popularity in Finland that it did in many other western countries. After the Second World War, economic policy was strongly geared towards promoting economic growth and investment. Monetary policy was also used to support this strategy of extensive economic growth by keeping real lending rates low through interest rate regulation and by channelling scarce financial resources to projects supporting rapid growth. When Finland's rapidly growing economy, which was particularly prone to cyclical fluctuations, ran into serious balance of payments difficulties from time to time, the markka had to be de-

valued as a way out of the crisis. In the Bretton Woods era, the markka was devalued in 1949, 1957 and 1967.

Although devaluations provided a temporary boost to exports and investment in the prevailing conditions of regulation, their adverse effects became more and more apparent over time. Initially, devaluations improved competitiveness and increased exports but fairly soon higher export prices and brisker activity in the domestic market drove up wages and prices. Higher wages and prices led, in turn, to a weakening of price competitiveness, prompting expectations of a new devaluation. These expectations were then reflected in wage and price developments, so that the improvement in competitiveness deriving from devaluation proved increasingly short-lived and inflation accelerated further. This 'inflation-devaluation cycle' can be clearly discerned in the 1976-1978 devaluations following in the wake of the post-oil crisis recession, which were implemented when inflation was already running high. Experiences with the 1982 devaluation were particularly painful, since it was passed through almost immediately to prices and wages.

CREDIBILITY PROBLEM OF MONETARY POLICY

At the same time as it became apparent that, in the long run, the trade-off between inflation and employment did not, in fact, exist, it was noticed that major drawbacks attached to inflation which had been overlooked previously. These views strengthened particularly after financial and currency markets were deregulated and interest and exchange rates started to be determined on the basis of market expectations. In deregulated markets, expected inflation is immediately reflected in market rates on long-term investments. The higher and more variable inflation is, the greater is the risk the buyer of long-term bonds has to take. Thus, in un-

regulated markets, a price must be paid for inflation that it was not necessary to pay in a regulated environment.

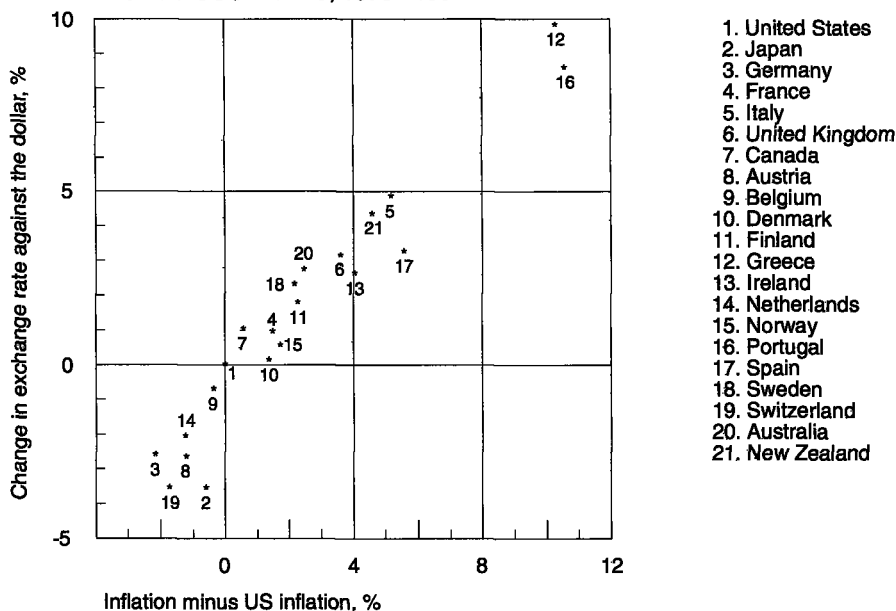
Since the deregulation of capital movements, the real interest rate problem noted above has become increasingly serious, especially for small economies like Finland which are dependent on international capital markets. If inflation is persistently higher than in other countries, this inevitably means a gradual weakening of the exchange rate in the long term (Chart 2). Since investors are aware of this, they demand a higher real interest rate on long-term loans. In other words a country with a higher rate of inflation has to continually pay a risk premium related to inflation and the exchange rate on both nominal and real interest rates; this is referred to as the credibility problem of monetary policy.

The credibility problem of monetary policy may result in lower economic growth than in countries where there is stronger confidence in the stability of the value of money. As inflation expectations do not adjust immediately, domestic prices rise more rapidly than foreign ones, thus weakening price competitiveness. Though inflation eventually starts to slow, nominal interest rates remain high because there is not sufficient confidence in inflation remaining low in the longer term. Consequently, the real interest rate moves higher, thereby further weakening investment and economic activity.

However, the effects of a higher and more variable rate of inflation are not limited to the real interest rate. Inflation increases instability in financial markets as the variability of both the exchange rate and nominal and real interest rates is greater than in countries where the value of money is stable. As a result of increased uncertainty, the planning horizon of economic agents shortens. Given increased uncertainty about inflation, investors are less willing to enter long-term contracts, pre-

CHART 2.

INFLATION AND EXCHANGE RATES
IN OECD COUNTRIES, 1970 - 1992



ferring instead to invest in short-term liquid assets. Consequently, the relative share of long-term real investments in the economy may decrease. Against this background, it is hardly a coincidence that, for example in Finland and the United Kingdom, which both have a history of high inflation, financial markets are heavily dominated by bank deposits and short-term money market investments. By contrast, in Germany, which has traditionally had a low rate of inflation, long-term financing accounts for a much larger share of corporate investment, in particular.

FIXED EXCHANGE RATE AND INFLATION

In the 1980s, many countries attempted to solve the credibility problem of monetary policy by tying their currency to that of a country with low inflation. This was designed to convince economic agents that there had been a permanent

shift in monetary policy to combatting inflation. Throughout the post-war period, Germany had pursued tight anti-inflationary monetary policies and so the European Monetary System (EMS) was to a large extent created on the basis of confidence felt towards the deutschmark. Other countries joined the EMS and tied their currencies to the deutschmark in order to thus dampen inflation expectations and bring down inflation more quickly. The same thinking dominated Finland's exchange rate policy in the 1980s up until the floating of the markka in 1992; the only difference was that the markka was unilaterally pegged to a currency basket and was not part of multilateral European currency cooperation.

The exchange rate system as such should not affect the key objective of monetary policy; irrespective of the exchange rate system, the objective must be slow and stable inflation. This was the fundamental objective of the Bank of Finland's monetary policy during the fixed exchange rate period and it re-

mains so under the present floating exchange rate regime. In the early and mid-1980s, the fixed exchange rate policy pursued by Finland succeeded in meeting the targets set for it. Inflation slowed and inflation expectations abated while economic growth and overall macroeconomic balance remained stable.

In the late 1980s and early 1990s, the fixed exchange rate policy ran into trouble in Europe and subsequently also in Finland because of profound changes that swept over the entire continent. Of these the most important ones were the dismantling of exchange and interest rate controls, the political reshaping of eastern Europe and the reunification of Germany. In Finland, the deregulation process in the latter half of the 1980s coincided with an economic boom and led to rapid growth of lending and a rise in asset prices. Then, in the early 1990s, the recession in the world economy and the collapse of trade with the Soviet

Union triggered a downturn in the economy.

At the same time as Finland entered recession, the need to curb the increased demand and inflationary pressures generated by German reunification led to tighter monetary policy in Germany and, via the exchange rate link, throughout Europe. As the markka was linked to the European currencies, and from June 1991 onwards to the ECU, the rise in European interest rates was also transmitted to interest rates in Finland, though the prevailing economic conditions would, on the contrary, have required an easing of monetary policy. The credibility problem, which can be attributed to the country's history of devaluations, only served to aggravate the situation because the less confidence there is in monetary policy and economic policy in general the more interest rates will tend to exceed those of the anchor country. At the extreme, an exchange rate link with the currencies of other countries may under these circumstances become deflationary from the point of view of the domestic economy, ie the fixed exchange rate policy is no longer consistent with the ultimate objective of monetary policy, price stability.

Like inflation, a sharp fall in prices, ie deflation, is detrimental for the economy. While inflation implies a weakening in the value of money, deflation implies the opposite. Deflation weakens the operating potential of businesses and productive activities in particular, since the real burden of debt increases because it has to be paid back with money that has a higher value than before. This leads to bankruptcies and higher unemployment.

The decision to float the markka in September 1992 can also be discussed against this background. Floating is one way of ensuring that the underlying objectives of monetary policy can be attained in the exceptionally difficult conditions in which Finland has had to adjust

in the aftermath of the upheavals of recent years. In the short term, the floating of the markka helped to break the deflationary spiral in the economy and to bring about a resumption of economic growth. In the slightly longer term, the room for manoeuvre provided by floating also improves the chances to stabilize inflation at the lower rate which has now been achieved.

However, under normal conditions the fixed exchange rate regime offers better and more stable conditions for economic growth for an economy like Finland which is highly dependent on foreign trade. This is because the stability of the currency's external value is also important, in addition to its internal purchasing power, for the favourable development of the economy. The experiences of recent years have shown that conformity of the fixed exchange rate with the fundamental objective of monetary policy, a low and stable rate of inflation, requires that certain basic conditions are met. An obvious one is that the monetary policy of the anchor country is directed at the same objective. Furthermore, the economy of the home country and that of the anchor country must be sufficiently integrated so that trade between them is at a high level and their production structures are sufficiently similar.

In this sense, Finland's membership of Economic and Monetary Union (EMU), which would follow as part of its membership of the European Union, is a natural choice for Finland. Joining EMU is also natural because economically Finland is closely integrated with the rest of Europe and the pace of integration is accelerating. In addition, the Maastricht treaty lays down price stability as the main objective of the future European central bank, ie the same objective which the Bank of Finland has opted for. The third stage of EMU will also involve either a single currency or irrevocably fixed exchange rates, in which case the credibility problem as-

sociated with member states' monetary policies would cease to exist.

THE LOW INFLATION TARGET AND OTHER ECONOMIC POLICIES

As was discussed above, the choice of price stability as a monetary policy objective is based on the same principles as other economic policy objectives, ie it is considered to be the best way to promote balanced economic growth and raise a nation's standard of living. Indeed, there should never be any major conflict between monetary policy and other economic policies since they are all used to achieve the same objectives.

Traditional macroeconomic theory often sets out from the question: which economic policy instrument can be most effectively used to influence aggregate demand, ie to restore full-employment equilibrium most rapidly, when the economy is suffering from some disturbance? According to the most extreme views, under certain circumstances only monetary policy is effective and fiscal policy has no effect, whereas under other circumstances only fiscal policy is effective.

Today, the coordination of monetary and fiscal policies is considered more from the perspective of the credibility of economic policy. The credibility problem concerns both monetary and fiscal policies but it is reflected most directly in the variables which are of importance to monetary policy, ie interest and exchange rates. The credibility problem has had major implications for two things: the relative roles and coordination of different economic policies. First, the stronger the public's confidence in the permanence of low inflation, the more room there is to use monetary policy to pursue countercyclical goals. Second, the credibility problem increases the need for economic policy coordination; for example any laxity in fiscal policy requires a tightening of monetary policy.

Even though the floating of the markka has increased to some extent the leeway for using monetary policy for counter-cyclical ends, it has not eliminated or diminished the need for discipline and coordination of other economic policies. Curbing the growth of govern-

ment indebtedness continues to be of utmost importance, and the better we succeed here the better will be the conditions for conducting monetary policy. The same applies to incomes policy; if a low rate of inflation already prevails when pay agreements are reached, it is easier to

pursue an interest rate policy that supports economic growth.

4 May 1994

FINLAND'S CONSUMPTION TAX REFORM: FROM SALES TAX TO VALUE-ADDED TAX

by Hannu Taipale, Legislative Counsellor
Ministry of Finance

Finland's consumption tax system will undergo a major reform on 1 June 1994 with the entry into force of the Value-Added Tax Act, whereby the current sales tax will be replaced by value-added tax (VAT). VAT is a more broadly based form of consumption taxation than sales tax, since it is widely applicable to services. The reform will implement the basic principle of a general consumption tax: tax levied on the acquisition of goods and services should be borne by the consumer. Under the reform, undertakings will have more extensive rights than hitherto to deduct taxes included in inputs.

Although VAT will be based entirely on new legislation many of the basic principles applied in the current sales tax system will remain: tax will be levied on the commercial sale of goods and services and persons engaged in business activities will be liable to pay tax; VAT will be levied at all stages of production and distribution; the multiple incidence of tax will be eliminated by means of deductions; the central government will be the recipient of VAT revenue.

BACKGROUND

The need for a complete overhaul of consumption taxation derives from weaknesses in the sales tax system, such as the non-neutrality of tax treatment, as well as from international developments. The latter have become particularly relevant to Finland after her application to join the European Union. The EU requires that new members adopt the harmonization principles agreed on VAT.

The basic structure of the Finnish sales tax system differs from the VAT system applied in

most countries in chiefly two respects. First, the tax base is narrow and the tax treatment of different goods and services is non-neutral. At present, most services and construction are not subject to sales tax. Secondly, the right to deduct the taxes included in inputs used in production and distribution is limited. However, the combination of a narrow tax base and limited deduction rights lead to multiple taxation, ie a 'hidden' sales tax is included in the prices of end products. Thus, the taxes included in the prices of goods and services sold to consumers vary quite randomly both within taxable economic activities and in those outside the scope of sales tax. From the point of view of business, the present sales tax system does not treat production neutrally. Depending on the tax liability of different undertakings or how extensive their deduction rights are, sales tax affects undertakings' cost structures in different ways.

'Hidden' sales tax also places a burden on exports, and thus on the price competitiveness of the open or competing sector of the economy. Since goods manufactured in Finland are, because of the 'hidden' tax, in a weaker position than goods produced in countries which apply VAT, the resultant non-neutrality as regards the domestic market was remedied by levying an equalization tax on imports to Finland until the end of 1993. The equalization tax corresponded to the estimated amount of the 'hidden' tax.

Finland's prospective membership of the European Union requires that Finland's general consumption tax system comply with the VAT system applied in the EU. Even if Finland should

not become a member of the EU, it is essential that her indirect tax system be brought in line with international practice. Within the European Economic Area, Finland participates in a wide-ranging integration process, which generates pressures for the harmonization of tax systems.

CONTENTS OF THE TAX REFORM

The reform will improve the consumption and input neutrality of the sales tax system by widening the tax base and abolishing the restrictions on deduction of taxes included in inputs. As a result, the multiple incidence of tax will be eliminated almost entirely. At the same time, the tax treatment of goods and services sold for consumption will be harmonized.

The tax base

The scope of consumption taxation will expand significantly as compared with the current sales tax. In a broad-based VAT system, all goods and services sold on a commercial basis are in principle subject to VAT. Only those services that have been specifically left outside the scope of taxation by law are tax-exempt. Tax-liability applies equally to goods and services used by business undertakings and consumers. When the reform takes effect, VAT will be charged on, *inter alia*, passenger and goods transport services, construction, services related to the management of immovable property, various financial and administrative consultancy services, planning services and various personal services. Unlike before, telecommunications services will also be subject to consumption tax.

The VAT Act will be applicable to all sales of goods and services in Finland. However, only goods and services consumed in Finland will be subject to VAT. Thus, the importation of goods will be taxable as before, whereas the sale of goods and certain services to other countries will be tax-exempt.

Exemption from tax-liability

Although goods and services will generally be subject to VAT, certain goods and services have been exempted from VAT. These include, for example, the sale, letting and leasing of immovable property, health and medical care, social welfare services, education, financial and insurance services, performance fees, certain intangible property and gambling. In addition, primary production will remain untaxed.

Immovable property. As a rule, the sale, letting and leasing of immovable property will be tax-exempt under the VAT system. However, an owner of immovable property will be able to apply for tax-liability so as to avoid multiple taxation. A condition for voluntary tax-liability is that the immovable property concerned is used by the tenant for a business activity subject to VAT.

Health and medical care and social welfare. The tax-exempt status of health and medical care under the VAT system is based on international practice and ultimately on political decisions as to what kind of services society should support. Health and medical services supplied by both public and private bodies will be tax-exempt; however, the tax-exemption of private services will apply only to activities that are subject to public supervision.

Tax-exempt social welfare services include the provision of housing and housing support, the supply of services relating to the upbringing of children and other care and maintenance services. Both institutional care and outpatient care will be tax-10 exempt.

Education. The grounds for the VAT-exempt status of education are the same as above. Exemption will apply to all general education and vocational training, training in basic arts and higher education arranged pursuant to law or subsidised by government funds pursuant to law. By contrast, training arranged on a commercial basis and various kinds of training and education related mainly to recreation and other leisure-time activities will be subject to VAT.

Financial services. Financial services exempted from VAT include the acquisition of funds, lending and other financing arrangements, the management of credit by credit institutions, payment services, currency exchange, securities trading and guarantee services. In addition, certain expert and support services directly related to the provision of financial services will be exempt from VAT. However, trustee, advisory and safekeeping services provided by credit and financial institutions will be subject to VAT.

Insurance services. In addition to insurance and reinsurance activities carried on by insurance companies, insurance services include related services performed by insurance associations, insurance funds, unemployment benefit societies and pension trusts. Insurance broking will also be tax-exempt. Nor will VAT normally be charged on insurance premiums collected on the basis of an insurance policy; however, insurance will continue to be subject to a separate insurance premium tax of 22 per cent.

Performance fees and certain intangibles. VAT will not be charged on performing artists' or other public performers' or athletes' fees, nor on the provision of associated agency services. Similarly, VAT will not be imposed on the transfer of rights to a soundtrack or a videorecording of an artist's performance, nor on the transfer of a copyright to a written or artistic piece of work referred to in copyright law. As a rule, intangibles other than copy-

rights will be subject to VAT. These include, for example, industrial rights or patents, copyrights of design, rights to registered trademarks or registered firm names and rights of use over plans or inventions.

Primary production. Under the VAT system, primary products will be subject to a lower effective taxation than other consumer goods through the application of a primary product deduction scheme similar to that applied under the current sales tax system.

The sale of primary products will be free of VAT, but the next stage in the production and distribution process has nevertheless been granted an imputed deduction from the tax-exempt purchase prices of the unrefined primary products listed in the VAT Act. In addition, a higher primary product deduction will be allowed for meat (1.35 times normal deduction) and milk (1.6 times normal deduction). The sale of foodstuffs at the refining, wholesale and retail stages will be subject to the standard VAT rate. As a result of the deduction scheme for primary products, food prices will include tax only in so far as refining costs and sales commissions are concerned. In the case of prices of meat and dairy products, tax will account for an even smaller part.

In contrast to other primary product producers, forest owners will be allowed to apply for tax liability in respect of sales of timber from their own forests.

Deduction rights

The VAT system provides tax-liable undertakings with extensive rights to deduct taxes included in the inputs they purchase. As a rule, all taxable inputs acquired for business purposes will be deductible. This means that all restrictions on the right to deduct applied to fixed investments, telephone and related services, means of transport, transport fuels, building materials and construction will be abolished. Under special legislation, manufacturers have

for long had the right to deduct sales tax on investments.

The restrictions on deduction rights contained in the VAT Act are of minor significance and cannot be regarded as fiscal in nature. Normally, VAT is not deductible on cars and motorbikes. VAT is not deductible on other goods and services if they are purchased for the private use of staff or for representation purposes; similarly, VAT is not deductible on sea vessels or aircraft used for recreational or sports purposes. However, the restrictions on the right to deduct do not apply to vehicles and vessels which have been acquired for sale or hire or which are used for passenger transport or driving instruction. Similarly, the restriction does not apply to private cars acquired solely for use in taxable business activities.

Retroactive deduction rights

As it could be foreseen that the extension of the right to deduct under the VAT system would influence the timing of investments, the Government made a decision in principle during the drafting of the Act that provided for the retroactive right to deduct sales tax on investments. The aim of the decision was to deter the postponement of investments that the prospect of more favourable tax treatment of investments would have entailed. The retroactive right to deduct sales tax applies to fixed investment in machinery and equipment acquired prior to the entry into force of the VAT Act, however not earlier than 1 February 1993. After the passing of the VAT Act, the retroactive right to deduct sales tax was extended to apply also to building projects started on or after 1 January 1994.

Tax rates

The level of taxation and structure of tax rates affect not only government tax revenue but also the position of consumers. A uniform rate of tax applicable to all consumption would

be neutral from the point of view of consumption, and the simplest to administer. In practice, however, it proved impossible to implement such a solution.

The standard rate of VAT applicable to the sale of goods and services and the importation of goods will be 22 per cent, the same as the current standard rate of sales tax. A lower tax rate of 12 per cent will be charged on passenger transport services, accommodation, cinema performances, medicine and books. Television licenses will be subject to a reduced VAT rate of 5 per cent. The purpose of the reduced tax rates laid down in the VAT Act is to alleviate the adjustment problems that the tax reform would otherwise give rise to in certain sectors.

As under the sales tax system, foodstuffs will be subject to more lenient taxation. Though the standard rate of VAT, 22 per cent, will be charged on the sale of foodstuffs, the effective rate will be reduced through the deductions on imputed VAT allowed for primary products.

To cushion the effects of the introduction of the VAT Act, passenger transport will be charged VAT at a rate of 9 per cent until the end of 1995. During the same transitional period, the transfer of the right to use

sports premises will be subject to VAT at a rate of 12 per cent.

Neutrality of acquisitions

The widening of the tax base is likely to cause distortions in competition between the taxable service sector and economic activities which are tax-exempt, unless neutral tax treatment of services produced for own use and purchases of equivalent taxable services can be achieved. The problem is aggravated by the fact that the standard VAT rate is relatively high, 22 per cent. The problem of neutral treatment applies to all taxable services where equivalent services are supplied by the staff of tax-exempt sectors and central and local government authorities.

As for economic activities remaining outside the scope of VAT, neutral treatment of acquisitions will be achieved where building services and services related to the maintenance and management of immovable property are concerned. The provision of these services by an undertaking's own staff will be taxed in compliance with tax rules concerning own use. In the case of public authorities, neutrality will be achieved by means of general arrangements.

TABLE. STANDARD VAT RATES APPLIED IN EU MEMBER STATES AND APPLICANT STATES AS AT 1 JANUARY 1994

Member states	Standard rates
Belgium	20.5
Denmark	25
France	18.6
Germany	15
Greece	18
Ireland	21
Italy	19
Luxembourg	15
Netherlands	17.5
Portugal	16
Spain	15
United Kingdom	17.5
Applicant states	
Austria	20
Finland	22
Norway	22
Sweden	25

Municipalities will be reimbursed for the VAT they pay on acquisitions of goods and services. But under the recollection system operated by the central government, the refunding of tax will not constitute a final expenditure item for the central government. The central government will charge the municipalities collectively with an amount equivalent to the total VAT refunded to them. However, in order to compensate municipalities for the increased costs they incur as a result of the changeover to VAT, only 77.5 per cent of the amount returned will be recollected in the period up until the end of 1996.

