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Investment Activity

Recent Developments in Financial
Markets and Monetary Policy

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by Jarmo Pesola

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INVESTMENT ACTIVITY

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Developments in investment activity in Finland continue to be characterized by the relatively stable trends which have prevailed throughout the 1980s. Investment picked up last year and has continued to grow at a fairly rapid pace in the current year. In spite of a slightly declining trend, Finland's investment ratio is still quite high by international standards (Chart 1).

THE INVESTMENT RATIO AND THE STRUCTURE OF INVESTMENT

The relatively high investment ratio in Finland can be largely attributed to geographical and demographic factors. The harsh climate and long distances require major investments in infrastructure. The transformation of the country from a predominantly agricultural and forestry-based society to a service society took place rather late in Finland but all the more swiftly. On the one hand, it has been reflected in the rapid mechanization of primary production, and, on the other hand, in internal migration, which, in turn, has necessitated building investment. Furthermore, the structure of Finnish industry is relatively capital intensive because the forest industries have traditionally accounted for a large share of it. Underlying the high investment ratio in the 1980s has also been Finland's relatively rapid growth of output and the faster increase in capacity which this growth has necessitated.

Economic policy has continued to give priority to factors encouraging growth and investment by the corporate sector. Until the early 1980s, Finnish financial markets were regu-

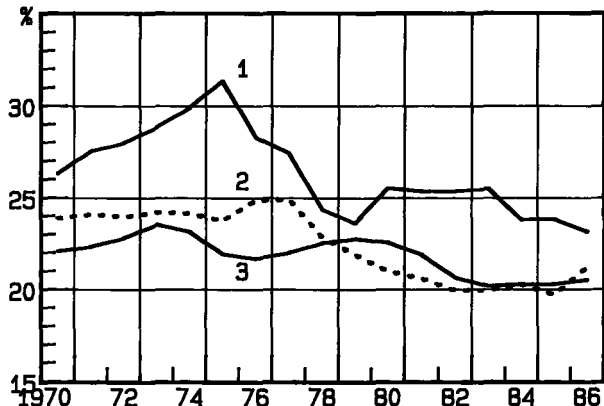
lated, and interest rates were kept relatively low by administrative control. Since then, the markets have undergone rapid deregulation. Tax legislation has favoured investment, e.g. by encouraging companies to retain their profits and use them to finance investment. Thus capital costs have been fairly low. Until very recently, the public sector had a financial surplus — albeit a steadily decreasing one (Chart 6). The "forced savings" accumulated in this way have been channelled to investment.

Infrastructure investment in relation to GDP has fallen in the 1980s mainly because of the fall in investment in energy production and a lower rate of investment in housing (Chart 2). Investment in energy production was at its highest after the mid-

1970s owing to the construction of nuclear power plants. The relative decline in housing investment is primarily due to the smaller size of younger age groups and a decrease in internal migration overall. However, in some of the major population centres — notably the Greater Helsinki area — the housing situation has been aggravated in recent years because demand has consistently exceeded supply. This has led to soaring house prices in these areas. The decrease in infrastructure investment is reflected in the fact that building and other construction investment has fallen distinctly in relation to GDP since the cyclical peak of the mid-1970s (Chart 3).

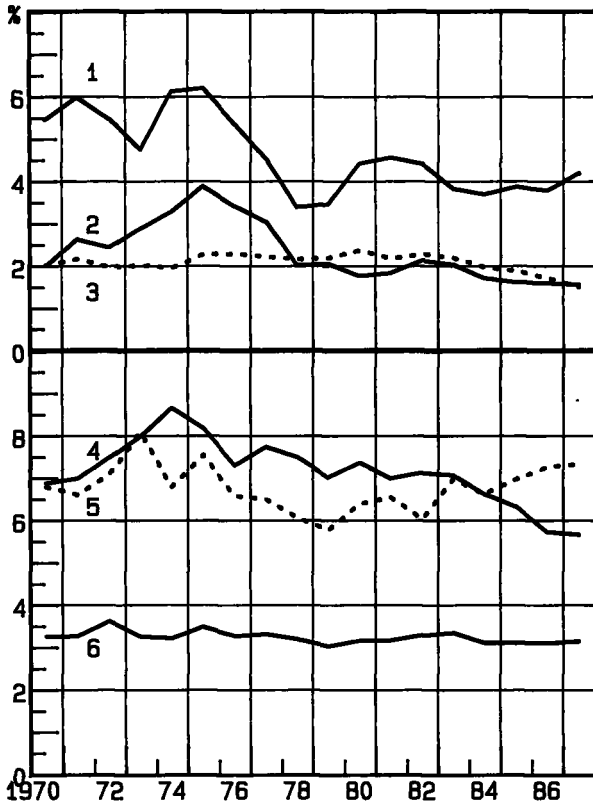
The share of the manufacturing industry's fixed investment in the sector's value-added has

CHART 1.
GROSS FIXED CAPITAL FORMATION AS A PERCENTAGE OF GDP, AT CURRENT PRICES AND EXCHANGE RATES



1. Finland
2. Other Nordic countries
3. OECD countries

CHART 2.
INVESTMENT RATIO: FIXED INVESTMENT AS A PERCENTAGE OF GDP (AT CURRENT PRICES) BY SECTOR



1. Manufacturing
2. Other secondary sectors (incl. energy)
3. Agriculture and forestry
4. Housing
5. Private services (excl. housing)
6. Public services

fallen appreciably since the early 1970s (Chart 4). However, if the concept of investment is extended to include outlays on research and development and direct investment abroad, the ratio of investment expenditure to value-added is almost as high now as it was in the early 1970s. Thus, the share of tangible investment in total investment has displayed a downward trend. In line with international trends, industrial investment focuses increasingly on more efficient use of production

inputs and the acquisition of new technologies and know-how. Investment abroad has been boosted by attempts to avoid trade barriers and to be located nearer to end-users.

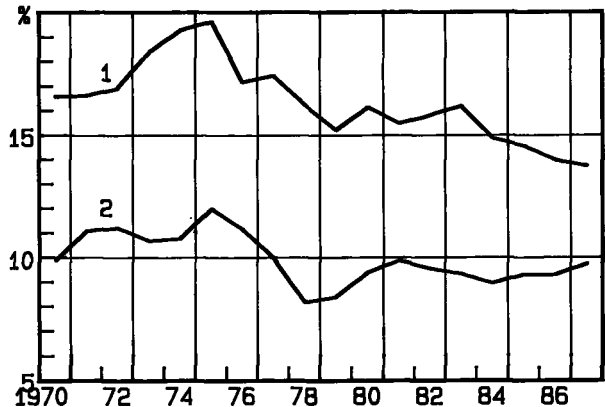
Higher financial costs and efficiency requirements have led to a reduction in stocks during the 1980s, particularly in industry. Stockbuilding has, on average, made a negative contribution to economic growth during this period.

The upward trend in capital-output ratios seems to have levelled off in the 1980s (Chart 5), and in industry the ratio has fallen slightly. Indeed, the productivity of Finnish industry has increased rapidly in recent years; this is due both to major investments substituting capital for labour and other rationalization measures. Structural change in agriculture and forestry has also continued at a rapid pace in the form of mechanization.

FINANCING OF INVESTMENT

The savings ratio in Finland has not been of the same order as the investment ratio (Chart 6). For a long time, low real rates of interest and the lack of suit-

CHART 3.
INVESTMENT RATIO: FIXED INVESTMENT AS A PERCENTAGE OF GDP (AT CURRENT PRICES) BY TYPE OF INVESTMENT



1. Building and construction
2. Machinery, transport and other equipment

able investment outlets discouraged financial saving by economic agents. Thus, for instance, households tended to hedge against inflation by investing in fixed assets, mainly housing. At times of low real rates of interest, it was advantageous for both companies and households to make the maximum use of credit in financing investment.

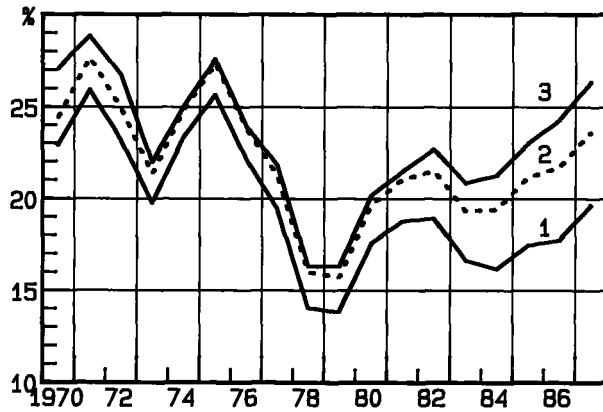
In recent years, domestic financial markets have been deregulated and access to foreign capital has been eased. This has been accompanied by a shift to market rates in the pricing of credit. The development of the financial markets has led to the emergence of several new savings outlets in the last few years. But the adjustment of attitudes and expectations to the new environment seems slow; for instance, no clear signs of an increased savings ratio can be detected as yet. By contrast, the abolition of credit rationing seems to have released pent-up pressures for credit demand and lowered the household savings ratio, at least initially. This has contributed to the widening of the current account deficit.

The increasingly widespread use of market rates has already contributed to an increase in real financial costs in Finland (Chart 7). However, the adjustment of the investment ratio has in part been delayed by the fact that, after the deregulation of the capital market, companies have been able to cushion themselves against the effect of high domestic real interest rates by recourse to foreign loans with lower nominal interest rates. Apparently, companies do not believe that the exchange rate risk premium is of the order indicated by the foreign exchange market. In fact, many companies can use their export earnings to hedge against these risks.

CYCLICAL TRENDS IN INVESTMENT

The relatively long period of favourable economic condi-

CHART 4.
MANUFACTURING INVESTMENT



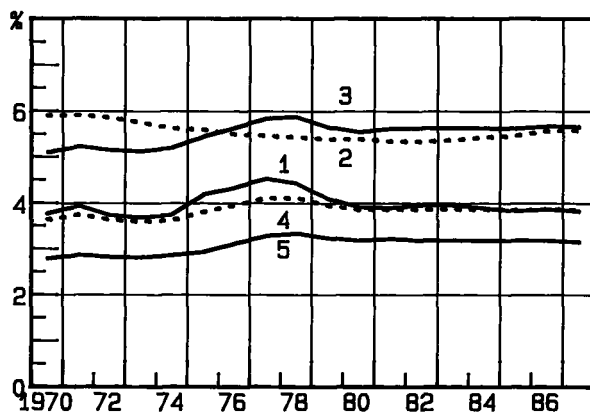
1. Share of fixed investment in value-added
2. Share of fixed investment and R&D expenditure in value-added
3. Share of fixed investment, R&D expenditure and direct investment abroad in value-added

tions has sustained the growth of business investment since 1985 (Chart 7). Capacity utilization rates and rates of return in industry have been high since the late 1970s. Partly due to these factors and partly to easier access to various outside sources of finance, develop-

ments in corporate investment have been more stable in the 1980s.

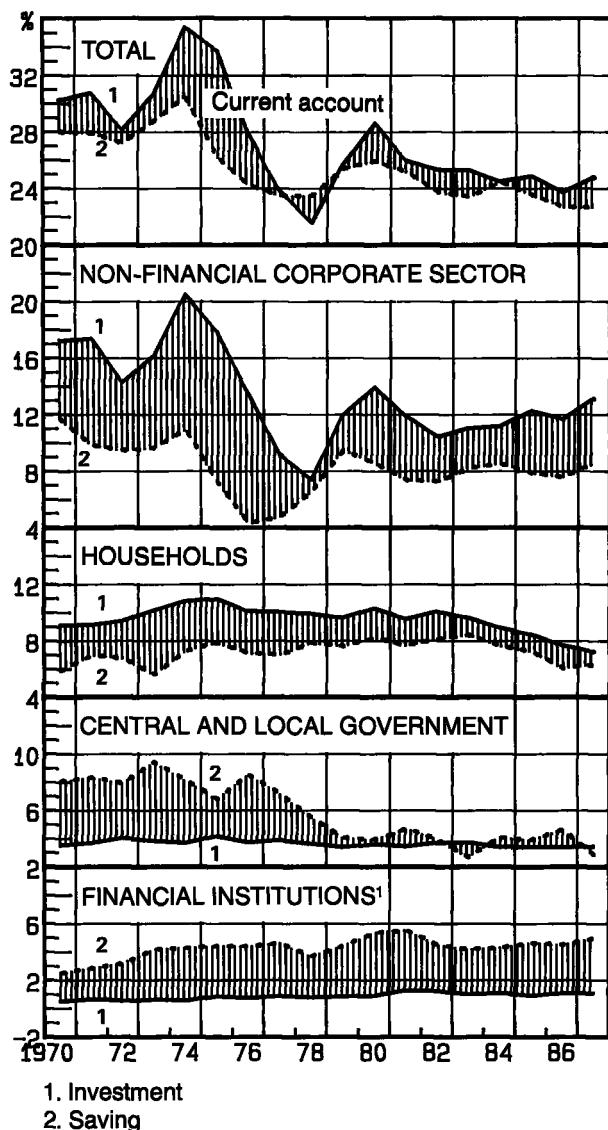
Preliminary data point to a rise of some 4.5 per cent in the volume of fixed investment in 1987. The volume of investment in machinery and equipment expanded by nearly 10 per

CHART 5.
CAPITAL-OUTPUT RATIOS BY SECTOR



1. Manufacturing and energy
2. Public services
3. Total
4. Total excl. housing, agriculture and forestry
5. Other private sector (incl. mining, construction and private services)

CHART 6.
SAVING AND INVESTMENT BY SECTOR



¹Includes insurance and pension funds

cent. Building and other construction investment grew by just over one per cent. Business fixed investment increased by about 7.5 per cent.

With the shift in investment to machinery and equipment, imports account for an increasingly large share in the supply of investment goods. The volume of imports of investment goods increased by just over 8 per cent in 1987, i.e. almost as much as

investment in machinery and equipment. Imports will also rise rapidly this year; in the first six months of the year, imports of investment goods continued to increase at the same rate as last year.

At present, companies are fairly optimistic in their expectations about future economic developments. Export prospects remain favourable, with the exception of exports to the

Soviet Union; the surplus in the bilateral trade between Finland and the Soviet Union will require at least temporary cut-backs. Domestic demand also seems likely to continue fairly buoyant. According to the survey of companies' investment intentions conducted by the Bank of Finland in June, industrial companies expect their capacity utilization rates to continue to rise both this year and next, when they are expected to almost reach the level of 1980.

According to the investment inquiry, the growth of industrial investment, which accelerated last year, will remain rapid this year (Table). The forest industries, in particular, are carrying out a major investment programme involving both the expansion of capacity and the raising of the degree of processing. The emphasis in industrial investment is on investment in machinery and equipment while building investment is decreasing slightly. On the basis of industry's investment plans, investment can be expected to continue brisk next year as well.

