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FISCAL POLICY AND PUBLIC FINANCE: CHALLENGES OF ADJUSTMENT

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The slide of the Finnish economy from boom into recession was swift. As recently as 1989, GDP grew by 5 per cent but in 1990 there was no growth at all. This year total output is expected to decline by 2½ per cent, and unemployment is rising rapidly.

The recession has eased inflationary pressures and improved the external balance to some extent. Nevertheless, the current account deficit remains large, indicating the existence of structural problems in the economy.

Output is expected to grow slightly next year, but this will not prevent a further increase in unemployment. Moreover, the prospects for growth in 1993—1995 are rather modest.

According to the programme of the new Government appointed on April 26, 1991, the aim of economic policy is to reduce the current account deficit, to stop the growth of foreign debt, to safeguard employment, to improve the efficiency of the public sector and to reverse the decline in the open sector's share of GDP.

ECONOMIC PERFORMANCE

Overall, the performance of the Finnish economy in the 1980s was favourable. Total output and productivity grew faster on average than in the other industrial countries; Finland ranked first in terms of private consumption growth. Economic growth also brought a trendwise fall in unemployment.

Growth was maintained in part by certain exceptional fac-

tors. During the latter half of the decade, the terms of trade improved markedly, thereby increasing the economy's real disposable income. As financial markets were deregulated, households reduced their savings and accumulated debt, which was reflected in rising consumption. The strong economic performance brought with it a rapid rise in tax revenue and public expenditure.

At the end of the decade, domestic demand exceeded the resources available in the economy. Inflation accelerated and the open sector failed to keep pace with the growth of the public sector and the sheltered private sector; the country's foreign debt began to mount rapidly. The long upward trend in output came to an end last year. This year total output will decline by a clear margin for the first time in decades.

The current economic problems are not only cyclical but also structural in nature. The basic problem is the difficulty of reconciling the conflicting goals of internal and external balance, i.e. high employment and reasonable balance in the current account. This problem cannot be resolved simply by means of conventional demand management policies. All that measures curbing or boosting the growth of domestic demand can do is to determine whether the economic problems take the form of slow growth and widespread unemployment or a large current account deficit and rapidly growing foreign debt. A structural strengthening, above all an increase in the

share of the open sector, is seen as a necessary precondition for better balance in the economy.

FISCAL POLICY IN 1990—1992

In 1990, an unexpectedly sharp deterioration occurred in the central government budget. The stagnation of economic growth did not, as yet, significantly increase the automatic stabilization effect on the expenditure side, the growth of which was, however, 1½ percentage points more than originally forecast. In contrast, tax revenue, in particular from indirect taxes, fell considerably. The central government revenue surplus shrank to half that of the previous year, i.e. to 1 per cent of GDP. Thus, instead of the large surplus originally forecast the net financing requirement dwindled to FIM 0.7 billion, and central government debt began to rise again. However, in relation to GDP, the debt remained at a level of almost 11 per cent.

This year the real growth of central government expenditure is forecast to accelerate to 9½ per cent. Central government revenue is expected to increase by 5½ per cent, as in the previous year. The revenue surplus will shift into a deficit amounting to 1½ per cent of GDP. The net financing requirement will rise to FIM 16 billion or 3 per cent of GDP.

It appears that 1992 will be a particularly difficult year from the standpoint of central government finances as revenue may decline somewhat. As expenditure will rise, both the

TABLE 1. PUBLIC SECTOR INDICATORS

	1988	1989	1990	1991 ¹	1992 ¹
Public consumption, change in volume	2.4	2.9	3.1	1.5	0.5
Public investment, change in volume	-1.8	-1.6	8.7	-1.5	-3.0
Taxes, gross, per cent of GDP	37.7	37.3	38.1	37.5	35.0
Taxes, net, per cent of GDP	25.1	25.1	24.9	23.5	21.0
Financial surplus (net lending), per cent of GDP	1.3	2.8	1.3	-1.5	-4.5
Change in central government budget balance (- = restrictive effect), per cent of GDP	-1.2	-1.5	1.2	2.3	2.2
Discretionary impact	-0.5	-0.6	0.4	0.6	1.8
Automatic impact	-0.7	-0.9	0.8	1.7	0.4

¹ Forecast

deficit and central government debt will grow substantially in nominal terms.

The deterioration in the central government budget balance indicates that fiscal policy is expansive. The expansive impact is estimated to be more than 2 per cent of GDP both this and next year. This year most of the demand impact is due to the operation of built-in stabilizers, while next year the impact will be mostly due to discretionary measures (Table 1).

In fact, in order to improve the budget balance, the Government has already decided to propose measures designed to cut expenditure by FIM 4 billion from the projected level for 1992. This would mean that the real growth of expenditure would come to a complete halt.

The financial health of the local government sector is also weakening because of the recession and certain changes taking place in the structure of taxation. According to budget projections of municipalities and municipal associations, the nominal growth of total local government revenue is forecast to slow to less than 7 per cent this year whereas expenditure will rise by 10¹/₂ per cent. The municipalities are also taking steps to check the growth of expenditure.

Because of the deterioration of local government

finances, the growth of expenditure in this sector will slow. In real terms, the growth of consumption expenditure is forecast to be 1—1¹/₂ per cent in 1992 and 1993. Investment expenditure will also grow very slowly. Despite the slowdown in expenditure growth, the municipalities' financial position will remain tight.

MEDIUM-TERM OUTLOOK

In early 1991, the Ministry of Finance made an assessment of the economic outlook up to the year 1995 and analyzed

the effects of alternative economic policy options. The point of departure was the base projection (Table 2), which did not embody any prescribed objectives but rather took into account certain pressures expected to bear on the economy. Economic policy was assumed to remain broadly unchanged.

According to the base projection, the overall balance in the economy seems likely to either worsen or to improve only slowly:

- Unemployment would rise to almost the level of the mid-1970s even if output growth recovered to 2¹/₂ per cent in 1993—1995.
- Competitiveness would not markedly improve even if inflation were to stabilize at roughly the current level.
- Foreign indebtedness would increase further because the current account deficit would not decrease sufficiently.
- The financial position of the public sector would continue to deteriorate sharply and thus maintain pressure on the level of interest rates.

Thus from the point of view of economic policy, economic development in accordance with the base projection would

TABLE 2. BASE PROJECTION FOR THE FINNISH ECONOMY

	1991	1992	1993-1995 ¹
	<i>Change, %</i>		
Gross domestic product	- 1/2	1 1/2	2 1/2
Private consumption	1	1 1/2	2 1/2
Private investment	- 9	- 3	3
Public expenditure	2	1 1/2	2
Exports	0	4	4
Imports	- 6	2	3
Consumer prices	4 1/2	3 1/2	4 1/2
Nominal earnings	6 1/2	5	6 1/2
	<i>Per cent</i>		
Market interest rates	13 1/2	12	11
Unemployment rate	5	5 1/2	5 1/2
Net foreign debt/GDP	24	26	29
	<i>Billion FIM</i>		
Current account	-19	-19	-21
Public sector financial surplus	- 7 1/2	-14 1/2	- 8

¹ Average

be associated with considerable difficulties. There would be widespread unemployment while the growth of foreign debt would limit the chances of recovery even in the latter part of the current decade. Economic growth for this year and next is now forecast to be even weaker than was assumed for the base projection.

It should be noted that under the base projection both public expenditure and the general level of earnings increase at a significantly slower rate than in the last decade. If they were to grow at the pace of the last decade, the economy would experience even worse imbalances than under the base projection. Indeed, a continuation of the trends of the 1980s would be impossible. The consequences would be unsustainable in terms of the economy's structure and external balance.

WOULD DEMAND MANAGEMENT HELP?

It is possible to control domestic demand through either expansionary or restrictive fiscal policy. Expansionary fiscal policy supporting aggregate demand would ease the unemployment problem in the short run but would at the same time exacerbate the imbalances in the economy by increasing foreign debt and public sector deficits.

From the standpoint of the external imbalance, fiscal policy should be tightened rather than eased. A tight fiscal policy would indirectly reduce inflationary pressure and help lower interest rates. But it would also reduce production by squeezing consumer demand in particular. Its effects on competitiveness and industrial investment as well as on exports would be positive, and it would also provide a means of restoring external balance and eliminating public sector deficits. The problem is that in the short run growth would weaken

further, with adverse consequences for unemployment.

Calculations carried out by the Ministry gave the expected result that there is a definite trade-off in the medium term between external balance and unemployment. If expansionary fiscal policy were used to push unemployment 1½ to 2 percentage points below the level in the base projection by the middle of the decade, foreign debt relative to GDP would, in five years' time, be 3 percentage points higher than in the base case. At the same time, the public sector deficit and debt would soar.

The aim of traditional demand management policies is to smooth out business cycles. As Finland's economic problems are only partly cyclical in nature, being a legacy of the imbalances of recent years, traditional demand management as such has very little role to play. What is needed is a broader range of instruments.

PRIORITY TO THE OPEN SECTOR

The basic problem facing the economy is that too great a part of domestic demand is directed towards imports whereas too small a part of output goes to exports. For this reason Finland has rapidly accumulated foreign debt. The overheating of recent years has resulted in the absorption of too much of the economy's resources by the sheltered sectors while the open sector has proved to be too small to ensure balanced economic development.

Remedying the situation is difficult because it requires a shift in resources from the sheltered sectors to the open sector. This, in turn, requires that the open sector be given priority in economic and incomes policy. Only through increased exports can the economy recover and external balance be restored. In order to make room for the open

sector both private and public saving must be increased.

A difficult period of adjustment lies ahead during which growth will be weak and unemployment will be increasing. In these circumstances there is good reason to expect that both sides of the labour market will be prepared to contribute through incomes policy to the creation of conditions conducive to more favourable economic performance. In practice this would basically involve working together to ensure that negotiated pay increases would be forgone, at least for some time. This would slow inflation, improve competitiveness and help boost exports, in which case the current account could improve without any loss in production. At the same time, this would strengthen the perception that the imbalances in the economy could be controlled and thus lead to lower interest rates.

Fiscal policy can be used to affect demand as well as the allocation of resources between the open and sheltered sectors. It is possible, on the one hand, to cut overall public expenditure, most of which is directed to the closed sectors, and/or increase appropriations earmarked specifically for the open sector (e.g. grants in support of R&D) while other outlays are reduced. On the other hand, taxes and charges paid by firms to the public sector could be cut and other taxes raised correspondingly. This would lighten the taxation of the open sector relative to that of the sheltered sectors.

Balance in the economy cannot be restored quickly. A satisfactory level of employment and current account balance can only be obtained by way of a comprehensive economic policy strategy extending over several years. Such a strategy should be built on three pillars:

— permanent slowing of the growth of public expenditure

— reallocation of taxes and public expenditure so as to strengthen the operating requisites of the open sector
— moderate incomes policy.

As an example of a package of measures that would stem the rise in debt without causing more extensive unemployment than at present, the results of a calculation by the Ministry are cited. The growth of public expenditure is reduced to an average annual rate of 1 per cent and negotiated pay increases are restricted to 2 percentage points less than in the base case (Table 3). As a result of increased confidence and a strengthened current account balance, interest rates fall by 2 percentage points in the first two years.

It is noteworthy that the package entails only slight acceleration in output growth. The effects on the pattern of demand are, however, significant: consumption falls relative to the base case while industrial investment, in particular, grows faster. There is a marked improvement in both the external balance and the financial position of the public sector. The current account deficit declines over the medium term to 1 per cent of GDP while net foreign debt con-

tinues to increase in absolute terms but starts to fall in relation to GDP.

Incomes policy plays a central role. Unemployment threatens to reach alarming proportions in the coming years, and a lasting turn for the better can only be achieved through an improvement in competitiveness by way of cutting costs. Moderate incomes policy and increased flexibility in the labour market are thus in a key position with respect to employment. In the coming years, real earnings will grow much more slowly than we have been accustomed to in the past. The central government cannot support incomes policy by committing itself to increasing public services or reducing overall taxation.

Nowadays, the effects of monetary policy are indirect and quite limited. Movements in interest rates are determined by economic fundamentals. A reduction in the level of interest rates can come about only through the pursuit of tight fiscal policy and moderate incomes policy. The best that monetary policy can do is to promote low inflation through a commitment to a stable markka.

REINING IN PUBLIC EXPENDITURE GROWTH

A basic tenet of the economic policy strategy now needed is that the improvement in economic performance cannot be based on increasing public expenditure. On the contrary, the growth of public spending must be reduced in order to create conditions conducive to the expansion of the open sector. This can be viewed as one of the key requisites of a policy concerned with the growth and structure of the economy.

The pressure to increase expenditure will remain intense in the coming years. According to Ministry of Finance projections, the greatest pressure relates to matters under the purview of the Ministry of Social Affairs and Health, but the Ministries of Education, Agriculture and Forestry, the Environment and other ministries are also affected. Similarly, in the local government sector, the tendency is for expenditure to continue rising faster than the general rise in income, which means continued upward pressure on local tax rates and state aid.

However, the point of departure must be to set revenue for the public sector at a level which will stabilize the ratio of gross taxes to GDP and prevent a permanent deterioration in the sector's financial position. Central government expenditure should not grow at all in volume terms, and local government expenditure should be limited to 1½ per cent a year. Clearly, this leaves no room for reforms increasing expenditure unless they are matched by reductions in other areas.

Successful fiscal policy requires the definition of the tasks of the public sector and the development of its allocation systems. Among the public sector's problems are the absence of competition and price and cost incentives, the lack of clearly defined organi-

TABLE 3. EFFECTS OF STABILIZATION POLICY PACKAGE
(Difference in level in relation to base projection)

Year	1	3	5
	<i>Percentage points</i>		
Gross domestic product	0	0.4	0.7
Private consumption	-1.0	-1.7	-1.7
Private investment	0.4	1.8	2.5
Industrial investment	1.3	7.4	10.8
Exports	1.4	4.1	6.1
Imports	-0.8	-1.3	-1.2
Consumer prices	0.6	-0.8	-0.6
Nominal earnings	-2.0	-4.8	-4.4
Market interest rates	-1.0	-2.0	-2.0
Unemployment rate	0.1	0	-0.3
Net foreign debt/GDP	0.5	-0.7	-3.3
	<i>Billion FIM</i>		
Current account	1.0	5.9	11.7
Public sector financial surplus	1.6	6.1	12.0

zational objectives and the difficulty of measuring results, centralized decision making and inflexibility. The division of tasks between the public and private sectors must be based primarily on their ability to provide a given service and their productivity. Efficiency could be increased by transferring functions to the private sector from which services could then be purchased. However, this should be done on the understanding that the public sector remains responsible for ensuring the availability and quality of essential public services even when they are provided by the private sector.

There is no quick remedy for the problems facing the Finnish economy, but by pursuing determined economic policy based on wide cooperation the course of development can be shifted in a positive direction. The Ministry of Finance has emphasized that general economic policy should be supplemented by sectoral and structural policy. Together, these would provide a means of improving efficiency in the economy and accelerating the restoration of internal and external balance.

May 28, 1991

HOUSING POLICY IN FINLAND

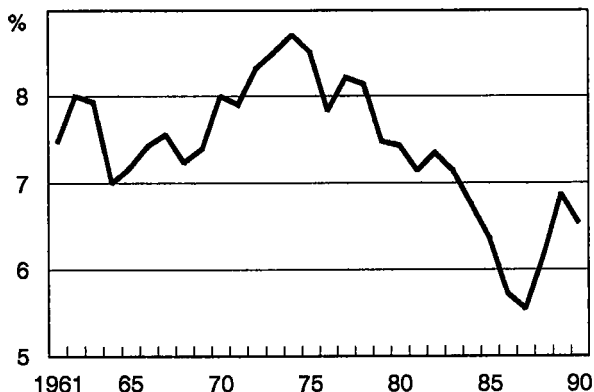
by **Sinikka Salo**, Dr. Pol. Sc.(Econ.)
 Financial Markets Department
 Bank of Finland

Over the past few decades, the Finnish economy has grown at a fairly rapid pace. According to many common measures of the standard of living, e.g. GDP per capita, Finland has succeeded in narrowing the gap in living standards in relation to, for instance, the other Nordic countries. Housing investment has been comparatively high (Chart 1). About 80 per cent of all dwellings have been built during the last 40 years. Compared to the situation after the World War II or in the 1960s — when Finland experienced one of the most rapid urbanization processes in the world — Finns now live far more comfortably.

The standard of housing has nevertheless continued to lag clearly behind that in the other Nordic countries. In 1990, dwellings in Finland had an average floor area of 74 square metres, a level which Sweden had already attained in the 1960s.

The proportion of their disposable incomes which Finnish households devote to housing does not differ significantly from the corresponding shares in other countries. It is the high level of dwelling prices which is the problem in Finland. Housing problems are particularly acute among young people and in the large towns. In addition, for most households, there is little alternative to the acquisition of owner-occupied housing; at present, about three-quarters of all dwellings in Finland are owner-occupied. Moreover, the shortage of rented housing has increasingly hampered the mobility of labour and exacerbated financing problems (Table).

CHART 1.
 HOUSING INVESTMENT IN RELATION
 TO GDP, 1961-1990



Source: Central Statistical Office of Finland

TABLE. HOUSING INDICATORS FOR FINLAND
 (Figures for 1990 unless otherwise stated)

Owner-occupied dwellings/rented dwellings	75 %/25 %
Average size of dwellings	74 m ²
Expenditure on housing/average annual disposable income (1985)	16 %
Average dwelling price/annual disposable income (3.0 in industrial countries on average)	4.5
Change in consumer prices (annual average)	6.1 %
Housing loans granted by banks	
— Share of all housing loans	75 %
— Average repayment period	10 years
— Average rate of interest on outstanding loans (majority still linked to the base rate)	11.3 %
— Average interest rate on new housing loans (reference rates: 3 or 5 year market rates or 3—12 month HELIBÖR)	13.1 %
Housing subsidies, total (1989, billion FIM)	17.0
— Direct housing subsidies	1.6
— Interest subsidies and home saving premiums	2.6
— Tax subsidies	12.8
— interest deductions	3.6
— nontaxation of imputed rental income	3.5
— nontaxation of capital gains	5.7

Sources: Bank of Finland, Central Statistical Office of Finland

In order to determine the causes of these problems and of the large fluctuations in dwelling prices and production, it is necessary to examine both the various institutional

forms of support that have for long exerted an influence on the housing market in Finland as well as the factors affecting the elasticity of the supply of dwellings.

INSTRUMENTS OF HOUSING POLICY

In Finland, the public sector — like its counterparts in most other countries — has endeavoured to influence housing and the functioning of the housing market in a number of ways.

ARAVA and HITAS housing schemes

Public housing policy in Finland is generally associated with the so-called ARAVA and HITAS subsidized-housing schemes. Under the former scheme, the state provides part financing, in the form of low-interest loans, for the construction of owner-occupied and rented housing. These dwellings can be purchased or rented by households which meet certain income requirements. The public sector also regulates the prices of these dwellings, the building standards applied, access to this submarket, the standard of housing and the opportunities for moving house.

Under the HITAS scheme, which hitherto has been applied solely in Helsinki, dwellings are built on land owned by the municipality. The public subsidy takes the form of a rental for the site which is lower than the going market rate. The prices of dwellings built under this scheme are regulated but access to them is not conditional on the applicant's income. The resale of a dwelling is subject to regulation, however.

Owing to their numerous rationing features, the above institutional arrangements have tended to impede the efficient functioning of these submarkets. Together, the ARAVA and HITAS markets, of which the former is older and far more important, account for only about 20—25 per cent of the country's entire housing stock. Thus, the vast bulk of the housing market consists of privately-financed dwellings, which are not directly subsidized by

the public sector but which are indirectly affected by public sector measures.

Taxation and other housing support

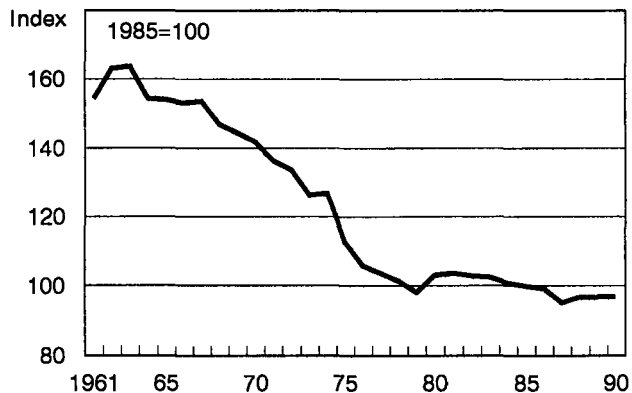
The demand for housing is supported by means of direct housing subsidies, interest subsidies and taxation. Support provided through taxation takes three forms: capital gains arising from a rise in the value of an owner-occupied dwelling are generally not taxed, the imputed rental income from a dwelling is not taxed (or taxed only lightly) and interest payments on housing loans are deductible in taxation up to a certain limit (except for a small nondeductible portion). Three-quarters of the total subsidization of housing — which, in 1989, was officially estimated at FIM 17 billion, or FIM 8 400 per household on average — consists of tax support for owner-occupied housing. In addition to these subsidies, implicit support is provided to rented housing in the form of rents which are below the market level as a result of rent control.

RENT CONTROL

Except for a short time in the 1960s, some measure of rent control has been in force in Finland throughout the post-war period. Rent control was progressively relaxed in the 1950s and rents were determined by the free interplay of market forces in the years 1965—1967. Rent control was then reintroduced in 1968. The Government confirms guidelines for rents, which are based on such criteria as the location of the dwelling, its age, condition etc. Civil cases are settled by a special rent tribunal. Rents may only be raised in accordance with instructions issued by the Government. In 1968—69 and again in 1976—78 a rent freeze was intermittently in force, and during these periods rents could not be raised at all.

As a result of strict rent control, the real level of rents has declined sharply since the early 1960s (Chart 2). At the same time, the number of privately-rented dwellings has fallen below the level prevailing at the beginning of the 1970s. The increase in the

CHART 2.
REAL RENTS, 1961-1990



Source: Central Statistical Office of Finland

stock of rented dwellings financed by the public sector has not been sufficient to compensate for the loss of dwellings from the private rented sector.

Rent control has been justified primarily on income distribution grounds as part of incomes policy. Little attention has been paid to the functioning of the rented housing market, and, for example, institutional investors — foundations and insurance institutions — have gradually lost their significance in this market.