ECONOMIC EFFECTS

During the passage of the VAT bill through Parliament, special attention was focused on the date of its entry into force and the economic implications of its introduction, given the current economic difficulties. Special concern was raised about the price effects of the reform and the consequent reduction in consumer demand in those service sectors due to become subject to the tax. Despite this, the date of entry into force of the VAT Act proposed by the Government, 1 June 1994, was not changed during the parliamentary proceedings.

However, certain changes were made to the bill that were politically necessary for it to take effect on 1 June 1994. To offset the effects of the entry into force of the VAT Act, Parliament decided, *inter alia*, on the temporary reductions in tax rates mentioned above concerning the provision of personal transport services and hiring of sports premises. In addition, it was decided that accommodation and certain cultural and entertainment events would not be made subject to VAT until the beginning of 1996.

Owing to the date of entry into force of the VAT Act, the tax reform is estimated to improve the financial position of the central government only marginally (by 12 about FIM 0.2 billion) in 1994.

Moreover, government tax revenue will decrease as result of the one-off retroactive deduction right of FIM 2.7 billion allowed for investments, the estimated effect of which in 1994 will be about half this amount. In addition, the arrangement for compensating municipalities until the end of 1996 for their increased cost burden is estimated to weaken the central government's financial position by some FIM 0.3–0.4 billion in 1994.

The reform will affect the production costs of different goods and services. The consequent change in prices will vary markedly among different consumer expenditure groups. In 1994, consumer prices are expected to rise about by 1 per cent and the gross tax ratio by $\frac{1}{3}$ percentage point as a result of the reform.

The adoption of the VAT system means that the rights of business undertakings to deduct tax included in inputs will increase. The expansion of the tax base and the deduction system will reduce annual costs of business undertakings by about FIM 8 billion as compared with the sales tax system. The share of export companies in total cost reductions is estimated at some FIM 2 billion.

EFFECTS OF FINLAND'S PROSPECTIVE MEMBERSHIP OF THE EU

Finland has applied for membership of the European Union. Although agreement on the terms of entry have been reached, neither Finland's entry as such nor the date of entry have yet been confirmed.

The enactment of the VAT Act constitutes one element of Finland's preparations for participation in European integration. The basic provisions of the Act are designed to harmonize Finland's VAT system as far as possible with that required by the EU, although some differences do remain.

Need for amending Finnish legislation

The need for legislative changes arising from prospec-

tive EU membership will not become timely until Finland actually becomes a member. The major changes will be associated with Finland's adjustment to the single market, for, as a member, Finland will form part of the EU's VAT system. In addition, the need for legislative changes will arise in so far as Finland's VAT system does not comply with the EU's requirements concerning substantive law.

Since, upon becoming a member of the EU, Finland will not be able to reduce food prices by means of primary product deductions, the taxation of foodstuffs will have to be revised. If Finland, as a member of the EU, wishes to lower food prices by means of taxation, this could be done either by charging a reduced tax rate on foodstuffs or by providing support directly to primary producers. In the same context, it will have to be decided how to eliminate VAT included in inputs under the new system.

The standard tax rate of 22 per cent applied in Finland exceeds the minimum level of 15 per cent required by the EU. Ultimately, however, it is a question of how high a tax rate Finland can afford to maintain as a member of the single market. There are unlikely to be any external pressures for a significant lowering of the standard tax rate over the next few years. This is due to Finland's geographical location and the high tax levels applied in neighbouring countries. In the longer run, however, pressures for reducing the tax rate will depend crucially on developments in tax levels in Finland's neighbours, notably Sweden. At present, both Sweden and Denmark levy VAT at a standard rate of 25 per cent, but rates could come down in the future because of pressures generated by the standard rate of 15 per cent applied in Germany.

4 May 1994

FINNISH ECONOMY MOVING INTO A GROWTH PHASE¹

by Dr Sirkka Hämäläinen,
Governor of the Bank of Finland

The difficult adjustment process which the Finnish economy has gone through in recent years was largely unavoidable. In the 1980s, growth was based to a large extent on domestic demand and led to a rapid increase in foreign indebtedness. The widespread use of foreign currency debt in financing the private domestic-market-oriented sector of the economy involved a substantial currency risk.

Economic imbalances stemming not only from economic overheating but also from external shocks – the collapse of exports to the former Soviet Union and recession in western markets – finally provoked a sharp decline in the external value of the markka as well as a realization of currency risk. In an effort to reduce debt, the private sector increased its financial savings. This process sustained a deflationary trend in the economy, and the accompanying fall in asset prices increased bankruptcies and exacerbated the banks' problems.

Led by some two years' of strongly expanding exports, total output began to grow in the latter half of 1993. Domestic demand is now bottoming out and is expected to start rising in the latter part of this year. The growth in unemployment appears to have come to a halt. All the latest forecasts point to strong GDP growth in 1995.

Finnish exporters have been successful in the fast growing areas of Southeast Asia and China. Despite its problems, Russia's emerging market econ-

omy has begun to absorb increasing amounts of Finnish exports. Another expanding market has been North America.

Export-led growth has brought about the desired improvements in economic balance. The current account is moving into surplus and the upward trend in external indebtedness (net external debt/export earnings) was reversed in 1993. Corporate sector debt is falling rapidly, particularly in the export sector, and firms' balance sheets have strengthened. This is likely to induce a pick-up in investment activity, all the more so as capacity utilization in the export industries is clearly improving.

Furthermore, inflation has remained subdued, despite exchange rate-induced inflationary pressures. Wage agreements covering 1992–94 have been very moderate and domestic costs have actually declined. The reduction in unit labour costs has contributed as much as the markka's weakening to the strengthened competitiveness of Finnish manufacturing firms. The inflation target set by the Bank of Finland – to reduce the 'underlying' inflation rate to 2 per cent by 1995 – was achieved already by late 1993.

The expected pick-up in economic activity will not endanger the achievement of this target. Wage costs are still rising very moderately, and even though wages in the export sector might be raised in the negotiations for 1995, the risk of any major spillover into the domestic sector seems to be small. The public sector is covered by two-year contracts and high unemployment will no doubt influence wage setting in the private sector. Furthermore, the appreciation of the markka is also restraining price pressures and EU membership will serve to check inflation.

During the recession, the budget balance has deteriorated substantially, partly as a reflection of the sharp increase in financial savings in the private sector. Tax revenues have decreased while unemployment-related expenditures and interest on central government debt have increased.

Efforts have been made to contain the growth of debt by imposing tight budgetary ceilings and statutory restrictions on spending. This has paved the way for lower domestic interest rates.

However, the budget deficit will persist as a structural prob-

FINLAND'S EXPORT PERFORMANCE	1989	1991	1993
Volume index of goods exports, 1990 = 100	98	93	120
Index of market growth, ¹ 1990 = 100	95	103	107

¹ Volume of imports weighted by Finnish export share

FINNISH EXPORTS BY REGION, PER CENT OF TOTAL GOODS EXPORTS	1989	1991	1993
EU and EFTA countries	64	72	64
Other OECD countries	11	9	12
Eastern Europe and Russia (Soviet Union)	16	7	9
Asian countries (excl. Japan)	5	8	11
Other countries	3	4	4

¹ Based on a speech delivered by the Governor at the Merrill Lynch Finland Investment Conference in New York on 21 April 1994.

for Money in Finland" by Antti Ripatti has appeared in the Bank of Finland publication Series D (D:79), Helsinki 1994, 134 pp., ISBN 951-686-400-7, ISSN 0781-4429.

The study uses econometric methods to investigate the factors affecting the demand for money in Finland over the period December 1980 – September 1991. In examining the demand for money, the distinction is made between narrow money (M1), composed of currency held by the public, corporate cheque accounts and transaction accounts, and broad money (M2), composed of M1 plus time deposits and other deposits.

The derivation of empirical models starts with a survey of the recent literature, which serves as a basis for selecting potential explanatory variables. As a result of model testing,

some of these variables are found to be important in the long-run demand for money and some are not. The methodological discussion pays particular attention to the dynamics of the demand for money and to which variables are important in the short run and which are important in the long run.

In the narrow money demand model, the quantity demanded depends on the price level, total output and interest rates. Changes in the price level are immediately and fully reflected in the quantity of money. Because of advances in payments technology, eg debit cards and ATMs, there are economies of scale in the holding of money balances, so that the same amount of transactions can be carried out with increasingly smaller amounts of money. Many institutional and

tax factors, eg the reform of capital gains taxation, a bank strike and the introduction of the withholding tax on interest income, have influenced the quantity of money.

The models of the demand for broad money are similar to the narrow money models. Because of the return earned on broad money, demand for it reacts more slowly to interest rate changes than does the demand for narrow money. The relationship between the quantity of broad money and total output is stable only if one takes into account the deregulation of the financial markets and the sharp rise in asset prices in the late 1980s. Deviations from the long-run level of the demand for money are not reflected in the price level as measured by consumer prices.

MEASURES CONCERNING MONETARY AND FOREIGN EXCHANGE POLICY AND THE FINANCIAL MARKETS

1993

MARCH

Organization of the Government Guarantee Fund. The internal organization of the Government Guarantee Fund is changed on 11 March. The changes are designed to improve the Fund's prerequisites for providing bank support. The main changes are: (1) the board of management of the Fund comprises at most five members, at least one of whom represents the Ministry of Finance; the Parliamentary Supervisory Board of the Bank of Finland continues to function as the Fund's supervisory body and appoints the members of the board; (2) the Fund has a full-time manager and other necessary full-time staff; and (3) the Fund assists the Ministry of Finance in the preparation of decisions concerning the use of funds set aside for bank support in the state budget; the Government makes decisions on support measures.

APRIL

Support to the Savings Bank of Finland. On 27 April, the Government Guarantee Fund grants capital support totalling FIM 1.1 billion to the Savings Bank of Finland. Of this amount, FIM 150 million is used to increase the bank's share capital and FIM 950 to purchase the bank's preferred capital certificates.

MAY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from

7.5 per cent to 7.0 per cent with effect from 17 May.

Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 5.5 per cent to 4.5 per cent of the cash reserve base at end-April.

Maximum interest rate on transaction accounts. Under the amendment to the law on income and wealth taxation, the maximum annual rate of interest payable on tax-exempt transaction accounts is lowered from 4.5 per cent to 2.5 per cent with effect from 6 May.

Support to Skopbank. On 24 May, the Government Guarantee Fund grants capital support to Skopbank by purchasing preferred capital certificates issued by Skopbank to the total value of FIM 700 million.

JUNE

Cash reserve requirement.

The Bank of Finland lowers the banks' cash reserve requirement from 4.5 per cent to zero (0) per cent of the cash reserve base at end-May and returns the banks' cash reserve deposits on 1 June 1993.

Termination of till-money credit facility. The Bank of Finland decides to terminate its till-money agreements with the banks with effect from 30 June, when the till-money credits currently extended to the banks mature.

Market in government securities. On 15 June, the Bank of Finland announces measures designed to promote the functioning of the market in government securities by improving the operating

conditions of primary dealers. Among other things, the Bank starts to hold weekly repo auctions in government and Bank of Finland securities for the primary dealers. In addition, the Bank may, at its discretion, grant intraday credit to primary dealers and special short-term financing to non-bank primary dealers.

JULY

Introduction of minimum reserve system.

In June, an amendment to the Regulations for the Bank of Finland enters into force providing for a mandatory minimum reserve system. On 30 June, the Bank decides to terminate the existing cash reserve agreement with the banks and replace it by the minimum reserve system. Deposit banks and branches of foreign credit institutions are required to hold 2.0 per cent of their liquid deposits, 1.5 per cent of their other deposits and 1.0 per cent of their other domestic liabilities as non-interest-bearing minimum reserves at the Bank of Finland. The system is applied for the first time to the reserve base for June and the corresponding deposits are to be made by the end of July.

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 7.0 per cent to 6.5 per cent with effect from 15 July.

AUGUST

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 6.5 per cent to 6.0 per cent with effect from 16 August.

Guarantee to the Union Bank of Finland and Kansallis-Osake-Pankki.

On 19 August, the Government makes a decision in principle to guarantee the acquisition of new equity capital by the Union Bank of Finland (UBF) and Kansallis-Osake-Pankki (KOP). The final decision is subject to approval by Parliament of the necessary revisions to the budgetary powers.

The guarantee to be given to the UBF covers the issue of preferred capital certificates up to FIM 1 billion and that to KOP the issue of preferred capital certificates and subordinated debentures up to a total of FIM 1.8 billion. In the case of preferred capital certificates, the guarantee applies to both interest and principal and will remain in force for a maximum of 10 years.

The state will receive consideration against the guarantees, the probable value of which will cover the probable amount of expenses incurred by the state.

Support to the Savings Bank of Finland. On 19 August, the Government grants capital support totalling FIM 1 billion to the Savings Bank of Finland. Of this amount, FIM 250 million is used to increase the bank's share capital and FIM 750 million to purchase the bank's preferred capital certificates. As a result, the state's holding in the Savings Bank of Finland rises to 99 per cent.

OCTOBER

Establishment of asset management companies becomes possible.

The Act on the Government Guarantee Fund is amended on 15 October so as to enable the Fund to own and administer shares in an asset management company,

ie a company set up for the purpose of purchasing and administering the assets or liabilities of a bank subject to support measures taken by the Fund or the government.

Sale of the Savings Bank of Finland to other banks. On 22 October, the Government approves the proposal of the Government Guarantee Fund for an arrangement whereby the Savings Bank of Finland (SBF) is to be sold to four buyers. Kansallis-Osake-Pankki, Postipankki Ltd, Union Bank of Finland Ltd and the cooperative banks designated by the Central Association of the Cooperative Banks will each buy one-quarter of the business operations of the SBF.

NOVEMBER

Establishment of the asset management company Arsenal Ltd.

On 18 November, the Government establishes an asset management company called Arsenal Ltd to own and administer the non-performing assets of the Savings Bank of Finland (SBF). These assets were not included in those parts of the SBF sold to four banking groups in October.

Support to the security fund of the cooperative banks.

On 18 November, the Government gives a guarantee for a maximum amount of FIM 900 million in respect of interest payments on loans raised by the security fund of the cooperative banks. If, on the basis of this guarantee, the Government has to pay interest on loans raised by the fund, the latter will start repaying interest in 1997.

DECEMBER

Base rate. The Parliamentary Supervisory Board lowers the

Bank of Finland's base rate from 6.0 per cent to 5.5 per cent with effect from 1 December.

Collateral requirements for banks' intra-day and liquidity credit. The Bank of Finland specifies the collateral requirements for banks' liquidity credit and intra-day credit with effect from 1 December. The intra-day overdraft limits introduced on banks' current accounts on 1 March 1993 become permanent and liquidity credit must always be fully collateralized. Banks which fulfil the criteria for access to central bank liquidity credit are required to deposit collateral equivalent to 25 per cent of their overdraft limits whereas other banks are required to deposit collateral for the full amount of their limits.

Support to Skopbank. On 22 December, the Government grants capital support to Skopbank by purchasing preferred capital certificates issued by Skopbank to the total value of FIM 350 million.

1994

JANUARY

Commencement of trade in bond forwards. In accordance with an agreement concluded between the Bank of Finland and the primary dealers, the latter begin trading in markka-denominated bond forward contracts on 24 January.

FEBRUARY

Base rate. The Parliamentary Supervisory Board lowers the Bank of Finland's base rate from 5.5 per cent to 5.25 per cent with effect from 1 February.



FINLAND IN BRIEF

LAND, CLIMATE AND POPULATION

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

Finland has a population of 5 080 100 (31 December 1993) and an average population density of 16.6 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 509 500 inhabitants, Espoo (Esbo) 182 500, Tampere (Tammerfors) 176 600, Vantaa (Vanda) 161 400 and Turku (Åbo) 160 500.

There are two official languages: 93.4 % of the population speaks Finnish as its mother tongue and 5.9 % Swedish. There is a small Lapp population in the north. Finnish is a member of the small Finno-Ugrian group of languages, which also includes Estonian and Hungarian.

FORM OF GOVERNMENT

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

The legislative power of the country is exercised by Parliament and the President of the Republic. The supreme executive power is vested in the President, who is elected for a period of six years. The President for the current term, 1 March 1994 to 1 March 2000, is Mr Martti Ahtisaari.

Parliament, comprising 200 members, is elected by universal suffrage for a period of four years. Following the parliamentary elections of 1991, the seats of the various parties in Parliament are distributed as follows:

Centre Party 55; Social Democratic Party 48; National Coalition Party 40; Left-Wing Alliance 19; Swedish People's Party 12; The Greens 10; Christian

League 8; Rural Party 7; and Liberal Party of Finland 1.

Of the 17 ministerial posts in the present Government appointed in April 1991, 8 are held by the Centre Party, 6 by the National Coalition Party, 2 by the Swedish People's Party and 1 by the Christian League. The Prime Minister is Mr Esko Aho of the Centre 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 became a member of the BIS in 1930, the IMF in 1948, the IBRD in 1948, GATT in 1950, the UN in 1955, the Nordic Council in 1955, the IFC in 1956, IDA in 1960, EFTA in 1961, the ADB in 1966, the OECD in 1969, the IDB in 1977, the AfDB in 1982, the MIGA in 1988, the Council of Europe in 1989 and the EBRD in 1991.

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. In spring 1992, Finland signed the agreement on the European Economic Area (EEA) between the member countries of EFTA and the European Community, and submitted her application for membership of the European Community. Citizens of the five Nordic countries, Denmark, Finland, Iceland, Norway and Sweden, have enjoyed a common labour market, a passport union and reciprocal social security benefits since the mid-1950s.

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

THE ECONOMY

Output and employment. Of the gross domestic product of FIM 414 billion in basic values in 1992, 3 % was generated in agriculture and fishing, 2 % in forestry, 22 % in industry, 6 % in construction, 12 % in trade, restaurants and hotels, 9 % in transport and communications, 3 % in finance and insurance, 18 % in other private services and 22 % by producers of government services. Of total employment of 2.0

million persons in 1993, 8 % were engaged in primary production, 27 % in industry and construction and 65 % in services.

In 1992, expenditure on the gross domestic product in purchasers' values amounted to FIM 476 billion and was distributed as follows: net exports 1.2 % (exports 26.8 %, imports -25.6 %), gross fixed capital formation 18 %, private consumption 57 % and government consumption 25 %. Finland's tax ratio (gross taxes including compulsory employment pension contributions relative to GDP) was 47 per cent, which is somewhat below the average for the Nordic countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 3.7 % in 1990-92. Finland's GDP per capita in 1992 was USD 21 000.

Foreign trade. OECD countries absorb the bulk of Finnish merchandise exports. In 1989-93, their share was, on average, 78.5 per cent, of which the share of EC countries was 48.4 percentage points and that of EFTA countries 19.5 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union) accounted for 12.6 per cent and the rest of the world for 10.7 per cent. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1993, the share of forest industry products in total merchandise exports was 36 %, the share of metal and engineering products 45 % and the share of other goods 19 %. Raw materials and intermediate goods (incl. crude oil) accounted for 59 % of merchandise imports, fuels for 5 %, investment goods for 15 % and consumption goods for 20 %.

Forest resources. Finland has fairly abundant forest resources, but only limited amounts of other raw materials. The growing stock comprises 1880 million cubic metres, of which 45 % is pine, 37 % spruce and 18 % broad-leaved species, chiefly birch.

The annual growth increment totals 79 million cubic metres and the total drain calculated on the basis of commercial fellings was 38 million cubic metres in 1993.

Energy. In 1992, gross consumption of primary energy amounted to 30 Mtoe, of which industry accounted for 45 %, heating for 22 %, transportation for 14 % and other purposes for 19 %. The sources of primary energy in 1992 were as follows: oil 29 %, coal 9 %, nuclear power 15 %, hydro-electric power, peat and other indigenous sources 31 %, others 16 %. Compared

internationally (1990), Finland's consumption of 5.8 toe (OECD definition) per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (including nuclear power) in Finland was 39 %, as compared with 60 % in western Europe on average.

FINANCE AND BANKING

Currency. Finland has had its own monetary system since 1865. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). From 1 November 1977 to 7 June 1991 the external value of the markka was officially expressed in terms of a trade-weighted currency index, which was permitted to fluctuate within a prescribed range (from 30 November 1988 the range was 6 percentage points). From 7 June 1991 to 7 September 1992, the markka was pegged to the European Currency Unit, the ECU. The fluctuation margins and the midpoint were set so as to correspond to the fluctuation margins and midpoint of the old currency index. The midpoint was first 4.87580 (FIM/ECU). Owing to the devaluation of the markka on 15 November 1991, the midpoint was increased to 5.55841 and the fluctuation limits to 5.39166 and 5.72516. On 8 September 1992, the Bank of Finland decided to temporarily abandon the limits of the fluctuation range and allow the markka to float. On 13 November 1992, the Government, on the basis of the amended Currency Act, authorized the Bank of Finland to float the markka for an indefinite period.

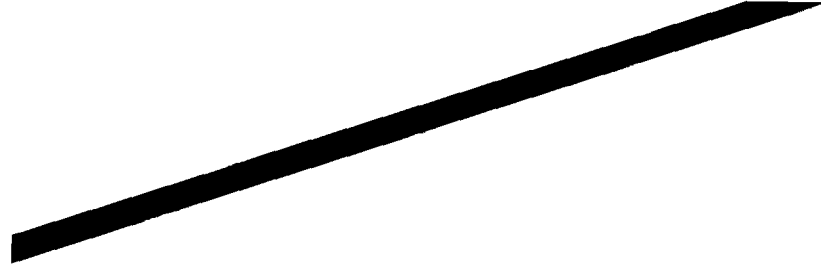
The Central Bank. The Bank of Finland (Suomen Pankki – Finlands Bank), founded in 1811, operates under the supervision of the Parliamentary Supervisory Board, the nine members of which are entrusted with overall supervision of the Bank and certain specific decisions such as fixing the Bank's base rate and the limits for other rates. The Governor and a maximum of five other Members of the Board are appointed by the President of the Republic. The Board manages all affairs not expressly entrusted to the Parliamentary Supervisory Board, including the terms of banks' central bank finance and open market operations in the money and foreign exchange market. The powers vested in the Bank and its independence of the Government make the Bank of Finland one of the world's stronger central banks. In practice, the Bank liaises closely with the Government, so as to coordinate economic policy. The Bank of Finland has a head office in Helsinki and 5 branch offices in other towns.

Other banks (31 December 1992). Finland has three major groups of deposit banks with a total of about 2 700 offices. There are three big commercial banks with national branch networks and ten smaller ones, two of which are foreign-owned. The commercial banks have a total of 29 foreign branches, subsidiaries and associate banks and 31 representative offices abroad. There are 41 savings banks and 310 cooperative banks with their own extensive branch networks. In addition, foreign banks have three branches and eight representative offices in Finland.