TABLE.
ANNUAL PERCENTAGE
CHANGES IN THE VOLUME
OF INDUSTRIAL FIXED
INVESTMENT IN 1987 AND
PLANNED CHANGES IN
1988, ACCORDING TO THE
BANK OF FINLAND'S INVEST-
MENT INQUIRY OF JUNE
1988

	1987	1988
By industrial sector		
Forest industries	45	9
Metal and engineering industries	-1	1
Other manufacturing	22	3
TOTAL MANUFACTURING	22	4
Electricity, gas and water	-12	23
TOTAL INDUSTRY (incl. quarrying)	14	7
By type of investment		
Building and other construction investment	-2	-1
Investment in machinery and equipment	21	11

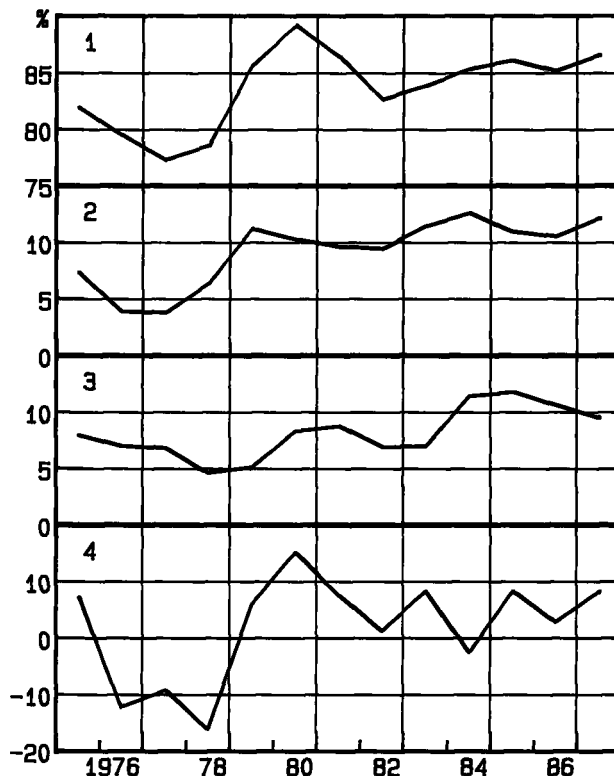
STABILIZATION MEASURES AND FUTURE OUTLOOK

Although overall developments in building investment in Finland have been relatively steady, there have been large regional disparities. In order to prevent overheating in construction activity in the Greater Helsinki area and to shift resources to residential housing construction, the Government imposed a 40 per cent investment tax on commercial and leisure-time building in this area as from the beginning of this year. Originally, the investment tax was to be levied from January 22 to September 30, 1988 but the application period was subsequently extended until the end of 1988. As a result of the investment tax, it is estimated that 1—2 per cent of the volume of building investment, other than residential construction, originally planned for this year, will be postponed until some later stage.

At the same time, the Government decided to extend the period during which investment reserves could be used by two years to the end of 1990. The amount of investment reserves, FIM 2 billion, is equivalent to almost 5 per cent of companies' fixed investment in 1987.

Spurred by favourable expectations, companies' investment activity is likely to remain fairly brisk in Finland both this year and next. The downward trend in housing investment also seems to be levelling off as a result of increased production in the Greater Helsinki area. Over the longer term, however, the investment ratio in Finland will show a declining trend. This is attributable both to the falling share of infrastructure investment and to higher expected real rate-of-return requirements on investment owing to the increased application of market interest rates. In addition, one of the aims of the tax reform currently being prepared is to make the treatment of various types of income more neutral.

CHART 7.
NON-FINANCIAL CORPORATE SECTOR INDICATORS



1. Capacity utilization in manufacturing
2. Gross rate of return on fixed capital in manufacturing¹
3. Real user cost of capital in manufacturing²
4. Volume of fixed investment, percentage change over previous year

¹Gross operating surplus as a percentage of the gross capital stock

²With adaptive capital good price expectations. For the components of user-cost, see Heikki Koskenkylä: The impact of the rate of interest and other financial factors on investment in Finland, Bank of Finland Monthly Bulletin, February 1986

In this connection, purely tax-related incentives to investment are likely to be reduced. Thus, the counterpart to the fall in the investment ratio will be more efficient investment overall. Besides tangible investments, there will also be an increase in intangible investments, which are often very efficient in raising productivity.

September 1, 1988

RECENT DEVELOPMENTS IN FINANCIAL MARKETS AND MONETARY POLICY

by **Markku Pulli**, M.Pol.Sc.
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Bank of Finland

Developments in Finnish financial markets over the past 12 months have been characterized by a rapid expansion of the money market and the pursuit of a tight monetary policy stance. There have also been changes in financial market legislation concerning institutions and taxation of capital income. Confidence in the markka has remained firm, and the differential between domestic and foreign interest rates induced heavy currency inflows till the early summer. Monetary policy measures have not succeeded in checking domestic credit expansion and demand to the extent that would have been desirable from the point of view of the economic situation.

The changes in the methods of monetary control were completed in spring 1987 with a shift to regulation based on open market operations in the domestic market. More experience of the functioning of the system has been gained during the current year and some minor modifications have been made. Overall, the system has proved technically satisfactory and no need for major change has arisen.

Monetary policy

Underlying the present monetary policy stance is Finland's relatively rapid economic growth, which has continued for some time now. Particularly rapid has been the growth of domestic demand; the volume of both consumption and investment grew by some 5 per cent in 1987, and growth continued apace in the early months of this year. The disproportionate reliance of

growth on domestic demand

has led to a sharp increase in imports and domestic price pressures.

The volume of imports grew by 9.0 per cent in 1987 and the current account deficit grew alarmingly, despite a good export performance. By the end of 1987, the current account deficit amounted to FIM 8.5 billion, the equivalent of 2.2 per cent of GDP. In the early months of 1988, the deficit widened further, though the deterioration was mitigated by the continued improvement in the terms of trade. As such, the present current account deficit is not unusually large but its occurrence at this stage of the business cycle poses a problem for economic policy; it will restrict the room for manoeuvre needed in economic policy when exports start to weaken.

Inflation has also given cause for concern in recent months. As a result of strong domestic demand and relatively high pay increases, the 12-month rise in consumer prices started to accelerate in the early summer, reaching 5.2 per cent in July. Moreover, certain measures taken by authorities to reduce domestic demand initially increased prices. However, their damping effect on demand is expected to be reflected in a slower rise in prices in the latter half of this year.

Concerns over the external balance of the economy and price developments prompted measures tightening both fiscal and monetary policies. The budget for the current year was designed to have a slightly contractionary impact on domestic demand, which was mainly achieved by adjusting personal income and wealth tax schedules by less than the rate of infla-

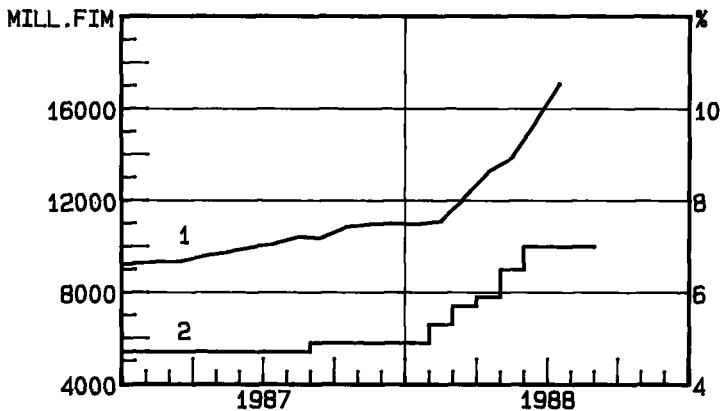
tion. In addition, the Government raised some indirect taxes in the spring and cut back planned central government borrowing abroad.

The tightening of monetary policy has been implemented mainly by increasing cash reserve deposits and by official transactions in certificates of deposit. Up till the summer, the central bank operated only as seller in the domestic money market, raising the outstanding amount of the Bank of Finland's certificates of deposit to over FIM 8 billion at its peak. The banks' cash reserve requirement was raised on several occasions, from 4.7 per cent last summer to 7 per cent in May this year (Chart 1).

As part of the tight monetary policy stance, the effective exchange rate of the markka was appreciated by allowing the currency index to fall to close to the lower limit of its band. This has also permitted a slightly higher domestic interest level than would have been possible otherwise. In addition, the central bank raised the base rate by one percentage point in May, mainly in order to influence the level of interest rates faced by households. Most personal loans and savings are still tied to the base rate, though the importance of the base rate in determining interest rates on new loans has decreased along with interest rate deregulation and the liberalization of capital flows. The raising of the base rate increased the cost of banks' funding, and this was reflected in higher interest rates on new loans.

Economic activity is forecast to continue buoyant in the latter half of this year. At the same time, however, the risk of an ex-

CHART 1.
BANKS' CASH RESERVE DEPOSITS



1. Cash reserve deposits at the Bank of Finland, mill. FIM (left)
2. Cash reserve requirement, % (right)

The increase in the foreign exchange reserves illustrated increasingly clearly the problems attached to conducting an active monetary policy in a fixed exchange rate regime with relative freedom of capital movements. On the one hand, in order to prevent the revaluation of the markka, the central bank has had to purchase foreign currency; on the other hand, in order to prevent these purchases from increasing liquidity in the market, the central bank has sterilized excess liquidity in the form of cash reserve deposits and certificates of deposit. In the early summer of this year, the interest rate differential in relation to abroad narrowed as international interest rates rose (Chart 2), and in the summer the increase in the foreign exchange reserves came to a halt.

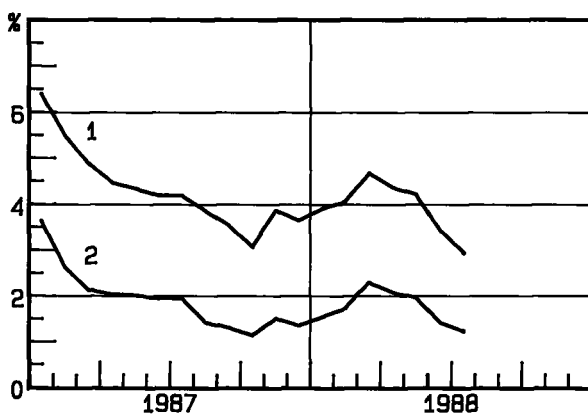
acerbation of the economic imbalances, in particular the current account deficit, will increase; the government budget proposal for 1989, combined with the provisional incomes policy agreements (see the item in this issue of the Bulletin), should check inflationary pressures, at least in the short run, but will support relatively strong growth of domestic demand. Under these circumstances, the task of the central bank remains to keep monetary policy as tight as possible.

The monetary policy pursued, together with the favourable growth prospects of the economy, has also been reflected in currency inflows. The capital outflow reversed when the strong economic recovery in the early months of 1987 dispelled uncertainty about the stability of the markka. The Bank of Finland had to intervene in the foreign exchange market in order to keep the exchange rate within the official fluctuation range. As a consequence, the foreign exchange reserves and liquidity in the domestic market increased and interest rates started to fall. To prevent interest rates from falling too rapidly, the Bank of

Finland began to intervene in the money market. Confidence in the markka remained firm throughout 1987, so that the interest rate differential between Finland and abroad attracted heavy currency inflows.

The capital inflow was largely attributable to the private sector. There was a sharp increase in both trade-related credits and in companies' long-term foreign currency financing. In 1987, in particular, there were

CHART 2.
INTEREST RATE DIFFERENTIAL BETWEEN FINLAND AND ABROAD



- The difference between the 3-month covered Eurodollar rate and the 3-month weighted Eurorate for
1. A 3-currency basket (DEM 60 %, USD 30 %, GBP 10 %)
 2. A 12-currency basket (weights according to the Bank of Finland currency index)

also heavy short-term capital inflows representing hedging operations by banks in connection with companies' forward sales. In 1986, companies' forward transactions had decreased markedly as a result of speculation against the markka; during 1987, forward transactions regained their pre-speculation level.

With deregulation, money market rates have increasingly reflected the situation prevailing in the market and expectations concerning future developments. In autumn 1987, HELIBOR rates fell slightly and the downward trend was maintained into the early months of 1988, though the central bank slowed the fall. In the spring, however, interest rates started to rise, partly in response to the high pay demands put forward prior to the incomes negotiations. There was a similar rapid rise in the early summer. Underlying this was the central bank's continued tight monetary policy stance and higher international interest rates, though it may also have been a reaction to the news of the acceleration of inflation as long-term interest rates started to rise as well.

Financial market deregulation

The central bank has continued the gradual liberalization of exchange control. Deregulation has proceeded relatively cautiously, with due regard for the stage of development of domestic markets. The relaxation of exchange control aims at safeguarding the competitive position of the Finnish business sector by providing companies with opportunities to obtain low-cost financing and to manage exchange risks. Liberalization is also motivated by a desire to reduce bureaucracy, which has become unnecessary with the development of the markets. It is further hoped that it will foster competition in domestic financial markets and improve their efficiency. Gradual progress in liberalization is also

necessary in view of the prospective changes in exchange control in other OECD countries.

In June 1987, exchange control was eased by exempting from authorization industrial and sales companies' direct investments abroad up to FIM 30 million. In summer 1988, this limit was abolished and, apart from companies in the financial sector, direct investment by companies is now only subject to notification. Companies' access to foreign financing was eased in August 1987 when the controls on long-term borrowing were lifted in respect of almost the entire business sector. Control has also been relaxed by enlarging the rights of Finnish citizens to invest in foreign securities and real estate. In addition, authorized banks were granted the right to write and purchase markka options in October 1987.

To promote the development of domestic financial markets the central bank started to publish long-term (3- and 5-year) reference rates from the beginning of 1988. The banks are allowed to link their long-term lending to these rates. This also applies to housing loans, interest rates on which were previously either fixed or tied to the base rate. The reference rates are calculated on the basis of banks' offered rates for taxable fixed-rate bonds.

Bank lending and interest rates

Finnish financial markets have undergone fundamental change in the past few years with the transition from strict interest rate regulation to largely market-determined interest rates. Among the major changes have been the deregulation of banks' lending rates, formally completed in 1986, and the emergence of a well-functioning secondary market for money market deposits. These developments have also been greatly influenced by the formation of increasingly strong links between

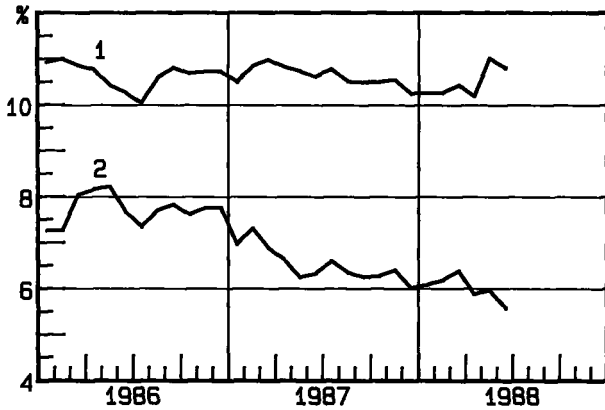
domestic and international markets.