HOUSING FINANCE

Up till the mid-1980s, the Finnish financial system was characterized by credit rationing and administrative control. Priority was given to investments in infrastructure and industry. Thus conditions in the financial markets had important implications for household borrowing and the functioning of the housing market. Housing loans granted by banks had relatively short repayment periods — even as late as the beginning of the 1980s the average loan maturity was 7—9 years — and prior savings of 20—30 per cent of the purchase price were necessary for obtaining a loan. But on the other hand, the tax exemption of deposits and the average lending rate controls on bank loans meant that nominal interest rates were low, and effective rates were even lower because of mortgage interest tax-relief. As, moreover, inflation was rapid, especially in the 1970s, the after-tax real interest rate was practically always negative.

Since the 1980s, banks have granted state-subsidized mortgage loans to young people buying their first home under the ASP (home saving premium) scheme. This scheme is modelled on the contractual savings scheme operated by the Bausparkassen in Germany. Under the scheme, first-time homebuyers are required to save a certain sum by making regular deposits in a special

home saving premium account for a specified period, after which they are entitled to receive a loan. The state pays an interest subsidy of five percentage points on the loan. In addition, the state pays a premium, or bonus, on the sum saved. The authorities lay down rules concerning the types of property on which ASP loans may be made; for example, the price per square metre must not exceed a certain limit.

As Finland, unlike Germany, lacks a well-functioning rented housing market, and hence a ready supply of rented dwellings for households while they are saving, the ASP scheme has not gained widespread importance. ASP loans account for only 10 per cent of the total stock of housing loans granted by banks. In the period since deregulation, an increasingly large share of bank funding has taken place on market terms, and this has further reduced banks' opportunities of granting these essentially regulated loans.

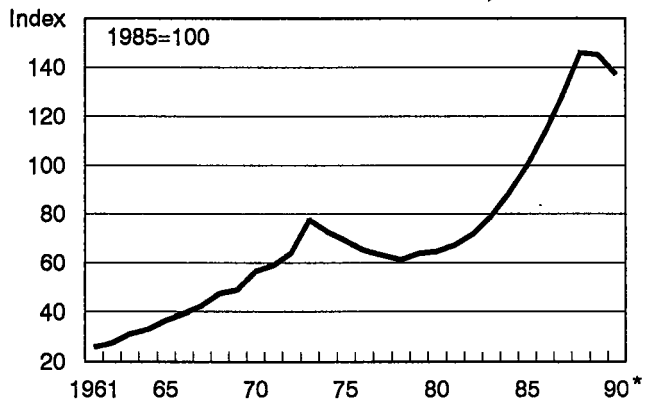
Last year saw the setting up of the State Housing Fund, which has taken over the task of financing the loans previously advanced through banks and subsidized by the state under the ARAVA system. The pur-

pose of the fund is to provide long-term housing loans at subsidized rates of interest.

It is also hoped that the State Housing Fund will help to foster the development of the long-term bond market in Finland, which is still far too thin, for instance, as a source of funds for financing housing on a longer-term basis than at present. The entry into force at the beginning of this year of a final tax at source on interest income from bank deposits and bonds brought to an end the tax exemption of bank deposits¹ and hence the discrimination against the bond market in taxation. This has opened the way for greater investment by individuals in the bond market. A still more important reason for the thinness of the bond market in Finland, however, is the absence of institutional investors — including labour market pension funds — from the market. This, in turn, is due to a distinctive characteristic of Finland's labour market pension scheme whereby the major part of contributions to the pension funds is lent back to firms at an administered rate of interest.

¹The law on the tax exemption of bank deposits expires at the end of 1992.

CHART 3.
REAL PRICE OF BUILDING LOTS, 1961-1990



Source: K. Leväläinen, *A Calculation Method for a Site Price Index*, The Association of Finnish Cities, Helsinki 1991

RIGID MARKETS FOR LAND AND BUILDING INPUTS

Among the factors influencing the supply of housing are regulations governing the use of land, building and other codes and taxation (or its absence).

Paradoxical though it may seem in a sparsely populated country like Finland, the difficulty of obtaining land for development and the high cost of building lots are key factors reducing the elasticity of housing supply (Chart 3). In Finland, various practices favour speculative land ownership and tend to hamper the availability of land for building purposes.

A common practice, especially in construction in built-up areas, is for a property developer to handle both the purchase of land and its development. (It should be noted that in many countries such arrangements are not favoured on the grounds that they restrict competition.) This practice has also encouraged speculative land purchase since no running costs are involved for the owner. Further, hardly anything has been done to curtail unearned increments in the value of land even though the municipalities' zoning monopoly and power to acquire land compulsorily would afford an opportunity for this.

In addition to land ownership by large building firms, the concentration of building materials production has prevented competition within the building trade. Construction and the manufacture of building materials have been largely protected from foreign competition by means of building codes and standards.

THE WRONG INCIDENCE OF SUBSIDY MEASURES

The rigidities existing in the markets for land and building materials are undoubtedly an important reason why nowa-

days housing policy is widely considered to be the least successful area of social policy in Finland. Supporting the demand for housing, which is traditionally what housing policy has been about in Finland, has not succeeded in raising the standard of housing as much as desired; to a large extent, the result has been higher dwelling prices. As the entry of building firms into the market is restricted by, for example, the prevailing land ownership conditions, housing production continues to take place at a higher price level than would be the case if there were more competition. Thus, the large tax subsidies provided to owner-occupied housing have not really benefited owner-occupiers but have shown up largely in the prices of dwellings and lots.

CURRENT SITUATION: HOUSING MARKET IN THE DOLDRUMS

The effects of the liberalization of financial markets in Finland in the latter half of the 1980s on the housing market have been similar to those in many other countries, i.e. increased demand for owner-occupied housing and a steep rise in dwelling prices (Chart 4). But, owing to the pre-

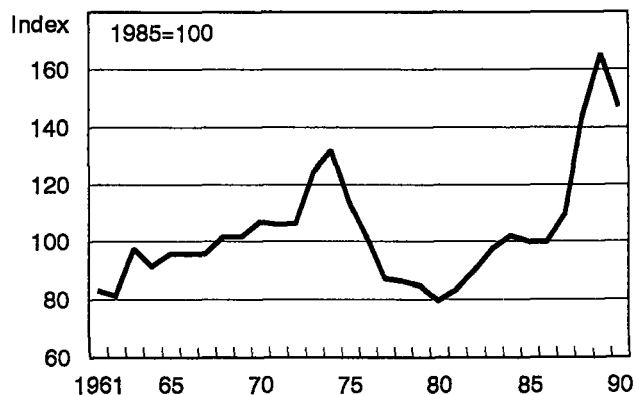
vious rationing of household credit and the lack of an efficient rented housing market moderating the demand for owner-occupied housing, the reactions in Finland have perhaps been even more dramatic.

Over the years, credit rationing had led to the creation of pent-up demand for a higher standard of housing, which had been augmented by favourable income developments and subsidy incentives at the same time as migration to the population centres had also intensified.

When the system of credit rationing was relatively quickly dismantled but the supply side rigidities remained the result was that dwelling prices soared to record-high levels. Speculators in search of quick capital gains exploited the situation, thus aggravating the disturbances in the housing market.

Later, the rise in prices was followed by a comparatively large increase in production. When, in order to curb overheating in the economy, the financial markets were tightened — now in the prevailing deregulated conditions through higher interest rates — prices started to fall, selling periods lengthened and housing production declined. At present,

CHART 4.
REAL PRICE OF DWELLINGS, 1961-1990



Source: Central Statistical Office of Finland

there are over 15 000 unsold new dwellings in the entire country, which is equivalent to nearly a quarter of total production in 1990.

PROSPECTS FOR REFORM

The reasons for Finland's housing problems are complex and are to some extent a transitory feature associated with the deregulation process. There exists no single measure by which these problems can be quickly resolved. Particularly the traditional instruments of housing policy are neither adequate nor even expedient; general factors bearing on the economic environment and economic policy have a greater influence on the housing market.

For example, the level of interest rates on housing loans depends on the success of economic policy and market confidence in the Finnish economy. The need to reduce the public sector deficit, for its part, sets limits to housing subsidy policy. The total amount of subsidies is unlikely to be increased over the next few years. Rather, the emphasis will be on better allocation of subsidies — to young first-time buyers — while at the same time ensuring that there is competition on the supply side to prevent subsidies from being passed through to prices.

It is quite clear that the traditional policies of subsidies and regulation will not be adequate to solve the problems. Some tentative indications that politi-

cians are also beginning to take a more serious approach towards the functioning of the housing market as a whole is provided by the programme of the newly-appointed Government. In the programme, the Government, which after a long period includes a separate housing minister responsible exclusively for housing affairs, draws attention to facilitating the acquisition of building land by municipalities and to promoting the development of the long-term bond market as a source of housing finance. The gradual removal of rent control is also promised.

June 7, 1991

UNILATERAL LINKING OF THE FINNISH MARKKA TO THE EUROPEAN CURRENCY UNIT (ECU)

On the basis of a proposal by the Bank of Finland, the Government decided on June 4, 1991 to present a bill to Parliament providing for the amendment of section 2 of the Currency Act. By the amendment, which was approved on June 7, the markka was linked more closely to European currencies. In practice, the markka was pegged to the EC's official accounting and currency unit, the European Currency Unit (ECU), from June 7, 1991.

The amendment did not involve any change in the fluctuation range of the markka. The new fluctuation margins and the midpoint were set so as to correspond with the fluctuation margins and midpoint applied to the old currency index. The midpoint was defined on the basis of the exchange rates confirmed by the EC on June 6, 1991 at 3.15 pm (Finnish time). The new midpoint is 4.87580 (FIM/ECU). The markka may fluctuate within margins of 3 per cent on either side of the midpoint, i.e. between FIM 4.72953 and FIM 5.02207.

Prior to the decision, representatives of the Bank of Finland had discussions with the European Commission and with representatives of other relevant EC bodies. For the present, however, the change in the currency basket is not connected with any agreements concerning closer coordination of economic policy

nor with the creation of a credit facility arrangement for supporting exchange rates. The Bank of Finland may, however, pursue negotiations at a later date with the central banks of EC countries regarding such an arrangement.

The change in the currency basket is connected with the integration of Finland's economy with the rest of Europe. Technically, the unilateral decision to peg the markka to the ECU did not involve a significant change in relation to the old currency basket, since some 85 per cent of the basket was composed of currencies included in the ECU or linked to it.

With the change in the currency basket, the value of the markka has become more stable in relation to other European currencies. The change also provides clearer guidance for economic policy and for developments in inflation. The average rate of inflation of the EC countries participating in exchange rate cooperation has, in recent years, been lower than that of the countries whose currencies were included in the old currency basket. The change in the basket means that the scope for Finland's economic policy will be more restricted with respect to inflation than has been the case in the past.

THE GOVERNMENT ANNOUNCES MEASURES FOR IMPROVING THE OPERATING CONDITIONS OF INDUSTRY

On May 10, 1991, the Government decided on a package of measures the prime aim

of which is to provide support to the open sector of the economy. In the same context, the Government decided on steps to be taken to deal with the resulting deficit in central government finances.

Measures in support of the business sector. The measures focus on temporary reductions in indirect labour costs. The national pension contribution rate for private employers, which under the present temporary reduction effected at the beginning of this year varies between 2.40 per cent and 4.05 per cent of the total payroll according to capital intensity, is to be set at a flat rate of 2.40 per cent for the period July 1, 1991 to June 30, 1992. The graduated scale of contribution rates will be permanently abolished. This change will reduce the average contribution rate in industry by nearly one percentage point. The private employers' sickness insurance contribution rate is to be reduced by 1 percentage point to 0.45 per cent for the year beginning July 1. The rate for employers' contributions to the labour market pension scheme is to be cut by 2.5 percentage points for 1992. On the other hand, the rate of interest on labour market pension contributions lent back to companies is to be raised by 0.5 percentage point to 10 per cent from July 1, 1991.

The import equalization tax, which is levied on imported commodities to compensate for the competitive disadvantage caused by the hidden effect of the sales tax on domestic commodities, will be permanently removed from machinery and intermediate goods from July 1, 1991.

The main impact of these measures will be felt in 1992 when it is estimated they will reduce annual labour costs in industry by more than 4 per cent on average. It is worth noting that the above measures will affect the entire business sector.

An assessment of the business sector's position should take into account the relief measures effected in the 1991 budget, which include a temporary 1 percentage point cut in the private employers' national pension contribution rate, a reduction in the corporate income tax rate, an increase in the exemption of investment from the sales tax and a change in the sales tax system on October 1, 1991 so as to bring it closer in line with a value added tax system¹.

In addition to the cost reductions, the Government decided to support small and medium-sized companies in development regions through low-interest loans and to increase appropriations for research and development, export promotion and manpower policy purposes.

In all, the package is estimated to reduce companies' costs by FIM 7 billion in 1991 and 1992. Of this total, industry's costs are expected to decline by over FIM 3 billion.

Safeguarding the financing of the central government budget. The sickness insurance contribution rate of insured persons is to be raised by 1 percentage point for 1991 and 1992 in respect of annual taxable income above FIM 80 000 (the increase for 1991 will not be collected until the end of 1992 and beginning of 1993 in connection with the final assessment of tax liabilities). The sales tax rate is to be raised by 0.8 percentage point to 22 per cent of a commodity's taxable price for the period October 1, 1991 to December

31, 1993 (the sales tax was also raised in the 1991 budget). These measures will increase central government revenue by only a modest amount in the current year; next year, they are estimated to increase revenue by some FIM 3¹/₂ billion.

SUPPLEMENTARY BUDGET

The Government submitted the first supplementary budget for 1991 to Parliament in May. Changes in budgeted revenue and expenditure are primarily due to the unexpected speed and depth of the economy's slide into recession. The operation of built-in stabilizers is causing marked increases in a number of statutory expenditure items while the growth of tax revenue is running behind budgeted figures. The supplementary budget also includes additional expenditure arising from measures agreed by the Government on May 10, 1991 and aimed at improving operating conditions in industry (see separate item above).

The supplementary budget provided for increases in outlays amounting to FIM 6.1 billion. But as proposed cuts amounting to FIM 1.5 billion in outlays already approved are also included, the net increase in central government expenditure is FIM 4.6 billion, equivalent to 2.9 per cent of total expenditure in the ordinary budget. The biggest proposed increases in expenditure are for unemployment benefits, transfers to the local government sector, the central government's contributions to the Social Security Institution and agricultural subsidies.

Central government revenue is estimated to decrease by FIM 6.8 billion in net terms. The main reason for the decrease is the lower yield from indirect taxes resulting from the fall in the volume of domestic demand. To finance the supplementary budget the

Government proposes an increase of FIM 11.4 billion in its borrowing powers for 1991.

FINLAND'S BALANCE OF PAYMENTS IN JANUARY-MARCH 1991

Current account

The current account showed a deficit of FIM 7.2 billion in January-March this year, which is FIM 1.9 billion more than in the corresponding period last year. The trade account was in balance. The widening of the current account deficit was primarily due to an increase in interest payments abroad.

Goods. Compiled on a balance-of-payments basis, the trade account registered a deficit of FIM 0.1 billion, FIM 0.2 billion less than in January-March last year. Exports and imports both fell by one-tenth in value. Contributing to the decrease in exports was a fall in exports to the Soviet Union. Paper exports went up, whereas pulp exports went down. Exports of machinery and equipment decreased by one-quarter. Lower domestic demand resulted in a decline in imports of investment goods and of the raw materials and intermediate goods.

Services. The deficit on the services account grew further. The surplus on the transport account narrowed for the first time since 1988. By contrast, the deficit on the travel account fell slightly; receipts rose by one-quarter and expenditure by only 4 per cent. The deficit on the other services account widened as a result of a rapid increase in expenditure.

Investment income. The largest item on this account consists of interest payments on foreign debt, which have risen rapidly with the accumulation of current account deficits. Interest payments abroad totalled FIM 7.6 billion, about 20 per cent more than a year

¹ For details, see the article by Chris-Marie Rasi in the December 1990 issue of the Bulletin.

earlier. Finland's interest income on its foreign assets amounted to FIM 3.9 billion.

Capital account

Net imports of long-term capital totalled FIM 8.3 billion and net exports of short-term capital FIM 4.2 billion. As the inflow of capital did not cover the current account deficit, the Bank of Finland's foreign exchange reserves decreased by FIM 3.1 billion.

Loans. Drawings of long-term loans by Finnish borrowers in the form of promissory notes and private placement-type bonds totalled FIM 4.1 billion. Of this amount, financial institutions accounted for FIM 1.5 billion. Net drawings of long-term export credits granted to foreign customers amounted to FIM 0.3 billion.

Direct investment. Finnish direct investment abroad totalled FIM 2.6 billion, approximately the same as in the corresponding period last year. Foreign direct investment in Finland amounted to FIM 0.5 billion.

Portfolio investment. Net imports of capital in the form of portfolio investment amounted to FIM 6.3 billion. The net inflow was almost entirely due to sales of Finnish bonds abroad. The central government accounted for about half of these sales. Sales of Finnish shares abroad were of minor significance, as too were purchases of foreign securities by Finnish investors.

Short-term capital. The net outflow of short-term capital totalled FIM 4.2 billion. Short-term liabilities related to imports decreased by FIM 1.8 billion and receivables and prepayments related to exports by FIM 1.3 billion. The net short-term liabilities of the authorized banks fell by FIM 3.1 billion.

Foreign exchange reserves.

The Bank of Finland's convertible foreign exchange reserves decreased by FIM 3 657 million and net tied currency liabilities by FIM 555 million. At the end of March, the convertible foreign exchange reserves stood at FIM 35 514 million and net tied currency liabilities at FIM 397 million.

Net foreign debt

At the end of March, Finland's net foreign debt totalled FIM 137 025 million. Net long-term debt amounted to FIM 105 101 million and net short-term debt to FIM 31 924 million. The central government's share of net foreign debt was FIM 26 564 million.

MAJOR BALANCE OF PAYMENTS ITEMS IN JANUARY—MARCH 1991, MILLION FIM¹

	Receipts	Expenditure	Net
Trade (exports f.o.b., imports c.i.f.)	22 379	22 357	22
Adjustment items	-393	-271	-122
Trade account	21 986	22 086	-100
Transport	1 994	896	1 099
Travel	984	2 605	-1 621
Other services	1 822	2 800	-978
Services account	4 800	6 300	-1 500
GOODS AND SERVICES ACCOUNT	26 786	28 386	-1 600
Investment income	3 900	7 638	-3 738
Unrequited transfers	259	1 870	-1 611
Other	620	841	-221
A. CURRENT ACCOUNT	31 564	38 734	-7 170
	Change in assets	Change in liabilities	Net
Loans	489	4 211	4 700
Direct investment	-2 621	463	-2 158
Portfolio investment	-180	6 073	6 253
Other long-term capital	-391	-108	-499
B. LONG-TERM CAPITAL ACCOUNT	-2 343	10 639	8 296
BASIC BALANCE (A+B)			1 125
Trade credits	205	-667	-463
Short-term capital of authorized banks	-16 262	13 153	-3 109
Other short-term capital	-4 672	2 609	-2 062
Errors and omissions			1 407
C. SHORT-TERM CAPITAL ACCOUNT			-4 227
OVERALL BALANCE (A + B + C)			-3 102
Change in the foreign exchange reserves of the Bank of Finland			3 102

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

¹ Preliminary figures.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM MARCH 1990 TO JUNE 1991

1990

MARCH

Finance companies accorded the right to act as an intermediary in the provision of foreign financing. The Bank of Finland decides that, with effect from March 1, 1990, finance companies may apply for the right to act as an intermediary in foreign loan transactions and raise foreign loans to the extent permitted by the limits on their foreign currency positions. Previously only deposit banks were accorded this right.

APRIL

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

MAY

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

JULY

Foreign Exchange Regulations. The Bank of Finland allows private persons to undertake foreign investments and grant loans of over one year's maturity to non-residents without upper limit as from July 1, 1990. This liberalization measure also applies to corporate entities, such as housing and real estate companies, considered comparable to private persons. Furthermore, local authorities are allowed to make foreign investments, grant loans of over one year's maturity to non-residents and raise foreign loans of over one year's maturity for financing their own operations. The Bank of Finland also increases the opportunities of financial sector enterprises to engage in foreign operations. In addition to banks, mortgage banks and credit companies are, with effect from July 1, 1990, able to apply for the right to act as an intermediary in foreign loan transactions and raise foreign loans and the right to make foreign investments within the limits of their foreign currency positions. Finance companies have been able to apply for the right to act as an intermediary in foreign loan transactions since March 1, 1990.

Investment reserves. On July 12, the Government decides to release, as from January 1, 1991, companies' investment reserves set up in respect of profits earned in 1985-1987. These reserves are to be used by the end of 1992.

SEPTEMBER

Foreign Exchange Regulations. By decision of the Bank of Finland, derivative instruments based on Finnish shares and warrants carrying the right to purchase restricted shares may be sold to non-residents as from September 1, 1990. However, legislation restricting foreigners' ownership rights prohibits the transfer of restricted shares underlying derivative contracts and warrants to non-residents. The decision applies to all standardized and unstandardized options and futures based on Finnish shares and other contracts of a similar nature. The Bank of Finland further decides that residents may, without restriction, buy and sell derivative instruments based on foreign shares as from September 1, 1990.

NOVEMBER

Till-money credits. The agreement under which the Bank of Finland grants interest-free till-money credits to deposit banks is revised as from November 30. In the same context, banks' base amounts are raised in proportion to the increase in notes and coin held by the public.

Export deposits. The Government decides to refund the export deposits levied on pulp and wood-free printing paper, with accrued interest, in lump sum by the end of November.

DECEMBER

Cash reserve deposits. The Bank of Finland decides to lower the cash reserve requirement from 8.0 per cent to 7.0 per cent by the end of the year. The reduction will be carried out in weekly steps of 0.2 percentage point as from November 30.

1991

JANUARY

Repurchase agreements. Repurchase agreements are introduced in money market dealings between the Bank of Finland and the banks from the beginning of 1991. This new type of transaction complements the present system of central bank financing.

Foreign Exchange Regulations. By decision of the Bank of Finland, all remaining foreign exchange regulations, except those regarding the raising of loans abroad by private individuals and comparable corporate entities, are rescinded, as from January 1, 1991.

Termination of clearing system. As from the beginning of 1991, the special provisions in the Bank of Finland's Foreign Exchange Regulations concerning payments and financing in trade with the Soviet Union are cancelled. Payments in respect of all future trade in goods and services between Finland and the Soviet Union

will be made in convertible currencies. The Bank of Finland quotes the selling rate for the clearing rouble for the last time on Thursday, January 31, 1991.