Financial market. Of the total stock of FIM 758 billion in outstanding domestic credit at the end of 1992, 58 % was provided by deposit banks 3 % by private mortgage banks, 19 % by insurance companies, 3 % by other private credit institutions, 6 % by public financial institutions and 10 % 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, 80 % of the instruments, which totalled approximately FIM 189 billion at end-1993, were negotiable instruments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds raised 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 58 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 137 billion (at end-1993). Two foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1993 totalled FIM 190 billion; government bonds made up 39 % of the total. Turnover on the Stock Exchange in 1993 amounted to FIM 106 billion; the share of shares and subscription rights in the total was approximately 44 %.



1. THE BALANCE SHEET OF THE BANK OF FINLAND	S2
1.1 The balance sheet of the Bank of Finland	S2
1.2 Time series for the balance sheet items of the Bank of Finland	S3
2. THE BANK OF FINLAND'S OPERATIONS IN THE MONEY AND FOREIGN EXCHANGE MARKETS AND THE BANKS' FORWARD EXCHANGE POSITION	S4
2.1 Bank's liquidity position at the Bank of Finland	S4
2.2 The Bank of Finland's minimum reserve system	S4
2.3 The Bank of Finland's money market transactions	S4
2.4 The Bank of Finland's transactions in convertible currencies	S5
2.5 Forward exchange contracts	S5
3. RATES OF INTEREST	S6
3.1 Money market rates and rates applied by the Bank of Finland	S6
3.2 The Bank of Finland's liquidity facility	S6
3.3 Weighted Eurorates and commercial ECU interest rate	S6
3.4 Rates of interest applied by banks	S7
3.5 Yields on bonds and debentures	S7
4. RATES OF EXCHANGE	S8
4.1 Middle rates	S8
4.2 Markka value of the ECU and currency indices	S9
5. OTHER DOMESTIC FINANCING	S10
5.1 Bank funding from the public	S10
5.2 Bank lending to the public	S10
5.3 Money supply and monetary aggregates	S11
5.4 Liabilities and assets of the central government	S11
5.5 Markka bond market	S12
a) Issues	S12
b) Stock	S12
c) Turnover	S13
5.6 Helsinki Stock Exchange	S13
6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS	S14
6.1 Current account	S14
6.2 Capital account	S15
6.3 Finland's foreign liabilities and assets	S16
6.4 Finland's long-term foreign liabilities and assets, by sector	S17
7. FOREIGN TRADE	S18
7.1 Exports, imports and the trade balance	S18
7.2 Foreign trade: indices of volume, unit value and terms of trade	S18
7.3 Foreign trade by main groups	S18
7.4 Foreign trade by regions and countries	S19
8. DOMESTIC ECONOMIC DEVELOPMENTS	S20
8.1 Supply and use of resources	S20
8.2 Volume of industrial production	S20
8.3 Indicators of domestic supply and demand	S21
8.4 Wages and prices	S22
8.5 Labour, employment and unemployment	S23
8.6 Central government finances: revenue, expenditure and financial balance	S24
NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION	S25 S1

1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1993		1994		
	31 Dec.	8 April	15 April	22 April	29 April
ASSETS					
Gold and foreign currency claims	33 472	41 931	41 476	41 612	41 623
Gold	2 180	2 180	2 180	2 180	2 180
Special drawing rights	664	655	654	655	650
IMF reserve tranche	1 747	1 611	1 607	1 611	1 597
Convertible currencies	28 882	37 485	37 036	37 166	37 197
Other foreign claims	5 058	5 154	5 154	5 154	5 154
Markka subscription to Finland's IMF quota	5 058	5 154	5 154	5 154	5 154
Term credit	—	—	—	—	—
Claims on financial institutions	8 677	4 825	4 606	5 051	3 314
Liquidity credits	1	—	—	—	—
Certificates of deposit	1 844	669	480	2 366	1 937
Securities with repurchase commitments	5 493	2 922	2 905	1 463	156
Term credits	—	—	—	—	—
Bonds	1 101	996	984	984	983
Other claims on financial institutions	238	238	238	238	238
Claims on the public sector	1 788	1 780	1 790	1 789	1 828
Treasury bills	—	—	—	—	—
Loans to the Government Guarantee Fund	—	—	—	—	—
Total coinage	1 788	1 780	1 790	1 789	1 828
Claims on corporations	3 303	3 252	3 261	3 255	3 249
Financing of domestic deliveries (KTR)	496	445	442	436	431
Other claims on corporations	2 807	2 807	2 819	2 819	2 819
Other assets	6 826	4 989	4 989	4 989	4 993
Loans for stabilizing the money market	5 752	4 832	4 832	4 832	4 832
Accrued items	907	—	—	—	—
Other assets	166	157	157	157	161
Capitalized expenditures and losses due to safeguarding the stability of the money market	1 400	1 400	1 400	1 400	1 400
Total	60 524	63 330	62 676	63 248	61 561
LIABILITIES					
Foreign currency liabilities	193	142	137	136	134
Convertible currencies	193	142	137	136	134
Other foreign liabilities	6 189	6 258	6 256	6 258	6 249
IMF markka accounts	5 058	5 154	5 154	5 154	5 154
Allocations of special drawing rights	1 131	1 105	1 102	1 105	1 095
Other foreign liabilities	—	—	—	—	—
Notes and coin in circulation	14 994	14 048	13 863	13 795	13 927
Notes	13 442	12 495	12 313	12 248	12 377
Coin	1 552	1 553	1 549	1 548	1 550
Certificates of deposit	14 837	22 995	22 830	21 765	21 695
Liabilities to financial institutions	8 201	6 998	6 735	8 280	6 895
Call money deposits	1 803	720	458	2 003	483
Term deposits	—	—	—	—	—
Minimum reserve deposits	6 398	6 276	6 276	6 276	6 411
Other liabilities to financial institutions	—	1	1	1	1
Liabilities to the public sector	784	282	323	337	39
Cheque accounts	8	1	1	0	0
Deposits of the Government Guarantee Fund	776	281	322	337	39
Other liabilities to the public sector	—	—	—	—	—
Liabilities to corporations	2 087	1 791	1 783	1 780	1 805
Deposits for investment and ship purchase	2 087	1 791	1 783	1 780	1 805
Other liabilities	627	101	89	90	91
Accrued items	536	—	—	—	—
Other liabilities	92	101	89	90	91
Valuation account and reserves	6 847	4 951	4 896	5 043	4 963
Capital accounts	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764
Profit/loss for the accounting year	—	—	—	—	—
Total	60 524	63 330	62 676	63 248	61 561

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	Foreign exchange reserves (1+2+3+4)	Other claims, net	Net claims (5+6)	Claims	Liabilities	Net claims (8-9)
	1	2	3	4	5	6	7	8	9	10
1989	2 179	966	950	18 822	22 917	- 166	22 752	1 137	5 325	- 4 188
1990	2 180	791	783	33 478	37 232	- 1 273	35 960	1 314	1 321	- 7
1991	2 180	932	1 136	29 381	33 629	- 424	33 204	1 375	3	1 372
1992	2 180	564	1 732	25 041	29 517	- 2 998	26 519	2 446	90	2 356
1993	2 180	664	1 747	28 882	33 473	- 1 324	32 148	1 788	784	1 004
1993										
April	2 180	615	1 842	30 262	34 899	- 954	33 946	2 639	59	2 580
May	2 180	634	1 819	29 976	34 609	- 890	33 718	2 416	64	2 352
June	2 180	650	1 866	32 332	37 028	- 875	36 152	1 396	591	805
July	2 180	661	1 899	30 342	35 082	- 866	34 217	1 396	150	1 246
Aug.	2 180	680	1 927	27 014	31 801	- 887	30 914	1 212	149	1 263
Sept.	2 180	675	1 869	22 359	27 083	- 929	26 154	1 444	149	1 295
Oct.	2 180	668	1 850	24 766	29 464	- 907	28 558	1 652	149	1 503
Nov.	2 180	678	1 854	26 375	31 087	- 905	30 182	1 801	649	1 152
Dec.	2 180	664	1 747	28 882	33 473	- 1 324	32 148	1 788	784	1 004
1994										
Jan.	2 180	645	1 697	36 652	41 174	- 1 347	39 827	1 739	904	835
Feb.	2 180	657	1 676	42 067	46 580	- 1 298	45 282	1 768	300	1 468
March	2 180	661	1 688	38 117	42 646	- 1 257	41 389	1 793	251	1 542
April	2 180	650	1 597	37 197	41 623	- 1 229	40 394	1 828	39	1 789

End of period	Domestic financial sector					Corporate sector				
	Term claims on deposit banks, net	Liquidity position of deposit banks ¹	Minimum reserve deposits of deposit banks ²	Other claims on financial institutions, net	Net claims (11+12+13+14)	Claims in the form of special financing	Special deposits and other items, net	Net claims (16+17)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	11	12	13	14	15	16	17	18	19	20
1989	33 230	- 531	- 25 506	5 558	12 751	2 000	- 10 604	- 8 604	13 129	-
1990	9 411	- 418	- 17 401	5 744	- 2 665	1 477	- 9 724	- 8 247	14 555	-
1991	11 882	- 2 206	- 10 361	5 531	4 846	1 086	- 6 854	- 5 768	14 528	8 880
1992	3 738	- 550	- 13 165	4 572	- 5 405	747	- 2 651	- 1 904	14 508	4 880
1993	7 337	- 1 802	- 6 398	1 339	476	496	720	1 216	14 994	14 837
1993										
April	2 688	- 815	- 14 599	4 355	- 8 371	662	- 1 744	- 1 082	13 834	13 490
May	5 359	- 3 395	- 11 790	4 341	- 5 485	643	392	1 035	13 870	16 190
June	4 275	945	-	1 556	6 776	608	428	1 036	13 864	28 367
July	4 763	75	- 6 262	1 488	64	592	475	1 067	13 553	18 956
Aug.	6 953	408	- 6 310	1 459	2 509	575	524	1 099	13 297	18 259
Sept.	6 474	1 764	- 6 338	1 470	3 369	555	597	1 152	13 317	13 615
Oct.	6 759	- 386	- 6 320	1 429	1 481	535	614	1 149	13 653	14 480
Nov.	6 951	- 1 373	- 6 476	1 405	507	517	642	1 159	15 836	12 259
Dec.	7 337	- 1 802	- 6 398	1 339	476	496	720	1 216	14 994	14 837
1994										
Jan.	4 198	- 889	- 6 393	1 283	- 1 801	482	860	1 342	14 084	22 440
Feb.	1 802	- 426	- 6 346	1 250	- 3 720	466	950	1 416	13 855	26 290
March	3 842	- 1 083	- 6 276	1 241	- 2 276	449	1 003	1 452	14 194	23 435
April	2 093	- 483	- 6 411	1 220	- 3 581	431	1 014	1 445	13 927	21 695

¹ Call money claims on deposit banks, net, until 2 July 1992.

² Cash reserve deposits prior to 1 July 1993.

2. THE BANK OF FINLAND'S OPERATIONS IN THE MONEY AND FOREIGN EXCHANGE MARKETS AND THE BANKS' FORWARD EXCHANGE POSITION

2.1 BANKS' LIQUIDITY POSITION AT THE BANK OF FINLAND,

MILL. FIM

Average of daily observations	Call money deposits	Liquidity credits ¹	Liquidity position, net ¹ (1-2)
	1	2	3
1989	416	369	47
1990	806	132	674
1991	881	985	- 103
1992	2 103	437	1 666
1993	831	425	407
1993			
April	629	390	239
May	763	186	577
June	1 032	387	645
July	981	518	462
Aug.	581	311	270
Sept.	482	480	2
Oct.	605	759	- 154
Nov.	714	336	378
Dec.	955	103	852
1994			
Jan.	933	105	828
Feb.	767	0	767
March	715	0	715
April	1 275	0	1 275

¹ Call money credits and call money position until 2 July 1992.

2.2 THE BANK OF FINLAND'S MINIMUM RESERVE SYSTEM²

End of period	Reserve requirement			Cash reserve requirement, %	Deposits, mill. FIM Total
	On liquid deposits, %	On other deposits, %	On domestic debt capital, %		
	1	2	3	4	5
1989	.	.	.	9.1	25 506
1990	.	.	.	7.0	17 401
1991	.	.	.	4.0	10 361
1992	.	.	.	5.0	13 165
1993	2.0	1.5	1.0	.	6 398
1993					
April	.	.	.	5.5	14 599
May	.	.	.	4.5	11 790
June	.	.	.	-	-
July	2.0	1.5	1.0	.	6 262
Aug.	2.0	1.5	1.0	.	6 310
Sept.	2.0	1.5	1.0	.	6 338
Oct.	2.0	1.5	1.0	.	6 320
Nov.	2.0	1.5	1.0	.	6 476
Dec.	2.0	1.5	1.0	.	6 398
1994					
Jan.	2.0	1.5	1.0	.	6 393
Feb.	2.0	1.5	1.0	.	6 346
March	2.0	1.5	1.0	.	6 276
April	2.0	1.5	1.0	.	6 411

² Cash reserve system prior to 1 July 1993

2.3 THE BANK OF FINLAND'S MONEY MARKET TRANSACTIONS, MILL. FIM

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Money market transactions, net (1-2-3)
	1	2	3	4
1989	131 110	3 855	99 245	28 010
1990	163 326	26 379	160 797	- 23 850
1991	109 568	30 380	81 969	- 2 781
1992	76 230	137 940	- 60 417	- 1 293
1993	86 521	146 899	- 50 486	- 9 892
1993				
April	5 870	11 310	1 450	- 6 890
May	4 250	21 140	- 775	- 16 115
June	4 041	22 169	- 19 911	1 783
July	7 070	12 260	- 18 300	13 110
Aug.	7 240	14 950	- 10 660	2 950
Sept.	7 920	7 720	- 6 920	7 120
Oct.	10 110	11 970	1 180	- 3 040
Nov.	8 310	9 200	- 2 090	1 200
Dec.	9 250	9 690	1 250	- 1 690
1994				
Jan.	5 720	17 000	- 3 130	- 8 150
Feb.	3 940	19 430	- 10 230	- 5 260
March	5 770	22 180	- 21 540	5 130
April	4 080	17 730	- 13 435	- 215

2.4 THE BANK OF FINLAND'S TRANSACTIONS IN CONVERTIBLE CURRENCIES, MILL. FIM

During period	Intervention in the foreign exchange market			Spot transactions related to forward contracts, net	Central government's foreign exchange transactions, net
	Spot purchases	Spot sales	Forward exchange intervention = change in forward exchange position		
	1	2	3	4	5
1991	35 120	- 69 940	- 14 820	12 820	12 260
1992	20 050	- 70 640	- 1 650	390	45 060
1993	25 120	- 45 080	7 460	- 6 910	33 240
1993					
March	-	- 7 470	- 3 920	4 030	2 690
April	3 610	- 3 010	4 510	- 1 650	10 820
May	5 220	- 2 090	2 410	- 2 300	660
June	6 040	- 1 010	1 220	- 1 600	- 1 690
July	960	- 8 360	- 4 800	4 520	- 820
Aug.	510	- 3 580	960	- 810	- 420
Sept.	-	- 1 170	2 050	- 1 950	- 1 770
Oct.	2 790	- 100	1 540	- 1 510	2 980
Nov.	2 270	- 70	- 40	-	- 1 170
Dec.	3 720	-	370	- 340	1 430
1994					
Jan.	12 550	-	2 720	- 2 680	- 1 490
Feb.	1 310	- 750	- 270	280	4 670
March	-	- 2 200	-	-	- 1 800

2.5 FORWARD EXCHANGE CONTRACTS, MILL. FIM

Stock at end of period	Finnish banks' forward contracts								Non-residents' forward contracts with Finnish customers (excl. Finnish banks)			
	With Finnish customers (excl. Finnish banks)			With foreign customers			With the Bank of Finland	Total	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	
	Currency purchases from Finnish customers	Currency sales to Finnish customers	Net	Currency purchases from foreign customers	Currency sales to foreign customers	Net						Net forward purchases from the Bank of Finland	Net
	1	2	3	4	5	6	7	8	9	10	11	
1989	10 531	3 563	6 967	44 885	36 854	8 031	205	15 204	..	..	..
1990	11 609	4 979	6 631	21 179	11 079	10 100	- 6 098	10 633	237	55	183	
1991	33 004	36 352	- 3 348	40 056	37 505	2 550	8 953	8 155	1 404	645	759	
1992	39 195	32 939	6 256	21 142	32 339	- 11 197	7 133	2 192	1 614	1 929	- 315	
1993	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459	
1993												
March	33 115	34 059	- 944	16 445	26 632	- 10 187	9 815	- 1 316	4 096	1 586	2 510	
April	36 298	33 616	2 682	15 031	26 189	- 11 158	7 460	- 1 016	4 305	1 763	2 542	
May	36 027	31 763	4 264	16 521	23 513	- 6 992	4 144	1 416	3 882	1 214	2 668	
June	36 401	26 908	9 493	16 072	21 858	- 5 785	2 204	5 912	5 237	1 275	3 962	
July	34 287	26 687	7 600	15 428	29 360	- 13 932	6 718	386	6 882	854	6 029	
Aug.	32 677	26 607	6 070	15 791	26 631	- 10 840	5 912	1 142	7 013	1 063	5 950	
Sept.	34 391	29 105	5 287	14 931	25 519	- 10 588	4 221	- 1 080	7 072	1 625	5 447	
Oct.	36 251	31 071	5 179	14 928	25 313	- 10 384	2 293	- 2 912	9 942	2 313	7 629	
Nov.	36 988	26 544	10 444	14 010	26 027	- 12 018	2 527	953	8 755	1 840	6 915	
Dec.	38 373	23 721	14 652	14 346	21 895	- 7 548	1 939	9 043	11 632	2 173	9 459	
1994												
Jan.	43 162	19 298	23 864	13 803	23 618	- 9 815	439	14 488	13 494	2 622	10 872	
Feb.	41 288	16 030	25 258	17 043	23 240	- 6 197	489	19 550	14 542	2 903	11 639	
March	42 814	16 519	26 295	18 003	24 476	- 6 473	489	20 311	14 280	2 599	11 682	S5

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		
		1 month	3 months	6 months	12 months	Liquidity credit rate ¹	Call money deposit rate	Base rate
	1	2	3	4	5	6	7	8
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50
1991	14.89	13.64	13.07	12.69	12.53	15.48	4.00	8.50
1992	13.32	13.49	13.27	13.08	12.96	14.90	7.41	9.17
1993	7.71	7.85	7.73	7.59	7.47	8.95	4.95	6.85
1993								
April	8.93	8.85	8.73	8.57	8.44	9.85	5.85	7.50
May	8.48	8.41	8.25	8.14	7.97	9.42	5.42	7.26
June	7.77	7.70	7.62	7.57	7.55	8.72	4.72	7.00
July	7.45	7.31	7.27	7.22	7.12	8.31	4.31	6.73
Aug.	6.18	6.70	6.65	6.56	6.52	7.74	3.74	6.24
Sept.	6.35	6.81	6.68	6.49	6.29	7.76	3.76	6.00
Oct.	6.97	7.13	6.87	6.60	6.29	8.08	4.08	6.00
Nov.	6.76	6.95	6.58	6.23	5.93	7.97	3.97	6.00
Dec.	6.22	6.16	5.90	5.68	5.52	8.21	4.21	5.50
1994								
Jan.	5.63	5.38	5.19	5.05	5.01	7.44	3.44	5.50
Feb.	4.52	4.82	4.82	4.88	5.05	6.84	2.84	5.25
March	4.39	4.82	4.80	4.88	5.12	6.76	2.76	5.25
April	4.31	5.01	5.13	5.43	5.75	6.99	2.99	5.25

¹ Call money credit rate until 2 July 1992.

3.2 THE BANK OF FINLAND'S LIQUIDITY FACILITY

The Bank of Finland's tender rate, %	Liquidity credit: interest rate margin, %-points	Liquidity credit: maturity, days	Call money deposits: interest rate margin, %-points	Average of daily observations	ECU		
					1	2	3
1992¹	1992	1992	1992	1992			
1993	1993	1993	1993	1993			
1993	1993	1993	1993	1993			
1994	1994	1994	1994	1994			
05.04.1994							
07.04.1994							
18.04.1994							

3.3 WEIGHTED EURORATES AND COMMERCIAL ECU INTEREST RATE, PER CENT

Average of daily observations	ECU		
	1	2	3
1989	9.3	8.4	9.3
1990	10.5	9.1	10.4
1991	10.1	8.5	9.9
1992	10.4	7.8	10.6
1993	8.0	6.0	8.1
1993			
April	8.6	6.3	8.9
May	7.9	6.1	7.9
June	7.6	6.1	7.5
July	7.7	5.9	7.8
Aug.	7.5	5.5	7.7
Sept.	7.4	5.5	7.7
Oct.	7.2	5.6	7.5
Nov.	6.8	5.4	7.0
Dec.	6.5	5.2	6.5
1994			
Jan.	6.3	5.1	6.4
Feb.	6.3	5.1	6.4
March	6.2	5.2	6.3
April	6.0	5.1	6.2

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

Average for period	Lending						Markka deposits and other markka funding					
	New credits				Average lending rate	Of which: Commercial banks	24-month tax-exempt deposits ¹	36-month tax-exempt deposits ¹	Other tax-exempt deposits, on max. rate of interest ¹	Average rate of interest on deposits	Average rate of interest on other funding	Average rate of interest on markka funding
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
	1	2	3	4	5	6	7	8	9	10	11	12
1989	12.97	13.47	11.58	12.07	10.56	10.40	7.50	.	4.50	5.67	11.92	7.37
1990	13.24	15.62	13.33	13.85	11.84	11.61	7.50	.	4.50	6.43	13.55	8.41
1991	13.63	15.88	13.40	13.84	12.08	11.80	7.50	.	4.50	7.10	13.22	8.97
1992	14.04	15.86	13.32	13.75	12.46	12.13	7.50	8.50	4.50	7.41	12.84	9.14
1993	9.69	13.55	9.40	9.75	10.20	9.92	3.50	4.50	2.00	4.78	8.86	6.15
1993												
March	11.35	14.50	10.93	11.29	11.07	10.84	5.50	6.50	4.50	5.87	10.04	7.30
April	10.82	14.23	10.29	10.60	10.89	10.62	5.50	6.50	4.50	5.74	9.72	7.11
May	9.78	14.23	10.13	10.40	10.56	10.27	5.00	6.00	2.50	4.90	9.42	6.43
June	5.59	13.88	9.51	9.44	10.35	10.06	5.00	6.00	2.50	4.75	9.08	6.18
July	10.45	13.04	8.99	9.47	10.01	9.73	4.50	5.50	2.50	4.50	8.64	5.88
Aug.	10.67	13.20	8.79	9.25	9.58	9.26	4.00	5.00	2.50	4.10	8.09	5.44
Sept.	7.66	12.97	8.39	8.68	9.38	9.09	4.00	5.00	2.50	3.96	7.88	5.31
Oct.	9.92	12.39	8.66	9.04	9.28	8.97	4.00	5.00	2.50	3.89	7.77	5.24
Nov.	9.51	12.77	8.29	8.64	9.21	8.90	4.00	5.00	2.00	3.71	7.44	5.04
Dec.	8.83	11.55	7.32	7.62	8.85	8.48	3.50	4.50	2.00	3.33	6.94	4.55
1994												
Jan.	8.09	11.25	7.35	7.62	8.58	8.22	3.50	4.50	2.00	3.11	6.41	4.19
Feb.	8.25	11.92	7.14	7.46	8.34	7.97	3.25	4.25	2.00	2.93	5.95	3.92
March	4.99	11.73	6.73	6.78	8.16	7.77	3.25	4.25	2.00	2.88	5.77	3.85

¹ End of period.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Reference rates calculated by the Bank of Finland		Taxable government bonds		Taxable public issues	Taxfree public issues
	3 years	5 years	5 years	10 years		
	1	2	3	4	5	6
1989	12.2	12.0	12.1	.	11.9	8.1
1990	13.7	13.5	13.2	.	13.3	9.2
1991	12.3	12.2	11.9	.	12.6	10.0
1992	13.1	13.0	12.1	11.5 ¹	13.8	9.9
1993	8.5	8.9	8.2	8.8	10.3	6.6
1993						
March	9.7	10.0	9.4	9.9	11.4	7.6
April	9.6	10.0	9.3	9.8	11.0	7.8
May	9.2	9.6	8.9	9.5	11.0	6.7
June	8.8	9.2	8.4	9.0	9.3	6.7
July	8.2	8.7	8.0	8.5	11.1	6.3
Aug.	7.4	7.9	7.2	7.7	9.2	5.9
Sept.	7.2	7.8	7.3	7.9	8.3	5.8
Oct.	7.1	7.6	6.9	7.6	9.8	5.5
Nov.	6.8	7.2	6.5	7.2	9.0	5.3
Dec.	6.5	7.0	6.2	6.9	9.2	4.9
1994						
Jan.	6.1	6.6	5.8	6.4	7.8	4.7
Feb.	6.1	6.6	5.9	6.4	7.8	4.8
March	6.6	7.5	6.7	7.3	7.7	4.8

¹ November and December only.