Under the present system, interest rates on new bank loans are determined according to the prevailing market situation. The rate applied may be fixed, linked to the Bank of Finland's base rate or to rates determined in the money market. These alternatives provide the banks with a means of managing their interest rate risks by adjusting the interest rate linkages of their funding and lending to match in a rational way. An essential precondition for the introduction of loans linked to market rates was of course the emergence of a well-functioning money market so that reference rates would genuinely reflect the current market situation. The present regulations still impose a special restriction on housing loans, according to which they cannot be linked to short-term market rates.

Banks have rapidly increased the share of loans linked to market rates in their total lending. In June 1988, these loans accounted for 14 per cent of banks' total outstanding markka loans and as much as 36 per cent of new markka loans.

The growth in the volume of bank lending accelerated in the summer of 1987 as liquidity increased in the money market, and the rate of expansion has subsequently continued to accelerate. At the same time, real rates of interest have remained relatively high so it seems quite likely that the growth in lending has been boosted by the release of demand pent up during the period of credit rationing, particularly as far as households are concerned. Moreover, households' demand for credit is only partially dependent on market determined rates as the deductibility of interest payments on loans in personal taxation substantially reduces interest rate sensitivity within the limits of the deduction. Households' easier access to credit also contributed to the overheating of the housing

CHART 3.
NOMINAL AND REAL RATES OF INTEREST ON NEW MARKKA LOANS



1. Nominal rate of interest on deposit banks' new markka loans
2. Real rate of interest on new loans (nominal rate of interest less 12-month change in consumer prices)

market last year.

The rapid rate of credit expansion has also been reflected in an acceleration of the growth in monetary aggregates. In 1987, the supply of broad money grew by about 12 per cent, and has continued to expand at the same pace in the current year. The growth of the money supply has mainly been based on capital imports.

In Finland, interest rate deregulation has proceeded faster with respect to banks' lending than to their deposit-taking. In spite of the growth of funding at market rates, a substantial part of banks' funding expenses is still determined administratively because of provisions on the tax-exemption of deposits. The bulk of deposits is held in tax-exempt accounts, which effectively precludes deposit rate competition among the banks. Deposits in taxable accounts held by households, the interest rates on which are freely determined, have only increased to the extent to which the interest paid on them does not exceed the allowance for interest income in taxation.

The provisions on the tax-exemption of deposits will be amended as from the begin-

ning of 1989 as part of the comprehensive tax reform. The act on the tax-exemption of deposits and government bonds, which has already been confirmed, will tighten the restrictions on the tax-exemption

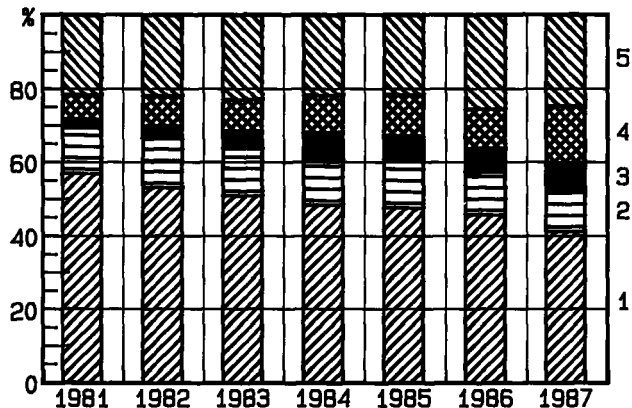
of fixed-term deposits. However, its overall impact on the competitive position of various types of account and thereby on the development of deposit rate competition is difficult to assess. It seems that tax-exempt fixed-term deposits will remain a competitive way of funding but ultimately the structure of funding will depend on the overall system of capital income taxation and also on how active banks are in developing new types of account.

The money market

The main feature of developments in the money market over the past 12 months has been the rapid expansion of the market. The major innovations occurred two years ago with the inception of the secondary market for money market deposits. The share of these negotiable instruments has grown rapidly, and they now account for over 70 per cent of all money market instruments.

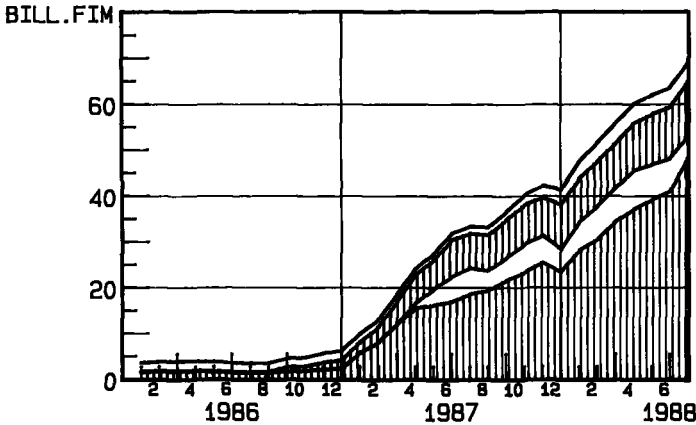
In terms of volume, banks' certificates of deposit are the most important money market

CHART 4.
STRUCTURE OF BANKS' FUNDING



1. Tax-exempt deposits
2. Other deposits
3. Unregulated deposits
4. Net foreign debt
5. Other funding

CHART 5.
NEGOTIABLE MONEY MARKET INSTRUMENTS



1. Banks' certificates of deposit
2. Bank of Finland's certificates of deposit
3. Commercial paper
4. Treasury bills and local authority paper

instrument. At the end of June, they amounted to FIM 41 billion, of which interbank claims accounted for FIM 22 billion. The outstanding stock of banks' certificates of deposit has grown rapidly since 1987 when they were exempted from the cash reserve requirement. The commercial paper market also expanded rapidly in 1987 but levelled off in the latter half of the year and the first half of this year. The market for local authority paper is still very small. The growth in the outstanding stock of the Bank of Finland's certificates of deposit was attributable to the central bank's attempts to absorb liquidity from the market.

A sign of increasing competition and the improved functioning of the market is the fact that the cost of financial intermediation has also fallen. Initially, the spread between bids and offers in the market was as much as 0.2 per cent. Now all the banks operating in the market have narrowed the spread to one-quarter of this, i.e. 0.05 per cent.

During the last 12 months, the central government has assumed a more active role in the

money market, both as an investor and a borrower. In terms of volume, government instruments are of only minor significance, accounting for some 6 per cent of negotiable instruments in June 1988. But new channels for central government borrowing in the money market were opened up at the beginning of this year when the central government was allowed to issue Treasury bills with a maturity of less than 12 months. Consequently, a substantial share of the short-term government paper issued this year will consist of 3-month Treasury bills.

In the spring of this year, the central government also entered the money market as an investor when it assumed part of the responsibility for investing the central government's cash funds. Under the new arrangement, the central government handles term investments while Postipankki, which previously managed the investment of all cash funds, now handles only overnight placements. The change does not affect the number of money market instruments as such, only the division of responsibilities.

The capital market

In October 1987, the rise in share prices on the Helsinki Stock Exchange, which had started in 1985, came to a halt in the aftermath of the international stock market collapse. However, the fall in share prices was notably smaller than in the world's financial centres. Moreover, prices recovered fairly quickly in the first half of this year; the pre-crash level was attained in May and at the end of July the Unitas index already exceeded its October peak by 12 per cent. Contributing to the rise in equity values have been companies' good financial results and the growing interest in equity participation. The resultant increase in demand has not been satisfied by new issues. However, the dispersion in price developments among different shares has increased markedly, with shares carrying full voting rights turning in the strongest performance. The growing interest has been particularly evident in stock exchange turnover, which has increased manifold in the past few years.

In addition to the stock exchange list proper, companies' shares are quoted on the OTC list and the brokers' list. These markets are still relatively small but after a slow start the number of companies listed on the OTC list seems to be increasing fairly rapidly. In terms of volume, they account for a relatively small proportion of the total amount of risk capital intermediated to companies. They nevertheless supplement the Finnish capital market by providing access to risk capital to companies which do not fully meet the requirements for admission to the stock exchange list. It is to be hoped that the OTC list will, in time, bring new companies to the stock exchange, which is currently suffering from a shortage of paper.

In 1987 and early 1988, activity in the bond market was noticeably less brisk than that in the equity market. In part this was a consequence of the

opening up of new financial channels for companies, particularly in the form of long-term foreign borrowing. In 1987, new bond issues amounted to over FIM 22 billion, the same as in the previous year. Issues by companies and financial institutions accounted for FIM 14 billion, of which just under FIM 3 billion consisted of bonds carrying warrants entitling the holder to subscribe the issuing company's shares. In the first half of 1988, corporate bond issues were down 50 per cent on the corresponding period a year earlier, and issues of bonds with equity warrants came to a virtual standstill. An innovation in the market was bonds with a maturity of 1 to 5 years but by the summer there had only been two such issues. Turnover in bonds on the Helsinki Stock Exchange has shown a distinct downward trend for some years now as trading in large volumes has shifted outside the stock exchange to take advantage of lower costs.

The legislation on the Finnish capital market is currently undergoing major revision. Legislation on unit trusts took ef-

TABLE 1. SHARE AND BOND ISSUES IN 1980-1987, FIM BILLION

	Shares ¹	Bonds			
		Total	All Public issues	Issued by companies	
				Total	Public issues
1980	0.4	4.8	2.8	0.4	—
1981	0.1	4.2	2.6	0.2	0.1
1982	0.9	6.9	3.5	1.4	0.2
1983	1.2	11.6	5.0	2.0	0.4
1984	2.9	13.9	7.3	2.5	0.5
1985	1.4	20.4	14.5	4.8	3.1
1986	3.5	22.7	13.5	5.0	2.6
1987	5.4	22.3	18.2	4.5	3.1
1988 ²	4.1	11.1	8.7	1.5	0.4

¹ Listed companies.

² To the end of July.

fect last autumn, and several trusts commenced business immediately. However, trusts' fund-raising activity was restrained by the fall in share prices in October. During this year, the aim is to enact legislation on the securities market, which would contain regulations on the marketing, intermediation and public quotation of securities as well as on insider trading. A separate act on options trading was passed in the spring; it contains provisions on such matters as the authorization of options exchange operations and the capital adequacy requirements

of corporations engaged in such operations. The Act was a response to the fact that options exchange operations had already been launched in Finland. Trading on the options market is still only of minor significance, however. In addition to these Acts, which specifically relate to the capital market, the legislation on financial markets will also be revised this year as far as banks and finance companies are concerned.

September 1, 1988

**RECOMMENDATION
OF THE GOVERNMENT
AND THE LABOUR
MARKET
ORGANIZATIONS FOR
A STABILIZATION
SETTLEMENT**

Finland's favourable economic performance has become increasingly threatened during the course of this year. The sustained strong growth of domestic demand and an acceleration in the rate of inflation have led to a widening deficit on the current account. This has been accompanied by a deterioration in the competitiveness of exports. The need to reduce the rate of inflation and remove other economic imbalances became more urgent when the labour market organizations failed to conclude a centralized anti-inflationary incomes settlement in spring 1988. As a result of inflationary pay settlements, the consumer price index is expected to exceed the end-1987 level by 6 1/2 per cent at the end of this year. Estimates further suggest that industry's price competitiveness will deteriorate by just over 5 per cent this year.

A comprehensive tax reform, which will affect the structure of income taxation, has been under preparation for well over a year now. It is due to come into effect next year and will ease household taxation. As the need for stabilization measures became increasingly clear during the course of the spring, it was decided to look into the feasibility and contents of a stabilization settlement. The idea was to utilize tax reductions as a means of guaranteeing wage and salary earners a rise in real income with the lowest possible

nominal wage and salary increases. This resulted in a recommendation being issued jointly by the Government and the central labour market organizations on August 23, 1988. The recommendation put forward a comprehensive tax, economic and incomes policy settlement aimed at raising wage and salary earners' real disposable income by 2 1/2 per cent in 1989 and bringing down the rise in consumer prices to below 4 per cent next year.

The comprehensive settlement also includes a recommendation by the labour market parties concerning collective labour agreements. This recommendation proposes that with effect from March 1, 1989 wages and salaries be raised by 40 pennis an hour or by 68 markkaa a month, though by not less than one per cent. Sectors dominated by female labour will be given an additional increase, referred to as an "equality increment", which will have an average cost effect of 5 pennis an hour. The recommendation includes earnings guarantee and index clauses.

The purpose of the earnings guarantee clause at sector level is to eliminate distortion in the average wage and salary increases caused by the variability of sectoral wage drift. The size of the earnings guarantee is 70 pennis an hour in the earnings level from the third quarter of 1988 to the third quarter of 1989.

According to the index clauses, wages and salaries will be raised by the percentage that the increase in consumer prices exceeds 1.2 per cent from September to December in 1988 and 4.0 per cent between December 1988 and December 1989. The index of wage and salary earnings, in-

cluding the pay rises as proposed in the recommendation, is expected to rise by an average of 5 1/2 per cent in 1989 over this year's level.

The stabilization recommendation includes a commitment by the Government to put forward such proposals on income taxation and income transfers as to ensure the targeted growth of 2 1/2 per cent in wage and salary earners' real income. This is to be achieved by a 5 1/2 per cent inflation adjustment and by easing wage and salary earners' income taxation in 1989 by FIM 1 400 million, of which FIM 300 million will be disbursed in the context of the final 1989 taxation in 1990.

According to the recommendation, the Government also undertakes to keep public charges and tariffs and indirect taxes of importance to households broadly unchanged. In addition, the parties have urged various trade and business organizations to keep price rises in check. The recommendation also includes certain other proposals, e.g. on adult education. The recommendation was endorsed by all central labour market organizations, whose member organizations are to notify their acceptance or non-acceptance by September 22. The actual agreement will be signed when a sufficient number of trade unions has approved it.

To encourage acceptance of the stabilization settlement, the Bank of Finland issued a statement in early September to the effect that it is prepared to lower the base rate by 1/2 percentage point at the beginning of 1989, provided that the labour market organizations adopt all the essential elements of the stabilization policy.

FINLAND'S BALANCE OF PAYMENTS IN JANUARY-JUNE 1988

According to the Bank of Finland's preliminary figures, the current account showed a deficit of FIM 6 300 million in January-June this year. The net inflow of long-term capital amounted to FIM 1 617 million and the net inflow of short term capital to FIM 11 741 million. Thus the Bank of Finland's foreign exchange reserves increased by FIM 7 059 million. In the corresponding period of 1987, the current account had shown a deficit of FIM 4 403 million.