Cash reserve requirement. The Bank of Finland lowers the cash reserve requirement from 7.0 per cent to 6.7 per cent of the cash reserve base at end-December 1990.

FEBRUARY

Cash reserve requirement. The Bank of Finland lowers the cash reserve requirement from 6.7 per cent to 6.2 per cent of the cash reserve base at end-January 1991.

APRIL

Counter-cyclical deposits. The Government returns the counter-cyclical deposits collected in the period April 1, 1988 — March 31, 1989 to enterprises on April 30. The deposits with the Bank of Finland total FIM 1.3 billion.

MAY

Cash reserve requirement. The Bank of Finland lowers the banks' cash reserve requirement from 6.2 per cent to 5.8 per cent of the cash reserve base at end-April 1991.

JUNE

Cash reserve requirement. The Bank of Finland lowers the banks' cash reserve requirement from 5.8 per

cent to 5.5 per cent of the cash reserve base at end-May 1991.

Finnish Markka linked to the European Currency Unit (ECU). On the basis of a proposal by the Bank of Finland, the Government decides on June 4, 1991 to present a bill to Parliament providing for the amendment of section 2 of the Currency Act. By the amendment, which is approved on June 7, the markka is unilaterally linked to the EC's official accounting and currency unit, the European Currency Unit (ECU), from June 7, 1991.

The amendment does not involve any change in the fluctuation range of the markka. The new fluctuation margins and the midpoint are set so as to correspond with the fluctuation margins and midpoint applied to the old currency index. The midpoint is defined on the basis of the exchange rates confirmed by the EC on June 6, 1991 at 3.15 pm (Finnish time). The new midpoint is 4.87580 (FIM/ECU). The markka may fluctuate within margins of 3 per cent on either side of the midpoint, i.e. between FIM 4.72953 and FIM 5.02207.

LAND, CLIMATE AND POPULATION

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

Finland has a population of 4 998 700 (Jan. 1, 1991) and an average population density of 16.4 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 492 500 inhabitants, Espoo (Esbo) 172 650, Tampere (Tammerfors) 172 600, Turku (Åbo) 159 200 and Vantaa (Vanda) 154 900.

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

FORM OF GOVERNMENT

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

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of four years. Following the parliamentary elections of 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 Peoples 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 pursues a policy of neutrality in foreign affairs. 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 and the Council of Europe in 1989.

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

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. The Finnish economy is essentially based on private enterprise, with over 80 % of manufacturing output and some 90 % of banking services produced by private companies. Of the gross domestic

product of FIM 431 billion in basic values in 1989, 3 % was generated in agriculture and fishing, 3 % in forestry, 25 % in industry, 9 % in construction, 11 % in trade, restaurants and hotels, 8 % in transport and communications, 4 % in finance and insurance, 19 % in other private services and 17 % by producers of government services. Of total employment of 2.5 million persons in 1990, 8 % were engaged in primary production, 31 % in industry and construction and 61 % in services.

In 1990, expenditure on the gross domestic product in purchasers' values amounted to FIM 525 billion and was distributed as follows: net exports -1.4 % (exports 22.8 %, imports -24.2 %), gross fixed capital formation 27 %, private consumption 52 % and government consumption 21 %. Finland's gross tax ratio (gross taxes in relation to GDP) was 38 % and the net tax ratio (net taxes in relation to GDP) 26 %, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.7 % in the period 1950-59, 5.0 % in 1960-69, 3.7 % in 1970-79, 3.7 % in 1980-89 and 4.3 % in 1990-89. Finland's GDP per capita in 1989 was USD 23 300. According to preliminary data, this put Finland in second place after Switzerland among the 24 member countries of the OECD.

Foreign trade. OECD countries absorb the bulk of Finnish merchandise exports. In 1986-90, their share was, on average, 74.2 per cent, of which the share of EC countries was 42.9 percentage points and that of EFTA countries 21.1 percentage points. Over the same period, Finland's exports to East European countries (including the Soviet Union) accounted for 17.2 per cent and the rest of the world for 8.5 per cent. The regional distribution of Finland's merchandise imports has been quite similar to that of exports.

In 1990, the share of forest industry products in total merchandise exports was 39 %, the share of metal and engineering products 43 % and the share of other goods 18 %. Raw materials and intermediate goods (incl. crude oil) accounted for 54 % of merchandise imports, fuels for 3 %, investment goods for 19 % and consumption goods for 23 %.

Forest resources. Finland has fairly abundant forest resources, but only limited amounts of other raw mate-

rials. The growing stock comprises 1 880 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 55 million cubic metres in 1990.

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

FINANCE AND BANKING

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

International payments.

Though the use of the markka in foreign trade and as a eurocurrency has increased, most international payments are effected in other currencies. Finland adopted Article VIII status at the International Monetary Fund in 1979.

At the beginning of 1991 the remaining exchange controls were dismantled except for those concerning foreign borrowing by private individuals.

The foreign exchange operations of financial institutions are still controlled through the issue of licences. Authorized banks may freely engage in the full range of foreign exchange activities; financial institutions which have been granted a licence to engage in foreign exchange activity are entitled to carry on a limited range of foreign exchange activities. The purpose of the licensing requirement is merely to facilitate the monitoring of financial institutions' risks by the Bank of Finland.

With effect from January 1, 1991, trade and payments between Finland and the Soviet Union were put on a convertible currency basis and the special restrictions on payments to and from the Soviet Union were rescinded.

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

Other banks (Dec. 31, 1990).

Finland has three major groups of deposit banks with a total of more than 3 500 offices. There are three big commercial banks with national branch networks and ten smaller ones, four of which are foreign-owned. The commercial banks have a total of 28 foreign branches, subsidiaries and associate banks and 25 representative offices abroad. There are 150 savings banks and 338 cooperative banks with their own extensive branch networks. In addition, foreign banks have 8 representative offices in Finland.

Financial markets. Of the total stock of FIM 669 billion in outstanding domestic credit at the end of 1989, 65 % was provided by deposit banks, 3 % by private mortgage banks, 15 % by insurance companies, 5 % by other private credit institutions, 4 % by public financial institutions and 8 % 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, 67 % of the instruments, which totalled approximately FIM 150 billion at end-1990, 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 instru-

ments. 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 74 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 85 billion (at end-1990). Four foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1989 totalled FIM 116 billion; government bonds made up 25 % of the total. Turnover on the Stock Exchange in 1990 amounted to FIM 20 billion; the share of shares and subscription rights in the total was approximately 77 %.



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1. THE BALANCE SHEET OF THE BANK OF FINLAND

1.1 THE BALANCE SHEET OF THE BANK OF FINLAND,

MILL. FIM

	1990		1991			
	May 31	Dec. 31	May 8	May 15	May 22	May 31
ASSETS						
Gold and foreign currency claims	34 935	37 307	35 063	35 075	34 631	27 346
Gold	2 180	2 180	2 180	2 180	2 180	2 180
Special drawing rights	796	791	801	814	823	833
IMF reserve tranche	902	783	1 052	1 055	1 060	1 091
Convertible currencies	30 913	33 478	30 965	30 962	30 505	23 179
Tied currencies	144	75	65	64	63	63
Other foreign claims	2 781	2 574	2 347	2 347	2 447	2 430
Markka subscription to Finland's IMF quota	2 080	2 198	1 959	1 959	2 053	2 035
Term credit	702	376	388	388	393	396
Claims on financial institutions	29 686	15 190	17 058	16 869	17 292	23 252
Call money credits	11	—	17	0	7	1 376
Certificates of deposit	23 498	9 411	4 780	4 631	6 121	8 262
Securities with repurchase commitments	—	—	6 632	6 632	5 557	7 990
Term credits	—	—	—	—	—	—
Till-money credits	3 627	3 427	3 429	3 429	3 429	3 442
Bonds	2 312	2 115	1 962	1 939	1 939	1 944
Other claims on financial institutions	238	238	238	238	238	238
Claims on the public sector	1 229	1 314	1 388	1 388	1 391	1 405
Bonds	11	0	0	0	0	11
Total coinage	1 218	1 314	1 388	1 388	1 391	1 393
Claims on corporations	1 973	1 678	1 539	1 528	1 521	1 517
Financing of exports	0	—	—	—	—	—
Financing of domestic deliveries (KTR)	1 477	1 223	1 091	1 083	1 076	1 073
Bonds: KTR credits	284	254	241	238	238	237
Bonds: Other	17	8	5	5	5	4
Other claims on corporations	195	193	202	202	202	202
Other assets	113	900	118	118	119	126
Accrued items	—	770	—	—	—	—
Other assets	113	131	118	118	119	126
Total	70 717	58 964	57 512	57 325	57 401	56 076
LIABILITIES						
Foreign currency liabilities	1 345	983	343	168	170	105
Convertible currencies	38	27	21	23	24	25
Tied currencies	1 307	957	322	144	146	80
Other foreign liabilities	2 820	2 938	2 727	2 729	2 827	2 817
IMF markka accounts	2 080	2 198	1 959	1 959	2 053	2 035
Allocations of special drawing rights	741	740	767	770	773	782
Notes and coin in circulation	13 501	14 555	13 279	13 215	14 825	14 405
Notes	12 405	13 399	12 127	12 064	13 669	13 248
Coin	1 096	1 156	1 152	1 151	1 156	1 158
Certificates of deposit	630	—	1 350	2 530	2 380	2 380
Liabilities to financial institutions	24 067	17 855	19 030	17 919	15 998	14 795
Call money deposits	1 019	418	3 184	2 073	152	94
Term deposits	—	—	—	—	—	—
Cash reserve deposits	22 855	17 401	15 845	15 845	15 845	14 700
Capital import deposits	150	—	—	—	—	—
Other liabilities to financial institutions	43	36	1	1	1	1
Liabilities to the public sector	7 205	1 321	3	4	4	4
Cheque accounts	1	1	—	—	—	—
Pension fund deposits	5 591	—	—	—	—	—
Counter-cyclical deposits	1 319	1 317	—	—	—	—
Export deposits	292	—	—	—	—	—
Other liabilities to the public sector	3	3	3	4	4	4
Liabilities to corporations	10 600	9 925	8 568	8 484	8 361	8 282
Deposits for investment and ship purchase	10 121	9 925	8 568	8 484	8 361	8 282
Capital import deposits	479	—	—	—	—	—
Other liabilities to corporations	—	—	—	—	—	—
Other liabilities	58	1 774	105	98	99	100
Accrued items	—	1 718	—	—	—	—
Other liabilities	58	56	105	98	99	100
Valuation account and reserves	4 327	3 448	6 345	6 415	6 973	7 424
STRA's capital	400	400	—	—	—	—
Capital accounts	5 764	5 764	5 764	5 764	5 764	5 764
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	764	764	764	764	764	764
Profit/loss for the accounting year	—	—	—	—	—	—
Total	70 717	58 964	57 512	57 325	57 401	56 076

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

MILL. FIM

End of period	Foreign sector								Public sector			
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible reserves, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net liabilities (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
1986	2 081	983	793	6 778	10 635	3 421	14 056	-838	13 218	1 002	2 001	999
1987	2 128	899	793	23 571	27 391	1 212	28 603	1 131	29 734	977	901	-76
1988	2 128	1 120	940	24 373	28 561	945	29 506	1 117	30 623	1 128	1 903	775
1989	2 179	966	950	18 780	22 875	-564	22 311	440	22 751	1 137	5 325	4 188
1990	2 180	791	783	33 451	37 205	-862	36 323	-364	35 959	1 314	1 321	7
1990												
May	2 180	796	902	30 875	34 753	-1 163	33 590	-39	33 551	1 229	7 205	5 976
June	2 180	778	865	30 550	34 373	-1 065	33 308	-40	33 268	1 285	7 205	5 920
July	2 180	771	858	31 272	35 081	-694	34 387	-43	34 344	1 266	6 635	5 369
Aug.	2 180	780	813	31 799	35 572	-684	34 888	-352	34 536	1 281	5 685	4 404
Sept.	2 180	790	823	32 386	36 179	-1 059	35 120	-358	34 762	1 358	4 925	3 567
Oct.	2 180	792	825	33 191	36 988	-1 022	35 966	-363	35 603	1 329	3 970	2 641
Nov.	2 180	783	774	34 015	37 753	-1 263	36 489	-357	36 132	1 322	1 832	510
Dec.	2 180	791	783	33 451	37 205	-882	36 323	-364	35 959	1 314	1 321	7
1991												
Jan.	2 180	1 027	881	34 295	38 383	-288	38 095	-362	37 733	1 339	1 321	- 18
Feb.	2 180	968	863	32 839	36 850	-526	36 324	-365	35 959	1 354	1 323	- 31
March	2 180	1 001	892	31 441	35 514	-397	35 117	-376	34 741	1 388	1 320	- 68
April	2 180	945	1 065	30 681	34 871	-260	34 611	-386	34 225	1 388	3	-1 385
May	2 180	833	1 091	23 154	27 258	- 17	27 241	-387	26 854	1 405	4	-1 401

End of period	Domestic financial sector					Corporate sector					
	Term claims on deposit banks	Call money claims on deposit banks, net	Cash reserve deposits of deposit banks	Till-money credits to deposit banks	Other liabilities to financial institutions, net	Net claims (13+14-15+16-17)	Claims in the form of special financing	Special deposits and other items, net	Net claims (19-20)	Notes and coin in circulation	Out-standing CDs issued by the Bank of Finland
	13	14	15	16	17	18	19	20	21	22	23
1986	2 381	6 687	9 270	2 305	-2 240	4 343	4 581	4 757	-176	8 668	.
1987	-	-757	10 941	2 730	-2 350	-6 618	3 449	4 782	-1 333	9 990	4 970
1988	7 187	335	19 039	2 920	-3 733	-4 864	2 823	6 579	-3 756	11 550	1 130
1989	33 230	-531	25 506	3 310	-2 248	12 751	2 000	10 604	-8 604	13 129	-
1990	9 411	-418	17 401	3 427	-2 317	-2 664	1 477	9 724	-8 247	14 555	-
1990											
May	23 498	-1 008	22 855	3 627	-2 357	5 619	1 761	10 388	-8 627	13 501	630
June	22 911	-480	22 750	3 207	-2 310	5 198	1 706	10 226	-8 520	13 655	40
July	20 057	-485	22 679	3 752	-2 416	3 061	1 662	10 165	-8 503	13 592	40
Aug.	19 123	-787	21 999	3 196	-2 394	1 927	1 632	10 259	-8 627	13 314	40
Sept.	17 754	-527	21 395	3 186	-2 357	1 375	1 588	10 235	-8 647	13 418	-
Oct.	14 501	-236	20 877	3 695	-2 334	-583	1 548	9 902	-8 354	13 392	-
Nov.	12 709	-1 746	19 878	3 307	-2 324	-3 284	1 526	9 802	-8 276	13 467	-
Dec.	9 411	-418	17 401	3 427	-2 317	-2 664	1 477	9 724	-8 247	14 555	-
1991											
Jan.	6 948	-1 300	17 215	3 614	-2 262	-5 691	1 448	9 330	-7 882	13 397	640
Feb.	8 171	-1 601	15 682	3 926	-2 239	-2 947	1 419	9 226	-7 807	13 170	1 430
March	11 829	350	15 740	3 535	-2 234	2 208	1 374	8 974	-7 600	13 412	3 770
April	11 193	-441	15 845	3 429	-2 169	505	1 336	8 587	-7 251	13 244	3 280
May	16 252	1 282	14 700	3 442	-2 181	8 457	1 310	8 076	-6 766	14 406	2 380

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

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

During period	Purchases of money market instruments	Sales of money market instruments	Matured money market instruments, net	Impact on liquidity (1-2-3)	Call money credits	Call money deposits	Total net change (4+5-6)
	1	2	3	4	5	6	7
1986	.	.	.	.	1 599	-1 074	2 673
1987	1 263	23 658	-17 520	-4 875	-6 818	626	-12 319
1988	13 840	19 190	-16 850	11 500	463	-629	12 592
1989	131 110	3 855	99 245	28 010	-425	441	27 144
1990	163 326	26 379	160 797	-23 850	-38	-151	-23 737
1990							
May	15 510	1 610	15 130	-1 230	-998	865	-3 093
June	15 310	250	14 220	840	-8	-536	1 368
July	7 290	—	10 970	-3 680	7	12	-3 685
Aug.	10 230	20	11 440	-1 230	4	306	-1 532
Sept.	11 110	100	11 340	-330	0	-260	-70
Oct.	4 850	50	8 340	-3 540	1	-290	-3 249
Nov.	4 160	50	5 940	-1 830	-15	1 495	-3 340
Dec.	3 150	350	6 250	-3 450	—	-1 328	-2 122
1991							
Jan.	3 230	640	5 320	-2 730	—	882	-3 612
Feb.	3 810	1 760	2 480	-430	6	307	-731
March	9 600	1 790	4 360	3 450	756	-1 195	5 401
April	13 060	1 200	8 990	2 870	-752	39	2 079
May	12 670	1 180	7 950	3 540	1 366	-357	5 263

2.2 FORWARD EXCHANGE MARKET, MILL. FIM

End of period	Banks' forward positions with					
	Domestic companies			Foreign banks, net	Bank of Finland, net	Total, net (3+4+5)
	Forward exchange bought by banks	Forward exchange sold by banks	Net (1-2)			
1	2	3	4	5	6	
1986	11 446	1 319	10 127	-2 461	-92	7 574
1987	21 671	1 158	20 513	-233	-1 287	18 994
1988	16 488	1 543	14 946	9 086	-377	23 654
1989	<u>10 531</u>	<u>3 563</u>	<u>6 967</u>	<u>8 031</u>	<u>205</u>	<u>15 204</u>
1990	11 627	5 130	6 497	10 767	-6 098	11 166
1990						
April	11 327	3 403	7 924	14 493	-5 546	16 871
May	12 591	3 029	9 562	15 073	-8 339	16 296
June	11 858	3 140	8 718	15 692	-8 229	16 181
July	11 694	3 567	8 126	16 094	-8 013	16 207
Aug.	11 504	3 659	7 845	14 059	-7 745	14 159
Sept.	12 407	3 978	8 429	13 037	-6 922	14 544
Oct.	12 136	4 829	7 307	12 719	-6 633	13 393
Nov.	12 305	5 369	6 936	12 561	-6 492	13 005
Dec.	11 627	5 130	6 497	10 767	-6 098	11 166
1991						
Jan.	13 227	6 873	6 354	9 809	-5 260	10 903
Feb.	12 553	8 017	4 536	10 099	-3 028	11 607
March	13 924	12 381	1 543	4 383	-2 593	3 333
April	14 088	15 195	-1 107	7 190	-1 568	4 515

2.3 BANKS' CENTRAL BANK POSITION, MILL. FIM

Average of daily observations	Call money credits	Bank CDs held by the Bank of Finland	Gross debt to the Bank of Finland (1+2)	Call money deposits	Holdings of CDs issued by the Bank of Finland	Cash reserve deposits	Gross claim on the Bank of Finland (4+5+6)	Net position (3-7)
1	2	3	4	5	6	7	8	
1986	7 117	120	7 237	1 256	.	9 189	10 445	-3 208
1987	481	1 581	2 062	703	4 705	10 092	15 501	-13 439
1988	128	2 190	2 319	621	5 044	15 159	20 824	-18 505
1989	373	15 146	15 519	403	465	23 035	23 903	-8 384
1990	142	24 056	24 198	790	1 924	23 406	26 120	-1 922
1990								
May	175	26 112	26 287	700	654	25 965	27 319	-1 032
June	79	22 624	22 703	534	290	22 848	23 671	-969
July	3	21 435	21 438	542	40	22 748	23 330	-1 892
Aug.	35	19 648	19 683	615	40	22 657	23 312	-3 629
Sept.	18	18 165	18 184	584	17	21 939	22 539	-4 356
Oct.	14	15 893	15 906	974	-	21 378	22 352	-6 445
Nov.	167	13 511	13 678	327	-	20 843	21 170	-7 492
Dec.	188	10 310	10 499	698	-	18 981	19 679	-9 181
1991								
Jan.	36	7 764	7 800	816	546	17 395	18 757	-10 957
Feb.	128	7 368	7 496	420	1 260	17 160	18 840	-11 344
March	474	9 094	9 568	535	3 253	15 690	19 477	-9 909
April	49	12 235	12 284	999	3 288	15 743	20 030	-7 746
May	148	11 837	11 985	1 319	2 504	15 808	19 631	-7 645

3. RATES OF INTEREST

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

Average of daily observations	Inter-bank overnight rate	HELIBOR				Bank of Finland rates			Cash reserve requirement	
		1 month	3 months	6 months	12 months	Call money credit rate	Call money deposit rate	Base rate	Ordinary	Additional (average)
	1	2	3	4	5	6	7	8	9	10
1986	11.87	..	..	..	..	13.43	11.34	7.46	4.8	.
1987	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8	.
1988	8.47	9.77	9.97	10.16	10.50	11.50	7.04	7.63	6.5	.
1989	10.21	12.32	12.53	12.61	12.72	13.40	4.00	7.67	8.0	0.5
1990	10.57	13.63	13.99	14.16	14.39	15.00	4.00	8.50	7.9	.
1990										
May	9.47	12.25	12.77	13.17	13.74	15.00	4.00	8.50	8.0	.
June	8.22	12.07	12.52	13.17	13.79	15.00	4.00	8.50	8.0	.
July	8.23	11.69	12.45	13.01	13.63	15.00	4.00	8.50	8.0	.
Aug.	8.76	12.03	12.51	12.94	13.52	15.00	4.00	8.50	8.0	.
Sept.	9.62	12.59	13.09	13.46	13.93	15.00	4.00	8.50	8.0	.
Oct.	12.48	13.97	14.41	14.57	14.72	15.00	4.00	8.50	8.0	.
Nov.	15.19	14.48	14.53	14.40	14.38	15.00	4.00	8.50	7.8	.
Dec.	15.55	14.40	14.30	14.08	14.02	15.00	4.00	8.50	7.0	.
1991										
Jan.	15.10	14.55	14.21	13.96	13.78	15.00	4.00	8.50	6.7	.
Feb.	14.91	14.48	14.02	13.66	13.36	15.00	4.00	8.50	6.2	.
March	18.90	15.66	14.72	14.10	13.64	15.00	4.00	8.50	6.2	.
April	16.33	14.69	13.97	13.52	13.28	15.00	4.00	8.50	6.2	.
May	13.12	12.25	11.98	11.94	11.95	15.00	4.00	8.50	5.8	.