4. RATES OF EXCHANGE

4.1 MIDDLE RATES, FIM

Average of daily quotations	New York 1 USD	Montreal 1 CAD	London 1 GBP	Dublin 1 IEP	Stockholm 1 SEK	Oslo 1 NOK	Copenhagen 1 DKK	Frankfurt 1 DEM	Amsterdam 1 NLG	Brussels 1 BEF	Zurich 1 CHF	Paris 1 FRF
	1	2	3	4	5	6	7	8	9	10	11	12
1989	4.2897	3.624	7.032	6.082	0.6654	0.6213	0.5869	2.2818	2.0226	0.1089	2.6243	0.6725
1990	3.8233	3.277	6.808	6.325	0.6459	0.6110	0.6181	2.3664	2.1002	0.1145	2.7576	0.7024
1991	4.0457	3.533	7.131	6.511	0.6684	0.6236	0.6322	2.4380	2.1634	0.1184	2.8208	0.7169
1992	4.4835	3.706	7.875	7.636	0.7714	0.7222	0.7444	2.8769	2.5552	0.1397	3.2000	0.8486
1993	5.7189	4.434	8.582	8.371	0.7350	0.8059	0.8822	3.4584	3.0787	0.1655	3.8706	1.0096
1993												
April	5.5967	4.435	8.646	8.551	0.7519	0.8268	0.9131	3.5076	3.1212	0.1704	3.8346	1.0371
May	5.4792	4.317	8.493	8.321	0.7484	0.8067	0.8888	3.4137	3.0432	0.1660	3.7865	1.0126
June	5.5487	4.339	8.394	8.212	0.7489	0.7961	0.8793	3.3664	3.0017	0.1638	3.7713	1.0001
July	5.7775	4.506	8.638	8.150	0.7262	0.7906	0.8698	3.3682	2.9954	0.1631	3.8123	0.9897
Aug.	5.8307	4.462	8.699	8.110	0.7237	0.7915	0.8429	3.4363	3.0540	0.1618	3.8905	0.9818
Sept.	5.7832	4.379	8.813	8.295	0.7219	0.8168	0.8707	3.5637	3.1734	0.1660	4.0737	1.0188
Oct.	5.7495	4.335	8.647	8.250	0.7172	0.8030	0.8682	3.5126	3.1255	0.1614	3.9946	1.0012
Nov.	5.8053	4.411	8.598	8.147	0.7026	0.7856	0.8578	3.4148	3.0428	0.1602	3.8777	0.9825
Dec.	5.7548	4.320	8.578	8.159	0.6887	0.7753	0.8585	3.3645	3.0038	0.1611	3.9282	0.9840
1994												
Jan.	5.6920	4.324	8.496	8.138	0.7001	0.7580	0.8407	3.2662	2.9173	0.1571	3.8683	0.9612
Feb.	5.5838	4.165	8.257	7.930	0.6992	0.7451	0.8245	3.2147	2.8669	0.1560	3.8297	0.9462
March	5.5326	4.065	8.248	7.932	0.6992	0.7530	0.8343	3.2688	2.9089	0.1586	3.8681	0.9591
April	5.4911	3.974	8.139	7.885	0.6965	0.7455	0.8246	3.2336	2.8795	0.1571	3.8174	0.9438

Average of daily quotations	Rome 1 ITL	Vienna 1 ATS	Lisbon 1 PTE	Reykjavik 1 ISK	Madrid 1 ESP	Athens 1 DRD	Tallinn 1 EEK	Tokyo 1 JPY	Melbourne 1 AUD	ECU Commercial 1 XEU	SDR 1 XDR
	13	14	15	16	17	18	19	20	21	22	23
1989	0.00313	0.3242	0.0273	0.0758	0.0362	..	..	0.03116	3.398	4.719	5.49536
1990	0.00319	0.3363	0.0268	0.0656	0.0375	..	..	0.02647	2.988	4.864	5.18322
1991	0.00326	0.3464	0.0280	0.0684	0.0389	0.022	..	0.03008	3.152	5.003	5.52733
1992	0.00364	0.4088	0.0332	0.0778	0.0438	0.024	0.4060	0.03546	3.289	5.798	6.31546
1993	0.00364	0.4916	0.0356	0.0846	0.0451	0.025	0.4323	0.05168	3.885	6.685	7.98758
1993											
April	0.00364	0.4985	0.0378	0.0886	0.0484	0.026	0.4384	0.04982	3.985	6.830	7.91819
May	0.00371	0.4851	0.0362	0.0868	0.0453	0.025	0.4267	0.04970	3.826	6.672	7.76351
June	0.00370	0.4784	0.0354	0.0858	0.0438	0.025	0.4208	0.05172	3.747	6.582	7.82674
July	0.00365	0.4786	0.0345	0.0806	0.0430	0.025	0.4210	0.05365	3.913	6.564	8.03185
Aug.	0.00363	0.4884	0.0336	0.0813	0.0420	0.025	0.4295	0.05621	3.957	6.555	8.17177
Sept.	0.00369	0.5064	0.0348	0.0833	0.0442	0.025	0.4455	0.05485	3.772	6.771	8.20308
Oct.	0.00359	0.4994	0.0340	0.0823	0.0435	0.024	0.4391	0.05378	3.797	6.671	8.09230
Nov.	0.00348	0.4856	0.0334	0.0811	0.0423	0.024	0.4268	0.05383	3.861	6.550	8.06368
Dec.	0.00341	0.4785	0.0330	0.0800	0.0410	0.023	0.4206	0.05237	3.874	6.494	7.96460
1994											
Jan.	0.00335	0.4647	0.0323	0.0779	0.0398	0.023	0.4083	0.05109	3.962	6.339	7.81835
Feb.	0.00331	0.4573	0.0318	0.0764	0.0395	0.022	0.4018	0.05251	4.000	6.236	7.74733
March	0.00332	0.4647	0.0318	0.0767	0.0398	0.022	0.4086	0.05264	3.937	6.309	7.75651
April	0.00338	0.4597	0.0317	0.0761	0.0398	0.022	0.4042	0.05310	3.934	6.251	7.71418

4.2 MARKKA VALUE OF THE ECU AND CURRENCY INDICES

Average of daily observations	Markka value of the ECU FIM/ECU	Currency indices, 1982=100		
		Trade-weighted currency index	Payments currency index	MERM index
	1	2	3	4
1989	4.73670	98.4	99.1	102.8
1990	4.85697	97.3	96.8	97.3
1991	5.00580	101.4	101.4	102.8
1992	5.80140	116.4	115.7	117.3
1993	6.69420	132.4	136.1	141.8
1993				
April	6.83031	134.0	136.4	141.6
May	6.67350	131.7	133.7	139.3
June	6.58470	130.9	133.6	140.1
July	6.57241	131.0	135.3	142.2
Aug.	6.60127	131.9	136.6	143.9
Sept.	6.81414	134.5	138.4	144.7
Oct.	6.69596	132.6	136.8	142.8
Nov.	6.55386	130.4	135.3	141.7
Dec.	6.49606	128.9	133.9	139.8
1994				
Jan.	6.34072	126.9	131.8	137.7
Feb.	6.23914	125.6	129.8	136.4
March	6.31275	126.5	130.2	136.6
April	6.25477	125.5	129.2	135.8

5. OTHER DOMESTIC FINANCING

5.1 BANK FUNDING FROM THE PUBLIC, MILL. FIM

End of period	Cheque and giro deposits	Transaction deposits	Time deposits	Other deposits	Markka deposits, total (1+2+3+4)	Foreign currency deposits	Total deposits (5+6)	Other funding	Total funding (7+8)
	1	2	3	4	5	6	7	8	9
1989	28 942	85 396	125 748		240 085	7 358	247 444	35 298	282 742
1990	30 953	96 176	124 930		252 058	6 818	258 876	38 835	297 711
1991	33 619	86 442	122 126	19 615	261 802	13 151	274 953	52 760	327 713
1992	34 832	88 526	114 771	21 218	259 347	14 626	273 973	65 557	339 530
1993	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
1993									
Jan.	36 386	90 643	112 861	21 500	261 390	15 643	277 033	62 732	339 766
Feb.	34 514	90 871	111 873	21 643	258 901	16 995	275 896	67 225	343 122
March	36 713	88 594	110 246	21 576	257 130	16 498	273 627	67 271	340 898
April	34 626	88 277	109 522	21 839	254 264	15 708	269 972	64 776	334 747
May	36 856	86 814	108 988	22 119	254 776	14 521	269 297	67 714	337 011
June	36 554	87 629	108 571	22 615	255 368	13 402	268 770	67 806	336 576
July	35 787	87 997	107 557	23 582	254 924	15 616	270 540	63 737	334 277
Aug.	36 548	88 515	105 708	23 870	254 640	14 861	269 502	65 157	334 659
Sept.	35 312	88 067	105 958	23 259	252 596	16 642	269 239	66 050	335 289
Oct.	35 746	89 439	109 350	22 387	256 922	16 192	273 114	67 314	340 428
Nov.	36 098	87 692	109 769	21 451	255 010	15 799	270 809	64 128	334 937
Dec.	36 379	92 357	112 413	21 766	262 915	14 883	277 798	63 173	340 971
1994									
Jan.	38 657	94 042	108 694	22 740	264 133	14 050	278 183	70 115	348 298

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
1989	15 270	5 650	257 768	278 688	73 176	351 864
1990	19 152	5 777	260 790	285 720	103 134	388 853
1991	18 037	4 712	262 859	285 609	107 714	393 323
1992	16 045	3 335	252 163	271 544	95 168	366 712
1993	14 217	2 223	248 406	264 846	66 931	331 777
1993						
Jan.	15 948	3 017	251 227	270 192	96 543	366 735
Feb.	16 086	2 944	251 618	270 647	97 973	368 621
March	15 718	2 894	251 528	270 140	95 576	365 717
April	15 326	2 891	251 556	269 774	88 604	358 378
May	15 198	2 848	251 553	269 599	85 075	354 675
June	15 221	2 812	251 305	269 339	83 482	352 821
July	15 192	2 858	251 610	269 660	82 922	352 582
Aug.	15 427	2 670	251 295	269 392	81 558	350 950
Sept.	15 425	2 656	251 667	269 748	79 676	349 424
Oct.	15 094	2 780	251 342	269 216	75 184	344 401
Nov.	14 872	2 664	250 554	268 090	73 810	341 899
Dec.	14 217	2 223	248 406	264 846	66 931	331 777
1994						
S10 Jan.	14 067	2 049	246 950	263 066	64 203	327 269

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)	M ₃
		Claims on the central government	Claims on the public	Total (2+3)				
	1	2	3	4	5	6	7	8
1989	- 59 049	- 18 691	408 344	389 653	- 79 084	124 295	251 519	272 603
1990	- 82 881	- 19 072	453 720	434 648	- 85 385	141 524	266 383	291 045
1991	- 86 555	- 6 516	470 852	464 336	- 102 540	130 644	275 241	310 924
1992	- 68 099	81	439 937	440 018	- 97 909	134 829	274 011	310 733
1993*	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
1993*								
March	- 52 886	- 162	445 947	445 785	- 121 904	135 990	270 994	311 305
April	- 41 746	271	431 871	432 142	- 121 662	134 069	268 734	308 513
May	- 39 870	687	430 307	430 993	- 121 897	134 801	269 227	307 799
June	- 38 803	41	429 134	429 175	- 120 187	135 602	270 184	307 449
July	- 34 515	1 349	428 478	429 827	- 125 718	135 157	269 594	309 002
Aug.	- 33 338	2 158	426 871	429 028	- 126 590	136 005	269 101	312 036
Sept.	- 29 387	4 183	424 966	429 149	- 132 462	134 600	267 299	312 044
Oct.	- 20 713	3 530	419 951	423 482	- 130 352	136 989	272 417	319 050
Nov.	- 23 710	3 430	417 372	420 803	- 125 479	137 095	271 614	312 034
Dec.	- 25 989	1 848	403 742	405 589	- 100 006	141 759	279 595	322 408
1994*								
Jan.	- 23 257	62	399 953	400 015	- 96 524	145 310	280 234	328 482
Feb.	- 18 440	423	397 966	398 388	- 101 298	146 600	278 650	327 690
March	..	..	..	..	..	148 913	280 563	334 654

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

End of period	Foreign currency-denominated debt				Markku-denominated debt				Total central government debt (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
1989	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	43 499	21 248
1990	20 917	732	3 144	24 793	23 982	8 263	-	32 245	57 038	48 121	23 114
1991	38 703	2 437	2 506	43 646	31 018	12 208	5 180	48 406	92 052	55 165	15 956
1992	100 244	3 669	2 474	106 387	40 578	13 555	14 762	68 895	175 282	61 671	19 781
1993	142 824	8 737	4 016	155 577	71 082	16 060	22 824	109 966	265 543	64 233	36 487
1993											
March	135 192	8 185	4 422	147 799	47 824	13 593	22 315	83 732	231 531	63 632	39 402
April	139 909	7 834	4 221	151 964	49 146	12 897	22 570	84 613	236 577	64 197	45 211
May	139 488	8 701	4 209	152 398	51 126	12 771	22 014	85 911	238 309	64 292	43 522
June	139 102	9 018	4 263	152 383	57 718	12 770	22 126	92 614	244 997	64 436	43 203
July	142 159	9 510	4 409	156 078	59 997	12 769	21 459	94 225	250 303	64 796	40 718
Aug.	143 148	9 457	4 411	157 016	63 086	15 355	23 460	101 901	258 917	65 317	43 091
Sept.	145 375	9 350	4 409	159 134	64 904	15 354	24 615	104 873	264 007	65 879	42 793
Oct.	143 854	8 868	4 271	156 993	69 251	15 354	23 754	108 359	265 352	66 435	42 816
Nov.	144 122	8 930	4 090	157 142	71 833	15 313	22 647	109 793	266 935	64 381	47 493
Dec.	142 824	8 737	4 016	155 577	71 082	16 060	22 824	109 966	265 543	64 233	36 487
1994											
Jan.	140 312	7 544	3 021	150 877	72 215	18 260	19 629	110 104	260 981	..	24 095
Feb.	148 138	6 914	3 076	158 128	74 481	18 260	19 391	112 132	270 260	..	31 679
March	147 889	6 893	3 001	157 783	75 083	18 230	19 182	112 495	270 278	..	20 834

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
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990	4 640	17 891	4 420	490	1 007	17 234	607	10 607	28 447
1991	7 277	25 737	11 073	1 320	-	30 160	-	15 247	45 407
1992	6 984	15 043	12 965	2 674	4	23 858	-	13 812	37 671
1993*	11 691	12 107	38 101	2 235	63	52 741	-	11 456	64 197
1993*									
March	871	657	3 944	656	13	4 991	-	1 149	6 140
April	504	206	1 835	89	-	2 124	-	509	2 634
May	3 281	1 262	2 761	407	-	4 257	-	3 454	7 711
June	3 132	670	6 658	93	-	7 107	-	3 446	10 553
July	510	165	2 286	-	-	2 451	-	510	2 961
Aug.	372	632	4 829	60	-	5 879	-	15	5 894
Sept.	50	497	2 023	10	-	2 480	-	100	2 580
Oct.	410	697	5 126	222	-	6 223	-	232	6 455
Nov.	989	4 160	2 793	18	50	7 828	-	182	8 010
Dec.	477	1 726	600	205	-	2 742	-	266	3 008
1994*									
Jan.	-	2 000	2 216	45	-	4 261	-	-	4 261
Feb.	530	7	2 359	280	-	3 176	-	-	3 176
March	2 260	1 060	2 555	190	-	6 065	-	-	6 065

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
1989	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1991	26 632	76 701	35 195	2 766	3 726	76 346	18 096	50 578	145 020
1992	26 617	82 319	44 005	5 237	3 358	89 534	13 917	58 085	161 536
1993*	32 946	74 497	73 682	6 894	2 009	120 707	10 391	58 930	190 028
1993*									
I	27 751	81 343	51 244	6 092	3 030	97 679	12 097	59 684	169 460
II	33 614	79 950	60 316	6 618	2 369	107 775	11 558	63 534	182 867
III	33 334	77 791	67 504	6 517	2 018	113 846	10 727	62 591	187 164
IV	32 946	74 497	73 682	6 894	2 009	120 707	10 391	58 930	190 028
1994*									
I	34 235	72 265	77 676	7 255	1 007	126 571	8 898	56 969	192 438

C) TURNOVER, MILL. FIM

During period	Interbank	Between banks and customers	Primary dealers' transactions in benchmark government bonds		
			Purchases from other primary dealers	Purchases from others	Sales to others
	1	2	3	4	5
1989	6 500	9 660	.	.	.
1990	5 401	6 058	.	.	.
1991	3 343	29 134	.	.	.
1992	18 221	58 594	10 744	12 156	13 354
1993	45 966	241 273	42 945	95 647	117 489
1993					
April	2 073	12 289	1 840	4 409	7 048
May	2 165	14 069	2 114	4 977	8 328
June	2 539	21 079	2 115	5 810	7 307
July	4 886	18 701	4 725	7 990	10 211
Aug.	4 426	20 776	4 387	9 812	10 579
Sept.	5 364	24 405	5 124	11 436	12 459
Oct.	4 958	33 749	4 717	13 465	15 832
Nov.	4 454	28 725	4 069	12 703	12 069
Dec.	6 012	26 948	5 414	10 765	12 500
1994					
Jan.	8 899	41 502	8 437	17 411	19 133
Feb.	14 265	40 081	12 427	16 883	18 485
March	34 926	56 958	32 256	28 635	28 693
April	24 666	37 825	23 300	17 241	17 960

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ¹ , mill. FIM		
	HEX index (28 Dec., 1990=1000)									Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry								
		Re-stricted	Non-re-stricted	Banks and finance	Insurance and investment	Manufacturing	Of which:					
						Forest industries	Metal and engineering	Conglomerates				
	1	2	3	4	5	6	7	8	9	10	11	12
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	33 160	7 375	40 536
1990	1 332	1 324	1 393	1 263	1 185	1 376	1 436	1 282	1 474	15 521	4 550	20 071
1991	962	949	1 062	901	898	1 003	1 075	1 076	1 020	6 339	1 315	7 655
1992	772	759	868	425	467	942	1 123	1 206	890	10 277	15 377	25 654
1993	1 240	.	.	608	644	1 601	1 695	1 749	1 751	46 337	59 977	106 314
1993												
April	1 091	.	.	464	551	1 419	1 478	1 566	1 535	3 019	3 260	6 279
May	1 200	.	.	575	602	1 542	1 637	1 748	1 644	4 451	4 805	9 257
June	1 132	.	.	508	600	1 461	1 569	1 597	1 570	1 906	4 118	6 024
July	1 241	.	.	579	631	1 618	1 720	1 659	1 808	2 810	2 855	5 665
Aug.	1 410	.	.	830	813	1 782	1 954	1 893	1 944	6 081	4 509	10 589
Sept.	1 378	.	.	790	788	1 745	1 887	1 860	1 913	4 689	6 036	10 725
Oct.	1 502	.	.	820	781	1 943	1 958	2 095	2 212	6 638	6 936	13 574
Nov.	1 542	.	.	810	770	2 003	2 093	2 156	2 253	4 842	7 153	11 995
Dec.	1 549	.	.	773	801	2 003	2 114	2 240	2 209	4 810	6 375	11 185
1994												
Jan.	1 797	.	.	870	952	2 315	2 357	2 733	2 537	8 781	276	9 057
Feb.	1 917	.	.	942	1 008	2 462	2 410	2 982	2 704	6 395	558	6 953
March	1 861	.	.	824	948	2 423	2 249	2 842	2 793	7 060	334	7 394
April	1 815	.	.	771	914	2 376	2 188	2 689	2 818	4 849	107	4 956