Current account. Compiled on a balance-of-payments basis, the trade account registered a surplus of FIM 273 million in January-June, compared with a surplus of FIM 1 272 million in the corresponding period of 1987. Commodity exports grew by 5 per cent in value and 2 per cent in volume on the previous year. The fastest increase in exports was recorded by the paper industry and the metal products and machinery industry. The value of commodity imports was over 7 per cent and the volume just under 7 per cent up on the corresponding period last year. Consumer goods imports showed the fastest growth, up 19 per cent in volume on the previous year. Imports of raw materials and intermediate goods grew by 3 per cent in volume and imports of investment goods by 9 per cent in volume.¹

The services account registered a deficit of FIM 456 million in January-June, an increase of FIM 300 million on the corresponding period of the previous year. The surplus on the transport account decreased

¹ The transitional effects caused by the introduction of the new commodity description and coding system in the compilation of the official foreign trade statistics at the beginning of 1988 have been excluded from the commodity trade values and the figures shown here follow the practice employed in the compilation of the balance-of-payments statistics.

MAJOR BALANCE OF PAYMENTS ITEMS JANUARY—JUNE 1988, MILLION FIM¹

	Receipts	Expenditure	Net
Trade (exports f.o.b., imports c.i.f.)	44 140	43 479	661
Adjustment items	-839	-451	-388
Trade account	43 301	43 028	273
Transport (c.i.f.)	2 778	1 492	1 286
Travel	1 738	3 376	-1 638
Other services	3 179	3 283	-104
Services account	7 695	8 152	-456
GOODS AND SERVICES ACCOUNT	50 996	51 180	-183
Investment income, net	3 267	7 907	-4 641
Unrequited transfers	342	1 576	-1 234
Other	1 306	1 548	-243
A. CURRENT ACCOUNT	55 911	62 211	-6 300
	Change in assets	Change in liabilities	Net
Long-term financial loans and suppliers' credits: ²			
drawings	-1 706	13 918	12 212
redemptions	661	-6 064	-5 403
Direct investment	-3 819	116	-3 703
Other long-term capital	-1 467	-22	-1 489
B. LONG-TERM CAPITAL ACCOUNT	-6 331	7 948	1 617
BASIC BALANCE (A+B)			-4 683
Prepayments and liabilities related to imports			-30
Prepayments and receivables related to exports	575	482	1 057
Short-term capital of authorized banks			10 098
Other short-term capital			-1 888
Errors and omissions			2 504
C. SHORT-TERM CAPITAL ACCOUNT			11 741
D. ALLOCATIONS OF SDRs			-
OVERALL BALANCE (A+B+C+D)			7 059
Change in the foreign exchange reserves of the Bank of Finland			-7 059

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

¹ Preliminary figures.

² Assets include export credits only.

from FIM 1 714 million to FIM 1 286 million. Travel income grew by 9 per cent and travel expenditure by 7 per cent, and the travel account showed a deficit of FIM 1 638 million. In the first half of last year, the travel account had shown a deficit of FIM 1 562 million. The "other services account" posted a deficit of FIM 104 million in January-June.

Interest payments on foreign loans amounted to FIM 7 907 million. With interest income on

foreign assets amounting to FIM 3 267 million, the investment account showed a deficit of FIM 4 641 million in January-June. This was FIM 461 million more than in the corresponding period last year. The unrequited transfers account showed a deficit of FIM 1 234 million.

Capital account. Drawings of long-term loans amounted to FIM 13 918 million in January-June, which was FIM 882 million more than in the cor-

responding period last year. The central government accounted for FIM 2 399 million of these. Repayments of long-term loans amounted to FIM 6 064 million. Drawings of long-term export credits granted to foreign customers amounted to FIM 1 706 million and repayments of outstanding export credits to FIM 661 million. Finnish net direct investment abroad totalled FIM 3 819 million and net direct investment in Finland FIM 116 million. The total net inflow of long-term capital amounted to FIM 1 617 million; this is an increase of FIM

690 million on the corresponding period last year.

The inflow of short-term capital (incl. errors and omissions) totalled FIM 11 741 million in January-June. Short-term liabilities related to imports decreased by an estimated FIM 30 million, while net prepayments and receivables related to exports fell by FIM 1 057 million. The net short-term liability of the authorized banks increased by FIM 10 098 million.

The foreign exchange reserves of the Bank of Finland increased by FIM 7 059 million in January-June. The converti-

ble foreign exchange reserves increased by FIM 5 957 million and tied currency claims by FIM 1 102 million. At the end of June, the convertible foreign exchange reserves of the Bank of Finland stood at FIM 34 270 million and tied currency claims at FIM 2 399 million.

At the end of June, Finland's net foreign debt totalled FIM 60 362 million; the net long-term debt amounted to FIM 59 410 million and the net short-term claims to FIM 952 million. The central government accounted for FIM 26 031 million of the net foreign debt.

MONETARY AND FOREIGN EXCHANGE POLICY MEASURES FROM AUGUST 1987 TO AUGUST 1988

1987

AUGUST

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

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

OCTOBER

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

Banks' central bank financing. With effect from

October 1, 1987, savings and cooperative banks are allowed to deal in certificates of deposit with the Bank of Finland provided that they meet with the requirements set on trading.

As from October 1, 1987, the Bank of Finland enlarges to some extent the right of banks to use call money credit which is not subject to penalty interest.

Housing loans.

From October 16, 1987, the Bank of Finland ceases to issue precise guidelines to the banks concerning prior savings required for housing loans and other personal credits.

NOVEMBER

Interest rate policy. On November 13, 1987, the Parliamentary Supervisory Board decides on new interest rate powers for the Board of Management of the Bank of Finland in respect of both call money rates and money and capital market operations.

The call money rate powers remain unchanged so that the upper limit on call money rates is still the base rate plus 15.0 percentage points and the lower limit the base rate.

Under the new powers, for rates of interest longer than one day, the Board of Management may, at its discretion, intervene in the market to regulate movements within a range the lower limit of which is the base rate and the upper limit the base rate plus 5 percentage points. If, because of market forces, interest

rates move beyond these limits, the Board of Management may only undertake such operations that reduce the gap between market rates and these limits.

At the same time, the new powers are extended to include rates of interest longer than 6 months whereas previously they only concerned rates of interest up to 6 months.

1988

JANUARY

Interest rate policy. With effect from January 1, 1988, the Bank of Finland commences to calculate and publish 3- and 5-year long-term market rates on a monthly basis. Banks may use these rates as reference rates in their lending (incl. housing loans). The long-term reference rates are based on market rates for taxable, fixed-rate bonds. Like HELIBOR rates, they are calculated on the basis of the offered rates quoted by the five largest banks.

Housing loans. With effect from the beginning of 1988, banks may, in addition to the base rate, use the 3- and 5-year market rates calculated and published by the Bank of Finland as reference rates for their new long-term housing loans.

Cash reserve requirement. The Bank of Finland raises the cash reserve requirement from 4.9 per cent to 5.3 per cent of the cash reserve base in January.

Special financing arrangements. The Bank of Finland decides to amend the terms applied to the

financing of domestic suppliers' deliveries (KTR credits) as from the beginning of 1988. According to the new terms, the rate of interest on KTR credits is 2½ percentage points over the Bank of Finland's base rate while the Bank of Finland's share in the financing of the purchase price of a delivery is 30 per cent.

The Bank of Finland decides to abolish the financing arrangements for new-export credits and for short-term export credits with effect from the beginning of 1989. The present terms are to be applied to these financing arrangements in 1988.

FEBRUARY

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.3 per cent to 5.7 per cent of the cash reserve base in February.

MARCH

Refinancing of crop failure loans.

With effect from March 1, 1988, the Bank of Finland starts granting deposit banks one-year loans for refinancing their crop failure loans. The rate of interest on the refinancing loans, which is tied to the base rate, is 8 per cent. These loans can be granted up to 80 per cent of the total amount of the crop failure loans granted by each bank.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.7 per cent to 5.9 per cent of the cash reserve base in March.

APRIL

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 5.9 per cent to 6.5 per cent of the cash reserve base in April.

MAY

Interest rate policy. The Bank of Finland raises its base rate from 7.0 per cent to 8.0 per cent as from May 16, 1988.

Cash reserve requirement.

The Bank of Finland raises the cash reserve requirement from 6.5 per cent to 7.0 per cent of the cash reserve base in May.

AUGUST

Foreign Exchange

Regulations. The Bank of Finland relaxes the foreign exchange regulations concerning foreign investments as from August 1, 1988. Private individuals and companies may acquire publicly quoted foreign securities up to the total value of FIM 300 000 as against FIM 50 000 previously. The upper limit for investment in dwellings and real estate will be raised from FIM 600 000 to FIM 1 million. Direct investments by non-financial companies no longer require prior authorization.

Till-money credits. The Bank of Finland introduces new regulations concerning till-money credits according to which the banks are henceforth required to fund part of their till-money holdings, the base amount, themselves. Interest-free till-money credits are equivalent to the banks' markka till-money holdings less the base amount. The base amount is defined on the basis of the currency held by the public. This amount is divided among the banks entitled to till-money credit in proportion to their deposit and savings accounts. As a result of the measure, the bank's liquidity position vis-à-vis the central bank is tightened by about FIM 1 billion.



LAND, CLIMATE AND POPULATION

Finland covers an area of more than 338 000 square kilometres (1986). 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 4 939 000 (Dec. 31, 1987) and an average population density of 16.2 per square kilometre. The largest towns are Helsinki (Helsingfors), the capital, with 490 000 inhabitants, Tampere (Tammerfors) 170 000 and Turku (Åbo) 160 000.

There are two official languages: 93.6% of the population speaks Finnish as its mother tongue and 6.1% 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 1987, the seats of the various parties in Parlia-

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

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

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

INTERNATIONAL RELATIONS

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

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

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

THE ECONOMY

Output and employment. The Finnish economy is essentially based on private enterprise, with over 80% of

manufacturing output and some 90% of banking services produced by private companies. Of the gross domestic product of FIM 347 billion in basic values in 1987, 3% was generated in agriculture and fishing, 3% in forestry, 27% in industry, 8% in construction, 12% in trade, restaurants and hotels, 8% in transport and communications, 5% in finance and insurance, 17% in other private services and 17% by producers of government services. Of total employment, 10% was engaged in primary production, 31% in industry and construction and 59% in services.

In 1987, expenditure on the gross domestic product in purchasers' values amounted to FIM 394 billion and was distributed as follows: net exports 0.4% (exports 25.2%, imports -24.8%), gross fixed capital formation 23%, private consumption 54% and government consumption 21%. Finland's gross tax ratio (gross taxes in relation to GDP) was 36% and the net tax ratio (net taxes in relation to GDP) 23%, which is about the average for OECD countries.

Average annual (compounded) growth of real GDP was 4.9% in the period 1950-60, 4.8% in 1960-70, 3.5% in 1970-80, 3.0% in 1980-87 and 4.2% in 1950-87. Finland's GDP per capita in 1987 was USD 18 100; this put Finland in ninth place among the 24 member countries of the OECD, preceded by Switzerland, Japan, the Federal Republic of Germany, the United States and the other Nordic countries.

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

In 1987, the share of metal and engineering products in total merchandise exports was 38%, the share of forest industry products 40% and the share of other goods 22%. Raw materials and intermediate goods (incl. crude oil) accounted for 57% of merchandise imports, fuels for 5%, invest-

ment goods for 17% and consumption goods for 21 %.

Forest resources. Finland has fairly abundant forest resources, but only limited amounts of other raw materials. The growing stock comprises 1 660 million cubic metres, of which 45% is pine, 37% spruce and 18% broad-leaved species, chiefly birch. The annual growth increment totals 68 million cubic metres and the total drain calculated on the basis of commercial fellings was 54 million cubic metres in 1987.

Energy. In 1987, gross consumption of primary energy amounted to 28 Mtoe, of which industry accounted for 45%, heating for 24%, transportation for 13% and other purposes for 18%. The sources of primary energy in 1987 were as follows: oil 32%, coal 13%, nuclear power 16%, hydro-electric power, peat and other indigenous sources 30%, others 9%. Compared internationally (1985), Finland's consumption of 5.5 toe per capita was 1.8 times higher than the average in European OECD countries. The self-sufficiency rate (OECD definition) in Finland was 42%, as compared with 62% in western Europe on average.

FINANCE AND BANKING

Currency. Since 1865 Finland has had its own monetary system. The currency unit is the markka (plural: markkaa), abbreviation FIM, which is divided into 100 penniä (singular: penni). Since Nov. 1, 1977 the external value of the markka has been officially expressed in terms of a trade-weighted currency index. As from Jan. 1, 1984 only convertible currencies have been included in the index, which may fluctuate within a range of 4.5 percentage points. The range is defined by fluctuation limits which are set by the Government at the proposal of the Bank of Finland. The present fluctuations limits are 101.3 and 106.0 (1982 = 100), where the lower limit means the highest permissible value for the markka and the upper limit the lowest permissible value.

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

Permission for outward and inward direct investment is granted liberally and foreign investors may also buy shares of listed Finnish companies; however, foreign investment in markka-denominated bonds is normally prohibited at present. Finnish companies may freely raise foreign credits of at least five years' duration for their own

use. Finnish residents may invest in foreign securities and real estate up to specified amounts.

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

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

Other banks (Dec. 31, 1987).

Finland has four major groups of deposit banks with a total of more than 3 500 offices. There are two big commercial banks with national branch networks and eight smaller ones, four of which are foreign-owned. The commercial banks have a total of 30 foreign branches, subsidiaries and associate banks and 30 representative offices abroad. There are 230 savings banks and 369 cooperative banks with their own extensive branch networks. The government-owned Postipankki has 56 branches and also offers basic services in post offices.

Financial markets. Of the total stock of FIM 431 billion in outstanding domestic credit at the end of 1986, 60% was provided by deposit banks, 4% by mortgage banks, 17% by insurance companies, 8% by other credit institutions and 11% by the state, local authorities and social security funds. There are no quantitative restrictions or interest rate limitations on lending. Regulation of bank lending rates was progressively relaxed earlier in the 1980s and finally abolished in 1986.

In the money market, approximately 70% of the instruments, which totalled approximately FIM 73 billion at end-February 1988, were negotiable instru-

ments such as bank certificates of deposit, commercial paper, Treasury notes and local authority paper. Funds intermediated through bank trust departments and non-negotiable bank debt instruments make up the bulk of non-negotiable instruments. In its open market operations, the Bank of Finland deals in bank certificates of deposit and also issues its own certificates of deposit.

There are 52 listed companies on the Helsinki Stock Exchange, with a market capitalization value of FIM 79 billion (at end-1987). Three foreign companies are also quoted. Domestic bonds and debentures in circulation at end-1987 totalled FIM 85 billion; government bonds made up 35% of the total. Turnover on the Stock Exchange in 1987 amounted to FIM 31 billion; the share of shares and subscription rights in the total was approximately 85%.