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

Average of daily observations	3 currencies ¹				12 currencies ²			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
	1	2	3	4	5	6	7	8
1986	5.9	5.9	5.9	5.8	..	..	..	..
1987	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
1988	5.9	6.0	6.2	6.4	7.8	8.0	8.1	8.3
1989	8.3	8.4	8.5	8.5	9.7	9.8	9.9	9.9
1990	8.9	9.1	9.2	9.4	10.8	10.9	11.1	11.2
1990								
May	8.8	9.0	9.2	9.5	10.6	10.7	10.9	11.2
June	8.8	8.9	9.1	9.4	10.5	10.6	10.8	11.0
July	8.9	8.9	9.1	9.2	10.4	10.6	10.7	10.9
Aug.	8.9	9.0	9.2	9.3	10.5	10.7	10.9	11.1
Sept.	8.9	9.0	9.2	9.4	10.5	10.8	11.0	11.2
Oct.	8.8	9.0	9.1	9.2	10.8	10.9	10.9	11.1
Nov.	8.9	9.2	9.2	9.2	11.0	11.1	11.0	11.0
Dec.	9.5	9.4	9.3	9.2	11.2	11.2	11.1	11.0
1991								
Jan.	9.0	9.2	9.3	9.3	10.9	11.0	10.9	10.9
Feb.	8.8	8.8	8.7	8.8	10.4	10.4	10.3	10.3
March	8.7	8.7	8.7	8.8	10.3	10.2	10.1	10.1
April	8.5	8.6	8.7	8.8	10.1	10.1	10.1	10.1
May	8.3	8.4	8.5	8.6	9.8	9.8	9.8	9.8

3.3 COVERED EURO-DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
	1	2	3	4
1986	12.0	11.6	11.5	11.1
1987	9.8	9.9	9.9	10.1
1988	9.5	9.7	9.9	10.2
1989	11.8	12.1	12.1	12.1
1990	13.2	13.7	13.9	14.1
1990				
May	12.1	12.8	13.2	13.8
June	11.8	12.5	13.0	13.6
July	11.5	12.3	12.9	13.5
Aug.	11.9	12.4	12.8	13.4
Sept.	12.4	13.1	13.3	13.7
Oct.	13.8	14.3	14.4	14.5
Nov.	14.3	14.4	14.2	14.1
Dec.	14.1	14.0	13.8	13.7
1991				
Jan.	14.1	14.1	13.7	13.6
Feb.	14.2	13.9	13.4	13.1
March	15.3	14.5	13.8	13.3
April	14.5	13.8	13.3	13.0
May	12.1	11.9	11.9	11.8

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

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

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

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	Other tax-exempt deposits, 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
1986	10.89	12.30	9.76	10.64	9.03	9.07	7.00	2.75	4.66	11.84	5.35
1987	10.50	12.31	10.01	10.62	8.99	8.91	7.00	2.75	4.47	10.13	5.29
1988	10.22	12.27	10.50	10.72	9.88	9.74	8.00	3.75	5.24	9.80	6.20
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
1990											
April	11.92	15.56	13.29	13.61	11.77	11.53	7.50	4.50	6.49	14.05	8.66
May	12.86	15.40	13.17	13.61	11.71	11.44	7.50	4.50	6.40	13.60	8.50
June	13.25	15.36	13.19	13.73	11.66	11.41	7.50	4.50	6.34	13.01	8.26
July	12.73	15.43	13.35	13.84	11.60	11.30	7.50	4.50	6.39	12.94	8.22
Aug.	11.33	15.39	13.24	13.46	11.63	11.34	7.50	4.50	6.42	12.78	8.22
Sept.	12.05	15.51	13.50	13.73	11.70	11.39	7.50	4.50	6.44	12.82	8.28
Oct.	14.78	15.86	13.71	14.36	11.91	11.69	7.50	4.50	6.48	12.92	8.32
Nov.	14.38	15.99	14.11	14.57	12.02	11.79	7.50	4.50	6.52	13.60	8.53
Dec.	14.47	15.94	13.29	13.94	12.14	11.94	7.50	4.50	6.30	13.84	8.31
1991											
Jan.	15.00	16.40	13.39	14.11	12.18	11.97	7.50	4.50	7.20	13.91	9.04
Feb.	15.45	16.36	14.01	14.69	12.18	11.96	7.50	4.50	7.23	13.83	9.06
March	14.99	16.45	14.44	14.91	12.31	12.16	7.50	4.50	7.29	15.07	9.62
April	15.85	16.45	14.17	14.80	12.25	11.99	7.50	4.50	7.29	13.93	9.26

¹ End of period.

3.5 YIELDS ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market yields							Offer yield on taxable public issues
	Reference rates calculated by the Bank of Finland		Taxable government bonds	Taxable public issues	Issued by:		Taxfree public issues	
	3 years	5 years			Financial institutions	Corporations		
	1	2	3	4	5	6	7	8
1986	..	..	.	11.7	..	..	8.3	11.3
1987	..	..	.	11.2	11.1	11.2	8.1	10.7
1988	10.7	10.8	10.6	10.6	10.6	10.6	7.8	10.4
1989	12.2	12.0	12.1	11.9	12.0	12.0	8.1	11.7
1990	13.7	13.5	13.2	13.3	13.3	13.2	9.2	13.0
1990								
April	13.8	13.5	13.4	13.3	13.5	13.1	8.7	12.7
May	13.8	13.7	13.1	13.5	13.6	13.5	8.8	13.3
June	13.8	13.7	13.4	13.3	13.3	13.6	8.7	13.1
July	13.8	13.7	13.4	13.3	13.5	13.1	9.0	13.2
Aug.	13.7	13.7	13.4	13.3	13.5	13.1	9.1	13.1
Sept.	13.7	13.6	13.5	13.3	13.4	13.1	9.2	13.0
Oct.	14.0	13.9	13.7	13.7	13.5	14.0	9.5	13.5
Nov.	13.9	13.8	13.7	13.4	13.3	13.5	10.0	13.6
Dec.	13.5	13.4	13.3	13.2	13.2	12.9	10.7	13.3
1991								
Jan.	13.2	13.2	13.0	13.4	13.3	13.2	10.6	13.1
Feb.	13.0	13.0	12.6	13.3	13.4	13.4	10.6	12.7
March	13.0	12.9	12.5	13.2	13.1	13.8	10.4	12.4
April	12.7	12.5	12.2	13.0	11.8	14.1	10.3	12.1

4. RATES OF EXCHANGE

4.1 AVERAGE SPOT SELLING RATES, FIM

Average of daily quotations	New York	Montreal	London	Dublin	Stockholm	Oslo	Copenhagen	Frankfurt a.M.	Amsterdam	Brussels	Zurich
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEF	1 CHF
	1	2	3	4	5	6	7	8	9	10	11
1986	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	2.8349
1987	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	2.9563
1988	4.191	3.412	7.466	6.397	0.6848	0.6444	0.6235	2.3895	2.1233	0.11421	2.8700
1989	4.295	3.632	7.051	6.104	0.6673	0.6234	0.5886	2.2879	2.0281	0.10925	2.6306
1990	3.831	3.287	6.827	6.347	0.6479	0.6130	0.6197	2.3721	2.1053	0.11480	2.7635
1990											
May	3.931	3.351	6.612	6.351	0.6503	0.6111	0.6213	2.3666	2.1041	0.11469	2.7738
June	3.966	3.385	6.780	6.318	0.6516	0.6133	0.6186	2.3540	2.0913	0.11461	2.7822
July	3.848	3.328	6.959	6.300	0.6473	0.6112	0.6166	2.3463	2.0824	0.11404	2.7628
Aug.	3.710	3.245	7.061	6.346	0.6431	0.6106	0.6182	2.3628	2.0973	0.11495	2.8338
Sept.	3.715	3.212	6.993	6.358	0.6451	0.6125	0.6200	2.3667	2.1000	0.11514	2.8450
Oct.	3.627	3.133	7.060	6.386	0.6434	0.6135	0.6235	2.3785	2.1100	0.11559	2.8302
Nov.	3.569	3.072	7.015	6.433	0.6420	0.6155	0.6264	2.4006	2.1285	0.11645	2.8394
Dec.	3.611	3.117	6.974	6.449	0.6438	0.6177	0.6284	2.4197	2.1451	0.11699	2.8293
1991											
Jan.	3.650	3.162	7.064	6.457	0.6481	0.6188	0.6281	2.4171	2.1440	0.11737	2.8693
Feb.	3.597	3.119	7.082	6.478	0.6508	0.6224	0.6324	2.4324	2.1583	0.11821	2.8434
March	3.835	3.319	7.035	6.398	0.6535	0.6152	0.6248	2.3990	2.1284	0.11651	2.7770
April	4.001	3.473	7.007	6.292	0.6547	0.6051	0.6141	2.3506	2.0858	0.11431	2.7796
May	4.047	3.525	6.992	6.320	0.6587	0.6061	0.6164	2.3578	2.0922	0.11469	2.7824

Average of daily quotations	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Tokyo	Moscow	Melbourne	ECU	SDR
	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESP	1 JPY	1 SUR	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22
1986	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
1987	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
1988	0.7060	0.00324	0.3401	0.0294	0.1006	0.0361	0.03273	6.891	3.309	4.954	5.61826
1989	0.6757	0.00315	0.3254	0.0276	0.0782	0.0364	0.03122	6.817	3.423	4.731	5.49375
1990	0.7054	0.00321	0.3374	0.0271	0.0681	0.0377	0.02654	6.553	3.011	4.875	5.18345
1990											
May	0.7044	0.00323	0.3366	0.0270	0.0679	0.0380	0.02562	6.575	3.017	4.849	5.17416
June	0.7011	0.00322	0.3348	0.0271	0.0683	0.0382	0.02582	6.620	3.105	4.850	5.20247
July	0.7009	0.00322	0.3338	0.0270	0.0680	0.0384	0.02581	6.549	3.068	4.856	5.16136
Aug.	0.7057	0.00322	0.3361	0.0270	0.0677	0.0384	0.02519	6.480	3.020	4.899	5.09787
Sept.	0.7081	0.00318	0.3367	0.0270	0.0680	0.0378	0.02681	6.523	3.083	4.898	5.15451
Oct.	0.7117	0.00319	0.3384	0.0272	0.0681	0.0380	0.02794	6.500	2.933	4.919	5.16932
Nov.	0.7146	0.00321	0.3416	0.0275	0.0680	0.0381	0.02770	6.465	2.782	4.949	5.14440
Dec.	0.7142	0.00322	0.3443	0.0276	0.0681	0.0381	0.02706	6.504	2.799	4.963	5.14894
1991											
Jan.	0.7131	0.00323	0.3438	0.0274	0.0685	0.0385	0.02729	6.553	2.863	4.981	5.18185
Feb.	0.7162	0.00325	0.3461	0.0279	0.0686	0.0390	0.02761	..	2.840	5.002	5.17020
March	0.7063	0.00323	0.3412	0.0278	0.0691	0.0387	0.02802	..	2.980	4.927	5.29584
April	0.6969	0.00318	0.3342	0.0273	0.0692	0.0382	0.02921	..	3.138	4.844	5.39487
May	0.6969	0.00319	0.3354	0.0273	0.0694	0.0382	0.02932	..	3.151	4.847	5.42606

4.2 CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index	Other currency indices		Currency	Weights of the Bank of Finland currency index From March 21, 1991 to June 7, 1991	Weights of the ECU basket
		Payments currency index	MERM index			
	1	2	3		4	5
1986	103.9	106.3	110.4	USD	8.6	—
1987	103.3	103.2	106.1	GBP	12.6	12.6
1988	102.0	101.1	104.7	SEK	18.7	—
1989	98.4	98.4	102.8	NOK	4.0	—
1990	97.3	96.1	97.3	DKK	4.5	2.5
				DEM¹	19.4	30.3
1990				NLG	5.0	9.5
May	96.9	96.3	97.5	BEF	3.3	7.8
June	97.2	96.7	97.9	CHF	2.4	—
July	97.1	96.0	96.9	FRF	6.9	19.1
Aug.	97.0	95.5	95.7	ITL	5.2	10.0
Sept.	97.3	95.6	96.6	ATS	1.6	—
Oct.	97.7	95.4	96.6	ESP	2.1	5.4
Nov.	97.7	95.3	96.2	JPY	5.7	—
Dec.	97.9	95.7	96.4	IEP	—	1.1
				GRD	—	0.6
1991				PTE	—	0.8
Jan.	98.4	96.3	97.0	LUF	—	0.3
Feb.	98.8	96.3	97.0			
March	98.7	97.2	98.8			
April	98.4	97.4	100.2			
May	98.7	97.9	100.8			

¹ In the calculation of the weight for the Deutsche Mark, trade between Finland and unified Germany has been taken into consideration from the last quarter of 1990 onwards.

5. OTHER DOMESTIC FINANCING

5.1 BANK DEPOSITS BY THE PUBLIC, MILL. FIM

End of period	Demand deposits	Time deposits	Investment accounts	Markka deposits, total (1+2+3)	Foreign currency deposits	Unregulated deposits	Total deposits (4+5+6)
	1	2	3	4	5	6	7
1986	18 393	137 521	3 423	159 337	4 259	17 271	180 866
1987	20 377	155 115	5 243	180 735	3 915	17 892	202 542
1988*	24 831	194 181	5 089	224 102	4 561	41 028	269 690
1989*	28 503	201 392	10 176	240 071	7 133	75 522	322 725
1990*	30 369	207 586	14 103	252 058	6 787	57 732	316 578
1990*							
Feb.	33 833	201 002	10 645	245 480	10 439	S	S
March	29 236	205 151	10 687	245 073	9 300	73 595	327 968
April	29 354	205 732	11 005	246 091	7 571	72 984	326 646
May	29 857	205 719	11 293	246 869	8 793	73 082	328 744
June	30 140	208 628	11 214	249 982	8 435	71 385	329 803
July	29 209	207 022	11 440	247 671	8 356	69 537	325 564
Aug.	27 561	206 562	11 729	245 852	7 373	70 060	323 285
Sept.	26 962	206 521	12 119	245 603	7 217	71 367	324 187
Oct.	28 016	204 589	12 731	245 336	8 027	69 496	322 859
Nov.	27 816	203 494	13 518	244 828	7 885	69 584	322 297
Dec.	30 369	207 586	14 103	252 058	6 787	57 732	316 578
1991*							
Jan.	27 360	190 243	30 771	248 374	7 318	60 707	316 399
Feb.	26 537	190 939	31 762	249 237	8 376	61 389	319 002

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
1986	7 542	6 354	152 335	166 231	24 450	190 681
1987	8 507	5 177	178 698	192 382	36 475	228 857
1988*	11 358	5 920	234 268	251 545	49 910	301 455
1989*	15 270	5 651	255 410	276 331	71 323	347 654
1990*	19 152	5 777	260 790	285 720	102 595	388 314
1990*						
Feb.	17 489	5 528	257 444	280 460	78 896	359 357
March	16 766	5 629	256 786	279 181	82 101	361 282
April	17 095	5 666	255 254	278 014	85 607	363 621
May	17 429	5 809	252 263	275 501	90 326	365 827
June	17 659	5 887	258 422	281 968	93 398	375 366
July	17 458	5 842	258 684	281 984	94 753	376 737
Aug.	18 440	5 886	260 023	284 349	96 478	380 827
Sept.	19 260	5 863	263 147	288 270	98 093	386 363
Oct.	16 655	5 735	262 920	285 310	98 118	383 428
Nov.	19 156	5 724	262 268	287 148	100 547	387 695
Dec.	19 152	5 777	260 790	285 720	102 595	388 314
1991*						
Jan.	18 897	5 549	259 464	283 910	104 010	387 920
Feb.	18 653	5 491	259 415	283 559	104 379	387 938

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
1986	-16 784	-13 884	237 514	223 630	-37 751	96 874	169 095	170 076
1987	-25 484	-14 977	277 068	262 090	-45 769	105 829	190 837	206 175
1988	-40 670	-15 356	353 681	338 325	-63 387	111 259	234 268	256 947
1989*	-59 049	-18 691	408 344	389 653	-79 084	124 295	251 519	272 603
1990*	-82 881	-16 430	448 864	432 434	-83 171	141 524	266 383	291 045
1990*								
Feb.	-57 207	-18 293	426 938	408 645	-86 053	135 906	265 385	295 331
March	-63 374	-18 918	430 482	411 564	-90 395	127 499	257 796	289 726
April	-68 100	-16 050	432 170	416 120	-90 516	126 520	257 504	289 429
May	-67 965	-15 224	436 690	421 466	-94 848	126 524	258 653	291 815
June	-70 350	-15 351	441 042	425 691	-93 296	130 169	262 044	293 491
July	-70 011	-17 320	442 342	425 022	-95 841	127 416	259 171	291 732
Aug.	-73 077	-17 034	445 492	428 458	-97 511	126 332	257 870	291 948
Sept.	-76 042	-16 415	450 006	433 591	-99 650	128 399	257 900	293 609
Oct.	-76 332	-15 648	449 765	434 117	-100 348	127 713	257 436	291 707
Nov.	-80 013	-16 483	452 668	436 185	-98 428	128 127	257 744	291 414
Dec.	-82 881	-16 430	448 864	432 434	-83 171	141 524	266 383	291 045
1991*								
Jan.	-83 269	-15 277	452 783	437 506	-93 098	122 453	261 139	289 898
Feb.	-86 676	-11 209	453 646	442 437	-94 339	121 053	261 423	288 823

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

End of period	Foreign debt				Domestic debt				Total 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
1986	17 905	3 038	6 038	26 981	18 059	4 481	2 474	25 013	51 994	38 028	11 686
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 035	11 553
1988	20 202	1 804	4 273	26 279	24 243	5 272	2 290	31 805	58 084	42 990	15 858
1989	18 505	852	3 429	22 786	24 126	5 750	250	30 126	52 912	45 356	21 248
1990	20 917	732	3 144	24 793	23 982	8 263	—	32 245	57 038	49 095	23 114
1990											
April	17 508	666	3 143	21 317	22 136	5 360	—	27 496	48 813	46 853	18 457
May	17 501	503	3 122	21 126	21 734	5 185	—	26 919	48 045	47 206	17 268
June	17 537	502	3 061	21 100	21 827	5 182	—	27 009	48 109	47 558	16 764
July	18 482	499	3 185	22 166	22 061	5 182	—	27 243	49 409	48 006	19 082
Aug.	18 515	501	3 180	22 196	21 978	5 182	120	27 280	49 476	48 222	18 948
Sept.	18 590	502	3 190	22 282	22 126	5 182	300	27 608	49 890	48 158	18 903
Oct.	19 325	330	3 181	22 836	22 404	5 182	—	27 586	50 422	48 689	18 034
Nov.	19 832	330	3 183	23 345	23 363	5 182	—	28 545	51 890	48 725	19 035
Dec.	20 917	732	3 144	24 793	23 982	8 263	—	32 245	57 038	49 095	23 114
1991											
Jan.	21 876	1 290	2 978	26 144	23 483	8 261	285	32 029	58 173	46 054	26 381
Feb.	21 486	1 697	2 941	26 124	24 102	8 261	825	33 188	59 312	46 651	18 467
March	25 405	1 736	2 910	30 051	24 769	8 256	925	33 950	64 001	..	20 871
April	24 784	1 759	2 675	29 218	25 082	7 783	1 725	34 590	63 808	..	..

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)
	Corpo- rations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1986	4 976	10 638	6 532	422	105	5 987	7 487	9 199	22 674
1987	4 477	9 510	8 119	206	69	9 409	8 830	4 142	22 380
1988	3 027	8 418	6 889	268	61	7 861	6 522	4 280	18 663
1989	4 204	11 022	5 717	233	13	11 146	2 997	7 046	21 189
1990*	4 640	18 448	4 420	490	1 007	17 791	607	10 607	29 004
1990*									
April	162	730	—	—	—	620	—	272	892
May	350	481	1 373	340	157	2 170	—	531	2 701
June	273	1 436	—	—	500	1 140	—	1 069	2 209
July	200	550	—	—	150	570	—	330	900
Aug.	431	1 804	270	—	200	2 234	—	471	2 705
Sept.	44	1 810	150	—	—	1 645	250	109	2 004
Oct.	842	485	2 312	—	—	2 772	—	867	3 639
Nov.	64	1 215	165	—	—	435	—	1 009	1 444
Dec.	836	3 990	150	150	—	3 140	—	1 986	5 126
1991*									
Jan.	1 054	3 550	2 000	—	—	4 848	—	1 756	6 603
Feb.	352	900	—	—	—	850	—	402	1 252
March	271	1 885	500	29	—	2 137	—	548	2 685
April	161	2 095	1 800	—	—	3 125	—	931	4 056

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corpo- rations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1986	14 075	31 902	22 091	1 042	177	16 432	23 314	29 541	69 287
1987	17 509	36 773	26 518	1 200	232	24 831	28 229	29 172	82 232
1988	19 195	42 892	28 953	1 413	292	32 028	30 054	30 663	92 745
1989	21 463	50 216	29 381	1 555	290	41 162	27 742	34 001	102 906
1990*	23 522	59 756	28 812	1 756	1 298	52 273	22 970	39 902	115 145
1990*									
I	22 820	53 691	27 774	1 531	296	42 697	25 730	37 685	106 112
II	22 072	53 719	27 433	1 803	954	43 651	24 544	37 786	105 981
III	22 386	56 266	26 997	1 691	1 303	47 058	23 623	37 962	108 643
IV	23 522	<u>59 756</u>	28 812	1 756	<u>1 298</u>	52 273	22 970	39 902	115 145
1991*									
I	24 169	62 451	29 594	1 466	4 006	58 366	20 638	42 680	121 684

5.6 HELSINKI STOCK EXCHANGE

Average of daily observations	Share prices									Turnover ² , mill. FIM					
	HEX index (Dec. 28, 1990 = 1000)									Unitas index ¹ , 1975 = 100			Shares and subscription rights	Bonds and debentures	Total
	All-share index	By ownership		By industry						All-share index	Banks	Industry			
		Re-restricted	Non-restricted	Banks and finance	Insurance and investment	Manufacturing	Of which								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1986	..	..	..	..	..	..	..	..	..	350	254	357	9 488	6 479	15 968
1987	1 284	1 264	1 385	1 449	1 054	1 285	1 421	1 342	1 369	546	319	603	26 641	4 604	31 245
1988	1 692	1 727	1 473	1 825	1 371	1 705	1 591	1 629	2 013	677	404	734	31 734	5 718	37 452
1989	1 827	1 850	1 689	1 958	1 528	1 818	1 728	1 748	2 061	742	441	793	33 160	7 375	40 536
1990	1 332	1 324	1 395	1 263	1 185	1 376	1 436	1 282	1 474	536	283	595	15 521	4 550	20 071
1990															
May	1 413	1 396	1 541	1 348	1 254	1 452	1 523	1 314	1 581	572	308	632	1 199	632	1 876
June	1 404	1 388	1 527	1 341	1 237	1 449	1 521	1 314	1 578	567	306	628	804	341	1 101
July	1 326	1 308	1 468	1 283	1 167	1 380	1 387	1 289	1 511	538	291	598	468	216	684
Aug.	1 313	1 308	1 358	1 238	1 161	1 372	1 385	1 306	1 487	532	280	594	870	145	1 015
Sept.	1 162	1 160	1 180	1 073	1 086	1 196	1 211	1 170	1 252	468	241	520	544	172	716
Oct.	1 042	1 043	1 032	1 037	988	1 043	1 090	1 023	1 049	417	233	455	680	427	1 107
Nov.	1 026	1 025	1 033	1 030	958	1 031	1 060	1 034	1 025	410	230	449	1 727	233	1 960
Dec.	1 012	1 009	1 030	1 003	977	1 019	1 018	1 025	1 031	404	223	444	1 058	810	1 869
1991															
Jan.	910	905	945	929	908	901	951	928	872	357	203	387	498	310	808
Feb.	951	940	1 025	959	930	955	1 032	1 028	941	377	210	412	535	204	739
March	1 092	1 077	1 198	1 075	971	1 135	1 235	1 241	1 150	.	.	.	953	141	1 094
April	1 138	1 123	1 243	1 060	993	1 210	1 279	1 263	1 273	.	.	.	607	117	724
May	1 071	1 051	1 210	1 001	1 000	1 123	1 169	1 171	1 179	.	.	.	692	62	754

¹ The calculation of the Unitas index was discontinued as from March 1991.