¹ During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, fob	Trans- port receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Invest- ment income	Trans- fers and other income	Current account receipts (6+7+8)	Imports of goods, cif	Trans- port ex- pend- iture	Travel ex- pend- iture	Other services ex- pend- iture
	1	2	3	4	5	6	7	8	9	10	11	12	13
1989	98 265	7 662	4 497	6 277	18 436	116 701	10 212	3 652	130 565	104 400	3 869	8 969	8 759
1990	99 750	8 347	4 650	6 081	19 077	118 827	12 739	4 461	136 027	101 967	4 363	10 766	9 503
1991	91 100	7 508	5 044	5 636	18 189	109 289	10 003	5 336	124 628	86 348	3 974	11 089	11 011
1992*	105 809	8 643	6 089	7 730	22 462	128 272	6 423	5 920	140 614	93 187	4 360	10 962	13 369
1993*	132 283	10 602	7 079	9 977	27 658	159 941	7 107	7 262	174 310	101 365	5 144	9 237	16 788
1991													
IV	25 199	1 869	1 244	1 618	4 731	29 931	2 047	1 359	33 337	22 912	967	3 014	3 139
1992*													
I	24 783	2 002	1 159	1 702	4 863	29 645	2 301	1 367	33 313	22 698	1 001	2 725	3 422
II	26 452	2 152	1 493	1 681	5 326	31 778	1 269	1 374	34 421	24 180	1 064	2 813	3 039
III	24 820	2 323	1 958	1 923	6 203	31 023	1 204	1 480	33 707	20 677	1 119	2 853	3 242
IV	29 754	2 167	1 480	2 424	6 071	35 825	1 649	1 699	39 173	25 632	1 176	2 572	3 666
1993*													
I	30 951	2 442	1 351	2 894	6 688	37 639	2 275	1 659	41 574	25 672	1 180	2 401	4 390
II	32 587	2 649	1 763	2 402	6 815	39 401	2 073	1 945	43 419	24 761	1 268	2 276	3 960
III	32 070	2 847	2 203	2 233	7 284	39 353	1 664	1 773	42 790	23 965	1 313	2 242	4 151
IV	36 675	2 663	1 761	2 448	6 872	43 547	1 095	1 884	46 526	26 967	1 382	2 319	4 286
1994*													
I	34 459	2 791	1 396	2 480	6 667	41 126	1 307	1 784	44 216	24 672	1 170	1 846	4 219

During period	Services of goods and services total (11+12+13)	Imports of goods and services (10+14)	Invest- ment ex- pend- iture (15+16)	Trans- fers and other ex- pend- iture (17)	Current account ex- pend- iture (18+16+17)	Trade account (1-10)	Trans- port (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21+22)	Goods and services account (19+23)	Invest- ment income, net (7-16)	Trans- fers and others, net (8-17)	Current account (24+25+26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1989	21 596	125 996	21 882	7 561	155 439	- 6 134	3 793	- 4 471	- 2 482	- 3 160	- 9 294	- 11 670	- 3 910	- 24 874
1990	24 632	126 599	26 973	8 967	162 540	- 2 218	3 984	- 6 117	- 3 422	- 5 555	- 7 772	- 14 234	- 4 506	- 26 513
1991	26 074	112 421	28 674	10 529	151 624	4 752	3 534	- 6 044	- 5 374	- 7 885	- 3 132	- 18 671	- 5 192	- 26 996
1992*	28 690	121 878	30 424	10 347	162 649	12 622	4 283	- 4 873	- 5 639	- 6 228	6 394	- 24 001	- 4 428	- 22 035
1993*	31 169	132 534	35 616	11 686	179 837	30 918	5 458	- 2 159	- 6 810	- 3 511	27 407	- 28 510	- 4 424	- 5 527
1991														
IV	7 121	30 033	6 510	2 725	39 268	2 288	902	- 1 770	- 1 521	- 2 389	- 102	- 4 463	- 1 367	- 5 931
1992*														
I	7 148	29 845	8 435	3 124	41 405	2 085	1 001	- 1 566	- 1 720	- 2 285	- 200	- 6 134	- 1 758	- 8 092
II	6 916	31 096	7 400	2 381	40 877	2 272	1 087	- 1 320	- 1 358	- 1 590	682	- 6 131	- 1 007	- 6 456
III	7 214	27 891	6 765	2 402	37 058	4 143	1 204	- 895	- 1 319	- 1 011	3 132	- 5 561	- 922	- 3 351
IV	7 413	33 045	7 824	2 440	43 309	4 122	991	- 1 092	- 1 241	- 1 342	2 780	- 6 174	- 741	- 4 136
1993*														
I	7 972	33 644	10 352	3 099	47 095	5 279	1 262	- 1 049	- 1 496	- 1 283	3 995	- 8 076	- 1 440	- 5 521
II	7 505	32 265	10 701	2 689	45 656	7 826	1 381	- 512	- 1 558	- 690	7 136	- 8 628	- 744	- 2 236
III	7 707	31 671	7 149	2 945	41 766	8 105	1 534	- 39	- 1 917	- 423	7 682	- 5 486	- 1 172	1 025
IV	7 987	34 954	7 414	2 953	45 321	9 708	1 281	- 558	- 1 839	- 1 115	8 593	- 6 320	- 1 068	1 205
1994*														
I	7 236	31 908	9 687	3 208	44 803	9 787	1 621	- 450	- 1 739	- 569	9 219	- 8 381	- 1 424	- 586

6.2 CAPITAL ACCOUNT¹, MILL. FIM

During period	Imports of long-term capital					Exports of long-term capital					Long-term capital account (5-10)	Basic balance
	Direct investment in Finland	Portfolio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Portfolio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)		
	1	2	3	4	5	6	7	8	9	10	11	12
1989	2 095	14 756	8 608	79	25 538	13 327	180	5 323	273	19 103	6 435	- 18 439
1990	3 010	22 656	19 674	169	45 509	12 471	577	- 499	294	12 843	32 666	6 153
1991	- 997	37 284	14 840	825	51 952	4 240	- 372	1 052	101	5 022	46 931	19 935
1992*	1 777	36 772	5 505	479	44 532	1 821	367	3 461	304	5 953	38 580	16 545
1993*	3 390	34 548	15 452	- 1 397	51 993	10 475	1 661	- 1 012	410	11 534	40 459	34 933
1991												
IV	- 777	2 937	3 211	619	5 989	587	- 356	697	- 44	883	5 106	- 825
1992*												
I	564	4 173	- 400	795	5 132	624	182	621	273	1 699	3 433	- 4 659
II	74	12 934	372	- 261	13 119	- 208	1 142	121	187	1 242	11 877	5 421
III	340	5 302	725	259	6 626	775	- 882	1 117	182	1 192	5 434	2 083
IV	799	14 362	4 808	- 314	19 655	630	- 75	1 602	- 337	1 820	17 836	13 700
1993*												
I	206	15 781	8 994	- 384	24 597	1 355	2 981	- 688	- 105	3 543	21 054	15 534
II	803	14 991	4 440	- 477	19 756	1 505	- 1 094	478	148	1 037	18 720	16 483
III	415	4 763	3 274	- 456	7 996	- 150	- 764	- 795	722	- 987	8 983	10 008
IV	1 966	- 986	- 1 255	- 80	- 355	7 765	538	- 6	- 355	7 942	- 8 297	- 7 091
1994*												
I	2 679	6 047	- 4 016	- 478	4 232	4 450	- 851	- 1 625	- 254	1 721	2 511	1 925

During period	Imports of short-term capital				Exports of short-term capital				Errors and omissions	Short-term capital account (15-20+21)	Overall balance excl. reserve movements (12+22)	Change in central bank's foreign exchange reserves
	Short-term capital imports of authorized banks	Trade credits	Other short-term capital	Total (13+14+15)	Short-term capital exports of authorized banks	Trade credits	Other short-term capital	Total (17+18+19)				
	13	14	15	16	17	18	19	20	21	22	23	24
1989	4 285	1 627	3 679	9 592	1 462	475	710	2 647	5 533	12 478	- 5 961	5 961
1990	16 258	1 119	- 1 357	16 020	- 2 290	- 1 254	1 244	- 2 300	- 9 381	8 939	15 092	- 15 092
1991	- 13 436	399	- 1 301	- 14 338	6 261	882	3 285	10 427	- 1 574	- 26 339	- 6 404	6 404
1992*	- 29 022	7 998	10 626	- 10 399	- 567	4 369	6 563	10 365	- 5 030	- 25 794	- 9 249	9 249
1993*	- 28 391	4 547	- 2 263	- 26 107	9 883	2 480	809	13 171	5 462	- 33 816	1 117	- 1 117
1991												
IV	- 4 383	1 232	- 2 481	- 5 632	- 13 635	977	- 4 531	- 17 189	- 4 908	6 649	5 824	- 5 824
1992*												
I	- 2 542	458	3 694	1 610	- 4 134	1 003	1 723	- 1 408	0	3 018	- 1 641	1 641
II	- 9 587	3 973	540	- 5 074	- 1 612	1 167	- 3 403	- 3 848	- 5 244	- 6 470	- 1 049	1 049
III	- 11 212	1 155	12 198	2 141	6 064	217	154	6 435	- 3 955	- 8 248	- 6 165	6 165
IV	- 5 681	2 411	- 5 805	- 9 076	- 885	1 983	8 089	9 187	4 169	- 14 094	- 394	394
1993*												
I	- 3 093	411	- 5 857	- 8 540	14 868	1 560	- 1 232	15 197	2 509	- 21 228	- 5 694	5 694
II	- 5 939	2 435	- 1 386	- 4 890	- 3 008	1 225	- 338	- 2 121	- 3 009	- 5 778	10 706	- 10 706
III	- 10 464	4 828	2 770	- 2 866	10 909	3 181	4 339	18 429	220	- 21 075	- 11 067	11 067
IV	- 8 895	- 3 127	2 210	- 9 812	- 12 887	- 3 486	- 1 960	- 18 333	5 742	14 264	7 173	- 7 173
1994*												
I	5 788	- 2 484	435	3 739	- 3 044	- 1 962	359	- 4 647	- 31	8 355	10 279	- 10 279

¹ Capital account data are based on surveys as from the beginning of 1991. The resulting figures conform more closely to the IMP's recommendations.

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

End of period	Long-term liabilities					Long-term assets					Long-term debt, net (5-10)
	Direct investment in Finland	Port-folio investment in Finland	Loans	Other long-term capital	Total (1+2+3+4)	Direct investment abroad	Port-folio investment abroad	Loans	Other long-term capital	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1989	16 093	82 313	40 110	994	139 510	33 234	7 680	24 572	2 757	68 243	71 267
1990	18 651	98 399	51 744	4 630	173 424	43 931	7 184	25 595	5 487	82 196	91 228
1991	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*	19 260	211 214	96 081	7 919	334 473	61 659	9 165	34 108	7 670	112 602	221 871
1993*	22 650	275 118	119 084	6 870	423 722	72 818	11 409	32 655	8 941	125 823	297 899
1991											
IV	17 443	143 685	75 772	5 827	242 728	53 560	7 430	27 907	6 161	95 057	147 671
1992*											
I	18 017	152 414	78 844	6 768	256 043	53 857	7 900	29 179	6 738	97 674	158 369
II	18 101	161 861	77 058	6 441	263 460	53 322	9 089	28 025	6 648	97 084	166 376
III	18 451	185 346	86 042	7 290	297 129	61 356	8 618	31 039	7 397	108 410	188 719
IV	19 260	211 214	96 081	7 919	334 473	61 659	9 165	34 108	7 670	112 602	221 871
1993*											
I	19 466	254 366	115 633	8 233	397 698	69 231	12 628	35 652	8 324	125 835	271 863
II	20 269	256 862	116 641	7 363	401 135	66 943	11 472	33 601	8 287	120 304	280 832
III	20 684	274 240	123 272	7 255	425 451	67 711	10 834	33 805	9 376	121 726	303 725
IV	22 650	275 118	119 084	6 870	423 722	72 818	11 409	32 655	8 941	125 823	297 899
1994*											
I	24 825	298 823	87 125	5 620	416 393	56 649	11 464	29 791	7 611	105 514	310 879

End of period	Short-term liabilities					Short-term assets					Short-term debt, net (11+22)	Debt, net (11+22)	Net interest and dividend expenditure (24-25)	Net interest and dividend expenditure in relation to current account receipts
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits	Other short-term liabilities	Total (12+13+14+15)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits	Other short-term assets	Total (17+18+19+20)				
	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1989	3 558	88 751	12 697	12 883	117 889	25 113	33 569	16 516	5 666	80 864	37 024	108 291	10 453	8.0
1990	3 922	106 548	13 466	13 864	137 801	39 506	27 190	14 372	6 608	87 676	50 125	141 353	13 130	9.7
1991	3 149	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	15 671	12.7
1992*	7 849	84 253	21 891	21 603	135 597	33 966	43 534	21 323	16 505	115 328	20 268	242 139	19 007	13.6
1993*	6 382	60 380	26 376	21 659	114 797	38 530	55 872	24 238	17 114	135 755	-20 957	276 942	23 510	13.6
1991														
IV	3 149	99 502	13 798	14 703	131 152	35 922	36 727	15 840	10 545	99 034	32 118	179 788	3 713	11.1
1992*														
I	3 185	100 961	14 219	18 012	136 376	35 429	32 960	17 007	12 637	98 033	38 343	196 712	4 886	14.7
II	3 242	89 647	18 218	17 832	128 939	33 516	32 786	18 123	8 804	93 229	35 710	202 086	4 882	14.2
III	14 067	86 647	19 397	20 846	140 956	29 484	43 316	18 829	9 425	101 054	39 902	228 622	4 313	12.8
IV	7 849	84 253	21 891	21 603	135 597	33 966	43 534	21 323	16 505	115 328	20 268	242 139	4 925	12.6
1993*														
I	5 836	86 548	22 279	19 173	133 836	31 998	60 816	23 570	16 232	132 615	1 221	273 083	6 827	16.4
II	6 173	78 062	24 661	16 779	125 675	41 889	56 831	24 521	14 669	137 910	-12 235	268 597	7 378	17.0
III	6 293	69 318	29 519	19 669	124 800	31 987	68 640	27 853	19 178	147 659	-22 859	280 866	4 236	9.9
IV	6 382	60 380	26 376	21 659	114 797	38 530	55 872	24 238	17 114	135 755	-20 957	276 942	5 069	10.9
1994*														
I	5 234	57 756	17 221	10 979	91 191	47 738	44 711	21 000	13 887	127 336	-36 146	274 734	7 781	17.6

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 debt, net (6-12)
	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (1+2+3+4+5)	Corporate sector	Banks	Other financial institutions	Central government	Other	Total (7+8+9+10+11)	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1989	58 009	40 199	17 665	23 063	574	139 510	34 828	26 048	2 313	3 517	1 537	68 243	71 267
1990	65 553	56 394	21 694	29 174	610	173 424	45 372	28 423	2 075	4 279	2 047	82 196	91 228
1991	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*	94 166	70 253	49 558	118 081	2 415	334 473	69 963	30 619	3 096	5 627	3 298	112 602	221 871
1993*	121 805	71 085	51 048	176 980	2 803	423 722	82 485	29 480	3 695	7 194	2 970	125 823	297 899
1991													
IV	79 212	70 795	35 623	56 377	721	242 728	57 749	27 641	2 121	4 752	2 794	95 057	147 671
1992*													
I	83 295	69 700	36 053	65 370	1 624	256 043	58 653	28 466	2 298	5 367	2 890	97 674	158 369
II	81 317	64 232	37 674	78 534	1 703	263 460	58 461	28 235	2 290	5 147	2 951	97 084	166 376
III	87 852	68 903	39 531	98 824	2 020	297 129	66 650	30 514	2 451	5 528	3 268	108 410	188 719
IV	94 166	70 253	49 558	118 081	2 415	334 473	69 963	30 619	3 096	5 627	3 298	112 602	221 871
1993*													
I	105 210	72 568	54 996	162 000	2 925	397 698	77 690	34 825	3 350	6 259	3 710	125 835	271 863
II	105 421	69 550	51 715	171 676	2 774	401 135	76 033	31 136	3 297	6 535	3 303	120 304	280 832
III	115 725	72 805	53 321	180 678	2 922	425 451	77 369	30 522	3 625	7 044	3 166	121 726	303 725
IV	121 805	71 085	51 048	176 980	2 803	423 722	82 485	29 480	3 695	7 194	2 970	125 823	297 899
1994*													
I	120 869	66 281	51 195	174 794	3 254	416 393	52 889	24 358	18 122	7 229	2 916	105 514	310 879

7. FOREIGN TRADE

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

During period	Exports, feb	Imports, cif	Balance (1-2)
	1	2	3
1989	99 784	105 516	- 5 732
1990	101 327	103 027	- 1 700
1991	92 842	87 744	5 098
1992	107 463	94 947	12 516
1993	133 927	103 078	30 849
1993			
March	11 456	10 393	1 063
April	11 429	9 654	1 775
May	11 391	7 738	3 653
June	10 177	7 773	2 404
July	10 899	8 129	2 770
Aug.	10 127	8 210	1 917
Sept.	11 452	8 029	3 423
Oct.	13 906	8 405	5 501
Nov.	12 369	9 620	2 749
Dec.	10 812	9 443	1 369
1994			
Jan.	11 819	8 223	3 596
Feb.	10 862	7 405	3 457
March	12 119	9 441	2 678

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
1989	121	144	156	126	123
1990	125	138	154	128	120
1991	114	115	154	131	118
1992	124	112	164	145	113
1993*	147	109	172	163	106
1991					
III	113	109	156	132	119
IV	124	118	157	135	116
1992					
I	118	112	162	142	114
II	125	118	162	143	113
III	117	102	163	142	115
IV	133	116	171	154	111
1993*					
I	135	107	175	166	106
II	143	104	174	166	105
III	141	103	174	165	105
IV	165	116	170	161	105

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, feb					Imports by use of goods, cif				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1989	7 416	32 513	8 844	32 682	18 329	51 786	8 310	20 606	24 055	759
1990	7 811	31 658	9 540	35 493	16 825	49 210	9 829	19 364	23 888	736
1991	6 984	29 695	10 539	29 188	16 436	42 505	9 399	13 973	21 195	672
1992	7 892	32 587	12 172	35 741	19 071	49 514	9 745	13 348	20 826	1 514
1993	10 889	37 410	14 192	48 099	23 337	54 778	10 911	15 337	21 045	1 007
1993										
March	902	3 448	1 213	3 913	1 980	4 663	887	2 848	1 924	71
April	968	3 414	1 320	3 755	1 972	5 445	697	1 352	2 062	98
May	1 020	3 100	1 082	4 262	1 927	4 537	488	1 050	1 606	57
June	927	2 931	965	3 698	1 656	4 286	1 040	906	1 482	59
July	774	2 753	1 162	4 385	1 825	4 358	973	983	1 645	170
Aug.	668	2 991	1 255	3 304	1 909	4 350	969	1 147	1 682	62
Sept.	988	3 255	1 328	3 767	2 114	4 360	951	873	1 713	132
Oct.	1 133	3 508	1 258	5 869	2 138	4 718	863	978	1 835	11
Nov.	1 061	3 294	1 354	4 479	2 181	4 969	1 377	1 282	1 946	46
Dec.	964	2 954	1 069	3 766	2 059	4 999	1 107	1 349	1 892	96
1994										
Jan.	978	3 009	1 282	4 272	2 278	4 511	691	1 153	1 807	61
Feb.	1 018	3 060	1 060	3 741	1 983	4 215	603	934	1 620	33
March	1 026	3 623	1 248	4 061	2 161	5 141	755	1 309	2 193	43

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, fob				Imports, cif			
	1993*		1994*		1993*		1994*	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	102 135	76.3	26 359	11.3	81 607	79.2	19 988	- 5.0
OECD Europe	86 513	64.6	22 888	10.7	66 956	65.0	16 183	- 5.7
Of which:								
Austria	1 427	1.1	368	5.7	1 179	1.1	293	13.3
Belgium and Luxembourg	2 955	2.2	829	8.3	3 008	2.9	727	13.7
Denmark	4 479	3.3	1 361	27.6	3 231	3.1	809	9.1
France	7 114	5.3	1 824	8.3	4 716	4.6	1 089	2.3
Germany	17 628	13.2	4 850	10.6	16 901	16.4	3 789	- 29.3
Italy	4 350	3.2	1 043	- 14.5	3 811	3.7	1 016	16.7
Netherlands	6 729	5.0	1 918	14.7	3 847	3.7	912	- 1.8
Norway	4 277	3.2	1 120	22.5	5 010	4.9	1 317	- 8.7
Spain	3 263	2.4	817	13.2	1 245	1.2	418	28.6
Sweden	14 855	11.1	3 761	8.7	10 531	10.2	2 654	11.7
Switzerland	2 111	1.6	551	15.2	2 044	2.0	469	3.0
United Kingdom	14 020	10.5	3 647	16.1	9 160	8.9	2 079	- 0.3
Other OECD	15 622	11.7	3 470	15.7	14 651	14.2	3 805	- 2.1
Of which:								
Canada	1 075	0.8	217	- 15.8	724	0.7	155	3.8
Japan	2 187	1.6	602	47.4	5 958	5.8	1 636	13.8
United States	10 506	7.8	2 179	13.0	7 498	7.3	1 904	- 14.4
Non- OECD European countries	12 679	9.5	3 966	63.1	11 207	10.9	2 446	- 7.7
Of which:								
Russia	6 051	4.5	1 879	70.7	7 813	7.6	1 731	- 12.1
Other countries	19 113	14.3	4 567	- 13.1	10 264	10.0	2 696	13.4
Of which:								
OPEC countries	3 266	2.4	628	5.7	542	0.5	111	65.3
TOTAL	133 927	100.0	34 892	11.2	103 078	100.0	25 130	- 3.6
Of which:								
EC countries	62 850	46.9	16 863	10.8	47 974	46.5	11 400	- 9.4
EFTA countries	22 799	17.0	5 823	11.4	18 831	18.3	4 745	4.3

8. DOMESTIC ECONOMIC DEVELOPMENTS

8.1 SUPPLY AND USE OF RESOURCES, MILL. FIM, 1990 PRICES

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4	5	6	7	8	9
1989	269 879	104 526	129 905	15 149	5 975	525 434	117 241	127 311	515 364
1990	269 754	108 535	121 858	17 286	5 769	523 202	118 828	126 600	515 430
1991	260 031	111 256	93 722	17 243	- 2 451	479 801	110 965	111 755	479 011
1992*	246 714	109 043	75 529	16 226	4 365	451 877	122 059	112 989	460 947
1993*	235 469	102 736	60 682	14 541	6 052	419 480	142 819	113 109	449 190
1991									
III	65 247	27 862	21 896	4 278	- 1 490	117 793	29 403	28 079	119 117
IV	64 262	27 816	21 019	3 995	- 1 349	115 743	28 160	27 517	116 385
1992*									
I	63 142	27 345	20 458	4 202	238	115 385	29 303	28 210	116 477
II	61 843	27 248	19 874	4 237	1 321	114 524	30 692	29 152	116 064
III	61 256	27 201	18 419	3 811	1 321	112 007	30 607	27 641	114 973
IV	60 473	27 250	16 777	3 976	1 485	109 961	31 457	27 986	113 433
1993*									
I	59 822	25 809	15 923	3 617	1 634	106 805	34 213	28 800	112 218
II	58 732	25 686	14 871	3 641	920	103 850	34 975	27 241	111 584
III	58 317	25 610	15 028	3 795	2 670	105 420	36 367	28 715	113 072
IV	58 598	25 630	14 860	3 489	828	103 405	37 264	28 353	112 316