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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

	1987		1988			
	Aug. 31	Dec. 31	Aug. 8	Aug. 15	Aug. 23	Aug. 31
ASSETS						
Gold and foreign currency claims	25 726	28 739	36 266	34 296	33 389	32 074
Gold	2 081	2 128	2 128	2 128	2 128	2 128
Special drawing rights	973	899	888	888	889	1 025
IMF reserve tranche	789	793	971	971	976	947
Convertible currencies	19 801	23 634	29 090	27 109	26 302	25 131
Tied currencies	2 081	1 284	3 189	3 199	3 094	2 842
Other foreign claims	4 449	4 357	4 230	4 230	4 236	4 240
Markka subscription to Finland's IMF quota	2 477	2 427	2 241	2 241	2 241	2 262
Term credit	1 972	1 930	1 988	1 988	1 995	1 978
Claims on financial institutions	5 314	5 147	7 291	8 434	9 436	10 445
Call money credits	81	0	0	486	463	457
Certificates of deposit	258	—	1 651	2 429	3 383	4 399
Till-money credits	2 439	2 730	2 083	1 984	2 043	2 042
Financing of crop failure loans	—	—	1 222	1 222	1 222	1 222
Bonds	2 129	2 140	2 072	2 057	2 067	2 066
Other claims on financial institutions	407	277	264	257	259	259
Claims on the public sector	963	977	997	997	998	999
Bonds	4	4	0	0	0	0
Total coinage	958	967	996	997	998	999
Other claims on the public sector	—	6	—	—	—	—
Claims on corporations	3 855	3 678	3 319	3 301	3 285	3 265
Financing of exports	932	868	587	581	571	554
Financing of domestic deliveries (KTR)	2 676	2 568	2 390	2 379	2 372	2 370
Bonds: KTR credits	—	13	123	123	123	123
Bonds: Other	54	46	36	35	35	35
Other claims on corporations	193	182	183	183	183	183
Other assets	104	592	109	112	110	115
Accrued items	—	487	—	—	—	—
Other assets	104	105	109	112	110	115
Total	40 411	43 489	52 212	51 370	51 454	51 137
LIABILITIES						
Foreign currency liabilities	96	135	139	139	146	183
Convertible currencies	57	63	22	20	27	74
Tied currencies	40	72	117	119	119	109
Other foreign liabilities	3 285	3 226	3 064	3 064	3 068	3 082
IMF markka accounts	2 477	2 427	2 242	2 242	2 242	2 262
Allocations of special drawing rights	808	799	822	823	827	820
Notes and coin in circulation	9 013	9 990	10 344	10 311	10 248	10 253
Notes	8 183	9 117	9 439	9 408	9 347	9 352
Coin	829	873	904	902	901	901
Certificates of deposit	4 199	4 970	4 270	3 780	3 730	3 450
Liabilities to financial institutions	11 183	11 766	17 969	17 565	17 606	17 699
Call money deposits	798	757	373	5	49	36
Cash reserve deposits	10 335	10 941	17 487	17 487	17 487	17 612
Capital import deposits	—	—	—	—	—	—
Other liabilities to financial institutions	50	67	109	72	69	51
Liabilities to the public sector	1	901	1 245	1 250	1 249	1 249
Cheque accounts	1	1	0	0	0	1
Counter-cyclical fund deposit	—	900	900	900	900	900
Counter-cyclical deposits	—	—	345	348	348	348
Capital import deposits	—	—	—	—	—	—
Other liabilities to the public sector	0	0	0	2	0	0
Liabilities to corporations	5 031	5 009	6 443	6 433	6 433	6 538
Deposits for investment and ship purchase	4 818	4 799	6 098	6 089	6 088	6 200
Capital import deposits	203	209	335	335	335	328
Other liabilities to corporations	10	2	10	10	10	10
Other liabilities	30	757	46	38	37	37
Accrued items	—	733	—	—	—	—
Other liabilities	30	24	46	38	37	37
Valuation account and reserves	1 644	1 247	3 203	3 302	3 450	3 156
SITRA's capital	400	400	400	400	400	400
Capital accounts	5 529	5 088	5 088	5 088	5 088	5 088
Primary capital	5 000	5 000	5 000	5 000	5 000	5 000
Reserve fund	529	529	88	88	88	88
Profit/loss for the accounting year	—	-440	—	—	—	—
Total	40 411	43 489	52 212	51 370	51 454	51 137

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

MILL. FIM

End of period	Foreign sector									Public sector		
	Gold	Special drawing rights	IMF reserve tranche	Convertible currencies, net	Convertible currencies, total (1+2+3+4)	Tied currencies, net	Foreign exchange reserves, total (5+6)	Other claims, net	Net claims (7+8)	Claims	Liabilities	Net Mobilises (11-10)
	1	2	3	4	5	6	7	8	9	10	11	12
1983	1383	226	751	5150	7510	550	8060	-794	7266	2178	3000	822
1984	1732	936	859	15303	18830	-337	18493	-917	17576	1951	4277	2326
1985	2081	931	775	18572	22359	-285	22074	-849	21225	1023	4300	3277
1986	2081	983	793	6778	10635	3421	14056	-838	13218	1002	2001	999
1987	2128	899	793	23571	27391	1212	28603	1131	29734	977	901	-76
1987												
Aug.	2081	973	789	19744	23587	2041	25628	1164	26792	963	1	-962
Sept.	2081	970	757	21291	25099	1428	26527	1157	27684	965	0	-965
Oct.	2081	964	753	22712	26510	1375	27885	1163	29048	968	0	-968
Nov.	2081	961	793	23575	27410	1067	28477	1131	29608	971	1	-970
Dec.	2128	899	793	23571	27391	1212	28603	1131	29734	977	901	-76
1988												
Jan.	2128	879	768	24076	27851	2195	30046	1125	31171	979	901	-78
Feb.	2128	1107	792	24059	28086	2257	30343	1123	31466	982	901	-81
March	2128	1015	779	24683	28605	2243	30848	1115	31963	986	901	-85
April	2128	1065	842	26112	30147	3023	33170	1109	34279	989	901	-88
May	2128	1078	814	27806	31826	3269	35095	1119	36214	995	901	-94
June	2128	1132	956	30054	34270	2399	36669	1146	37815	997	1237	240
July	2128	923	964	29260	33275	2875	36150	1163	37313	997	1246	249
Aug.	2128	1025	947	25057	29157	2733	31890	1158	33048	999	1249	250

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
1983	.	5175	5039	942	-1998	3076	4529	1282	3247	6574	.
1984	.	2802	8696	1563	-1618	-2713	4646	2614	2032	7442	.
1985	.	4014	10222	1925	-1386	-2897	4525	4113	412	8072	.
1986	2381	6687	9270	2305	-2240	4343	4581	4757	-176	8668	.
1987	-	-757	10941	2730	-2350	-6618	3449	4782	-1333	9990	4970
1987											
Aug.	258	-717	10335	2439	-2486	-5869	3608	4784	-1176	9012	4199
Sept.	-	-223	10853	2385	-2446	-6245	3567	4838	-1271	8952	4883
Oct.	-	-110	10984	2284	-2541	-6269	3601	4790	-1189	9069	6178
Nov.	-	-1570	11024	2538	-2584	-7472	3561	4772	-1211	9219	5817
Dec.	-	-757	10941	2730	-2350	-6618	3449	4782	-1333	9990	4970
1988											
Jan.	-	-1295	11085	2424	-2364	-7592	3462	4799	-1337	9406	6085
Feb.	-	297	12084	2596	-2346	-6845	3429	4799	-1370	9388	7120
March	-	598	13211	2521	-3149	-6942	3350	4774	-1424	9720	7285
April	-	142	13778	2608	-3121	-7907	3327	5161	-1834	9794	8345
May	-	-720	15363	2976	-3504	-9603	3233	5333	-2100	10142	7625
June	-	1094	17040	3006	-3499	-9441	3129	5929	-2800	10461	7015
July	1525	-661	17487	2875	-3484	-10264	3131	6203	-3072	10443	4810
Aug.	4399	421	17612	2042	-3496	-7254	3047	6320	-3273	10253	3450

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 certificates of deposit	Sales of certificates of deposit	Matured certificates of deposit, 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
1983	.	.	.	.	2659	-860	3519
1984	.	.	.	.	-767	1606	-2373
1985	.	.	.	.	201	-1011	1212
1986	.	.	.	.	1599	-1074	2673
1987	1263	23658	-17520	-4875	-6818	626	-12319
1987							
Aug.	260	1380	-2835	1715	-224	650	841
Sept.	-	2735	-1845	-890	-61	-555	-396
Oct.	-	4240	-2900	-1340	29	-84	-1227
Nov.	-	3390	-3785	395	6	1466	-1065
Dec.	-	2910	-3805	895	-55	-868	1708
1988							
Jan.	160	3915	-2640	-1115	2	540	-1653
Feb.	-	3955	-2920	-1035	295	-1297	557
March	-	2550	-2385	-165	337	36	136
April	-	3600	-2540	-1060	-217	239	-1516
May	-	2280	-2820	540	-385	477	-322
June	-	2210	-2820	610	1169	-645	2424
July	1560	-	-2205	3765	-1201	554	2010
Aug.	3520	-	-1190	4710	457	-625	5792

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	
1983	7541	1227	6314	-1688	-2290	2335
1984	22921	1394	21527	2002	-1962	3566
1985	16982	1733	15249	708	-9005	6951
1986	11446	1319	10127	-2461	-92	7574
1987	21671	1158	20513	-233	-1287	18994
1987						
July	18596	805	17792	867	-712	17946
Aug.	20075	793	19282	630	-987	18926
Sept.	20088	718	19369	1535	-1664	19241
Oct.	20358	1178	19181	284	-2116	17349
Nov.	20714	1632	19081	85	-1633	17533
Dec.	21671	1158	20513	-233	-1287	18994
1988						
Jan.	21189	1051	20138	1145	-612	20671
Feb.	19699	1093	18606	1816	-264	20158
March	19494	1171	18323	3112	-264	21171
April	19397	1542	17855	4052	-648	21259
May	18451	1500	16952	6672	-687	22937
June	18669	1474	17195	4557	-606	21146
July	18309	1505	16805	4678	-201	21282

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
1983	4131	.	4131	1407	.	4337	5744	-1613
1984	3176	.	3176	3215	.	6324	9539	-6364
1985	5812	.	5812	4527	.	9578	14105	-8293
1986	7117	120	7237	1256	.	9189	10445	-3208
1987	481	1581	2062	703	4705	10092	15501	-13439
1987								
Aug.	435	181	616	181	5589	10431	16202	-15586
Sept.	39	142	181	667	5080	10352	16099	-15918
Oct.	19	-	19	557	5244	10861	16662	-16643
Nov.	36	-	36	679	5897	10985	17561	-17524
Dec.	10	-	10	909	5101	11021	17031	-17021
1988								
Jan.	9	6	15	1081	5653	10955	17690	-17675
Feb.	15	-	15	546	7583	11114	19242	-19227
March	68	-	68	496	7116	12123	19735	-19668
April	122	-	122	659	7752	13248	21659	-21537
May	35	-	35	1247	7594	13887	22728	-22693
June	47	-	47	1306	7620	15419	24344	-24297
July	373	617	990	411	5883	17083	23377	-22387
Aug.	377	2804	3181	196	3955	17491	21642	-18462

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	
	1	2	3	4	5	6	7	8	9
1983	..	..	..	..	..	15.37	14.87	9.00	4.3
1984	..	..	..	..	..	16.53	16.53	9.50	5.4
1985	..	..	..	..	..	13.37	13.37	9.04	5.6
1986	11.87	..	..	..	..	13.43	11.34	7.42	4.8
1987	9.16	9.90	10.02	10.14	10.40	11.71	7.78	7.00	4.8
1987									
Aug.	9.62	9.48	9.55	9.66	9.88	11.00	7.50	7.00	4.7
Sept.	8.12	9.37	9.48	9.62	9.92	11.00	7.50	7.00	4.9
Oct.	8.09	9.29	9.45	9.63	10.04	11.00	7.50	7.00	4.9
Nov.	8.35	9.30	9.48	9.64	10.01	11.00	7.50	7.00	4.9
Dec.	8.01	9.15	9.25	9.44	9.79	11.00	7.50	7.00	4.9
1988									
Jan.	8.09	9.07	9.21	9.35	9.71	11.00	7.50	7.00	4.9
Feb.	8.20	9.09	9.22	9.35	9.67	11.00	7.50	7.00	5.3
March	8.62	9.61	9.72	9.84	10.11	11.00	7.50	7.00	5.7
April	8.26	9.35	9.47	9.64	10.03	11.00	7.50	7.00	5.9
May	8.13	9.26	9.47	9.68	10.10	11.00	7.50	7.52	6.5
June	8.01	8.70	9.06	9.36	9.85	11.00	7.50	8.00	7.0
July	9.05	9.38	9.47	9.64	10.00	11.00	7.50	8.00	7.0
Aug.	9.97	9.96	10.00	10.13	10.42	11.00	7.50	8.00	7.0

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

Average of daily observations	3 currencies ¹				12 currencies ²			
	1 month	3 months	6 months	12 months	1 month	3 months	6 months	12 months
	1	2	3	4	5	6	7	8
1983	7.0	7.1	7.3	7.6	..	..	..	..
1984	7.5	7.7	8.0	8.2	..	..	..	..
1985	6.8	6.9	7.0	7.2	..	..	..	..
1986	5.9	5.9	5.9	5.8	..	..	..	..
1987	5.4	5.6	5.7	5.8	7.9	8.0	8.1	8.2
1987								
Aug.	5.4	5.5	5.8	6.0	7.7	8.0	8.2	8.5
Sept.	5.7	5.8	6.2	6.4	7.9	8.0	8.4	8.6
Oct.	5.7	6.4	6.5	6.7	7.8	8.3	8.5	8.7
Nov.	5.3	5.6	5.6	5.8	7.7	7.9	8.0	8.1
Dec.	5.5	5.5	5.5	5.7	7.7	7.8	7.9	8.1
1988								
Jan.	4.9	5.1	5.2	5.5	7.2	7.5	7.7	7.9
Feb.	5.0	5.0	5.1	5.3	7.2	7.4	7.5	7.7
March	5.0	5.0	5.1	5.4	7.3	7.4	7.5	7.7
April	5.0	5.1	5.2	5.5	7.2	7.3	7.5	7.8
May	5.0	5.2	5.5	5.8	7.3	7.5	7.6	7.9
June	5.5	5.6	5.8	6.1	7.5	7.6	7.7	8.0
July	6.2	6.5	6.7	6.8	7.9	8.2	8.3	8.5
Aug.	6.7	6.9	7.2	7.3	8.2	8.5	8.8	8.9

3.3 COVERED EURO-DOLLAR RATE, PER CENT

Average of daily observations	1 month	3 months	6 months	12 months
		1	2	3	4
1983	..	..	..	..
1984	..	..	..	..
1985	12.9	12.8	12.8	12.6
1986	12.1	11.7	11.5	11.1
1987	9.8	9.9	9.9	10.1
1987				
Aug.	9.4	9.4	9.5	9.8
Sept.	9.2	9.3	9.5	9.7
Oct.	9.2	9.4	9.5	9.9
Nov.	9.2	9.4	9.5	9.9
Dec.	9.1	9.1	9.3	9.5
1988				
Jan.	8.8	9.0	9.1	9.5
Feb.	9.0	9.1	9.2	9.5
March	9.6	9.7	9.7	9.9
April	9.3	9.4	9.6	9.9
May	9.2	9.4	9.6	10.0
June	8.7	9.0	9.3	9.8
July	9.3	9.4	9.6	9.9
Aug.	9.9	9.9	10.1	10.4

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.