² During period.

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	Transport receipts	Travel receipts	Other services receipts	Services receipts, of total (2+3+4)	Exports of goods and services (1+5)	Investment income ¹	Transfers and other income	Current account of receipts (6+7+8)	Imports goods, c.i.f.	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1986	81 066	5 757	3 195	5 616	14 568	95 634	4 808 ^f	3 609	104 050	76 736	2 160	5 587	5 415
1987	83 826	6 387	3 736	6 099	16 222	100 048	6 162 ^f	3 231	109 441	81 867	2 610	6 811	6 488
1988	91 313	7 026	4 280	6 132	17 438	108 750	9 377 ^f	4 415	122 543	91 232	3 338	7 907	7 390
1989*	98 265	7 662	4 497	6 277	18 436	116 701	10 212 ^f	3 652	130 565	104 400	3 869	8 969	8 759
1990*	99 706	8 250	4 622	6 565	19 438	119 144	14 444	3 158	136 746	101 956	4 132	10 757	9 500
1988													
IV	26 608	1 771	977	1 905	4 653	31 261	2 492	1 080	34 833	24 597	944	1 951	1 860
1989*													
I	24 944	1 853	869	1 322	4 044	28 988	1 949	851	31 788	24 292	820	1 922	2 170
II	23 370	1 948	1 078	1 376	4 401	27 771	2 684	930	31 385	24 762	947	2 170	2 234
III	22 534	1 982	1 421	1 466	4 869	27 403	2 368	927	30 698	25 637	1 022	2 431	2 070
IV	27 418	1 879	1 129	2 114	5 122	32 540	3 211	944	36 694	29 708	1 080	2 446	2 285
1990*													
I	24 388	1 989	794	1 704	4 487	28 875	3 617	762	33 253	24 711	827	2 512	2 223
II	26 427	2 094	1 070	1 622	4 786	31 213	3 725	819	35 757	27 570	1 001	2 579	2 208
III	22 894	2 132	1 597	1 423	5 151	28 045	3 033	781	31 860	22 854	1 129	2 907	2 121
IV	25 997	2 036	1 161	1 817	5 014	31 011	4 069	796	35 875	26 821	1 175	2 759	2 948
1991*													
I	21 986	1 994	984	1 822	4 800	26 786	3 900	876	31 564	22 086	896	2 605	2 800

During period	Services expenditure, total (11+12+13)	Imports goods and services (10+14)	Investment expenditure ¹	Transfers and other expenditure	Current account expenditure (15+16+17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account (20+21+22)	Goods and services account net (19+23)(7-16)	Investment income, others, net (8-17)	Transfers and other, net (24+25)	Current account (26)= (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1986	13 162	89 898	11 814 ^f	5 964	107 675	4 329	3 597	-2 392	201	1 406	5 735	-7 006	-2 355	-3 625
1987	15 909	97 775	13 356 ^f	5 860	116 990	1 960	3 778	-3 075	-390	313	2 273	-7 194	-2 629	-7 550
1988	18 634	109 866	17 033 ^f	6 975	133 874	80	3 689	-3 627	-1 258	-1 196	-1 116	-7 656	-2 560	-11 331
1989*	21 596	125 996	21 882 ^f	7 561	155 439	-6 134	3 793	-4 471	-2 482	-3 160	-9 294	-11 670	-3 910	-24 874
1990*	24 389	126 344	27 695	8 140	162 179	-2 250	4 118	-6 135	-2 935	-4 951	-7 201	-13 251	-4 982	-25 434
1988														
IV	4 756	29 353	4 831	1 888	36 071	2 010	827	-975	45	-102	1 908	-2 339	-808	-1 238
1989*														
I	4 911	29 203	4 364	2 120	35 687	652	1 034	-1 053	-848	-867	-215	-2 415	-1 269	-3 899
II	5 351	30 114	5 887	1 884	37 885	-1 393	1 001	-1 092	-858	-950	-2 343	-3 203	-954	-6 500
III	5 522	31 160	5 332	1 730	38 222	-3 103	960	-1 010	-604	-654	-3 757	-2 964	-804	-7 524
IV	5 811	35 519	6 289	1 827	43 645	-2 291	799	-1 316	-171	-689	-2 980	-3 088	-883	-6 951
1990*														
I	5 562	30 273	6 388	1 885	38 546	-323	1 162	-1 719	-520	-1 076	-1 398	-2 771	-1 123	-5 292
II	5 788	33 359	7 372	2 063	42 794	-1 143	1 092	-1 509	-586	-1 003	-2 146	-3 647	-1 244	-7 037
III	6 157	29 011	6 585	2 000	37 596	40	1 002	-1 310	-698	-1 006	-966	-3 551	-1 219	-5 735
IV	6 881	33 702	7 350	2 192	43 244	-824	861	-1 597	-1 131	-1 867	-2 691	-3 281	-1 396	-7 369
1990*														
I	6 300	28 386	7 638	2 711	38 734	-100	1 099	-1 621	-978	-1 500	-1 600	-3 738	-1 832	-7 170

¹ Reinvested earnings of direct investment enterprises have been added for the years 1986—1989; see also the item on direct investment in the October 1990 issue of the Bulletin.

6.2 CAPITAL ACCOUNT¹, MILL. FIM

During period	Direct investment in Finland	Portfolio investment in Finland	Long-term credits				Imports of other long-term capital	Imports of long-term capital (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Exports of other long-term capital	Exports of long-term capital (9+10+11+12)	Long-term capital account (8-13)
			Central government	Authorized banks	Others	Total (3+4+5)								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1986	1 722	9 301	-240	31	-3 056	-3 265	87	7 845	4 109	2 320 ^r	-381	3 035 ^r	9 083	-1 238
1987	1 165	9 319	-556	1 823	103	1 370	91	11 945	5 015	2 285 ^r	158	5 041 ^r	12 499	-554
1988	2 218	14 457	-1 892	2 304	2 548	2 960	85	19 720	10 919	1 248 ^r	1 369	3 172 ^r	16 708	3 013
1989*	2 095	14 756	-1 638	4 403	5 843	8 608	79	25 538	13 327	180	2 934	2 221	18 662	6 876
1990*	3 647	22 656	-666	3 898	16 442	19 674	169	46 146	13 559	546	-409	2 510	16 206	29 940
1988														
IV	788	5 899	-778	857	1 195	1 274	57	8 018	2 739	87	1 076	843	4 745	3 273
1989*														
I	30	7 696	-761	1 031	458	728	42	8 496	3 575	-381	1 395	906	5 495	3 001
II	372	1 415	-403	421	1 058	1 076	-22	2 841	1 990	413	543	711	3 657	-816
III	681	2 841	-113	708	886	1 481	-16	4 987	3 626	338	225	722	4 911	76
IV	1 012	2 804	-361	2 243	3 441	5 323	75	9 214	4 136	-190	771	-118	4 599	4 615
1990*														
I	592	6 788	-310	2 125	10 423	12 238	126	19 744	2 525	302	102	861	3 790	15 954
II	627	2 836	-234	448	1 443	1 657	-34	5 086	3 212	-425	17	378	3 182	1 904
III	244	6 702	-201	1 146	1 573	2 518	-26	9 438	3 005	284	-220	425	3 494	5 944
IV	2 184	6 330	79	179	3 003	3 261	103	11 878	4 816	385	-308	846	5 739	6 139
1991*														
I	463	6 073	657	746	2 807	4 211	-108	10 639	2 621	-180	305	-403	2 343	8 296

During period	Basic balance	Short-term capital imports of authorized banks	Import liabilities and prepayments related to exports	Imports of short-term capital (16+17)	Short-term capital exports of authorized banks	Export receivables and prepayments related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. errors and omissions	Short-term capital account (18-21+22)	Overall balance excl. reserve movements (15+23)	Change in central bank's foreign exchange reserves (26+27)	Of which:	
												Convertible reserves	Tied reserves
	15	16	17	18	19	20	21	22	23	24	25	26	27
1986	-4 863	6 019	-3 796	2 222	7 181 ^r	-92	7 089	1 799 ^r	-3 068	-7 930	7 930	11 678	-3 748
1987	-8 104	19 324	-665	18 659	-9 346 ^r	-183	-9 529	-4 348 ^r	23 839	15 736	-15 736	-17 817	2 081
1988	-8 319	10 950	-399	10 551	1 754 ^r	644	2 398	348 ^r	8 501	183	-183	-517	334
1989*	-17 998	4 285	1 627	5 912	1 873	475	2 348	8 473	12 037	-5 961	5 961	4 455	1 506
1990*	4 507	12 352	1 471	13 823	-4 318	-864	-5 183	-8 420	10 585	15 092	-15 092	-15 432	340
1988													
IV	2 034	-8 761	-663	-9 424	-7 313	1 014	-6 299	1 302	-1 822	212	-212	-897	685
1989*													
I	-898	5 699	-287	5 412	6 536	214	6 749	4 055	2 718	1 820	-1 820	-1 372	-449
II	-7 316	10 783	-2 108	8 675	3 808	214	4 022	1 488	6 141	-1 174	1 174	152	1 022
III	-7 448	4 047	1 107	5 154	3 860	24	3 884	3 192	4 462	-2 987	2 987	1 802	1 185
IV	-2 336	-16 243	2 915	-13 329	-12 331	24	-12 307	-263	-1 284	-3 620	3 620	3 873	-253
1990*													
I	10 662	19 514	735	20 249	10 570	-593	9 977	-10 087	185	10 847	-10 847	-11 254	408
II	-5 134	9 095	793	9 888	5 078	-593	4 486	505	5 907	774	-774	-873	100
III	208	-2 325	-351	-2 676	-3 743	-58	-3 801	725	1 851	2 059	-2 059	-2 064	5
IV	-1 230	-13 932	293	-13 638	-16 223	379	-15 844	436	2 642	1 412	-1 412	-1 240	-172
1991*													
I	1 125	13 153	-655	12 498	16 262	-200	16 062	-663	-4 227	-3 102	3 102	3 657	-556

¹ Capital account data are based on surveys as from the beginning of 1991. In this context, certain earlier data have also been revised. The resulting figures conform more closely to the IMF's recommendations.

6.3 FINLAND'S FOREIGN LIABILITIES AND ASSETS¹, MILL. FIM

End of period	Long-term liabilities							Long-term assets					Long-term debt, net (9+10+11+12) (8-13)	
	Direct investment in Finland	Portfolio investment in Finland	Long-term credits			Other long-term capital	Total (1+2+6+7)	Direct investment abroad	Portfolio investment abroad	Long-term export credits	Other long-term capital	Total (9+10+11+12)		
			Central government	Authorized banks	Others									Total (3+4+5)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1986	8 056	48 039	8 596	1 728	19 959	30 283	739	87 117	11 590	4 690 ^r	5 649	5 712 ^r	27 641	59 476
1987	10 339	54 317	8 247	3 507	18 625	30 379	830	95 865	17 892	6 975 ^r	5 240	10 590 ^r	40 697	55 168
1988	12 673	68 957	6 081	5 910	21 126	33 117	915	115 662	24 199	8 223 ^r	6 686	13 800 ^r	52 908	62 754
1989*	16 692	82 313	4 127	9 967	26 016	40 110	994	140 109	33 234	7 852	9 469	15 869	66 424	73 685
1990*	20 339	96 543	3 314	7 319	41 788	52 421	6 178	175 481	46 793	7 560	8 621	23 244	86 218	89 263
1988														
IV	12 673	68 957	6 081	5 910	21 126	33 117	915	115 662	24 199	8 223	6 686	13 800	52 908	62 754
1989*														
I	13 186	75 798	5 117	6 843	21 172	33 132	957	123 073	26 702	7 798	7 972	14 738	57 210	65 863
II	14 041	77 417	4 629	7 231	22 258	34 118	935	126 511	27 619	8 287	8 932	15 180	60 018	66 494
III	15 205	79 950	4 520	7 878	23 020	35 418	919	131 492	30 172	8 392	9 155	15 817	63 536	67 956
IV	16 692	82 313	4 127	9 967	26 016	40 110	994	140 109	33 234	7 852	9 469	15 869	66 424	73 685
1990*														
I	17 284	85 070	3 662	11 883	35 245	50 790	1 120	154 264	35 759	8 113	9 366	16 696	69 934	84 330
II	17 911	85 823	3 454	12 655	36 138	52 247	1 086	157 067	38 972	7 715	9 339	17 075	73 101	83 966
III	18 155	89 500	3 322	13 734	37 306	54 362	1 060	163 077	41 977	7 631	8 987	17 489	76 084	86 993
IV	20 339	96 543	3 314	7 319	41 788	52 421	6 178	175 481	46 793	7 560	8 621	23 244	86 218	89 263
1991*														
I	20 802	109 012	4 076	8 312	45 859	58 248	6 003	194 064	49 414	6 969	10 105	22 475	88 963	105 101

End of period	Short-term liabilities				Short-term assets				Short-term liabilities, net (18-22)	Debt, net (14+23)	Net investment expenditure	Net investment expenditure in relation to current account receipts
	Bank of Finland's short-term liabilities	Short-term liabilities of authorized banks	Trade credits and other liabilities	Total (15+16 and other+17)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits and other assets	Total (19+20 and other+21)				
	15	16	17	18	19	20	21	22	23	24	25	26
1986	3 455	56 881	18 133 ^r	78 469	16 613	43 389 ^r	19 279	79 282	-813	58 663	7 006	6.7
1987	3 362	73 132	21 160 ^r	97 654	31 134	34 043 ^r	18 060	83 238	14 417	69 585	7 194	6.6
1988	3 341	83 828	20 109 ^r	107 278	32 037	35 797 ^r	20 830	88 664	18 614	81 367	7 656	6.2
1989*	3 558	88 751	25 580	117 889	25 113	37 670	22 183	84 965	32 924	106 609	11 670	8.9
1990*	3 922	97 797	27 775	129 494	39 506	31 626	21 481	92 613	36 882	126 144	13 251	9.7
1988												
IV	3 341	83 828	20 109	107 278	32 037	35 797	20 830	88 664	18 614	81 367	2 339	6.7
1989*												
I	3 278	90 535	21 455	115 267	33 376	42 333	21 047	96 756	18 511	84 374	2 415	7.6
II	3 136	100 345	21 114	124 595	32 142	46 141	22 433	100 716	23 879	90 372	3 203	10.2
III	3 919	104 777	22 747	131 443	29 839	50 001	22 704	102 544	28 899	96 855	2 964	9.7
IV	3 558	88 751	25 580	117 889	25 113	37 670	22 183	84 965	32 924	106 609	3 088	8.4
1990*												
I	4 036	108 663	27 240	139 940	35 895	48 239	23 142	107 276	32 663	116 993	2 771	8.3
II	4 195	118 120	26 292	148 607	36 764	53 318	22 457	112 539	36 067	120 034	3 647	10.2
III	4 071	116 509	26 065	146 645	38 454	49 575	22 598	110 627	36 019	123 012	3 551	11.1
IV	3 922	97 797	27 775	129 494	39 506	31 626	21 481	92 613	36 882	126 144	3 281	9.1
1991*												
I	3 399	111 540	29 477	144 415	37 748	48 583	26 161	112 491	31 924	137 025	3 738	11.8

6.4 FINLAND'S LONG-TERM FOREIGN LIABILITIES AND ASSETS, BY SECTOR¹, MILL. FIM

End of period	Long-term liabilities					Long-term assets					Long-term liabilities, net (5-10)
	Corporate sector	Financial institutions	Central government	Local government	Total (1+2+3+4)	Corporate sector	Financial institutions	Central government	Other	Total (6+7+8+9)	
	1	2	3	4	5	6	7	8	9	10	11
1986^r	39 068	20 508	27 031	510	87 117	13 910	10 973	2 309	449	27 641	59 476
1987^r	39 522	27 142	28 691	509	95 865	19 493	17 912	2 653	639	40 697	55 168
1988^r	46 471	41 766	26 926	499	115 662	25 093	23 765	3 101	949	52 908	62 754
1989^a	58 602	57 870	23 063	574	140 109	34 999	26 371	3 517	1 537	66 424	73 685
1990^a	68 864	80 954	24 976	687	175 481	48 798	30 891	4 481	2 047	86 218	89 263
1988											
IV	46 471	41 766	26 926	499	115 662	25 093	23 765	3 101	949	52 908	62 754
1989^a											
I	47 855	48 670	26 033	515	123 073	28 466	24 364	3 299	1 081	57 210	65 863
II	49 629	52 125	24 257	500	126 511	29 563	25 914	3 329	1 212	60 018	66 494
III	52 901	54 317	23 783	491	131 492	31 816	27 012	3 374	1 334	63 536	67 956
IV	58 602	57 870	23 063	574	140 109	34 999	26 371	3 517	1 537	66 424	73 685
1990^a											
I	64 302	66 880	22 478	604	154 264	36 963	27 558	3 699	1 714	69 934	84 330
II	64 199	70 644	21 588	636	157 067	39 730	27 782	3 734	1 855	73 101	83 966
III	64 339	75 419	22 647	673	163 077	42 027	28 325	3 772	1 960	76 084	86 993
IV	68 864	80 954	24 976	687	175 481	48 798	30 891	4 481	2 047	86 218	89 263
1991^a											
I	75 343	86 428	31 556	737	194 064	51 185	30 677	4 851	2 250	88 963	105 101

¹For revisions, see footnote 1 in table 6.2.

7. FOREIGN TRADE

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

During period	Exports, f.o.b.	Imports, c.i.f.	Balance (1-2)
	1	2	3
1986	82 579	77 601	4 978
1987	85 516	82 807	2 709
1988	92 902	92 118	784
1989	99 782	105 516	-5 734
1990*	101 338	103 018	-1 680
1990*			
April	9 076	9 916	-840
May	9 034	9 458	-424
June	8 773	8 367	406
July	7 134	7 715	-581
Aug.	7 655	8 185	-530
Sept.	8 514	7 369	1 145
Oct.	8 987	10 107	-1 120
Nov.	8 963	8 379	584
Dec.	8 444	8 530	-86
1991*			
Jan.	7 686	7 494	192
Feb.	6 987	7 243	-256
March	7 698	7 567	131
April	8 733	7 909	824

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
1986	116	110	135	121	111
1987	118	119	138	119	116
1988	121	130	145	122	119
1989	121	144	156	126	123
1990*	125	138	154	128	120
1988					
III	113	134	147	123	119
IV	136	137	150	124	121
1989					
I	123	132	156	128	122
II	116	136	155	126	123
III	112	141	155	126	124
IV	134	163	157	126	125
1990*					
I	122	134	154	128	120
II	132	152	154	126	122
III	114	124	155	128	121
IV	130	140	154	133	116

7.3 FOREIGN TRADE BY MAIN GROUPS, MILL. FIM

During period	Exports by industries, f.o.b.					Imports by use of goods, c.i.f.				
	Wood industry products	Paper industry products	Chemical industry products	Metal and engineering industry products	Other goods	Raw materials (excl. crude oil)	Crude oil, fuels and lubricants	Finished goods		Other goods
	1	2	3	4	5	6	7	8	9	10
1986	6 947	24 600	7 858	26 115	17 059	39 236	10 126	12 898	15 069	272
1987	7 470	27 058	7 770	26 230	16 988	41 174	9 406	14 138	17 477	612
1988	7 567	30 474	8 450	29 225	17 186	45 790	7 533	17 274	20 828	693
1989	7 418	32 513	8 843	32 682	18 326	51 786	8 311	20 605	24 056	758
1990*	7 810	31 673	9 541	35 494	16 820	49 194	9 836	19 368	23 891	729
1990*										
April	681	2 815	805	3 301	1 474	4 593	718	2 012	2 403	190
May	849	2 828	812	3 075	1 470	4 641	760	1 782	2 192	83
June	740	2 592	746	3 306	1 389	4 110	768	1 614	1 830	45
July	494	2 423	632	2 478	1 107	3 692	557	1 482	1 899	85
Aug.	514	2 766	824	2 304	1 247	3 902	815	1 503	1 942	23
Sept.	645	2 525	877	2 938	1 529	3 487	974	1 207	1 669	32
Oct.	693	2 871	854	3 008	1 561	4 600	1 743	1 569	2 181	14
Nov.	696	2 849	826	3 095	1 497	4 049	825	1 494	1 951	60
Dec.	594	2 449	746	3 365	1 290	3 824	1 248	1 682	1 715	61
1991*										
Jan.	597	2 394	894	2 409	1 392	3 532	782	1 286	1 812	82
Feb.	555	2 394	821	1 918	1 299	3 651	448	1 221	1 916	7
March	571	2 616	902	2 260	1 349	3 689	529	1 172	2 168	9
April	578	2 578	896	3 300	1 381	3 931	619	1 321	2 001	37

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1990*		1991* January—April		1990*		1991* January—April	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period on the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	77 533	76.5	26 130	-2.1	82 355	79.9	24 478	-13.5
OECD Europe	68 001	67.1	22 742	0.1	67 601	65.6	20 142	-12.7
Of which:								
Austria	1 117	1.1	392	6.3	1 401	1.4	382	-15.9
Belgium and Luxembourg	2 247	2.2	841	16.5	2 839	2.8	755	-23.1
Denmark	3 538	3.5	1 152	6.6	3 369	3.3	1 047	-8.5
France	6 237	6.2	1 910	-15.2	4 427	4.3	1 326	-18.9
Federal Republic of Germany ¹	13 003	12.8	4 843	18.5	17 897	17.4	5 045	-22.1
Italy	3 227	3.2	1 121	4.9	4 766	4.6	1 377	-18.9
Netherlands	4 347	4.3	1 542	4.6	3 276	3.2	1 067	-1.6
Norway	3 067	3.0	1 034	0.8	3 512	3.4	1 392	44.3
Spain	2 210	2.2	823	15.9	1 159	1.1	383	-11.2
Sweden	14 456	14.3	4 427	-14.3	13 407	13.0	3 817	-18.6
Switzerland	1 806	1.8	622	6.4	1 804	1.8	563	-0.7
United Kingdom	10 724	10.6	3 263	-10.4	7 822	7.6	2 169	-6.3
Other OECD	9 532	9.4	3 387	-14.8	14 754	14.3	4 336	-17.0
Of which:								
Canada	1 124	1.1	245	-48.0	810	0.8	179	-23.1
Japan	1 445	1.4	465	-5.5	6 628	6.4	2 049	-18.8
United States	5 898	5.8	2 401	-8.9	6 974	6.8	2 006	-15.3
Non-OECD European countries	13 888	13.7	2 019	-51.1	12 266	11.9	2 945	-26.2
Of which:								
Soviet Union	12 884	12.7	1 632	-56.1	10 202	9.9	2 384	-26.3
Other countries	9 917	9.8	2 956	-1.7	8 397	8.2	2 790	6.5
Of which:								
OPEC countries	1 727	1.7	568	6.8	935	0.9	515	178.5
TOTAL	101 338	100.0	31 104	-8.1	103 018	100.0	30 213	-13.4
Of which:								
EEC countries	47 078	46.5	16 129	4.4	47 263	45.9	13 942	-14.5
EFTA countries	20 540	20.3	6 506	-9.3	20 195	19.6	6 168	-8.1

¹ Figures for unified Germany since October 1990; prior to then, the trade figures for the German Democratic Republic are included in those for the Federal Republic of Germany.