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1990=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.3)	(89.6)	(16.8)	(31.3)	(41.8)	(9.1)
	1	2	3	4	5	6	7
1989	100.3	101.9	100.5	102.3	99.6	100.8	97.9
1990	100.2	99.8	100.2	100.1	100.4	100.1	100.0
1991	91.2	91.3	89.9	91.5	85.6	92.6	103.6
1992*	92.6	91.2	91.5	94.8	90.9	90.6	103.2
1993*	97.2	80.8	96.3	104.8	98.8	90.9	108.6
1993*							
Feb.	93.9	84.9	92.6	98.6	94.1	89.4	106.1
March	93.9	84.0	92.5	99.6	94.8	88.1	109.4
April	95.4	84.8	94.5	103.2	97.5	89.0	105.6
May	92.9	78.9	92.2	99.6	95.8	86.7	103.9
June	97.1	64.6	96.6	105.8	98.6	91.0	111.1
July	97.8	80.7	97.2	105.9	100.0	91.8	108.1
Aug.	96.4	75.5	95.7	105.4	96.9	90.9	106.7
Sept.	99.8	75.4	99.1	108.6	102.1	93.0	110.5
Oct.	101.2	81.8	100.6	111.1	104.2	93.7	111.3
Nov.	101.7	82.8	100.8	110.0	103.9	94.6	110.7
Dec.	102.3	88.0	100.9	109.8	105.7	93.9	114.3
1994*							
Jan.	101.7	87.5	100.5	111.6	101.5	94.3	112.6
Feb.	103.6	72.4	101.5	109.3	107.8	94.1	122.6

8.3 INDICATORS OF DOMESTIC SUPPLY AND DEMAND, 1985=100

(seasonally adjusted figures)

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1989	124.2	117.0	130.3	132.9	137.6	125.2	161.4	116.7
1990	119.9	111.7	127.3	124.8	161.7	122.1	144.6	117.5
1991	101.2	103.9	103.9	94.4	127.7	109.9	102.1	110.3
1992*	87.9	93.8	79.5	73.8	76.2	87.5	84.5	106.9
1993*	82.6	87.8	57.9	59.4	51.0	66.9	83.1	105.3
1992* IV	83.2	89.3	68.4	61.4	51.8	71.2	80.1	106.0
1993* Jan.	77.3	86.8	..	..	..	..	..	105.1
Feb.	83.0	91.7	..	..	..	..	..	106.5
March	85.2	90.9	..	..	..	..	..	105.1
April	81.2	88.9	..	..	..	..	..	104.5
May	81.6	88.1	..	..	..	..	..	103.0
June	85.5	86.8	..	..	..	..	..	104.9
July	83.7	85.6	..	..	..	..	..	104.6
Aug.	83.6	86.2	..	..	..	..	..	104.7
Sept.	81.9	85.7	..	..	..	..	..	105.5
Oct.	80.7	86.2	..	..	..	..	..	105.8
Nov.	83.5	87.0	..	..	..	..	..	106.8
Dec.	83.4	89.2	..	..	..	..	..	107.1
I	81.8	89.8	58.5	61.1	45.5	62.8	118.1	105.6
II	82.8	87.9	57.8	60.6	50.2	62.4	73.5	104.1
III	83.1	85.8	57.9	59.2	45.5	63.3	60.4	104.9
IV	82.5	87.5	57.4	56.4	62.7	79.1	79.0	106.6
1994* Jan.	79.3	85.5	..	..	..	..	..	106.7

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors		Consumer price index	Indicator of underlying inflation	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index	
		Private	Of which: Manufacturing (M3)				Public	Domestic goods		Imported goods	Exported goods		Home market goods
	1	2	3	4	5	6	7	8	9	10	11	12	13
1989	135.7	136.5	133.8	134.0	120.0	117.4	107.3	111.3	92.6	107.8	110.5	106.4	125.5
1990	148.2	148.8	146.8	146.5	127.3	123.1	110.9	115.7	93.6	110.0	110.4	109.8	134.5
1991	157.6	158.3	156.2	155.9	132.6	128.3	111.2	115.8	94.2	109.9	108.7	110.4	137.3
1992¹	160.6	160.9	159.9	159.7	136.0	130.4	112.4	115.6	100.9	112.6	113.4	112.3	134.9
1993¹	161.9	161.9	162.3	161.8	138.9	134.1	115.8	116.9	111.0	116.7	120.2	115.1	135.3
1992¹													
IV	161.2	161.4	160.8	160.5	136.9	130.4	113.4	115.6	105.2	113.9	116.2	112.9	134.3
1993¹													
March	..	..	..	..	138.8	133.1	116.2	117.1	112.4	116.9	120.5	115.2	134.7
April	..	..	..	..	139.3	133.8	116.4	117.3	112.4	117.4	121.0	115.7	135.2
May	..	..	..	..	139.4	134.2	116.1	116.8	112.7	117.3	121.6	115.4	135.3
June	..	..	..	..	139.2	134.5	116.1	117.1	111.8	117.2	120.7	115.6	135.5
July	..	..	..	..	138.8	134.3	116.0	117.1	111.6	116.7	119.8	115.2	135.3
Aug.	..	..	..	..	138.7	134.4	116.0	116.8	112.1	116.9	120.4	115.2	135.3
Sept.	..	..	..	..	139.0	135.0	116.1	117.4	110.9	117.4	121.1	115.7	135.6
Oct.	..	..	..	..	139.1	135.2	115.9	117.2	110.8	117.4	121.4	115.5	135.7
Nov.	..	..	..	..	138.9	135.1	115.7	117.2	110.0	116.8	120.4	115.2	135.7
Dec.	..	..	..	..	138.8	135.0	115.5	116.9	109.9	116.4	120.1	114.7	135.5
1993¹													
I	161.7	161.9	161.8	161.2	138.5	132.6	115.1	116.5	109.8	115.7	118.6	114.4	134.8
II	162.0	162.0	162.7	161.6	139.3	134.1	116.2	117.1	112.3	117.3	121.1	115.6	135.3
III	161.8	161.6	161.8	162.0	138.8	134.6	116.0	117.1	111.5	117.0	120.4	115.4	135.4
IV	162.3	162.2	163.0	162.2	139.0	135.1	115.7	117.1	110.2	116.9	120.6	115.1	135.6
1994¹													
Jan.	..	..	..	..	138.5	134.6	115.7	117.4	109.6	116.7	120.4	115.1	136.5
Feb.	..	..	..	..	139.0	135.4	116.1	118.0	109.2	116.7	119.3	115.5	136.5
March	..	..	..	..	139.3	..	116.4	118.2	109.8	116.9	118.9	116.0	136.7

¹ Preliminary figures for columns 1-4.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry			Unemployed	Unemployment rate	
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction			Service industries
1000 persons											
	%									%	
	1	2	3	4	5	6	7	8	9	10	11
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4
1991	67.4	2 533	2 340	340	2 000	197	502	179	1 461	193	7.6
1992	66.1	2 502	2 174	325	1 849	188	454	150	1 382	328	13.1
1993	65.3	2 484	2 041	312	1 729	173	423	124	1 319	444	17.9
1993											
March	65.2	2 476	2 058	317	1 741	180	429	135	1 314	419	16.9
April	65.5	2 488	2 058	320	1 737	178	428	131	1 320	430	17.3
May	65.4	2 484	2 050	315	1 736	175	430	132	1 314	433	17.4
June	64.9	2 466	2 017	306	1 712	170	416	125	1 306	448	18.2
July	65.0	2 473	2 023	308	1 714	173	418	117	1 315	450	18.2
Aug.	65.5	2 492	2 033	300	1 733	167	421	125	1 320	459	18.4
Sept.	65.4	2 491	2 021	318	1 703	172	425	116	1 307	470	18.9
Oct.	65.1	2 481	2 015	313	1 703	172	416	122	1 305	465	18.8
Nov.	65.3	2 487	2 024	302	1 721	172	414	121	1 317	463	18.6
Dec.	65.2	2 486	2 014	315	1 698	172	419	112	1 311	472	19.0
1994											
Jan.	64.8	2 469	1 994	353	1 641	169	409	115	1 301	475	19.2
Feb.	65.5	2 496	2 027	294	1 732	169	419	111	1 328	469	18.8
March	65.2	2 491	2 012	313	1 699	165	421	106	1 319	479	19.2

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
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1990	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
1991	41 054	73 251	1 136	19 182	134 624	4 442	139 069	45 085	101 220	42 297	55 160
1992	34 312	69 541	1 512	21 251	126 616	5 054	131 669	49 207	105 184	42 990	59 180
1993	31 667	67 291	1 443	28 823	129 224	7 366	136 593	46 880	108 608	42 720	63 535
1992											
Dec.	853	6 371	- 50	2 978	10 152	1 043	11 195	4 395	9 323	3 671	5 263
1993											
Jan.	- 560	5 900	70	919	6 329	15	6 345	4 129	9 084	3 230	5 701
Feb.	3 730	4 446	240	1 257	9 673	113	9 785	3 869	7 807	3 347	4 273
March	2 456	6 205	127	3 496	12 284	2 119	14 403	4 145	9 295	3 698	5 440
April	3 875	4 926	93	2 657	11 551	98	11 649	3 835	9 436	4 055	5 278
May	2 697	5 638	97	2 688	11 120	510	11 630	3 646	9 115	3 958	5 013
June	2 870	5 633	86	2 748	11 337	591	11 928	4 110	8 842	3 958	4 672
July	3 208	5 626	119	1 759	10 712	197	10 909	4 719	8 225	3 287	4 696
Aug.	3 011	5 884	102	2 166	11 163	154	11 318	3 424	7 820	3 395	4 102
Sept.	2 792	5 185	129	2 247	10 353	108	10 461	3 658	9 482	3 371	5 987
Oct.	2 774	5 548	118	1 072	9 512	64	9 576	3 381	9 774	3 375	6 235
Nov.	2 736	5 757	147	2 672	11 312	2 638	13 952	3 708	9 371	3 437	5 820
Dec.	2 078	6 543	115	5 142	13 878	759	14 637	4 256	10 357	3 609	6 318

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)
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 851	- 4 009	3 842
1990	5 962	4 927	133 614	9 319	142 934	5 737	678	1 201	1 879
1991	5 370	6 368	158 044	13 328	171 372	- 23 420	- 32 304	25 659	- 6 645
1992	5 042	8 499	167 932	35 501	203 433	- 41 316	- 71 764	70 691	- 1 071
1993	4 306	18 076	177 870	19 753	197 623	- 48 646	- 61 030	84 036	23 009
1992									
Dec.	664	1 117	15 499	11 897	27 396	- 5 347	- 16 201	3 174	- 13 027
1993									
Jan.	261	1 691	15 165	662	15 826	- 8 836	- 9 481	16 891	7 410
Feb.	290	842	12 808	1 289	14 098	- 3 135	- 4 313	15 636	11 324
March	313	2 248	16 001	3 211	19 211	- 3 717	- 4 808	9 245	4 437
April	306	1 554	15 131	2 060	17 191	- 3 580	- 5 542	12 592	7 050
May	318	1 156	14 235	1 351	15 586	- 3 115	- 3 956	2 086	- 1 870
June	384	2 650	15 986	768	16 753	- 4 649	- 4 825	4 424	- 401
July	406	914	14 264	3 935	18 200	- 3 552	- 7 291	7 157	- 134
Aug.	416	874	12 534	723	13 258	- 1 371	- 1 940	5 079	3 139
Sept.	417	1 135	14 692	1 756	16 448	- 4 339	- 5 987	3 529	- 2 457
Oct.	369	2 497	16 021	740	16 761	- 6 509	- 7 185	6 076	- 1 109
Nov.	349	771	14 199	767	14 966	- 2 887	- 1 014	1 230	216
Dec.	477	1 744	16 834	2 491	19 325	- 2 956	- 4 688	91	- 4 596

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

Table 1.2 Domestic financial sector. Term claims on deposit banks, net (Column 11) = bank certificates of deposit held by the Bank of Finland + securities with repurchase commitments + term credits - term deposits. Liquidity position of deposit banks (Column 12): see explanation to Table 2.1. Other claims on financial institutions, net (Column 14) = till-money credits to deposit banks (until May 1993) + bonds + other claims on financial institutions - other liabilities to financial institutions.

2 THE BANK OF FINLAND'S OPERATIONS IN THE MONEY AND FOREIGN EXCHANGE MARKETS AND THE BANKS' FORWARD EXCHANGE POSITION

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

Table 2.2 The minimum reserve requirement is reported for the month by the end of which the deposit must be made with the Bank of Finland. The requirement is determined on the basis of the reserve base for the previous month. No interest is paid on minimum reserve deposits. The cash reserve figures for 1989 include the additional deposit requirement of 1.1 per cent under the supplementary cash reserve agreement in force at the time, together with the corresponding non-interest-bearing deposits of FIM 3 159 million.

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

Table 2.4 Foreign exchange transactions are recorded according to trade dates. In addition to spot transactions (Columns 1, 2, 4 and 5) the Bank of Finland's foreign exchange reserves are affected by interest payments and by changes in both the prices of securities and exchange rates. Spot transactions related to forward contracts (Column 4) refer to the combined effects on the foreign exchange reserves of forward transactions in the form of swaps and maturing forward transactions. The central government's foreign exchange transactions (Column 5) comprise transactions related to drawings and redemptions of government loans and associated interest payments.

Table 2.5 The markka value of forward contracts is given.

3 RATES OF INTEREST

Table 3.1 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 Bank of Finland's tender rate (column 1) is determined in tenders held by the Bank of Finland, in which the banks are asked to make bids or offers for money market instruments with a maturity of one month. The tender rate is the weighted average of accepted bids or offers, expressed as a simple annual interest rate. If, when requesting bids or offers, the Bank of Finland announces an acceptable interest rate (fixed-rate tender), the tender rate is the same as the rate announced by the Bank. The monthly and annual values for the tender rate are the arithmetic means of calendar day figures.

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

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

Table 3.4 Lending. New credits (Columns 1-4): rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts. Annual rates are arithmetic averages of monthly observa-

tions until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. Deposits. 24-month and 36-month tax-exempt deposits (Columns 7 and 8): from May (September) 1992, 24-month(36-month) deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less two percentage points (one percentage point). In the period from January 1989 to April 1992, 24-month deposits (Column 7) were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less one percentage point. Other tax-exempt deposits (Column 9): in the period from January 1989 to April 1992, deposits other than 24-month deposits were tax-exempt if they carried a rate of interest which was at most the Bank of Finland's base rate less 4 percentage points. From May 1992, deposits other than 24 month or 36-month deposits are tax-exempt if they carry a maximum rate of interest as prescribed by law. The maximum rate was first set at 4.5 per cent. From 6 May 1993 it has been 2.5 per cent. All markka deposits (Column 10): the stock of deposits comprises all markka deposits by the public. The monthly and annual average rates of interest are weighted by deposit amounts. Other funding (Column 11): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 12); markka deposits by the public + banks' other markka funding. The rate of interest is weighted by amounts.

Table 3.5 Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. Yields on taxable government bonds (Columns 3 and 4) are calculated by the Bank of Finland in a similar fashion. Until January 1992, the yield on 5-year taxable government bonds (Column 3) was calculated on a bullet bond due on 15 March 1994 with a coupon rate of 13 per cent. From February 1992 onwards the yield is calculated on a bullet bond due on 15 January 1999 with a coupon rate of 11 per cent. The yield on 10-year taxable government bonds (Column 4) is calculated on a housing bond (bullet) due on 15 March 2002 with a coupon rate of 10.75 per cent. The yield on taxable public issues (Column 5) 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. The yield on taxfree public issues (Column 6) 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 5 and 6 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations.

4 RATES OF EXCHANGE

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

5 OTHER DOMESTIC FINANCING

Table 5.1 Source: Statistics Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and the local government sector. The table is based on new classifications of Statistics Finland applied since March 1991. Series before March 1991 have been reclassified by the Bank of Finland to conform with the present table, except for columns 3 and 4 where disaggregation was not possible and combined figures are shown. Time deposits (Column 3) consist of all fixed-term deposits. Other deposits (Column 4) include mainly investment accounts with no specific time-period. Other funding (Column 8) comprises CDs, promissory notes and bonds. The figures for banks' holdings of CDs issued by other banks, as well as the CD holdings of the Bank of Finland and the central government have been netted out; netting out is done by the Bank of Finland. Hence, this column includes some liabilities held by entities not covered by the above definition of the public.

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

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl. foreign claims of banks' foreign branches) – the Bank of Finland's foreign liabilities – banks' foreign liabilities (incl. foreign liabilities of banks' foreign branches). *Domestic credit*. Claims on the central government, net (Column 2) = the Bank of Finland's claims on the central government + banks' claims on the central govern-

ment – the central government's deposits with the Bank of Finland and Postipankki – loans granted from state funds through banks. Claims on the public (incl. local government), (Column 3) = the Bank of Finland's claims on the private sector + banks' claims on the private sector (loans to the public, bonds and debentures (excl. government bonds and bank debentures), claims on other financial institutions, shares held by banks). Other items, net (Column 5) = capital accounts and other items of the Bank of Finland (incl. private sector time deposits with the Bank of Finland) + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures, bank CDs held by the public, other market funding and foreign currency deposits by the public). M_1 (Column 6) = currency in circulation – banks' till money + markka cheque and postal giro account deposits and transactions account deposits held by the public. M_2 (Column 7) = M_1 + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland). M_3 (Column 8) = M_2 + bank CDs held by the public.

Table 5.4 Source: State Treasury Office. Other bonds and debentures (Column 2) are so-called private placings. Long-term promissory notes (Column 3) are bank loans. Outstanding lending (Column 10) comprises the stock of loans granted from the central government budget and from extra-budgetary funds. Cash funds (Column 11) comprise the cash funds held in central government accounting offices, funds held in cheque and postal giro accounts, as well as placements of central government cash funds. The main part of the latter is reserved for covering transferable allocations budgeted in previous years (for details, see the article "State Borrowing and Cash Management" by Pekka Laajanen and Pekka Saarinen in the August 1987 issue of the Bulletin). Transferable allocations amounted to FIM 8.1 billion at the end of 1988.

Table 5.5 Source: Table B: Statistics Finland from the beginning of 1991. Tables A and B include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland. Table C includes transactions in markka-denominated bonds outside the Helsinki Stock Exchange. Inter-bank transactions (Column 1) and transactions (purchases and sales) between banks and customers (Column 2) are transactions by the banks entitled to central bank financing. The State Treasury and the five largest banks (KOP, Okobank, Postipankki, Skopbank and Union Bank of Finland) agreed on a market making arrangement for benchmark government bonds with effect from 1 August 1992. Evli Securities Ltd (from 1 December 1993 Evli Fixed Income Securities) was accepted as primary dealer with effect from 1 May 1993 and the Danish broking firm Unibørs Securities from 1 October 1993. Unibørs is the first foreign primary dealer in benchmark government bonds; it has not established operations in Finland. The primary dealers' quotes are published daily (page JVKD on Reuters). Pur-

chases from and sales to others (Columns 4 and 5) consist of transactions in benchmark government bonds between primary dealers and other parties. Other parties refer to all parties that are not primary dealers.

Table 5.6 Source: The Helsinki Stock Exchange.

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

Table 6.1 The figures for the trade and goods and services accounts are compiled in accordance with the System of National Accounts. The figures for investment income and expenditure (Columns 7 and 16) include reinvested earnings on direct investment. Preliminary data on reinvested earnings in the previous year have been included in the current account figures. (The annual figure is divided evenly between quarterly figures.)

Table 6.2 Columns 1–5: Net change in long-term liabilities. Columns 6–10: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 7) (marketable instruments): Primary and secondary market transactions in securities. Loans (Column 3) (non-marketable instruments): Financial loans, import credits, prepayments related to exports and leasing credits. Other long-term capital (Column 4): Finland's subscriptions to international financial institutions paid in the form of promissory notes + long-term deposit liabilities of banks + other long-term liabilities of central government, banks and other financial institutions. Loans (Column 8): Financial loans, development credits, export credits, prepayments related to imports and leasing credits. Other long-term capital (Column 9): Finland's subscriptions to international financial institutions + long-term deposits of banks + other long-term assets of central government, banks and other financial institutions.

Table 6.3 Net foreign debt (Columns 1–23) 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.

Table 6.4 The sectoral figures for short-term foreign liabilities and assets correspond to the figures shown in Columns 12–22 of Table 6.3.

Tables 6.2, 6.3 and 6.4 include classification changes due to the IMF's new recommendations, as a result of which there are some breaks in the series. Revised time series will be published in a later issue, in which connection the contents of the new series will be explained in detail.

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

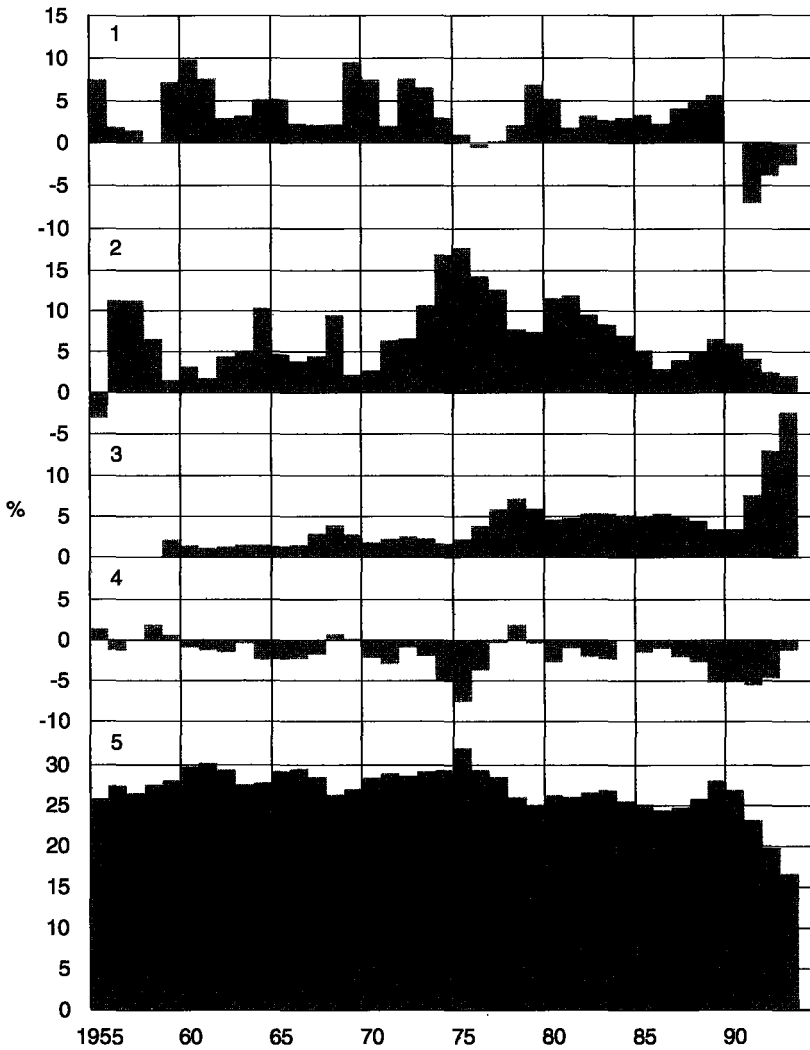
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

Table 8.6 Source: Ministry of Finance.