3.4 RATES OF INTEREST APPLIED BY BANKS, PER CENT

End of period	Lending				Average lending rate	Of which: Commercial banks	Deposits					
	New credits ¹						Savings accounts and ordinary deposit accounts	12-month time deposits	24-month time deposits	Average rate of interest on regulated deposits	Average rate of interest on unregulated deposits	Average rate of interest on total deposits
	Cheque account and postal giro credits	Bills of exchange	Loans	New lending, total								
1	2	3	4	5	6	7	8	9	10	11	12	
1983	..	..	..	..	10.39	10.18	5.25	8.00	9.25	6.08	13.55	..
1984	..	..	..	..	10.67	10.68	5.25	8.00	9.25	6.22	15.43	7.30
1985	11.49	12.61	10.34	11.08	10.37	10.37	4.75	7.50	8.75	5.91	13.24	6.81
1986	10.89	12.45	9.86	10.72	8.82	8.81	2.75	5.75	7.00	4.43	11.84	5.35
1987	10.68	11.95	9.81	10.23	9.12	8.99	2.75	5.75	7.00	4.56	10.13	5.29
1987												
July	10.66	12.46	10.09	10.77	9.02	8.93	2.75	5.75	7.00	4.49	9.93	5.28
Aug.	9.45	12.27	9.97	10.49	9.04	8.94	2.75	5.75	7.00	4.47	9.85	5.26
Sept.	10.57	12.14	9.93	10.47	9.06	8.95	2.75	5.75	7.00	4.48	9.77	5.29
Oct.	10.65	12.22	10.03	10.49	9.08	8.97	2.75	5.75	7.00	4.50	9.69	5.34
Nov.	10.58	12.15	10.01	10.54	9.12	9.02	2.75	5.75	7.00	4.50	9.64	5.36
Dec.	10.68	11.95	9.81	10.23	9.12	8.99	2.75	5.75	7.00	4.56	9.61	5.40
1988												
Jan.	10.27	12.21	9.82	10.25	9.15	9.03	2.75	5.75	7.00	4.57	9.51	5.38
Feb.	9.56	11.82	10.04	10.24	9.17	9.05	2.75	5.75	7.00	4.55	9.43	5.40
March	9.87	12.17	10.23	10.42	9.20	9.07	2.75	5.75	7.00	4.57	9.49	5.52
April	9.17	12.09	10.27	10.16	9.25	9.12	2.75	5.75	7.00	4.59	9.54	5.56
May	12.31	12.33	10.63	11.01	10.03	9.89	3.75	6.75	8.00	5.39	9.51	6.22
June	10.28	12.50	10.55	10.78	10.07	9.89	3.75	6.75	8.00	5.37	9.46	6.20
July	11.29	12.60	10.72	11.08	10.08	9.91	3.75	6.75	8.00	5.45	9.44	6.30

¹Average rate of interest for period

3.5 RATES OF INTEREST ON BONDS AND DEBENTURES, PER CENT

Period	Secondary market rates						Rates of issue		
	Long-term unregulated market rate		Taxable government bonds	Taxable public issues	Of which:		Taxfree public issues	Taxable public issues	Taxfree public issues
	3 years	5 years			Financial institutions	Corporations			
	1	2	3	4	5	6	7	8	9
1983	..	..	.	13.1	..	..	10.3	13.1	10.9
1984	..	..	.	14.0	..	..	10.6	13.6	11.1
1985	..	..	.	12.7	..	..	10.1	12.7	10.6
1986	..	..	.	11.7	..	..	8.3	11.4	8.8
1987	..	..	.	11.2	..	..	8.1	10.7	7.9
1987									
July	..	..	.	11.0	10.7	11.2	8.7	10.8	7.9
Aug.	..	..	.	10.8	10.7	10.8	8.5	10.7	7.9
Sept.	..	..	.	10.9	10.6	11.0	8.2	10.4	8.0
Oct.	..	..	.	10.9	11.0	10.9	8.1	10.4	7.8
Nov.	..	..	10.5	10.8	10.7	10.8	8.0	10.1	7.6
Dec.	10.3	10.4	10.4	10.5	10.4	10.5	7.8	10.2	7.7
1988									
Jan.	10.2	10.3	10.5	10.4	10.2	10.2	7.7	10.5	7.4
Feb.	10.2	10.3	9.9	10.6	10.3	10.8	7.7	10.0	7.5
March	10.4	10.5	10.0	10.4	10.4	10.4	7.8	10.2	7.4
April	10.4	10.6	10.0	10.4	10.3	10.4	7.6	10.1	7.4
May	10.5	10.6	10.3	10.5	10.5	10.5	7.7	10.1	7.2
June	10.3	10.5	10.3	10.4	10.3	10.5	7.8	10.4	7.2
July	10.3	10.5	10.6	10.4	10.4	10.6	8.1	9.8	7.2

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	
	1 USD	1 CAD	1 GBP	1 IEP	1 SEK	1 NOK	1 DKK	1 DEM	1 NLG	1 BEC	1 BEL
	1	2	3	4	5	6	7	8	9	10	11
1983	5.570	4.524	8.456	6.957	0.7275	0.7644	0.6107	2.1861	1.9566	0.10934	0.10742
1984	6.010	4.645	8.023	6.533	0.7277	0.7384	0.5816	2.1165	1.8772	0.10428	0.10274
1985	6.206	4.554	8.000	6.590	0.7222	0.7231	0.5871	2.1142	1.8745	0.10483	0.10421
1986	5.077	3.659	7.459	6.816	0.7138	0.6882	0.6290	2.3454	2.0789	0.11399	0.11299
1987	4.404	3.325	7.213	6.556	0.6952	0.6547	0.6444	2.4514	2.1755	0.11806	0.11735
1987											
Aug.	4.505	3.404	7.207	6.503	0.6956	0.6645	0.6334	2.4275	2.1547	0.11695	0.11627
Sept.	4.394	3.344	7.240	6.493	0.6902	0.6624	0.6299	2.4258	2.1552	0.11686	0.11630
Oct.	4.361	3.337	7.249	6.489	0.6872	0.6591	0.6301	2.4196	2.1504	0.11629	0.11576
Nov.	4.138	3.151	7.354	6.551	0.6827	0.6462	0.6382	2.4617	2.1875	0.11772	0.11722
Dec.	4.043	3.096	7.399	6.584	0.6813	0.6352	0.6422	2.4753	2.1998	0.11837	0.11785
1988											
Jan.	4.036	3.143	7.288	6.505	0.6775	0.6373	0.6369	2.4456	2.1764	0.11702	0.11669
Feb.	4.120	3.251	7.249	6.473	0.6819	0.6435	0.6355	2.4290	2.1632	0.11622	0.11597
March	4.053	3.247	7.426	6.463	0.6822	0.6410	0.6313	2.4160	2.1513	0.11557	0.11527
April	4.010	3.251	7.530	6.414	0.6821	0.6470	0.6250	2.3984	2.1379	0.11469	0.11409
May	4.030	3.263	7.541	6.370	0.6837	0.6530	0.6220	2.3811	2.1249	0.11406	0.11338
June	4.163	3.422	7.437	6.382	0.6853	0.6547	0.6255	2.3781	2.1157	0.11375	0.11320
July	4.383	3.634	7.489	6.403	0.6925	0.6548	0.6263	2.3806	2.1111	0.11378	0.11273
Aug.	4.469	3.660	7.601	6.369	0.6910	0.6498	0.6198	2.3692	2.0986	0.11314	0.11162

Average of daily quotations	Zurich	Paris	Rome	Vienna	Lisbon	Reykjavik	Madrid	Tokyo	Moscow	Melbourne	ECU	SDR
	1 CHF	1 FRF	1 ITL	1 ATS	1 PTE	1 ISK	1 ESS	1 JPY	1 SUR	1 AUD	1 XEU	1 XDR
	12	13	14	15	16	17	18	19	20	21	22	23
1983	2.6570	0.7353	0.00369	0.3111	0.0514	2.2325	0.0391	0.02351	7.491	..	..	5.94325
1984	2.5642	0.6907	0.00344	0.3013	0.0414	0.1939	0.0375	0.02534	7.357	..	..	6.14739
1985	2.5360	0.6940	0.00327	0.3012	0.0367	0.1520	0.0366	0.02610	7.419	..	..	6.27879
1986	2.8349	0.7355	0.00343	0.3339	0.0343	0.1259	0.0364	0.03028	7.228	..	..	5.94432
1987	2.9563	0.7345	0.00341	0.3488	0.0315	0.1163	0.0358	0.03050	6.965	3.106	5.075	5.68010
1987												
Aug.	2.9321	0.7288	0.00337	0.3455	0.0313	0.1171	0.0360	0.03057	7.020	3.206	5.031	5.70792
Sept.	2.9284	0.7280	0.00337	0.3450	0.0311	0.1155	0.0364	0.03071	6.953	3.215	5.031	5.66425
Oct.	2.9163	0.7262	0.00336	0.3441	0.0308	0.1152	0.0369	0.03044	6.928	3.135	5.020	5.63821
Nov.	2.9957	0.7266	0.00336	0.3501	0.0306	0.1140	0.0367	0.03061	6.838	2.863	5.076	5.57249
Dec.	3.0403	0.7316	0.00338	0.3519	0.0305	0.1135	0.0366	0.03151	6.820	2.891	5.105	5.57906
1988												
Jan.	3.0050	0.7259	0.00333	0.3479	0.0301	0.1128	0.0361	0.03170	6.786	2.894	5.048	5.54743
Feb.	2.9625	0.7204	0.00330	0.3461	0.0300	0.1130	0.0361	0.03190	6.832	2.962	5.014	5.57446
March	2.9243	0.7135	0.00328	0.3441	0.0298	0.1060	0.0362	0.03189	6.786	2.989	5.001	5.54669
April	2.9001	0.7081	0.00324	0.3416	0.0296	0.1057	0.0363	0.03209	6.767	3.021	4.976	5.52717
May	2.8592	0.7045	0.00322	0.3390	0.0294	0.1006	0.0361	0.03232	6.760	3.158	4.949	5.53394
June	2.8577	0.7063	0.00321	0.3384	0.0294	0.0963	0.0361	0.03277	6.856	3.381	4.938	5.59796
July	2.8657	0.7077	0.00323	0.3388	0.0295	0.0977	0.0360	0.03296	7.026	3.523	4.947	5.70985
Aug.	2.8246	0.7014	0.00321	0.3373	0.0294	0.0981	0.0362	0.03344	7.091	3.620	4.931	5.76379

4.2. CURRENCY INDICES, 1982=100

Average of daily observations	Bank of Finland currency index ¹	Other currency indices		Currency	Weights of the Bank of Finland currency index As from September 13, 1988
		Payments currency index ¹	MERM index		
	1	2	3		4
1983	104.1	108.3	109.9	USD	7.8
1984	102.8	108.5	111.6	GBP	13.4
1985	102.5	109.4	112.5	SEK	20.6
1986	103.9	106.3	110.4	NOK	4.9
1987	103.3	100.7	106.1	DKK	5.0
				DEM	19.9
1987				NLG	4.9
Aug.	103.2	100.8	106.7	BEC	3.2
Sept.	102.8	100.0	105.8	CHF	2.7
Oct.	102.5	99.6	105.3	FRF	6.7
Nov.	102.7	98.6	103.9	ITL	4.9
Dec.	102.9	100.4	103.7	JPY	6.0
1988					
Jan.	102.2	100.3	103.4		
Feb.	102.2	100.6	104.1		
March	102.0	100.2	103.4		
April	101.8	99.8	103.0		
May	101.7	99.7	103.1		
June	101.9	100.5	104.5		
July	102.7	102.1	106.6		
Aug.	102.7	102.6	107.2		

¹The base 1982=100 has been applied since January 1, 1984. The figures before that date are based on the earlier index of 1974=100, but they have been rebased to the current base.