8. DOMESTIC ECONOMIC DEVELOPMENTS

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

(seasonally adjusted figures)

Period	Consumption expenditure		Fixed investment		Change in stocks, incl. statistical discrepancy	Domestic demand (1+2+3+4+5)	Exports	Imports	GDP (6+7-8)
	Private	Public	Private	Public					
	1	2	3	4						5	6	7	8	9
1986	189 113	70 325	69 328	10 738	810	340 314	99 498	97 795	342 017
1987	199 981	73 458	72 761	11 654	2 246	360 100	102 127	106 568	355 659
1988	209 956	75 190	81 839	11 446	9 062	387 493	105 897	118 405	374 985
1989*	218 243	77 389	94 252	11 257	14 694	415 835	107 551	128 834	394 552
1990*	218 468	79 798	91 345	12 237	9 313	411 161	109 913	126 699	394 375
1988									
III	52 740	18 882	21 143	3 039	2 352	98 155	26 422	31 224	93 353
IV	53 464	18 993	21 081	2 855	2 388	98 781	27 437	29 724	96 493
1989*									
I	54 006	19 146	21 525	2 771	3 155	100 603	27 828	31 632	96 799
II	54 476	19 283	23 572	2 710	2 306	102 346	25 804	30 125	98 026
III	54 789	19 420	24 255	2 852	4 309	105 625	26 473	32 831	99 267
IV	54 972	19 541	24 901	2 924	4 923	107 260	27 446	34 247	100 460
1990*									
I	54 645	19 736	24 358	3 054	2 491	104 284	27 262	32 566	98 980
II	54 983	19 889	22 695	3 291	3 678	104 537	28 907	33 965	99 479
III	54 691	20 027	22 080	2 969	1 312	101 080	27 512	29 973	98 618
IV	54 148	20 146	22 212	2 923	1 832	101 261	26 232	30 195	97 298

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100

(seasonally adjusted figures)

Period	Total industry	Mining and quarrying	Manu- facturing	Wood and paper industries	Metal and engineering industries	Other manu- facturing	Energy and water supply
	(100.0)	(1.6)	(87.9)	(16.5)	(30.0)	(41.4)	(10.5)
	1	2	3	4	5	6	7
1986	101.9	102.8	102.0	102.3	103.0	101.2	100.4
1987	107.2	99.9	107.2	106.5	110.2	105.4	107.8
1988	110.9	108.8	111.0	113.1	114.5	107.6	110.1
1989*	113.8	117.2	114.1	115.9	120.7	108.6	110.2
1990*	112.4	114.5	112.4	114.3	119.6	106.3	112.1
1990*							
March	113.9	109.7	114.1	116.6	119.9	108.0	114.0
April	116.1	114.8	115.1	117.5	123.9	110.2	114.0
May	114.2	136.8	114.1	114.1	120.5	108.9	112.0
June	113.5	121.9	114.2	119.5	121.5	106.2	107.0
July	110.7	87.1	111.6	113.5	117.4	106.2	112.3
Aug.	111.3	124.7	111.6	112.4	118.9	105.9	106.9
Sept.	110.7	115.5	110.8	112.8	117.9	104.9	109.3
Oct.	109.2	108.0	108.9	111.6	115.3	103.3	112.4
Nov.	109.1	103.7	108.6	110.6	115.6	103.0	112.8
Dec.	111.2	117.9	111.1	112.4	119.7	104.1	111.7
1991*							
Jan.	109.4	121.8	107.9	105.9	117.9	101.1	119.3
Feb.	105.9	108.4	102.9	103.6	109.1	97.4	129.5
March	107.0	107.8	105.9	109.2	112.5	99.0	116.3

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

Period	Volume of wholesale trade	Volume of retail trade	Volume of construction of buildings	Of which:			Imports of investment goods	Monthly indicator of GDP
				Residential buildings	Industrial buildings	Other buildings		
	1	2	3	4	5	6	7	8
1986	104.7	102.5	94.0	88.4	99.9	99.5	105.2	102.1
1987	111.3	107.7	95.6	89.0	101.0	102.6	114.3	106.9
1988	116.7	113.0	108.6	106.0	113.4	110.6	135.0	110.7
1989*	124.2	117.0	130.3	132.9	137.6	125.2	161.4	115.2
1990*	119.9	111.7	127.8	125.5	168.1	119.0	144.7	116.1
1989* IV	126.7	115.7	134.8	142.0	138.1	133.4	194.7	116.4
1990* Feb.	122.4	102.9	..	..	..	..	..	115.9
March	125.2	119.8	..	..	..	..	..	117.2
April	123.6	115.7	..	..	..	..	..	117.2
May	124.3	113.6	..	..	..	..	..	117.8
June	119.0	112.0	..	..	..	..	..	116.3
July	121.7	113.5	..	..	..	..	..	117.0
Aug.	121.8	112.9	..	..	..	..	..	116.8
Sept.	116.2	107.9	..	..	..	..	..	115.8
Oct.	118.8	111.5	..	..	..	..	..	115.0
Nov.	111.2	109.9	..	..	..	..	..	114.1
Dec.	108.5	107.5	..	..	..	..	..	113.5
I	124.6	112.0	137.9	135.0	154.4	135.3	148.1	116.5
II	122.3	113.7	132.1	130.2	167.0	123.8	167.5	117.1
III	119.9	111.4	119.0	118.9	170.1	107.7	122.2	116.5
IV	112.8	109.6	122.1	117.8	180.7	109.1	145.2	114.2
1991* Jan.	112.7	102.9	..	..	..	..	..	113.8
Feb.	108.4	102.0	..	..	..	..	..	112.6

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors					Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government	Non-profit institutions			Domestic goods	Imported goods		Exported goods	Home market goods	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1986	106.9	106.6	106.2	106.6	107.8	107.2	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
1987	114.4	114.5	113.4	115.7	113.3	115.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
1988	124.7	124.6	122.7	128.8	122.0	128.0	112.6	101.5	104.9	89.1	101.7	103.8	100.7	116.3
1989¹	135.7	136.5	133.8	137.4	132.1	137.1	120.0	107.3	111.3	92.6	107.8	110.5	106.4	125.5
1990¹	148.2	148.4	146.3	149.5	146.9	148.4	127.3	110.9	115.7	93.6	110.0	110.4	109.9	134.5
1989¹														
IV	139.2	140.1	137.2	140.0	135.8	139.2	122.5	108.9	113.4	92.4	109.2	111.5	108.1	128.9
1990¹														
April	..	..	..	..	..	..	126.4	109.7	114.7	91.4	109.6	110.4	109.2	134.7
May	..	..	..	..	..	..	127.0	110.5	115.8	91.2	109.8	110.6	109.5	135.0
June	..	..	..	..	..	..	127.3	110.5	115.8	91.3	109.9	110.4	109.6	135.2
July	..	..	..	..	..	..	127.5	110.5	115.8	91.2	110.1	110.6	109.8	135.3
Aug.	..	..	..	..	..	..	128.1	111.5	116.3	94.1	110.4	110.2	110.6	135.4
Sept.	..	..	..	..	..	..	128.8	112.3	116.6	96.5	110.7	110.4	110.8	135.7
Oct.	..	..	..	..	..	..	129.2	113.2	117.3	98.0	111.4	110.6	111.7	136.8
Nov.	..	..	..	..	..	..	129.1	112.6	117.1	96.4	110.9	110.6	111.1	136.8
Dec.	..	..	..	..	..	..	129.0	112.1	116.7	95.3	110.4	109.6	110.9	136.8
I	143.0	143.3	140.5	145.8	140.0	144.5	125.2	109.3	113.9	92.5	109.1	110.6	108.4	131.0
II	148.4	148.6	147.2	149.4	147.2	148.3	126.9	110.2	115.4	91.3	109.8	110.5	109.4	135.0
III	148.6	148.7	146.8	149.6	147.6	148.5	128.1	111.4	116.2	93.9	110.4	110.4	110.4	135.5
IV	152.9	152.9	150.7	153.2	152.6	152.1	129.1	112.6	117.0	96.6	110.9	110.3	111.2	136.8
1991¹														
Jan.	..	..	..	..	..	..	130.9	111.9	116.7	94.0	110.2	108.9	110.8	137.1
Feb.	..	..	..	..	..	..	131.6	111.6	116.7	92.8	110.2	109.2	110.7	136.8
March	..	..	..	..	..	..	131.7	111.5	116.5	93.3	109.8	108.6	110.4	137.4
April	..	..	..	..	..	..	132.2	111.2	116.0	93.5	109.5	108.7	109.9	137.4

¹ Preliminary figures for columns 1—6.

8.5 LABOUR, EMPLOYMENT AND UNEMPLOYMENT (seasonally adjusted figures)

Period	Labour force participation rate among 15-74 year olds	Labour force	Total employment (4+5) = (6+7+8+9)	By industrial status		By industry				Unemployed	Unemployment rate	
				Self-employed	Wage and salary earners	Agriculture and forestry	Industry	Construction	Service industries			
	%			1000 persons								%
	1	2	3	4	5	6	7	8	9	10	11	
1986	69.1	2 569	2 431	359	2 071	266	589	185	1 391	138	5.4	
1987	68.6	2 554	2 423	372	2 051	251	569	184	1 419	130	5.1	
1988	68.4	2 546	2 431	368	2 062	238	553	188	1 452	116	4.6	
1989	68.7	2 559	2 470	367	2 104	218	561	199	1 492	89	3.5	
1990	68.4	2 556	2 467	360	2 108	207	556	205	1 500	88	3.4	
1990												
March	68.1	2 539	2 466	349	2 116	210	551	210	1 495	73	2.9	
April	68.6	2 558	2 470	364	2 106	211	563	201	1 495	88	3.4	
May	68.5	2 557	2 480	361	2 119	203	550	215	1 512	77	3.0	
June	68.5	2 559	2 472	355	2 117	201	560	209	1 502	87	3.4	
July	68.5	2 559	2 472	362	2 110	210	562	205	1 495	87	3.4	
Aug.	67.9	2 537	2 450	349	2 101	202	552	203	1 492	87	3.4	
Sept.	68.5	2 564	2 473	360	2 113	202	550	209	1 511	91	3.5	
Oct.	68.2	2 554	2 454	354	2 100	205	551	200	1 498	101	3.9	
Nov.	67.8	2 539	2 434	356	2 078	205	547	201	1 481	105	4.1	
Dec.	68.3	2 560	2 447	348	2 099	200	550	200	1 498	112	4.4	
1991												
Jan.	67.9	2 545	2 420	341	2 078	204	531	200	1 485	125	4.9	
Feb.	67.4	2 528	2 386	359	2 027	199	522	192	1 471	143	5.6	
March	68.4	2 565	2 413	353	2 060	200	525	186	1 502	152	5.9	

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
1986	28 079	51 733	323	11 640	91 774	2 209	93 983	26 354	52 845	23 215	28 131
1987	29 454	57 312	491	12 391	99 648	2 482	102 129	29 419	59 498	26 456	30 964
1988	35 339	66 348	473	13 629	115 789	2 557	118 346	32 266	65 502	29 757	33 108
1989	39 397	76 458	471	15 990	132 316	3 926	136 241	35 082	72 008	33 244	35 715
1990	42 611	77 364	953	18 423	139 351	4 260	143 611	41 535	81 190	37 646	40 313
1990											
Feb.	3 287	5 580	50	908	9 825	49	9 873	3 170	6 209	2 717	3 181
March	3 073	6 407	50	1 151	10 681	87	10 768	3 274	6 215	3 084	2 937
April	4 165	5 512	53	2 051	11 780	1 567	13 347	3 412	6 995	3 337	3 129
May	3 107	7 592	62	1 650	12 412	337	12 749	3 547	6 974	2 982	3 718
June	3 374	6 942	44	1 278	11 638	142	11 780	3 470	6 329	3 644	2 544
July	4 052	6 765	76	1 294	12 187	14	12 201	4 131	6 660	2 985	3 340
Aug.	3 390	6 584	84	1 337	11 395	297	11 692	3 225	6 222	2 965	3 057
Sept.	3 274	5 539	83	1 746	10 642	565	11 208	3 274	6 238	2 993	3 109
Oct.	3 135	6 208	75	1 151	10 569	218	10 787	3 520	7 862	3 526	4 143
Nov.	4 576	5 868	77	1 871	12 393	701	13 094	3 493	7 574	3 212	4 192
Dec.	4 045	8 332	222	2 740	15 339	278	15 616	3 730	8 101	3 311	4 150
1991											
Jan.	3 472	6 212	229	1 127	11 040	7	11 048	3 623	6 893	3 045	3 703
Feb.	2 995	6 373	111	1 174	10 653	121	10 775	3 421	7 309	3 079	3 422

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)
1986	6 111	5 058	90 368	4 913	95 281	1 406	-1 298	4 203	2 905
1987	7 089	4 732	100 738	5 672	106 410	-1 090	-4 280	7 604	3 324
1988	7 565	5 614	110 946	6 529	117 476	4 842	870	2 417	3 287
1989	8 393	5 343	120 826	7 566	128 390	11 490	7 851	-4 009	3 842
1990	5 962	4 927	133 614	9 319	142 934	5 737	678	4 202	4 880
1990									
Feb.	361	150	9 890	382	10 272	-65	-398	-365	-763
March	377	537	10 402	505	10 907	279	-139	-949	-1 088
April	392	639	11 438	2 022	13 459	342	-111	-1 216	-1 328
May	501	929	11 952	772	12 724	461	25	-802	-777
June	536	288	10 622	760	11 382	1 016	398	-16	383
July	487	114	11 392	589	11 981	795	221	1 491	1 712
Aug.	529	322	10 299	557	10 856	1 096	836	95	931
Sept.	523	274	10 309	539	10 848	333	360	-63	298
Oct.	583	599	12 564	793	13 357	-1 994	-2 569	937	-1 632
Nov.	565	114	11 745	804	12 549	648	545	1 492	2 038
Dec.	738	370	12 939	926	13 866	2 400	1 750	4 738	6 489
1991									
Jan.	340	612	11 468	916	12 383	-428	-1 335	2 173	-838
Feb.	333	288	11 351	774	12 125	-698	-1 350	-152	1 502

NOTES AND EXPLANATIONS TO THE STATISTICAL SECTION

GENERAL

Source

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

Symbols used

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

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

NOTES AND EXPLANATIONS TO TABLES

1 THE BALANCE SHEET OF THE BANK OF FINLAND

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

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

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

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

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

3 RATES OF INTEREST

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

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

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

Table 3.4 *Lending.* New credits (Columns 1-4): 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 observations until 1987 after which they are weighted by loan amounts. Average lending rates (Columns 5 and 6) are all weighted by loan amounts. As from January 1989, the loans of Postipankki Ltd have been included in the commercial banks' outstanding stock of loans. *Deposits.* 24-month tax-exempt deposits (Column 7): 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 1 percentage point (since December 1989). Other tax-exempt deposits (Column 8): Deposits other than 24-month deposits are tax-exempt if they carry a rate of interest which is at most the Bank of Finland's base rate less 4 percentage points (since January 1989). Up till December 1988, the figures for tax-exempt deposits (Columns 7 and 8) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. All markka deposits (Column 9): 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 10): CDs outstanding + promissory notes + bonds. The average rate of interest is weighted by amounts. Total markka funding (Column 11); markka deposits by the public

+ banks' other markka funding. The rate of interest is weighted by amounts.

Table 3.5 *Secondary market yields.* Reference rates (Columns 1 and 2) are calculated by the Bank of Finland as the monthly averages of the offered rates for taxable, fixed-rate bonds quoted daily by the five largest banks. From June 1990 onwards, the yield on taxable government bonds (Column 3) is calculated by the Bank of Finland as the monthly average of the offered rates quoted daily by the five largest banks. The yield is calculated on a bullet bond due on March 15, 1994 with a coupon rate of 13 per cent. The annual figure for 1990 is calculated as the arithmetic mean of yields on fixed-rate government bonds with a remaining maturity of between 4 and 5 years. The yield on taxable public issues (Column 4) is calculated as the arithmetic mean of yields on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued by all issuers except the central government with a remaining maturity of between 3 and 6 years. Financial institutions (Column 5): as in Column 4 for issues by financial institutions incl. banks. Corporations (Column 6): as in Column 4 for issues by non-financial corporations. The yield on taxfree public issues (Column 7) is calculated as the arithmetic mean of yields on fixed-rate public bonds with a remaining maturity of between 4 and 5 years. The Bank of Finland calculates the yields for columns 3-7 once a week on the basis of the trading quotations of the Helsinki Stock Exchange. Monthly observations are the averages of weekly observations and annual observations the averages of monthly observations. *The offer yield on fixed-rate taxable public bonds and debentures* (Column 8) is the average yield weighted by issue amounts - in the case of government bonds by amounts sold - on fixed-rate ordinary bonds, debentures and other bonds (excl. zero coupon loans, bonds with equity warrants and convertible debentures) issued during the period.

4 RATES OF EXCHANGE

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

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

5 OTHER DOMESTIC FINANCING

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

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

Table 5.3 Foreign assets, net (Column 1) = the Bank of Finland's foreign claims + banks' foreign claims (incl. foreign claims of banks' foreign branches) - the Bank of Finland's foreign liabilities - banks' foreign liabilities (incl. foreign liabilities of banks' foreign branches). *Domestic credit*. Claims on the central government, net (Column 2) = the Bank of Finland's claims on the central government + banks' claims on the central government - the central government's deposits with the Bank of Finland and Postipankki - loans granted from state funds through banks. Claims on the public (incl. local government), (Column 3) = the Bank of Finland's claims on the private sector + banks' claims on the private sector (loans to the public, bonds and debentures (excl. government bonds and bank debentures), claims on other financial institutions, shares held by banks). Other items, net (Column 5) = capital accounts and other items of the Bank of Finland (incl. private sector time deposits with the Bank of Finland) + capital accounts of deposit banks + unclassified assets and liabilities of deposit banks, net (bank debentures,

bank CDs held by the public, other market funding and foreign currency deposits by the public). M_1 (Column 6) = currency in circulation - banks' till money + markka cheque and postal giro account deposits and transactions account deposits held by the public. M_2 (Column 7) = M_1 + quasi-money (markka time deposits held by the public, excl. deposits with the Bank of Finland). M_3 (Column 8) = M_2 + bank CDs held by the public.

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

Table 5.5 Source: Table B: Central Statistical Office of Finland from the beginning of 1991. Tables A and B on the markka bond market include markka-denominated bonds issued by Finnish issuers in Finland and abroad as well as those issued by foreign issuers in Finland.

Table 5.6 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.

Table 6.2 Columns 1-8: Net change in long-term liabilities. Columns 9-13: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 10) (marketable instruments): Primary and secondary market transactions in securities. Long-term credits (Columns 3-6) (non-marketable instruments): Financial loans, import credits and leasing credits. Others (Column 5): Long-term credits of enterprises, financial institutions other than authorized banks and local government. Imports of other long-term capital (Column 7) = Finland's subscriptions to international financial institutions paid in the form of promissory notes + long-term deposit liabilities of banks + other long-term liabilities of central government and banks. Exports of other long-term capital (Column 12) = loans abroad +

development credits + Finland's subscriptions to international financial institutions + long-term deposits of banks + other long-term assets of central government and banks.

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

Table 6.4 The sectoral figures for short-term foreign liabilities and assets correspond to the figures shown in Columns 15-23 of Table 6.3.