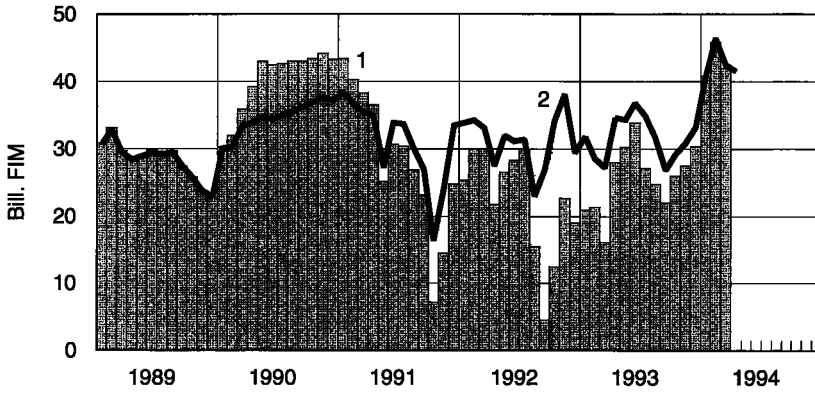
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Rates of interest applied by the Bank of Finland	S29
5. Banks' liquidity position with the Bank of Finland	S30
6. Liquidity management interest rates	S30
7. HELIBOR rates of interest, daily	S30
8. HELIBOR rates of interest, monthly	S31
9. Differential between Finnish and German interest rates	S31
10. Yields on bonds	S31
11. Bank of Finland currency index and the markka value of the ECU	S32
12. Daily spot rates for the markka against the Deutschmark and the US dollar	S32
13. Daily spot rates for the markka against the pound sterling and the Swedish krona	S32
14. Monthly spot rates for the markka against the Deutschmark and the US dollar	S33
15. Monthly spot rates for the markka against the pound sterling and the Swedish krona	S33
16. Banks' markka lending rates and markka funding rates	S33
17. Bank funding from the public	S34
18. Bank lending to the public	S34
19. Money supply	S34
20. Current account	S35
21. Net interest and dividend expenditure	S35
22. Balance of payments	S36
23. Foreign debt	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 the unemployment rate	S39
30. Prices and wages	S39
31. Central government finances	S40
32. Central government debt	S40

1. LONG-TERM INDICATORS



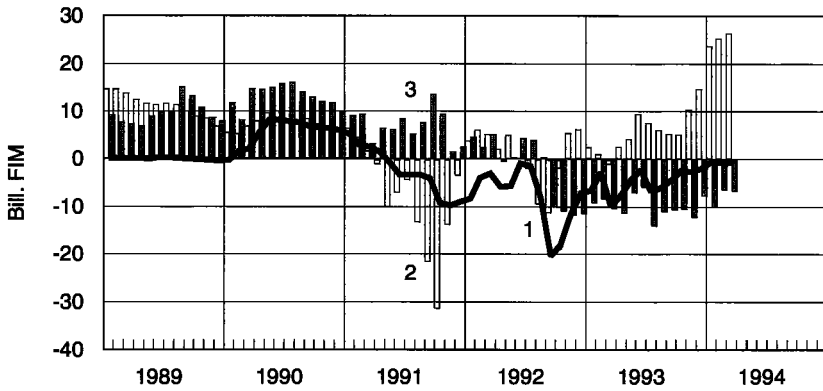
1. GDP change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



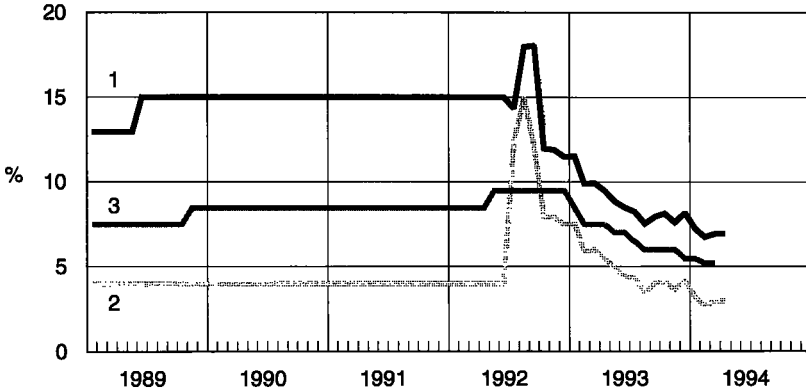
1. Foreign exchange reserves plus forward position
2. Foreign exchange reserves

3. FORWARD MARKET



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

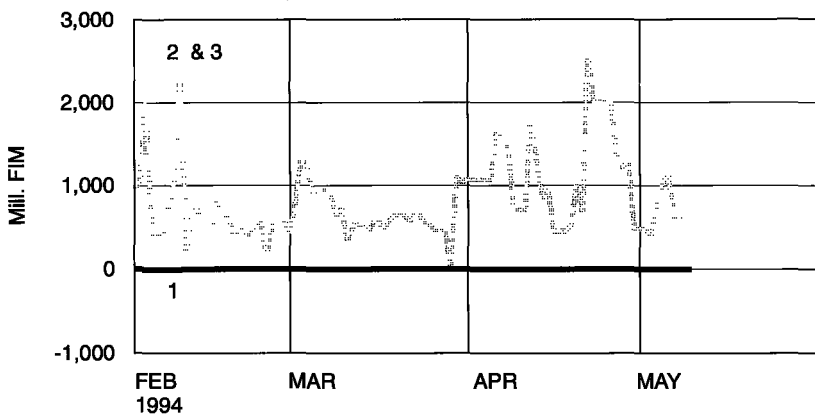
4. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



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

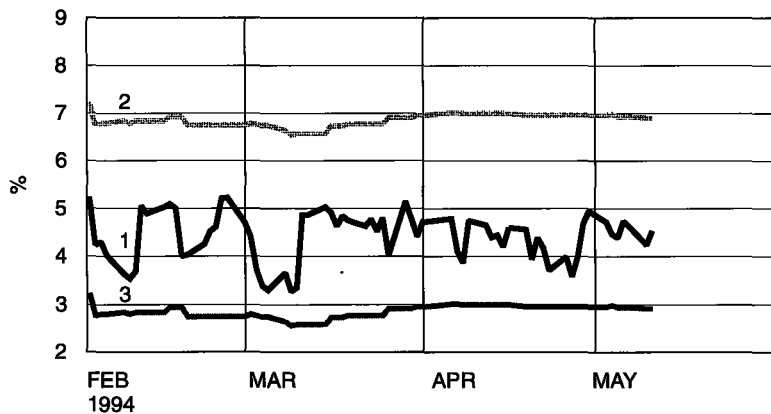
End-of-month observations

5. BANKS' LIQUIDITY POSITION WITH THE BANK OF FINLAND



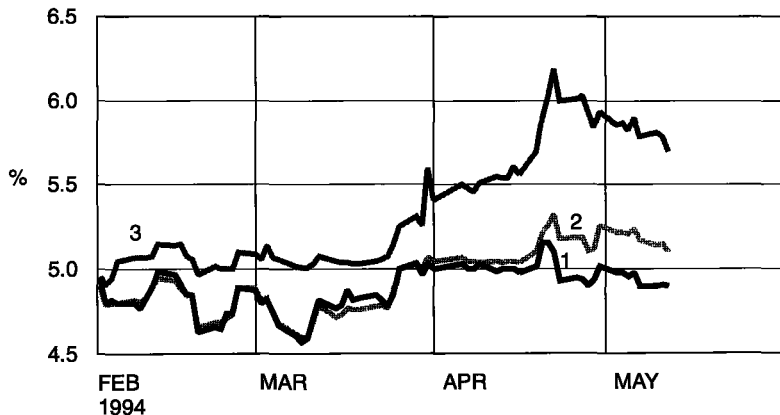
- 1. Liquidity credits (-)
- 2. Call money deposits
- 3. Net

6. LIQUIDITY MANAGEMENT INTEREST RATES



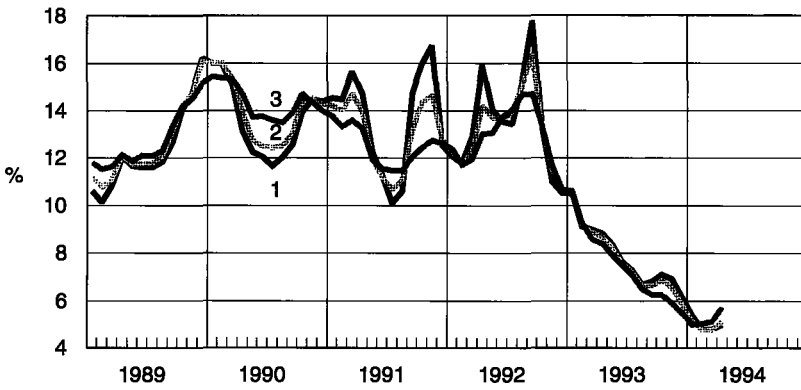
- 1. Inter-bank overnight rate
 - 2. Liquidity credit rate
 - 3. Call money deposit rate
- Daily observations

7. HELIBOR RATES OF INTEREST, DAILY



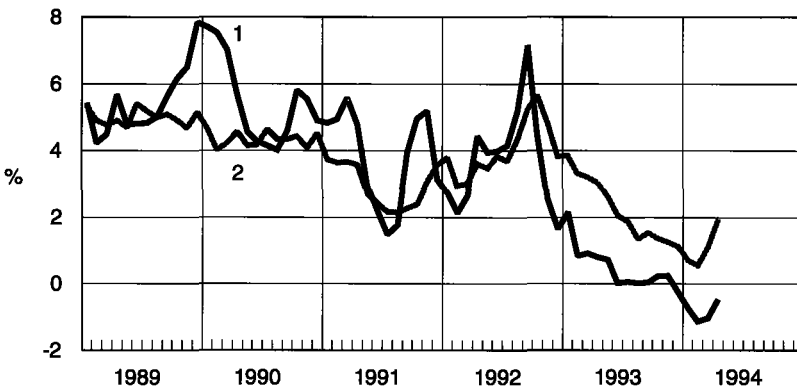
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

8. HELIBOR RATES OF INTEREST, MONTHLY



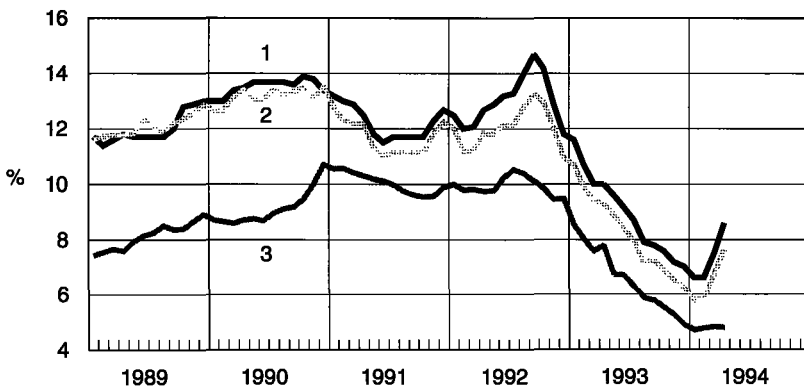
1. 1-month HELIBOR
2. 3-month HELIBOR
3. 12-month HELIBOR

9. DIFFERENTIAL BETWEEN FINNISH AND GERMAN INTEREST RATES



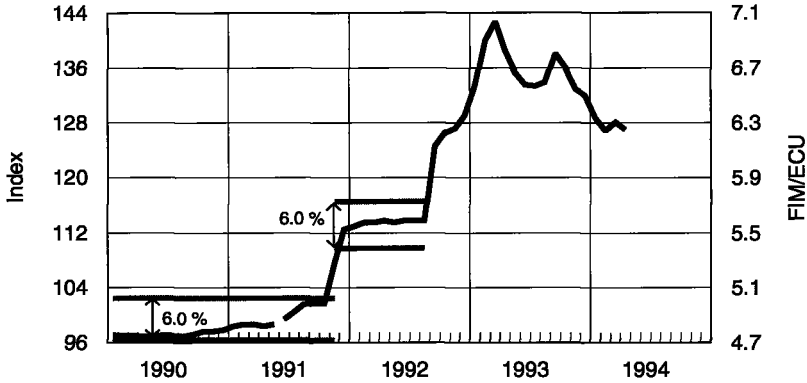
1. 3-month HELIBOR *minus* 3-month DEM eurorate
2. 5-year Finnish government bond yield *minus* 5-year German government bond yield

10. YIELDS ON BONDS



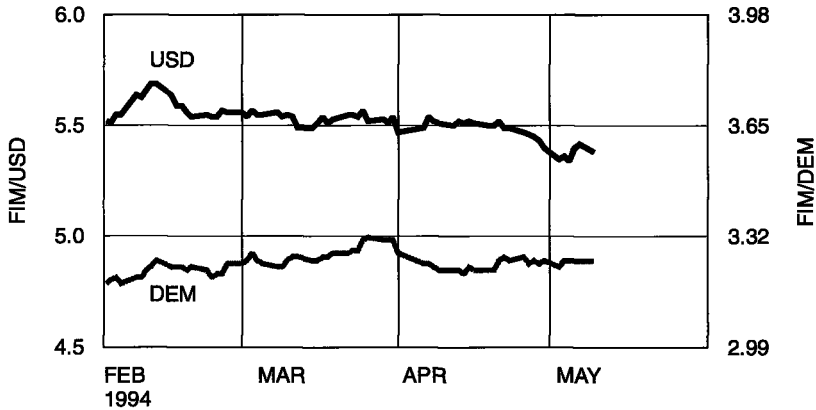
1. Bank of Finland's 5-year reference rate
2. Until April 1991, yield on (4-5 year) taxable government bonds
Since May 1991, yield on government bond due on 15 March 1996, coupon rate 11.75 per cent
3. Yield on (4-5 year) tax-free government bonds

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



Until 7 June 1991, the Bank of Finland currency index. From 7 June 1991, the markka's exchange rate against the ECU, the fluctuation limits of which were 4.72953–5.02207 in the period 7 June – 14 November 1991, and 5.39166–5.72516 in the period 15 November 1991 – 7 September 1992. Since 8 September 1992, the limits have been temporarily abandoned. Monthly averages

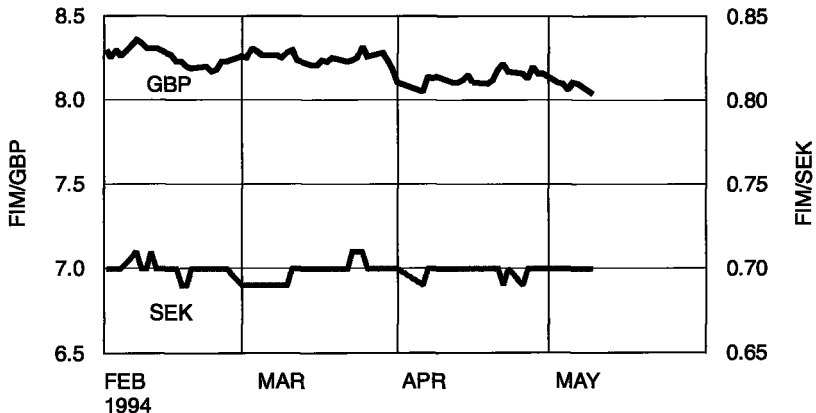
12. DAILY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



Middle rates

DEM = right scale
USD = left scale

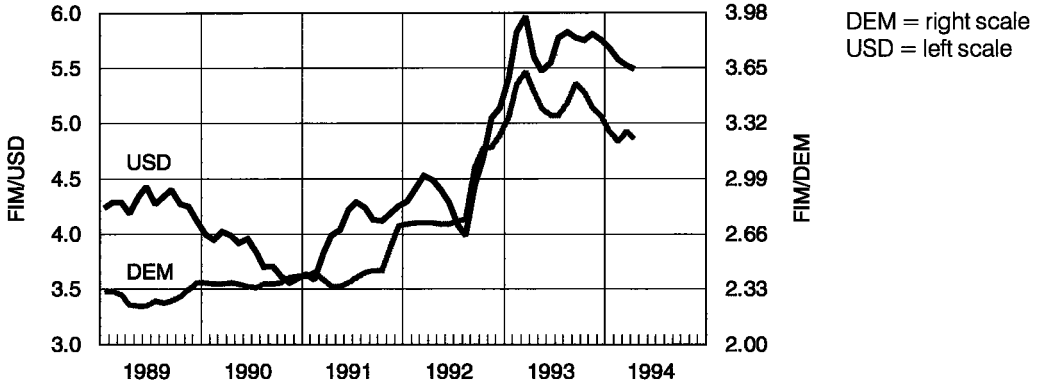
13. DAILY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



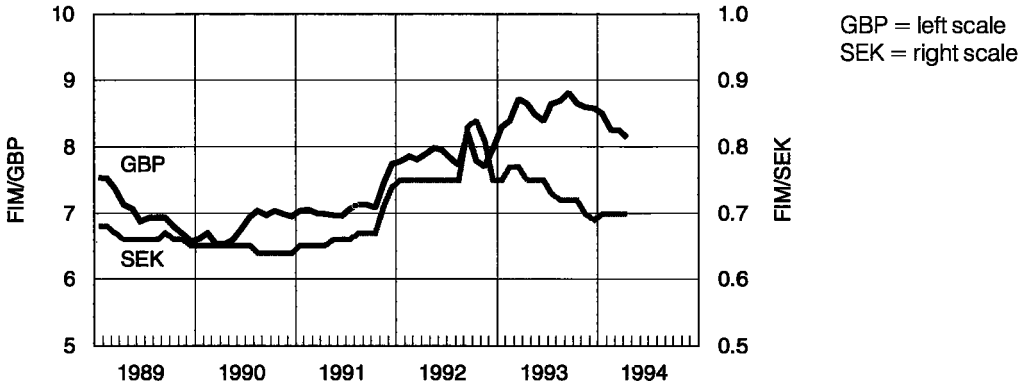
Middle rates

GBP = left scale
SEK = right scale

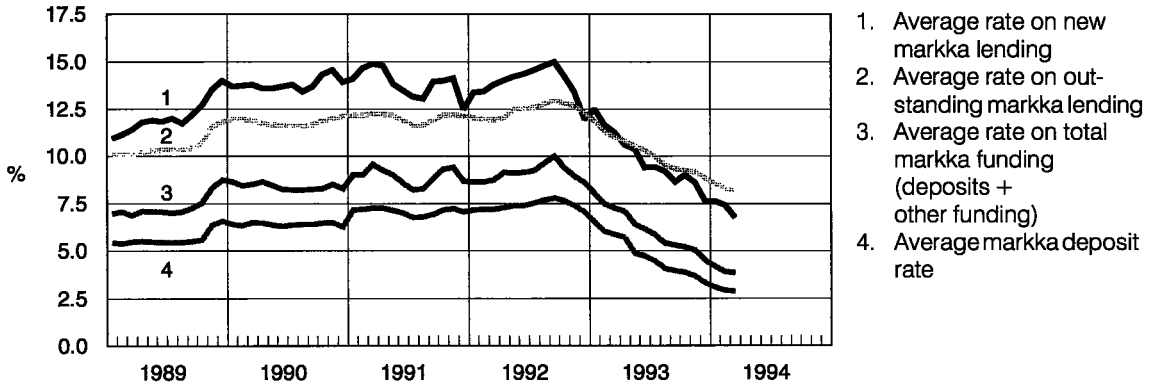
14. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE DEUTSCHMARK AND THE US DOLLAR



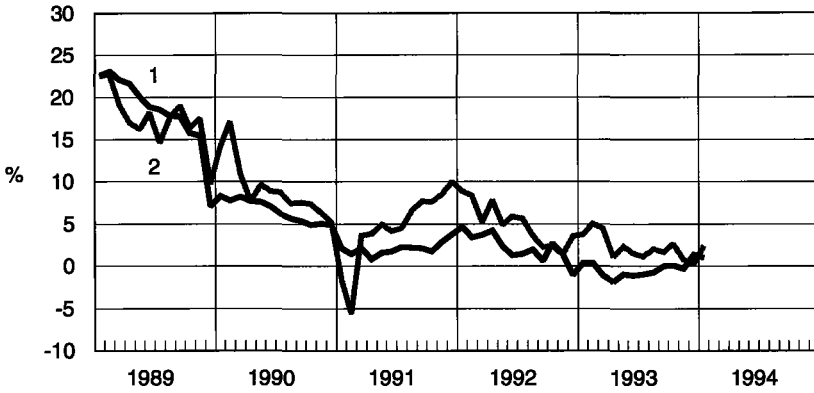
15. MONTHLY SPOT RATES FOR THE MARKKA AGAINST THE POUND STERLING AND THE SWEDISH KRONA