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
1983	14337	93551	.	107888	5101	7700	120688
1984	16975	108118	.	125093	4960	11287	141340
1985	19268	125366	1781	146415	6192	13998	166605
1986	18393	137521	3423	159337	4306	17271	180914
1987*	20377	155115	5243	180735	3923	17892	202550
1987*							
June	21564	146857	4289	172710	4430	19175	196315
July	20046	147725	4447	172219	4501	20063	196783
Aug.	21610	149397	4574	175581	4189	20162	199933
Sept.	21090	148720	4777	174586	4259	22539	201384
Oct.	21583	149465	5000	176048	3794	25321	205163
Nov.	21631	149098	5194	175923	5174	22478	203575
Dec.	20377	155115	5243	180735	3923	17892	202550
1988*							
Jan.	21169	156355	5419	182943	3646	25188	211777
Feb.	21901	157511	5531	184943	4121	25166	214230
March	21079	158431	5769	185279	5022	28512	218813
April	22028	159921	5850	187799	4870	32965	225634
May	23753	161340	5835	190928	4280	32383	227592
June	26163	164253	5900	196317	4169	27307	227793

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
1983	4350	7264	97362	108977	17253	126231
1984	5233	7644	111280	124157	20363	144520
1985	6313	7471	132668	146451	24704	171155
1986	7542	6354	152335	166231	25016	191246
1987*	8507	5177	178698	192382	36954	229336
1987*						
June	8224	5589	163290	177103	30079	207182
July	8262	5465	165436	179164	30867	210031
Aug.	8392	5499	167896	181787	31538	213324
Sept.	8697	5453	170322	184472	33160	217632
Oct.	8739	5286	172968	186994	35895	222889
Nov.	8974	5174	175284	189431	36635	226066
Dec.	8507	5177	178698	192382	36954	229336
1988*						
Jan.	8703	4966	182310	195979	38182	234161
Feb.	8908	5070	186023	200000	40372	240372
March	9125	4734	189554	203413	41454	244867
April	9298	4796	192940	207033	42291	249323
May	9300	4756	196938	210994	44727	255720
June	9643	4809	200832	215283	47807	263090

5.3 MONEY SUPPLY AND MONETARY AGGREGATES, MILL. RM

End of period	Foreign assets, net	Domestic credit			Other items, net	M ₁	M ₂ (1+4+5)
		Claims on the central government	Claims on the public	Total (2+3)			
	1	2	3	4	5	6	7
1983	-6081	-3297	152 199	148 902	-20915	21 427	121 906
1984	-2575	-5483	176 694	171 211	-26978	24945	141 658
1985	-6641	-8694	209 231	200 537	-27244	27 694	166 652
1986	-16 784	-13 884	237 514	223 630	-27 522	27 838	179 324
1987*	-25 484	-14 993	276 302	261 309	-35 363	30 342	200 461
1987*							
June	-18 863	-8 281	253 240	244 960	-34 004	30 754	192 092
July	-17 724	-9 289	255 448	246 159	-36 373	29 126	192 062
Aug.	-21 425	-7 994	258 743	250 749	-34 109	30 991	195 215
Sept.	-23 440	-9 092	263 257	254 165	-36 404	30 360	194 321
Oct.	-23 445	-9 941	268 569	258 628	-39 961	30 729	195 222
Nov.	-23 021	-14 346	271 682	257 337	-38 052	30 757	196 264
Dec.	-25 484	-14 993	276 302	261 309	-35 363	30 342	200 461
1988*							
Jan.	-25 529	-11 982	280 747	268 765	-40 870	31 049	202 367
Feb.	-25 237	-14 640	285 050	270 410	-40 354	31 932	204 819
March	-27 061	-14 196	290 409	276 213	-42 620	31 300	206 532
April	-26 376	-14 601	294 761	280 160	-44 195	32 144	209 589
May	-29 452	-13 068	301 307	288 239	-46 355	34 237	212 432
June	-31 339	-14 240	307 948	293 708	-43 786	36 824	218 583

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

End of period	Foreign debt			Domestic debt				Total central government debt (4+8)	Out-standing lending	Cash funds	
	Bonds	Other bonds and debentures	Long-term promissory notes	Total (1+2+3)	Public bonds	Other long-term liabilities	Treasury notes and bills				Total (5+6+7)
	1	2	3	4	5	6	7	8	9	10	11
1983	14 127	3 391	4 205	21 723	9 506	4 377	2 518	16 401	38 124	31 187	5 042
1984	16 513	2 666	5 767	24 946	12 037	4 520	2 766	19 323	44 269	33 816	6 300
1985	17 316	2 703	5 658	25 677	14 994	4 107	2 203	21 304	46 981	36 033	6 383
1986	17 905	3 038	6 038	26 981	18 059	4 481	2 474	25 013	51 994	38 028	11 686
1987	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 328	11 553
1987											
July	19 204	2 415	5 942	27 561	19 971	4 387	2 146	26 504	54 065	39 565	6 795
Aug.	18 279	2 416	5 940	26 635	20 426	4 422	2 194	27 042	53 677	39 623	6 219
Sept.	18 139	2 387	5 858	26 384	20 576	4 443	2 216	27 235	53 619	39 896	6 750
Oct.	19 136	2 418	5 758	27 312	21 328	4 494	2 481	28 303	55 615	40 199	8 084
Nov.	19 820	2 591	5 711	28 122	22 034	4 490	2 731	29 255	57 377	40 299	13 109
Dec.	20 407	2 697	5 576	28 680	22 121	4 692	3 018	29 831	58 511	40 078	11 553
1988											
Jan.	19 750	2 645	5 465	27 860	22 663	4 678	3 328	30 669	58 529	40 631	8 842
Feb.	19 665	2 463	5 404	27 532	23 053	4 643	3 713	31 409	58 941	40 885	10 300
March	19 638	2 244	5 390	27 272	23 286	4 627	4 163	32 076	59 348	41 143	11 116
April	20 395	2 225	5 361	27 981	23 778	4 713	4 133	32 624	60 605	41 360	11 243
May	20 370	2 207	5 342	27 919	23 846	4 631	4 013	32 490	60 409	41 424	10 286
June	21 356	2 244	5 135	28 735	23 833	4 871	4 035	32 739	61 474	41 754	11 713
July	20 860	2 236	5 156	28 252	23 838	4 969	3 910	32 717	60 969	..	..

5.5 DOMESTIC BOND MARKET

A) ISSUES, MILL. FIM

During period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1983	2035	5602	3890	77	10	1151	3882	6581	11614
1984	2528	6167	5073	112	32	1947	5336	6629	13912
1985	4804	9112	5994	435	28	8070	6394	5909	20373
1986	4976	10639	6532	422	105	5987	7487	9200	22674
1987	4527	9415	8119	206	69	9364	8830	4142	22335
1987									
July	147	153	116	—	—	228	116	72	416
Aug.	440	205	941	59	—	674	941	30	1644
Sept.	685	1769	331	—	—	1260	1070	455	2786
Oct.	851	1174	1083	4	—	2024	974	114	3112
Nov.	336	1005	841	—	11	1289	450	454	2193
Dec.	347	757	101	—	18	714	101	408	1222
1988									
Jan.	251	5	1370	—	—	108	1370	148	1626
Feb.	260	968	631	63	—	874	806	241	1922
March	203	1254	841	—	11	719	1376	215	2310
April	112	85	1487	—	—	540	55	1089	1684
May	64	783	792	—	—	829	792	18	1639
June	113	832	40	13	—	756	40	202	998
July	523	360	10	74	—	445	10	512	967

B) STOCK, MILL. FIM

End of period	By sector					By type of loan			Total (1+2+3+4+5) = (6+7+8)
	Corporations	Financial institutions	Central government	Local government	Others	Public issues		Private placements	
						Taxable	Taxfree		
	1	2	3	4	5	6	7	8	9
1983	5027	15039	11869	152	11	1954	12057	18087	32098
1984	6766	19960	14904	247	43	3531	15148	23242	41920
1985	10482	26173	18575	661	56	10967	19002	25977	55947
1986	14076	31902	22090	1042	177	16432	23314	29541	69287
1987	17525	36700	26518	1200	232	24778	28223	29175	82175
1987									
I	15287	32243	23087	1100	198	18109	24365	29441	71915
II	15558	33079	23623	1168	213	19178	25906	28556	73641
III	16353	33703	24707	1218	213	20674	26782	28739	76194
IV	17525	36700	26518	1200	232	24778	28223	29175	82175
1988									
I	18005	38323	27626	1251	243	26339	29606	29503	85448

5.6 HELSINKI STOCK EXCHANGE

During period	Turnover, mill. FIM			Share prices Unitus Index ¹ , 1975 = 100		
	Shares and subscription rights	Bonds and debentures	Total (1+2)	Banks	Industry	Overall index
	1	2	3	4	5	6
1983	1 390	2 356	3 746	190	144	194
1984	2 508	5 007	7 515	259	193	273
1985	3 114	9 046	12 160	229	184	234
1986	9 488	6 479	15 968	350	254	357
1987	26 641	4 604	31 245	546	319	603
1987						
July	2 647	152	2 799	593	317	666
Aug.	2 809	193	3 002	615	335	689
Sept.	2 962	172	3 133	635	351	707
Oct.	4 099	140	4 239	643	379	708
Nov.	2 275	251	2 525	578	360	631
Dec.	1 701	1 241	2 942	558	328	611
1988						
Jan.	994	75	1 069	547	318	600
Feb.	1 485	248	1 733	572	340	625
March	2 726	418	3 144	600	347	658
April	2 527	357	2 884	645	373	707
May	2 618	416	3 034	672	386	738
June	4 134	917	5 050	720	429	784
July	3 765	272	4 037	747	453	806

¹ Average of daily observations

6. BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

6.1 CURRENT ACCOUNT, MILL. FIM

During period	Exports of goods, f.o.b.	Transport receipts	Travel receipts	Other services receipts	Services receipts, total (2+3+4)	Exports of goods and services (1+5)	Investment income	Transfers and other income	Current account (6+7+8)	Imports of goods, c.i.f.	Transport expenditure	Travel expenditure	Other services expenditure
	1	2	3	4	5	6	7	8	9	10	11	12	13
1983	67960	5765	2851	6159	14775	82735	3067	3310	89112	70731	2565	3599	4467
1984	78961	6580	3039	5610	15229	94190	4537	3624	102351	73496	2572	4250	5819
1985	82475	6216	3258	6224	15698	98173	5847	3791	107811	80764	2545	5031	6554
1986	81066	5757	3195	5616	14568	95634	4510	3609	103752	76736	2160	5587	5415
1987*	83606	5819	3729	6054	15601	99208	5075	2899	107182	81941	2345	6821	6578
1986													
I	19711	1390	564	960	2914	22625	1152	887	24665	20598	439	1163	1256
II	17774	1440	780	1146	3366	21140	1209	902	23251	15507	561	1425	1306
III	20928	1533	1126	1191	3850	24778	907	894	26579	20637	572	1631	1298
IV	22652	1394	724	2319	4439	27091	1241	926	29258	19995	588	1367	1555
1987*													
I	20035	1322	666	1288	3275	23311	1130	794	25234	19542	498	1477	1479
II	21300	1491	934	1435	3859	25159	1175	715	27049	20522	601	1684	1536
III	20847	1573	1333	1541	4446	25293	1115	696	27104	20272	604	1921	1469
IV	21424	1433	797	1791	4021	25445	1655	694	27795	21605	642	1739	2094
1988*													
I	20720	1305	703	1576	3584	24304	1653	810	26767	19719	698	1616	1796
II	22581	1473	1035	1603	4111	26692	1614	838	29144	23309	794	1761	1487

During period	Services expenditure, total (11+12 services +13)	Imports of goods and services (10+14)	Investment expenditure	Transfers and other expenditure	Current account (15+16 +17)	Trade account (1-10)	Transport (2-11)	Travel (3-12)	Other services (4-13)	Services account and services (20+21+22)	Goods account net (19+23)	Investment and income, net (7-16)	Transfers and others, net (8-17)	Current account and account net (24+25 +26) = (9-18)
	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1983	10631	81361	8875	4094	94331	-2771	3200	-748	1692	4144	1373	-5808	-784	-5219
1984	12641	86137	11298	5010	102445	5465	4008	-1211	-209	2588	8053	-6761	-1385	-93
1985	14130	94893	12134	5300	112327	1711	3671	-1773	-330	1568	3279	-6287	-1509	-4517
1986	13162	89898	11719	5964	107580	4329	3597	-2392	201	1406	5735	-7209	-2355	-3828
1987*	15744	97685	12563	5434	115682	1666	3473	-3092	-524	-143	1523	-7488	-2535	-8500
1986														
I	2858	23456	2950	1466	27871	-886	951	-600	-296	55	-831	-1798	-578	-3206
II	3293	18800	3291	1439	23530	2268	879	-645	-161	72	2340	-2082	-538	-280
III	3501	24138	2495	1347	27981	291	962	-506	-107	349	640	-1588	-454	-1402
IV	3510	23504	2982	1711	28198	2657	806	-641	764	929	3586	-1741	-785	1060
1987*														
I	3454	22996	2901	1639	27536	493	824	-812	-191	-178	315	-1771	-846	-2302
II	3822	24343	3624	1182	29150	779	890	-751	-102	38	816	-2450	-468	-2101
III	3994	24266	2660	1196	28122	575	968	-588	72	452	1027	-1545	-500	-1018
IV	4475	26080	3378	1416	30874	-181	791	-942	-303	-454	-635	-1723	-722	-3079
1988*														
I	4110	23829	4089	1729	29646	1001	606	-912	-219	-526	476	-2436	-919	-2879
II	4042	27351	3819	1395	32565	-728	680	-726	116	69	-659	-2205	-557	-3421

6.2 CAPITAL ACCOUNT, MILL. FIM

During period	Direct investment in Finland	Port-folio investment in Finland	Long-term credits				Imports of other long-term capital (3+4+5)	Imports of long-term capital (1+2+6+7)	Direct investment abroad	Port-folio investment abroad	Long-term export credits	Exports of other long-term capital (9+10+11+12)	Exports of long-term capital (9+10+11+12)	Long-term capital account (8-13)
			Central government	Author-ized banks	Others	Total								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1983	88	..	2554	323	-38	2839	652	3579	1452	..	-423	676	1705	1874
1984	324	1492	2598	2861	1090	6549	68	8433	2479	..	1682	-1960	2201	6232
1985	392	4264	1556	1489	442	3487	140	8283	2073	78	-1313	948	1786	6497
1986	1627	646	-63	5935	-482	5390	87	7750	3641	489	-381	702	4451	3299
1987*	430	-1626	2287	5383	2843	10513	91	9408	3785	1691	181	3104	8761	647
1986														
I	86	94	-722	1246	62	586	-65	701	357	-15	-241	9	110	591
II	56	710	596	1040	-194	1442	17	2225	925	89	111	118	1243	982
III	273	-206	16	1412	-105	1323	83	1473	1152	279	-110	405	1726	-253
IV	1212	48	47	2237	-245	2039	52	3351	1207	136	-141	170	1372	1979
1987*														
I	131	-387	1640	1756	873	4269	79	4092	778	124	265	2486	3653	440
II	199	6	-442	1530	1257	2345	-55	2495	1173	925	-145	55	2008	488
III	17	-271	-1018	945	551	478	12	236	653	637	112	83	1485	-1248
IV	83	-974	2107	1472	-158	3421	55	2585	1181	5	-51	482	1617	969
1988*														
I	63	71	-857	361	3230	2734	89	2957	982	421	6	532	1941	1016
II	53	-140	1171	2356	1593	5120	-42	4991	2837	83	1039	431	4390	601