7 FOREIGN TRADE

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

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

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

8 DOMESTIC ECONOMIC DEVELOPMENTS

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

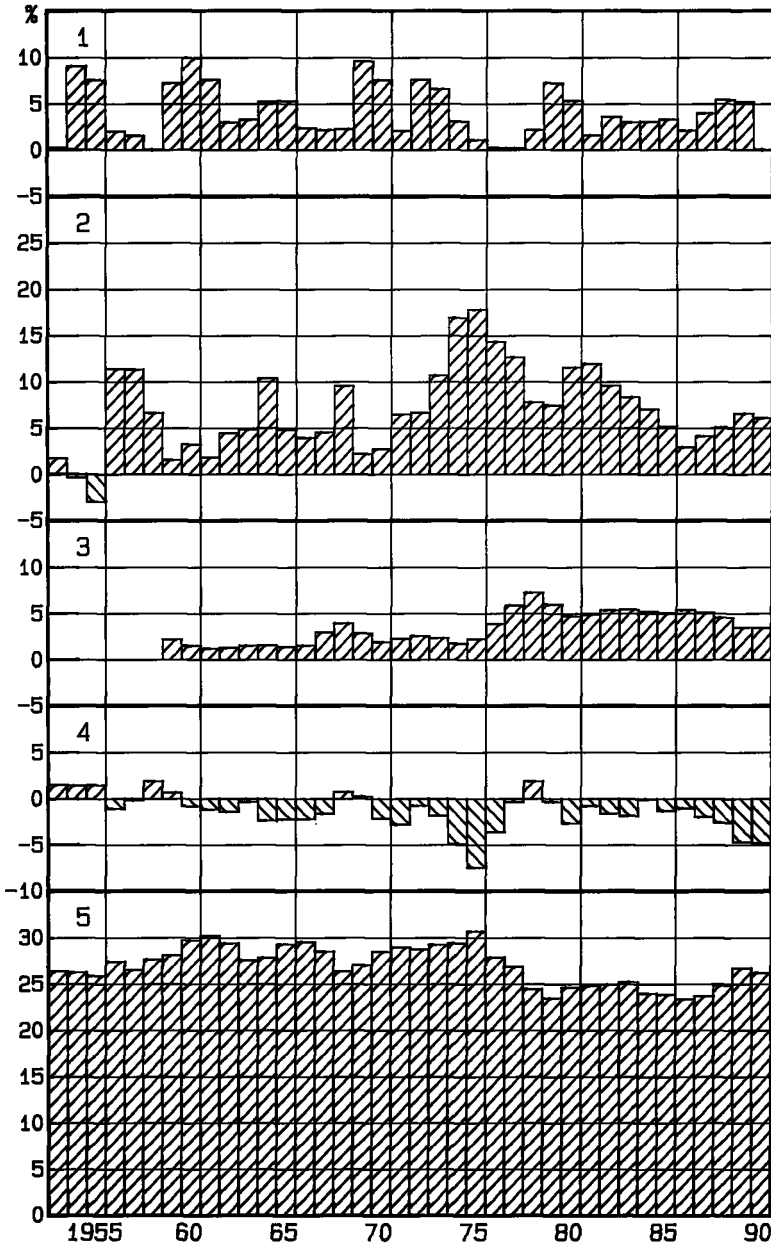
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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

Table 8.6 Source: Ministry of Finance.

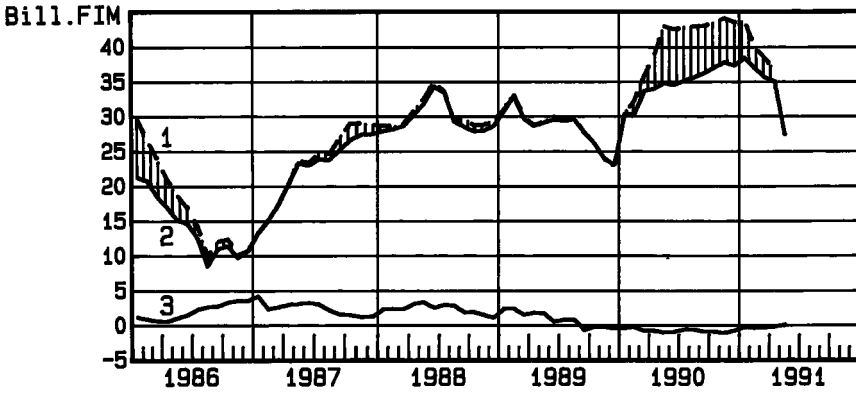
1. Long-term indicators	S28
2. The Bank of Finland's foreign exchange reserves and forward position	S29
3. Forward market	S29
4. Items affecting domestic liquidity	S29
5. Overnight rates	S30
6. HELIBOR rates of interest (daily)	S30
7. HELIBOR rates of interest (monthly)	S30
8. Rates of interest applied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

1. LONG-TERM INDICATORS



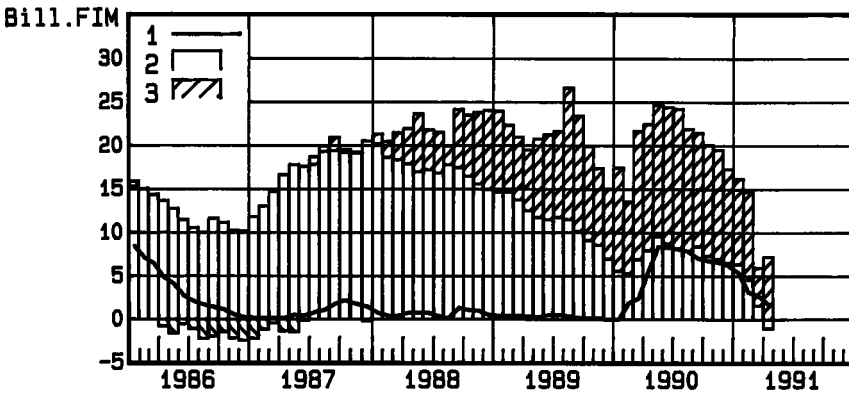
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



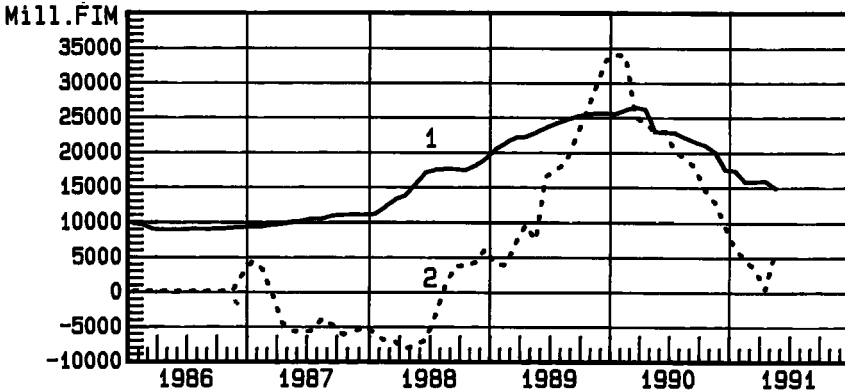
- 1. Convertible foreign exchange reserves plus forward position
- 2. Convertible foreign exchange reserves
- 3. Tied currencies

3. FORWARD MARKET



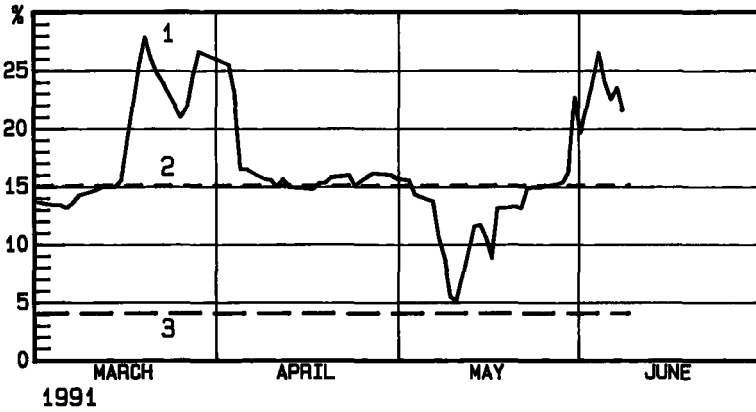
- 1. Forward exchange purchased by the Bank of Finland from banks
- 2. Forward exchange sold by companies to banks
- 3. Forward exchange sold by foreign banks to banks

4. ITEMS AFFECTING DOMESTIC LIQUIDITY



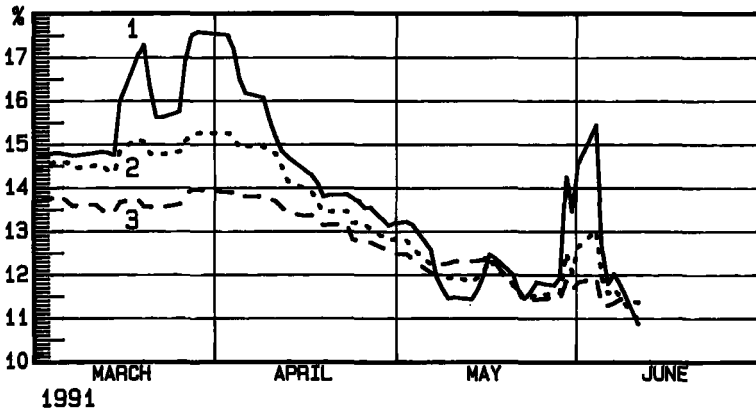
- 1. Cash reserve deposits
- 2. Bank of Finland's holdings of money market instruments, net

5. OVERNIGHT RATES



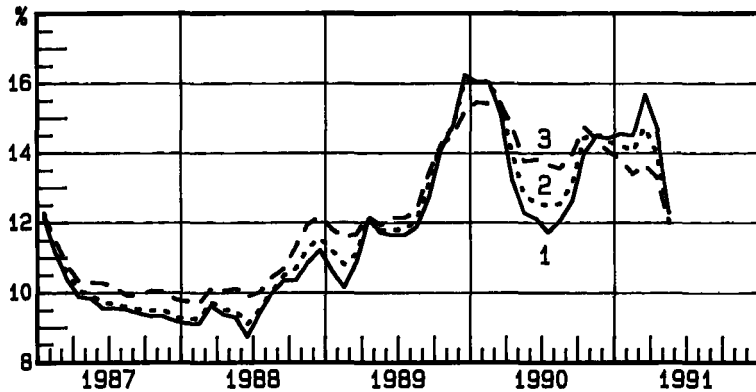
- 1. Inter-bank overnight rate
 - 2. Call money credit rate
 - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



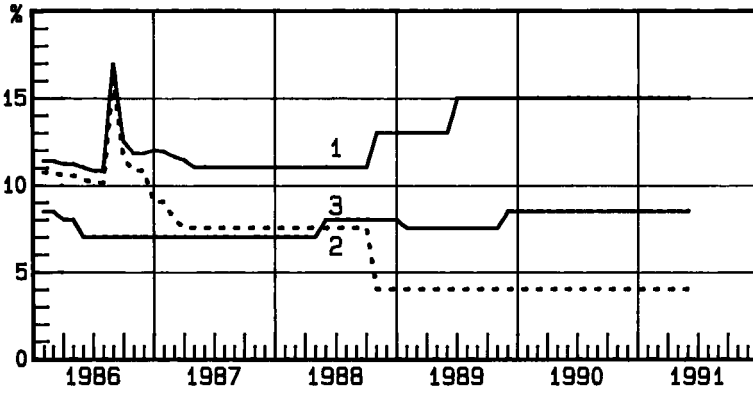
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Daily observations

7. HELIBOR RATES OF INTEREST



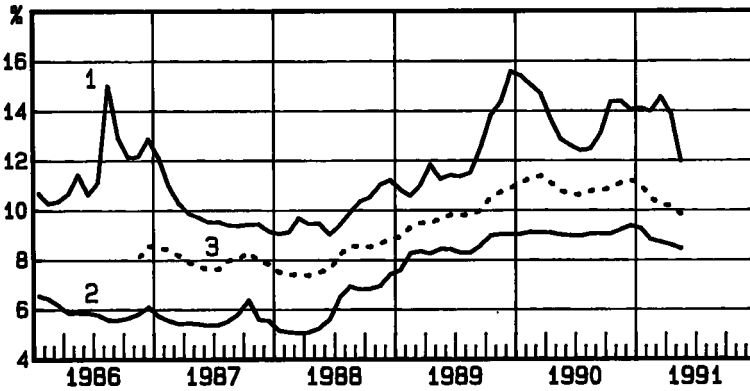
- 1. 1-month HELIBOR
 - 2. 3-month HELIBOR
 - 3. 12-month HELIBOR
- Monthly averages

8. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



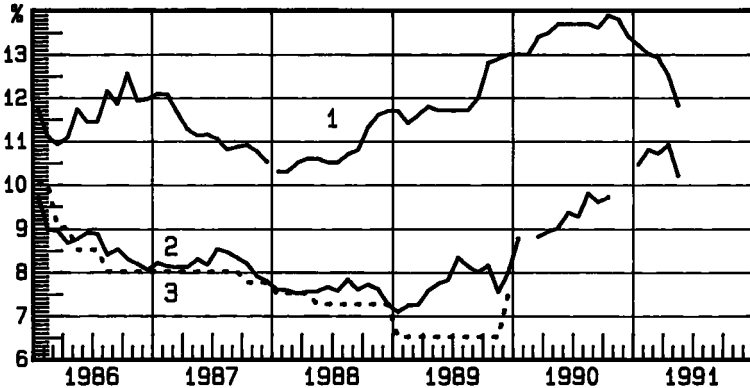
- 1. Call money credit rate
 - 2. Call money deposit rate
 - 3. Base rate
- End-of-month observations

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



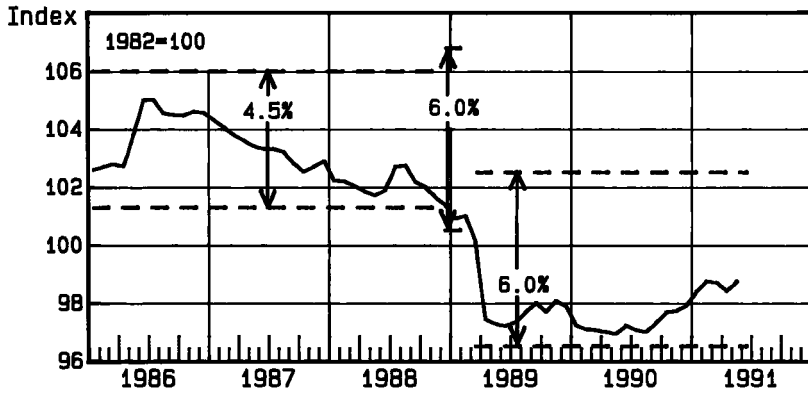
- 1. Covered Eurodollar rate
- 2. 3-currency basket rate (DEM 60 %, USD 30 %, GBP 10 %)
- 3. 14-currency basket rate (Bank of Finland currency index weights)

10. RATES ON BONDS AND DEBENTURES



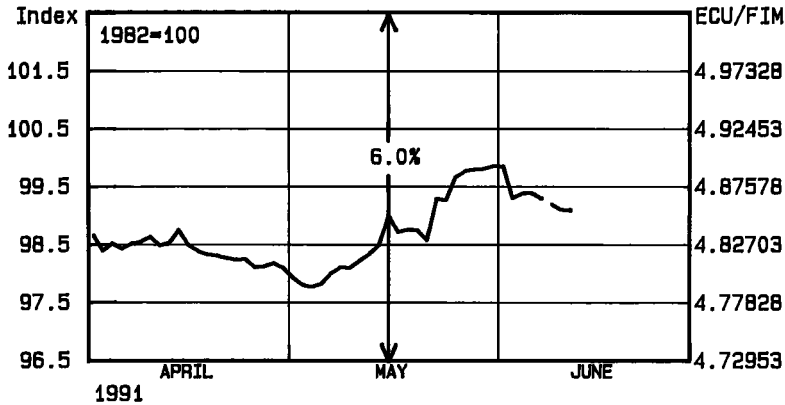
- 1. Long-term (5-year) market rate (before 1988 rate on (3-6 year) fixed-rate debentures)
- 2. Rate on (9-10 year) tax-free government bonds
- 3. Rate at issue on new 10-year taxfree government bonds

11. BANK OF FINLAND CURRENCY INDEX



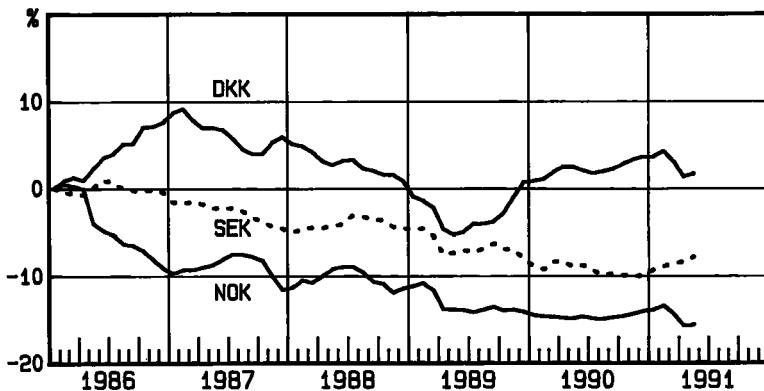
4.5 % and 6.0 % = fluctuation range of the index
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX AND ECU BASKET RATE



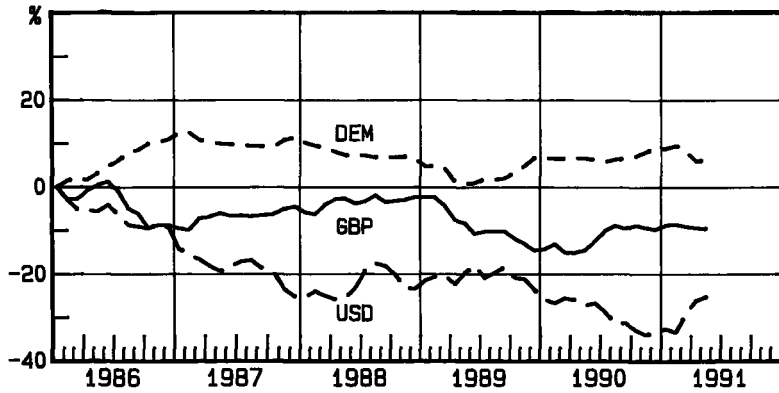
Until June 7, 1991, the Bank of Finland's index, the fluctuation limits of which were 96.5 - 102.5. From June 10, 1991, the markka's rate against the ECU, the fluctuation limits of which are 4.72953 - 5.02207. Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



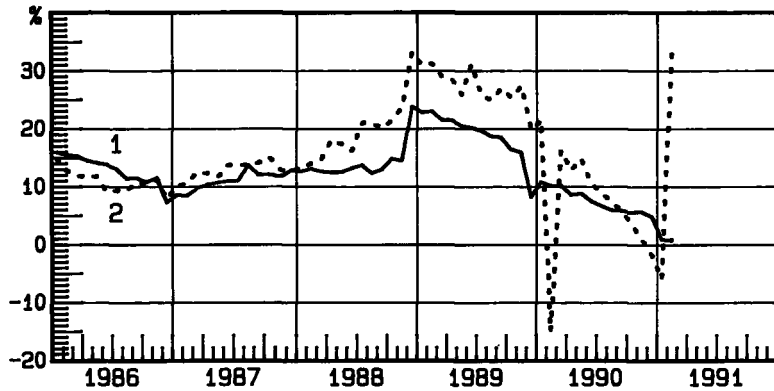
Monthly changes in markka selling rates calculated from the average rates for January 1986

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



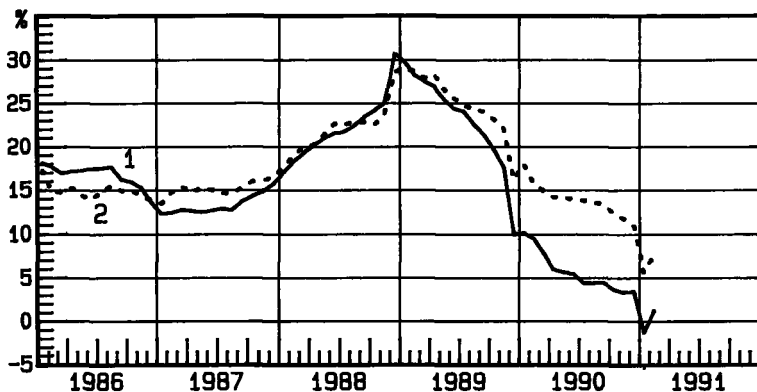
Monthly changes in markka selling rates calculated from the average rates for January 1986

15. BANK DEPOSITS FROM THE PUBLIC



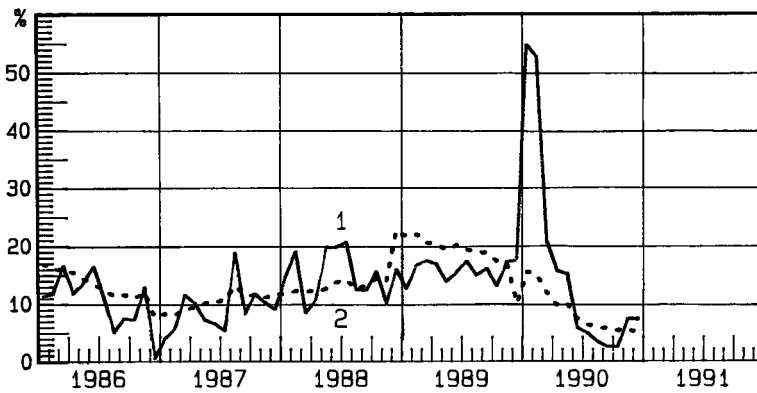
1. Regulated deposits
2. Total deposits
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



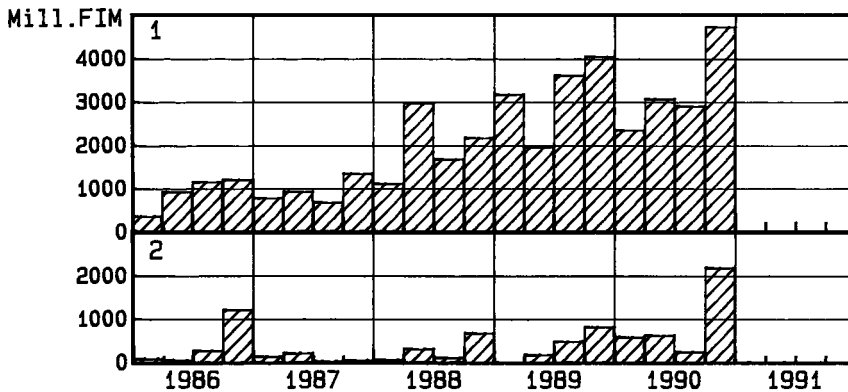
1. Markka lending
2. Total lending
Change from the corresponding month of the previous year, per cent