16. BANKS' MARKKA LENDING RATES AND MARKKA FUNDING RATES



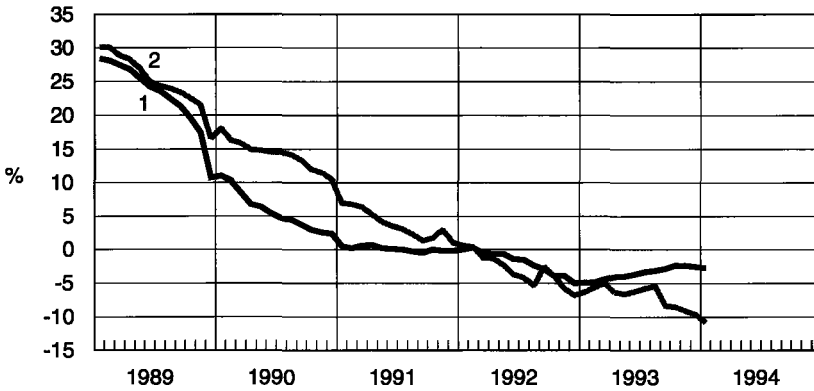
17. BANK FUNDING FROM THE PUBLIC



- 1. Markka deposits
- 2. Total funding

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

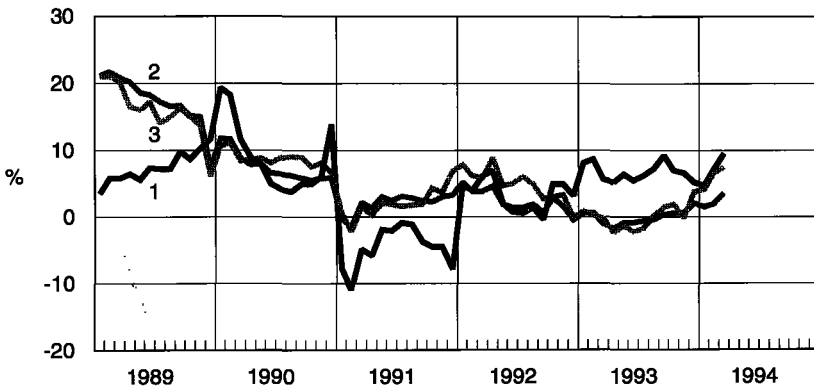
18. BANK LENDING TO THE PUBLIC



- 1. Markka lending
- 2. Total lending

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

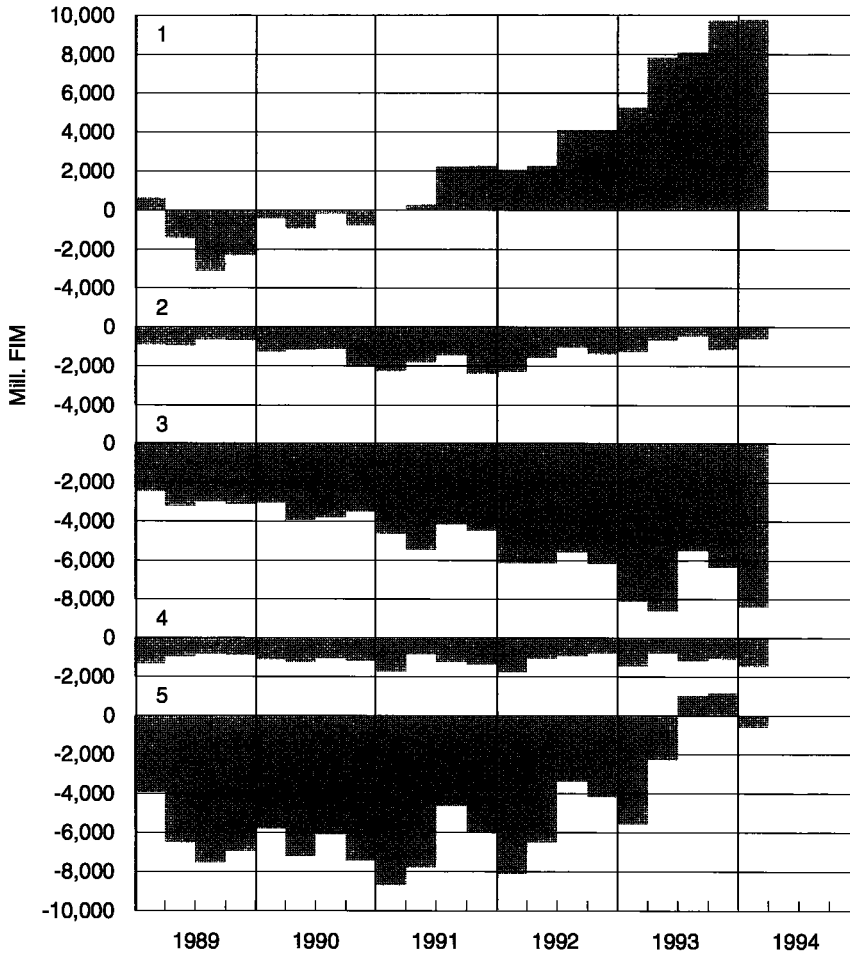
19. MONEY SUPPLY



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

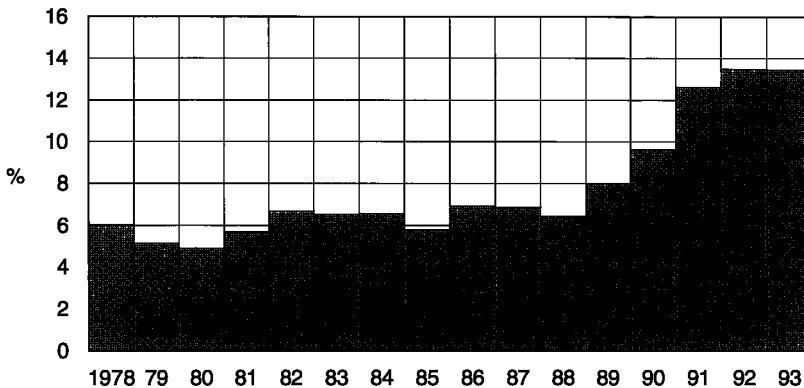
Change from the corresponding month of the previous year, per cent

20. CURRENT ACCOUNT



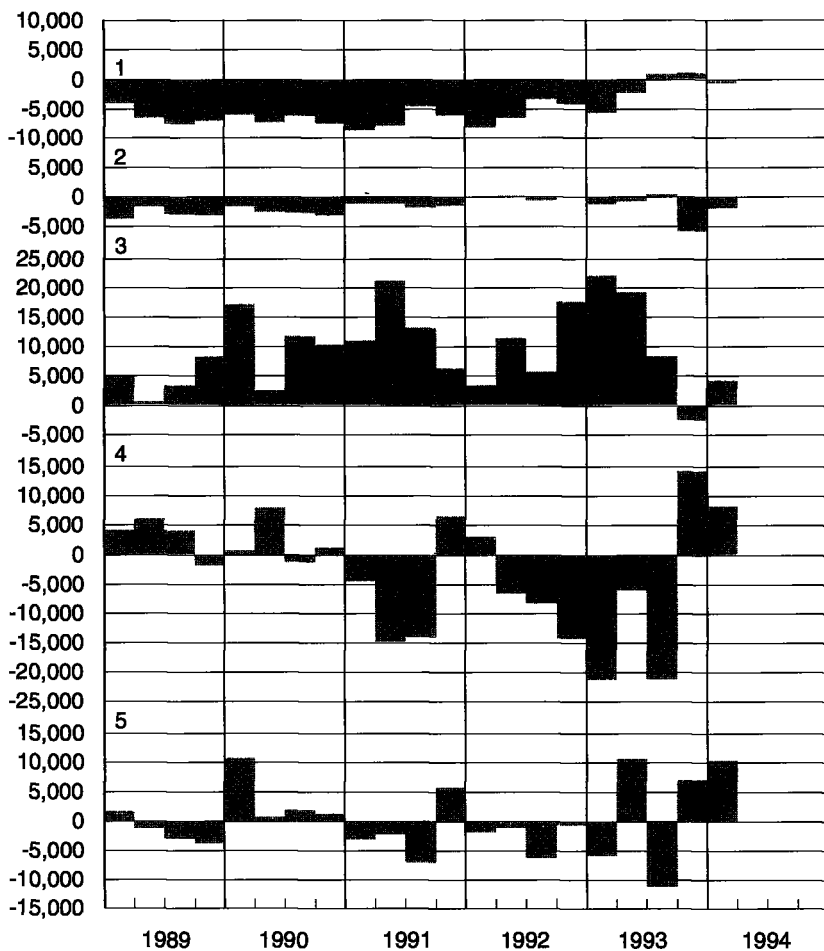
1. Trade account
2. Services account
3. Investment income account
4. Unrequited transfers account and other items, net
5. Current account

21. NET INTEREST AND DIVIDEND EXPENDITURE



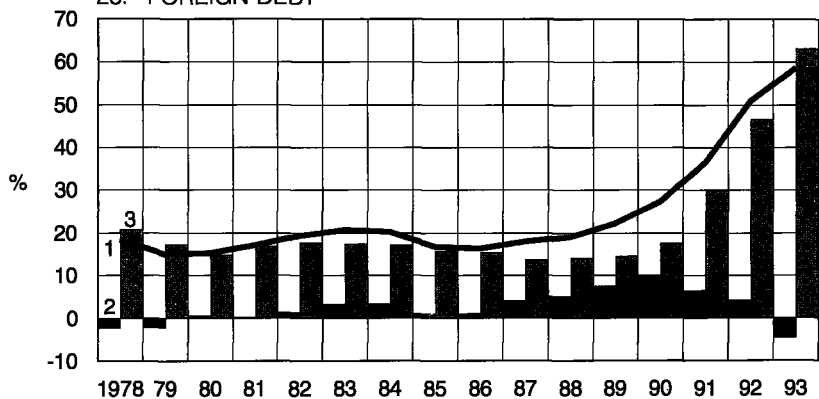
As a percentage of current account receipts

22. BALANCE OF PAYMENTS



1. Current account
2. Direct investment
3. Other long-term capital account
4. Short-term capital account
5. Overall balance = change in the foreign exchange reserves of the Bank of Finland

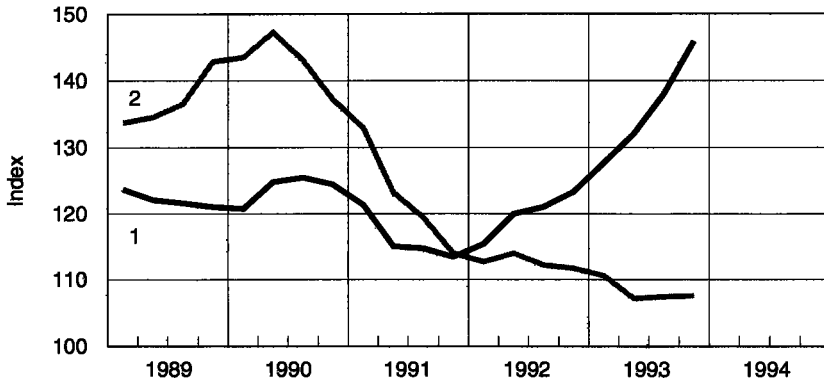
23. FOREIGN DEBT



1. Total foreign net debt
2. Short-term net debt
3. Long-term net debt

As a percentage of GDP

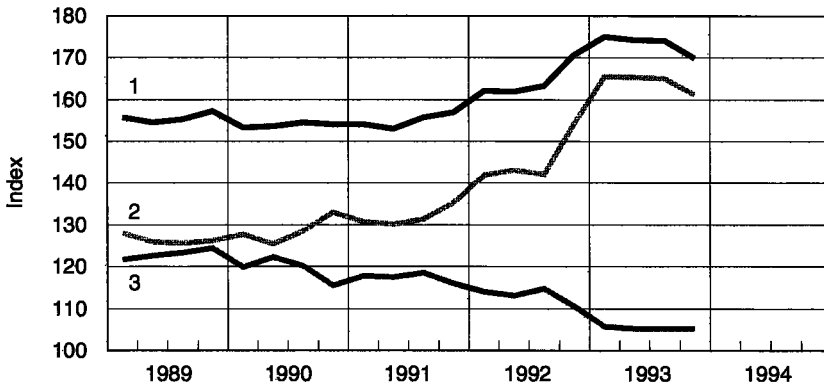
24. FOREIGN TRADE



1. Total exports
2. Total imports

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

25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



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

1980 = 100

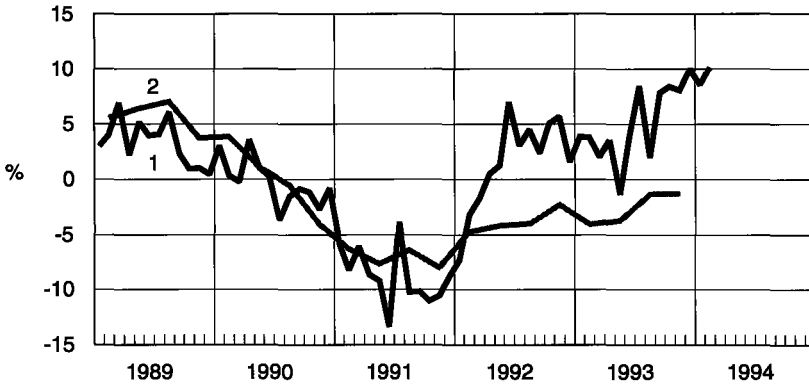
26. FINLAND'S EXPORT PERFORMANCE



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

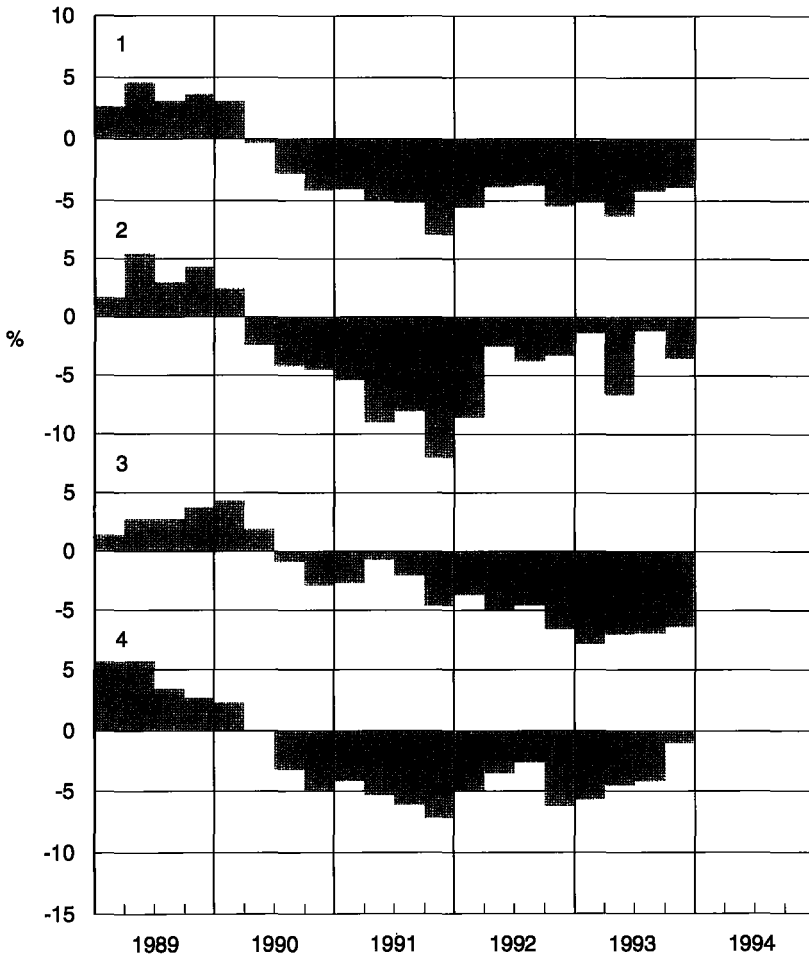
1980 = 100

27. PRODUCTION



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

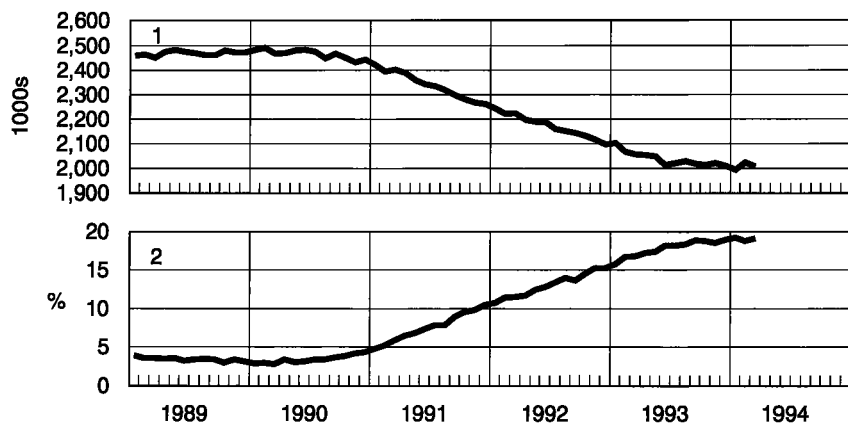
28. FIXED INVESTMENT



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

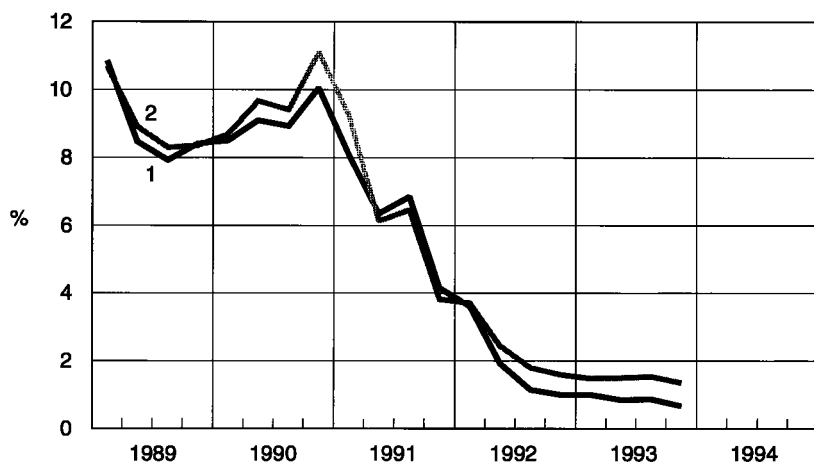
Volume changes calculated from four-quarter moving totals and plotted at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE



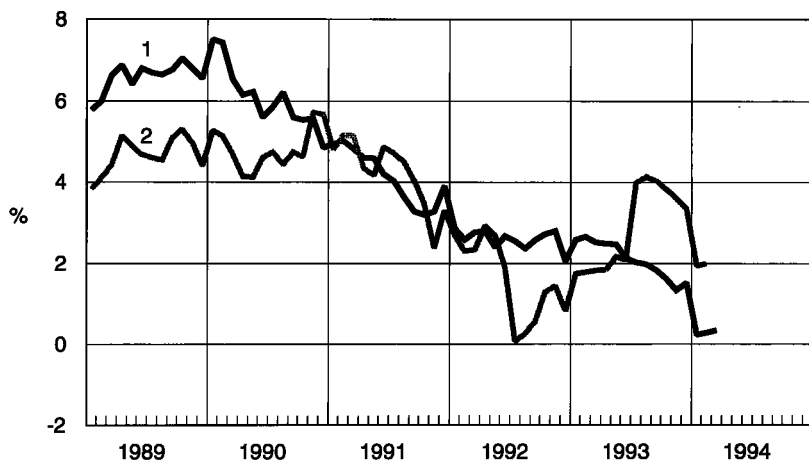
1. Employment, 1000 persons
2. Unemployment rate, per cent

30. PRICES AND WAGES



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

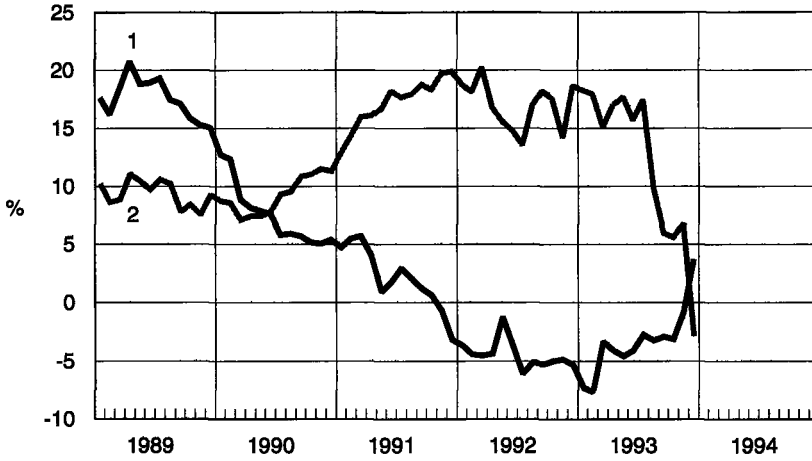
Change from the corresponding quarter of the previous year, per cent



1. Consumer price index
2. Indicator of underlying inflation

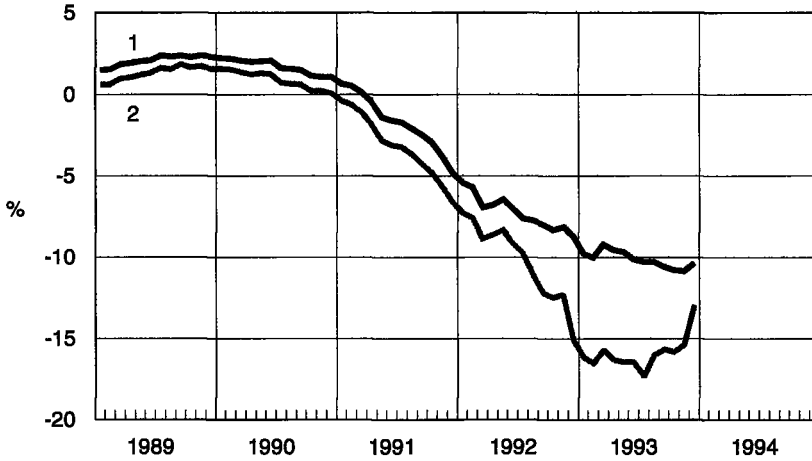
Change from the corresponding month of the previous year, per cent

31. CENTRAL GOVERNMENT FINANCES



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

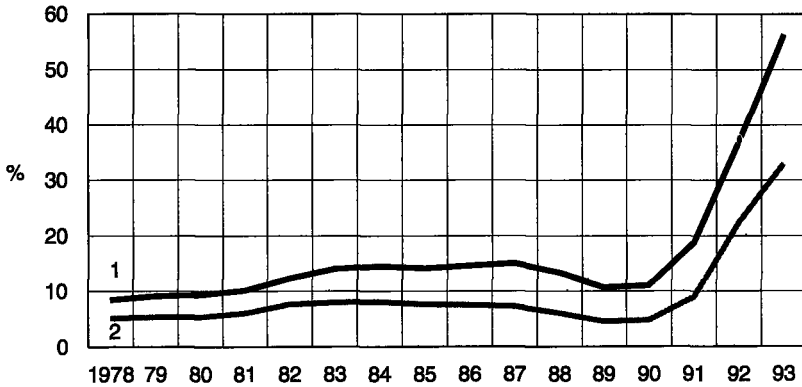
12-month changes calculated from 12-month moving totals and plotted at the last month, per cent



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

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

32. CENTRAL GOVERNMENT DEBT



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

As a percentage of GDP

BANK OF FINLAND*

1 May 1994

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JÖRN DONNER
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VELI TARVAINEN, Managing Director

* Since 1 October 1993, the Financial Supervision Authority has functioned as an independent body in connection with the Bank of Finland.