17. MONEY SUPPLY



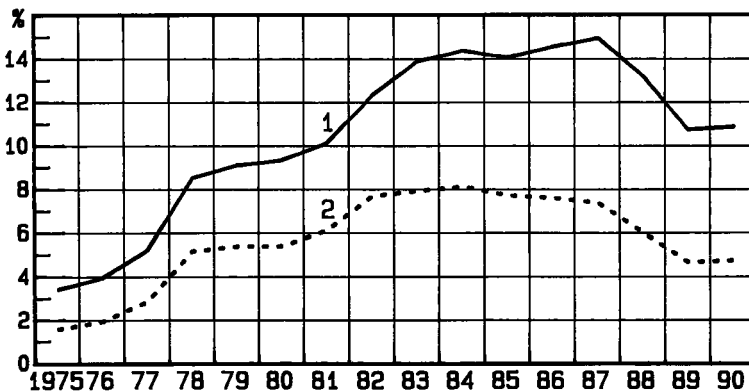
1. Narrow money supply (M1)
 2. Broad money supply (M2)
- Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



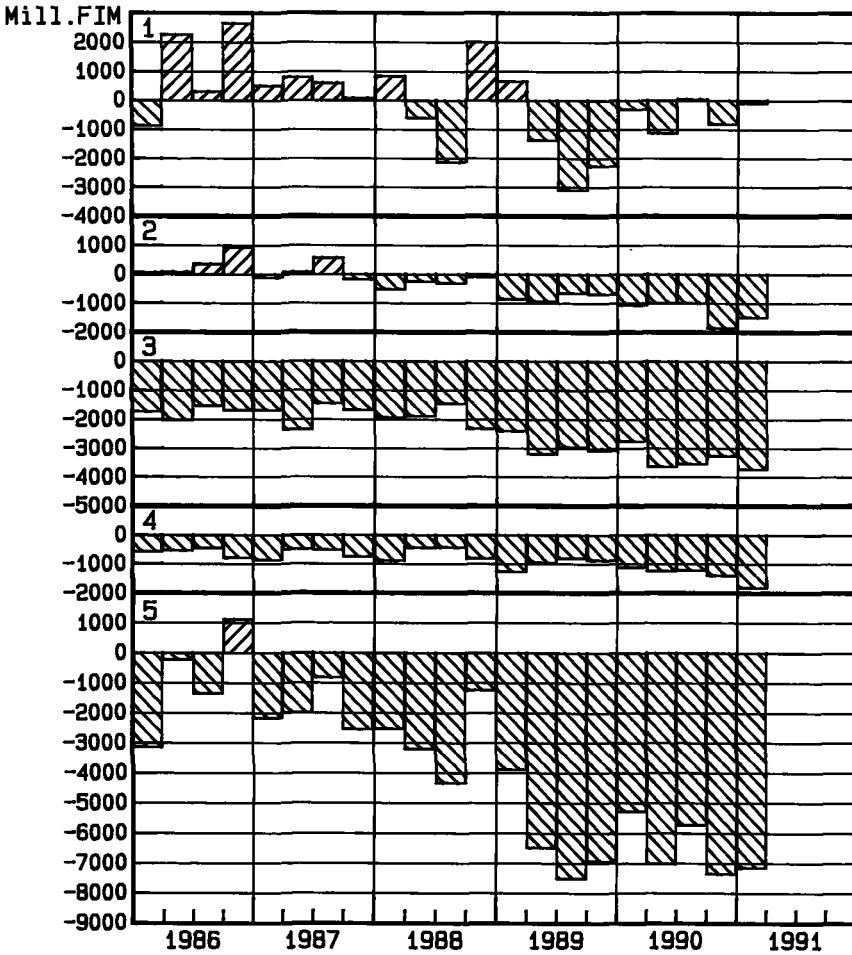
1. Finnish direct investment abroad, net
2. Foreign direct investment in Finland, net

19. CENTRAL GOVERNMENT DEBT



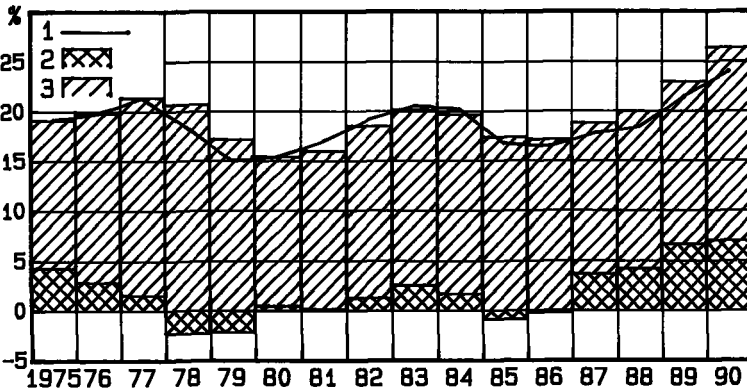
1. Total debt
 2. Of which: foreign debt
- As a percentage of GDP

20. CURRENT ACCOUNT



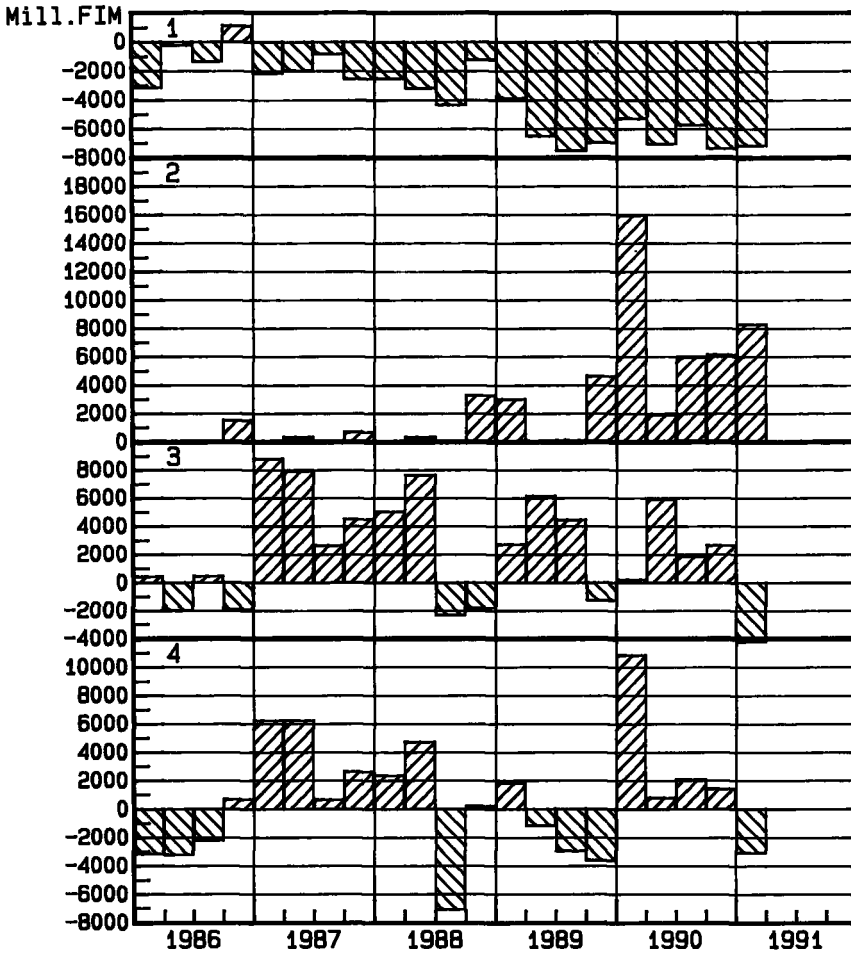
- 1. Trade account
- 2. Services account
- 3. Investment income account
- 4. Unrequited transfers account and other items, net
- 5. Current account

21. FOREIGN DEBT



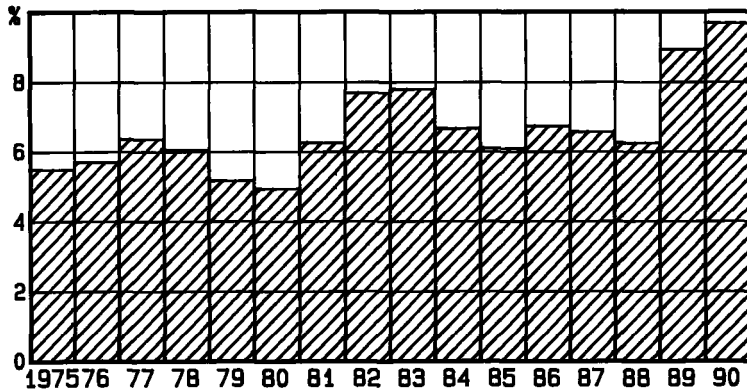
- 1. Total foreign net debt
 - 2. Short-term net debt
 - 3. Long-term net debt
- As a percentage of GDP

22. BALANCE OF PAYMENTS



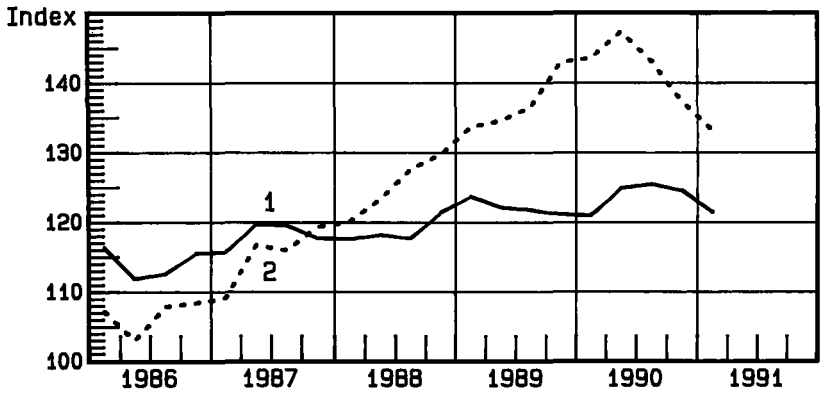
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance=change in the foreign exchange reserves of the Bank of Finland

23. NET INVESTMENT EXPENDITURE



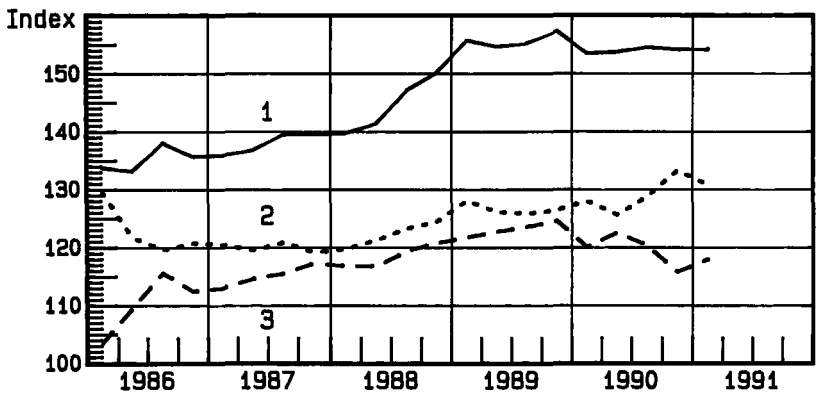
As a percentage of current account receipts

24. FOREIGN TRADE



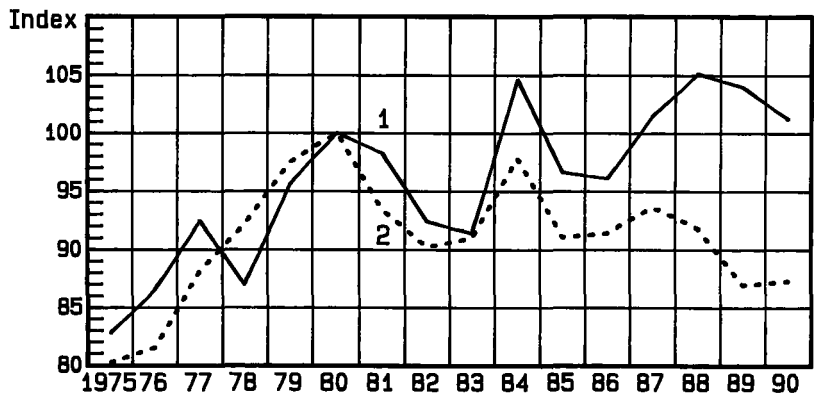
- 1. Total exports
 - 2. Total imports
- Volume index, 1980 = 100, four-quarter moving average shown as at the last quarter

25. FOREIGN TRADE: PRICES AND TERMS OF TRADE



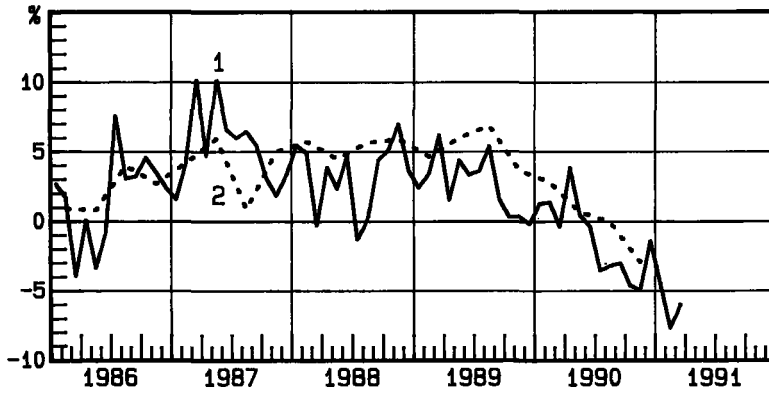
- 1. Unit value index of exports
 - 2. Unit value index of imports
 - 3. Terms of trade
- 1980 = 100

26. FINLAND'S EXPORT PERFORMANCE



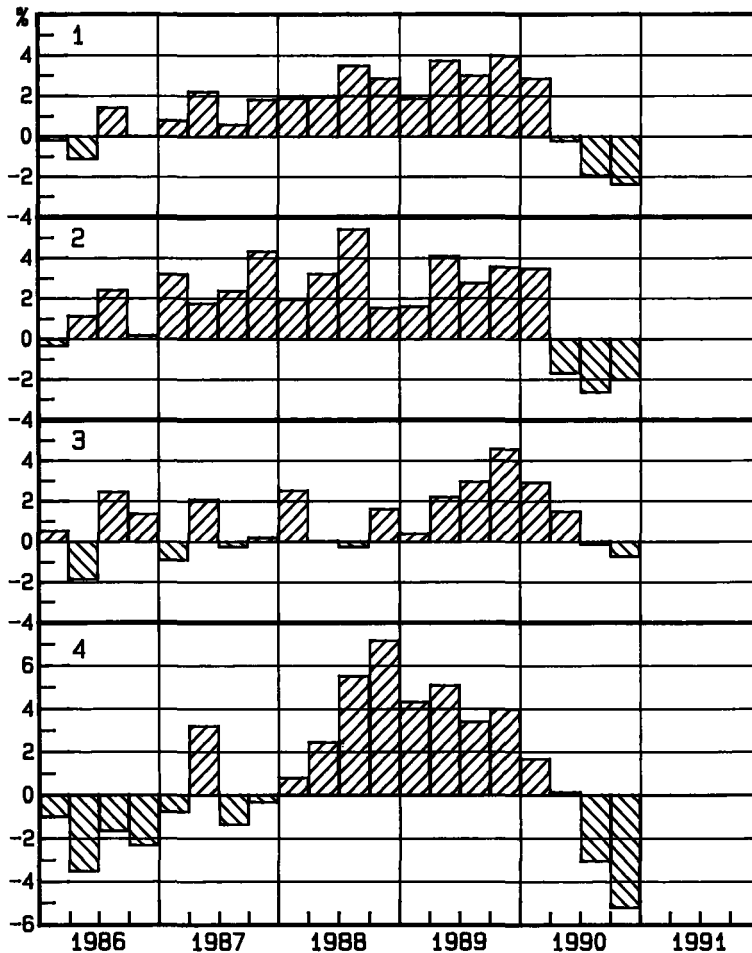
- 1. Value of exports to western countries in relation to exports of OECD Europe
 - 2. Volume of western exports in relation to exports of OECD Europe
- 1980 = 100

27. PRODUCTION



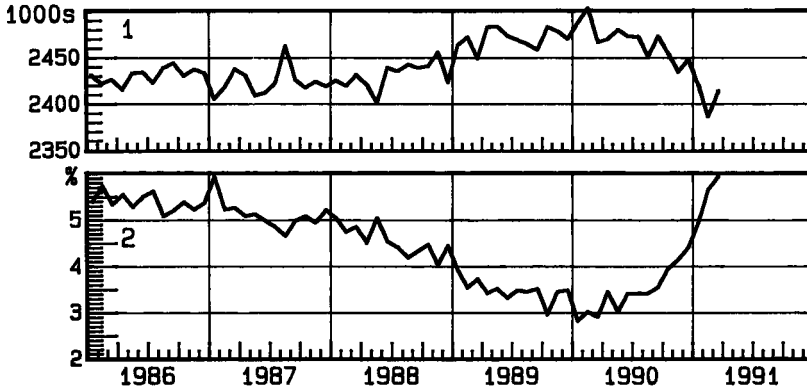
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

28. FIXED INVESTMENT



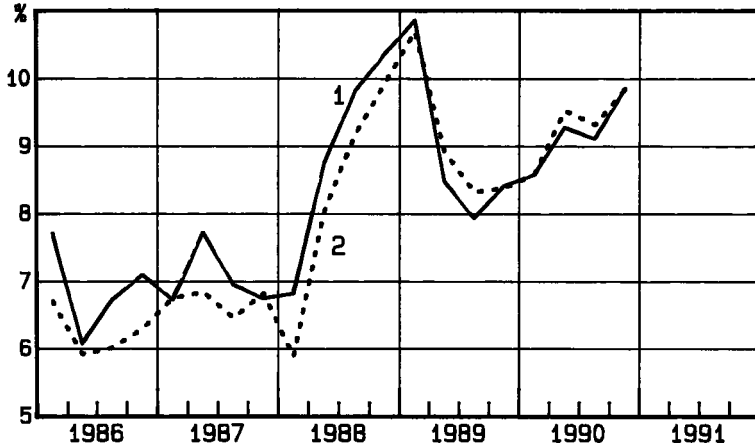
1. Total fixed investment
 2. Investment in machinery and equipment
 3. Building investment, excl. residential buildings
 4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

29. EMPLOYMENT AND THE UNEMPLOYMENT RATE

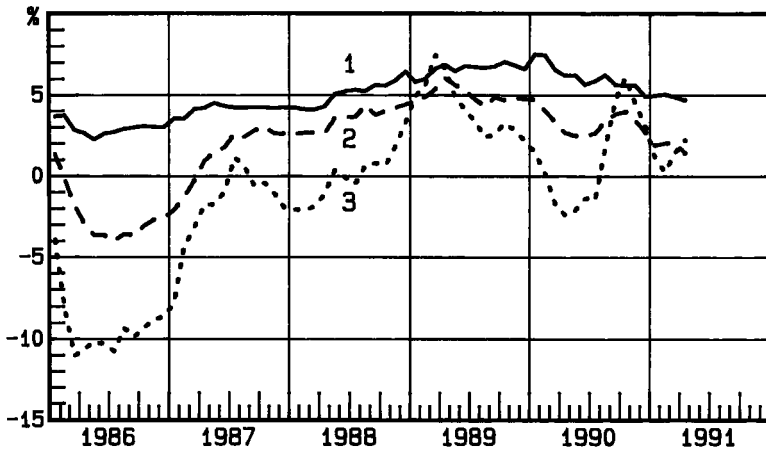


- 1. Employment, 1000 persons
- 2. Unemployment rate, per cent

30. PRICES AND WAGES

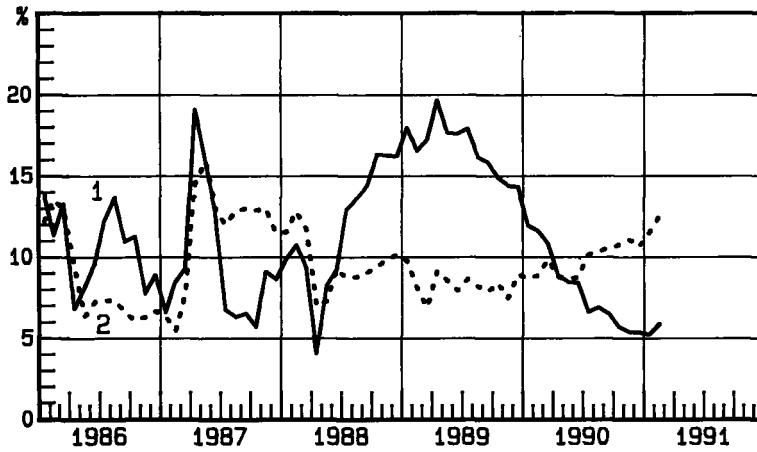


- 1. Index of wage and salary earnings, all wage and salary earners
 - 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



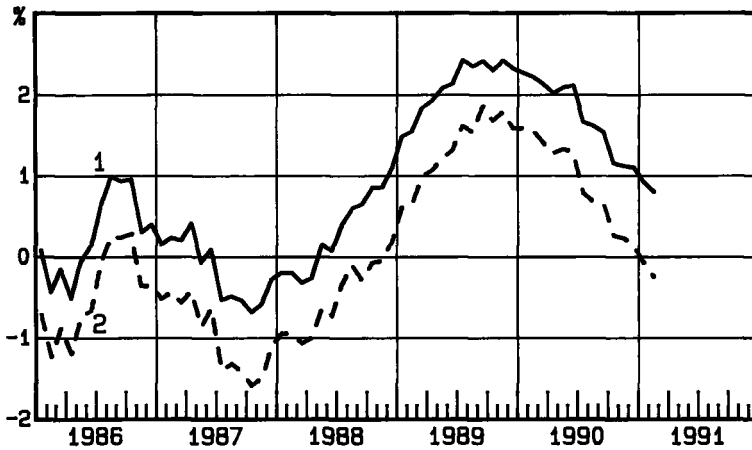
- 1. Consumer price index
 - 2. Wholesale price index
 - 3. Import price index
- Change from the corresponding month of the previous year

31. CENTRAL GOVERNMENT FINANCES



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

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



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

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

BANK OF FINLAND

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JUSSI RANTA, Vice Chairman
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VELI TARVAINEN, Managing Director