During period	Basic balance	Short-term capital imports of authorized banks	Import facilities and proprietary movements related to exports	Imports of short-term capital (16+17)	Short-term capital exports of authorized banks	Export receipts related to imports	Exports of short-term capital (19+20)	Other short-term capital incl. or 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
1983	-3344	7594	2121	9714	6328	2228	8556	24	1182	-2162	2162	1187	975
1984	6138	16080	944	17024	13994	-2811	11183	-2704	3137	9275	-9275	-10142	867
1985	1980	6890	350	7240	1623	1732	3355	-2121	1764	3744	-3744	-3729	-15
1986	-529	6019	-3796	2222	11791	-92	11699	2075	-7402	-7930	7930	11678	-3748
1987*	-7853	16252	476	16728	-5739	-183	-5922	939	23589	15736	-15736	-17817	2081
1986													
I	-2616	-736	1232	496	1649	-15	1634	592	-547	-3162	3162	3945	-782
II	703	1999	-4636	-2636	4813	-15	4798	3496	-3938	-3236	3236	4161	-925
III	-1655	3185	1216	4401	5317	-31	5286	326	-559	-2213	2213	3455	-1242
IV	3039	1571	-1609	-38	12	-31	-19	-2339	-2358	681	-681	117	-798
1987*													
I	-1862	2656	1065	3720	-4959	-118	-5077	-700	8098	6236	-6236	-7020	785
II	-1614	7672	70	7741	1924	-118	1806	1915	7850	6237	-6237	-5569	-667
III	-2266	8339	-404	7935	3376	27	3403	-1630	2903	637	-637	-2407	1771
IV	-2111	-2415	-255	-2669	-6081	27	-6054	1353	4738	2627	-2627	-2820	193
1988*													
I	-1863	6495	-1489	5005	3511	-288	3223	2421	4204	2341	-2341	-1295	-1046
II	-2820	11737	1941	13678	4623	-288	4335	-1805	7538	4718	-4718	-4661	-57

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

End of period	Long-term liabilities							Long-term assets					Long-term debt, net (8-13)	
	Direct investment in Finland	Port-folio investment in Finland	Long-term credits			Other long-term capital	Total (1+2+6+7)	Direct investment abroad	Port-folio investment abroad	Long-term export credits	Other long-term capital	Total (9+10+11+12)		
			Central government	Author-ized banks	Others									Total (3+4+5)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1983	2317	848	21740	2419	33749	57909	444	61518	6166	..	6612	4051	16829	44689
1984	2905	2013	24928	5960	37227	68116	512	73546	8689	..	8920	2097	19706	53840
1985	3274	6313	25678	6410	34276	66364	652	76603	10524	78	6539	3053	20194	56409
1986	4892	6959	26292	11992	32044	70330	739	82920	13727	567	5649	3685	23628	59292
1987*	5283	3964	27861	17365	33088	78314	830	88391	16647	2258	5242	6618	30765	57626
1986														
I	3351	6407	25126	7546	32986	65659	587	76004	10697	63	6103	3033	19896	56108
II	3414	7117	26548	8708	33159	68417	604	79552	11719	152	6158	3148	21177	58375
III	3687	6911	26710	10063	32664	69438	687	80723	12601	431	5865	3527	22424	58299
IV	4892	6959	26292	11992	32044	70330	739	82920	13727	567	5649	3685	23628	59292
1987*														
I	5013	6572	27361	13447	31978	72787	818	85190	14166	691	5660	6105	26622	58568
II	5209	6578	26967	15024	33267	75259	763	87809	15347	1616	5527	6165	28655	59154
III	5213	6307	25679	15800	33472	74952	775	87247	15812	2253	5478	6229	29772	57475
IV	5283	3964	27861	17365	33088	78314	830	88391	16647	2258	5242	6618	30765	57626
1988*														
I	5308	4035	26637	17594	35883	80114	919	90376	17538	2679	5250	7142	32609	57767
II	5410	3895	28383	20464	38230	87077	877	97259	20928	2762	6488	7671	37849	59410

End of period	Short-term liabilities				Short-term assets				Short-term liabilities, net (18-22)	Debt, net (14+23)	Debt service payments	Of which: repayments	Debt service ratio
	Bank of Finland's term liabilities	Short-term liabilities of authorized banks	Trade credits and other liabilities	Total (15+16+17)	Bank of Finland's short-term assets	Short-term assets of authorized banks	Trade credits and other assets	Total (19+20+21)					
	15	16	17	18	19	20	21	22	23	24	25	26	27
1983	5705	39443	16181	61328	11842	29263	15915	57020	4308	48997	10875	4914	12.2
1984	4562	55695	17988	78245	22912	43319	12804	79035	-790	53050	11586	4613	11.3
1985	4070	51374	17354	72798	25183	38775	18155	82113	-9314	47095	11287	4808	10.5
1986	3455	56881	13240	73575	16613	50613	18381	85608	-12032	47260	13462	6018	13.0
1987*	3362	73132	15601	92095	31134	44874	16324	92333	-238	57388	14150	6516	13.2
1986													
I	3659	50424	18671	72754	21647	40424	18037	80109	-7354	48754	3967	2118	16.1
II	3499	52647	14162	70308	18470	45237	18213	81921	-11612	46763	3307	1176	14.2
III	3565	55602	15410	74577	16168	50554	18131	84854	-10277	48022	2452	834	9.2
IV	3455	56881	13240	73575	16613	50613	18381	85608	-12032	47260	3737	1890	12.8
1987*													
I	3521	59536	15714	78771	22482	45655	17829	85966	-7195	51373	3200	1411	12.7
II	3490	67208	15863	86561	28680	47579	18073	94332	-7771	51383	3994	1496	14.8
III	3607	75547	16500	95654	29291	50955	17836	98081	-2427	55048	2770	1217	10.2
IV	3362	73132	15601	92095	31134	44874	16324	92333	-238	57388	4186	2392	15.1
1988*													
I	3467	79627	12629	95723	33515	48385	16268	98168	-2445	55322	4233	1773	15.8
II	3177	91364	14417	108958	39025	53008	15974	108006	952	60362	3518	1289	12.1

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

End of period	Long-term liabilities					Long-term assets				Total (6+7+8+9)	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		
	1	2	3	4	5	6	7	8	9	10	11
1983	30082	8541	22184	710	61518	12791	2472	1447	119	16829	44689
1984	34012	13366	25440	728	73546	17624	222	1678	182	19706	53840
1985	35709	13980	26330	585	76603	17102	859	1955	279	20194	56409
1986	35210	20169	27031	509	82920	19209	1591	2309	520	23628	59292
1987*	32456	26734	28691	511	88391	23375	4007	2653	730	30765	57626
1986											
I	34646	15090	25713	555	76004	16839	765	1970	321	19896	56108
II	35001	16847	27152	551	79552	17906	849	2056	366	21177	58375
III	34231	18554	27397	541	80723	18462	1360	2191	412	22424	58299
IV	35210	20169	27031	509	82920	19209	1591	2309	520	23628	59292
1987*											
I	34716	21814	28179	481	85190	19717	3876	2458	572	26622	58568
II	35601	24004	27730	474	87809	21633	3936	2465	621	28655	59154
III	35045	25209	26454	539	87247	22656	3919	2519	677	29772	57475
IV	32456	26734	28691	511	88391	23375	4007	2653	730	30765	57626
1988*											
I	34218	28096	27556	506	90376	24599	4371	2851	788	32609	57767
II	36037	31460	29260	503	97259	29286	4784	2887	893	37849	59410

7. FOREIGN TRADE¹

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
1983	69 692	71 528	-1 836
1984	80 904	74 682	6 222
1985	84 028	81 520	2 508
1986	82 579	77 601	4 978
1987	85 315	82 797	2 518
1987			
July	6 620	6 458	162
Aug.	6 601	6 943	-342
Sept.	8 042	7 080	962
Oct.	7 894	7 317	577
Nov.	6 966	7 502	-536
Dec.	7 009	6 988	21
1988*			
Jan.	6 885	6 883	2
Feb.	6 722	6 048	674
March	7 536	6 948	588
April	7 586	7 529	57
May	8 684	8 284	400
June	6 726	7 728	-1 002
July	6 413	7 091	-678

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

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1	2	3	4	5
1983	104	98	127	125	101
1984	114	98	134	131	102
1985	115	104	138	135	102
1986	116	110	135	121	111
1987	118	119	138	119	116
1987					
I	113	110	134	129	103
II	104	90	133	122	109
III	116	119	138	120	116
IV	128	115	136	121	112
1987					
I	114	113	136	120	113
II	120	120	137	119	115
III	116	116	140	121	115
IV	119	126	140	119	117
1988*					
I	102	92	140	119	117
II	123	133	141	121	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
1983	6 944	19 327	8 524	20 211	14 686	32 209	17 554	10 860	10 572	333
1984	7 145	23 573	10 176	22 998	17 012	35 162	16 900	10 993	11 454	173
1985	6 728	25 030	9 803	24 412	18 055	38 676	17 770	11 675	12 967	432
1986	6 947	24 600	7 858	26 115	17 059	39 292	10 070	12 898	15 069	272
1987	7 449	26 691	7 823	26 347	17 005	41 066	9 623	14 074	17 412	622
1987										
July	526	2 271	660	1 983	1 180	3 125	796	1 197	1 317	23
Aug.	545	2 191	669	1 849	1 347	3 292	1 137	1 012	1 471	31
Sept.	666	2 496	688	2 629	1 563	3 503	964	1 047	1 547	19
Oct.	670	2 500	624	2 493	1 607	3 634	845	1 151	1 579	108
Nov.	664	2 168	563	2 077	1 494	3 713	720	1 436	1 622	11
Dec.	569	2 059	754	2 339	1 288	3 407	994	1 197	1 374	16
1988*										
Jan.	569	2 472	623	2 021	1 200	3 486	780	1 270	1 340	7
Feb.	543	2 284	707	1 626	1 562	3 147	405	989	1 467	40
March	629	2 747	690	2 108	1 362	3 417	409	1 285	1 828	9
April	672	2 373	639	2 652	1 250	3 713	587	1 321	1 901	7
May	735	2 466	736	3 241	1 506	4 131	720	1 464	1 959	10
June	626	2 281	599	1 892	1 328	3 715	820	1 584	1 580	29
July	537	2 344	628	1 761	1 143	3 369	734	1 310	1 604	74

7.4 FOREIGN TRADE BY REGIONS AND COUNTRIES

Region and country	Exports, f.o.b.				Imports, c.i.f.			
	1987		1988* January-June		1987		1988* January-June	
	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year	Mill. FIM	Percentage share	Mill. FIM	Percentage change from the corresponding period of the previous year
	1	2	3	4	5	6	7	8
All OECD countries	63 184	74.1	33 140	7.0	63 079	76.2	33 886	9.9
OECD Europe	55 667	65.2	29 174	6.8	52 212	63.1	27 433	7.5
Of which:								
Austria	951	1.1	430	-8.2	1 066	1.3	513	-0.4
Belgium and Luxembourg	1 526	1.8	942	32.8	2 134	2.6	1 110	2.2
Denmark	3 320	3.9	1 636	-4.2	2 343	2.8	1 312	14.3
France	4 497	5.3	2 517	6.9	3 552	4.3	1 846	-2.1
Federal Republic of Germany	9 335	10.9	4 802	7.4	14 450	17.5	7 500	5.8
Italy	2 182	2.6	1 256	14.9	3 619	4.4	1 975	9.7
Netherlands	3 060	3.6	1 654	2.7	2 555	3.1	1 430	18.5
Norway	4 026	4.7	1 623	-18.0	1 819	2.2	1 042	17.9
Spain	1 090	1.3	684	31.3	920	1.1	495	12.9
Sweden	12 754	14.9	6 314	4.0	10 702	12.9	5 694	8.2
Switzerland	1 525	1.8	803	3.6	1 665	2.0	774	-5.0
United Kingdom	9 734	11.4	5 589	18.1	5 914	7.1	2 960	13.2
Other OECD	7 517	8.8	3 967	9.0	10 867	13.1	6 453	21.7
Of which:								
Canada	971	1.1	470	-0.4	429	0.5	273	47.3
Japan	1 206	1.4	789	29.3	5 861	7.1	3 346	14.0
United States	4 407	5.2	2 229	4.4	4 335	5.2	2 704	31.3
CMEA countries	14 620	17.1	7 505	1.1	14 088	17.0	6 319	-6.6
Of which:								
Soviet Union	13 175	15.4	6 879	1.6	11 901	14.4	5 292	-9.3
Developing countries	6 199	7.3	3 060	0.5	4 938	6.0	2 739	6.3
OPEC countries	1 527	1.8	663	-3.6	805	1.0	246	-48.4
Other	4 672	5.5	2 398	1.7	4 133	5.0	2 493	18.7
Other countries	1 312	1.5	437	-42.2	692	0.8	478	38.9
TOTAL	85 315	100.0	44 142	4.6	82 797	100.0	43 421	7.2
Of which:								
EEC countries	35 966	42.2	19 799	11.1	36 788	44.4	19 320	7.6
EEFTA countries	19 396	22.7	9 249	-1.2	15 356	18.5	8 079	7.1

¹The trade values and volumes for December 1987 and January 1988 differ from those in the official statistics. For details, see Notes and Explanations on page S26.

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
1983	171 330	63 113	69 001	10 467	-2 704	311 207	92 001	87 959	315 249
1984	176 038	64 872	67 584	10 202	-1 327	317 369	96 993	88 857	325 505
1985	181 664	68 218	69 599	10 453	3 610	333 544	98 173	94 893	336 824
1986*	189 113	70 325	69 329	10 738	3 255	342 760	99 498	97 795	344 463
1987*	198 837	73 087	72 388	11 344	7 315	362 971	101 181	106 569	357 583
1985									
IV	46 111	17 328	17 730	2 625	2 291	86 085	23 962	24 688	85 358
1986*									
I	46 427	17 389	17 292	2 639	3 116	86 863	24 613	26 101	85 376
II	47 215	17 664	16 689	3 191	-1 517	83 241	21 766	20 023	84 984
III	47 668	17 718	17 810	2 200	2 633	88 029	25 838	27 129	86 738
IV	47 803	17 554	17 538	2 708	-977	84 626	27 281	24 542	87 365
1987*									
I	48 664	18 005	17 622	2 766	1 256	88 313	25 092	26 220	87 185
II	49 374	18 178	18 247	2 551	1 910	90 260	25 432	26 037	89 655
III	49 827	18 346	17 926	3 161	2 517	91 777	25 510	27 037	90 250
IV	50 972	18 558	18 593	2 866	1 633	92 621	25 148	27 276	90 494
1988*									
I	51 292	18 564	18 969	2 760	1 658	93 242	25 445	26 733	91 954

8.2 VOLUME OF INDUSTRIAL PRODUCTION, 1985=100 (1980 WEIGHTS) (seasonally adjusted figures)

Period	2-4		3		Industry (SIC): 331,341		37,38		4	
	Total industry (100.0)	Mining and quarrying (1.5)	Manufacturing (89.5)	Wood and paper industries (20.5)	Metal and engineering industries (28.3)	Other manufacturing (40.7)	Electricity, gas and water (9.0)			
	1	2	3	4	5	6	7			
1983	91.9	92.8	92.5	94.2	87.8	95.5	86.0			
1984	96.1	96.3	96.6	101.7	92.5	97.6	91.8			
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
1986*	100.8	101.7	100.8	101.8	101.3	99.9	100.1			
1987*	105.0	79.0	105.2	107.9	106.1	103.0	108.0			
1987*										
June	107.0	52.4	106.4	106.0	105.8	106.0	109.2			
July	109.1	74.6	107.7	107.7	106.5	105.7	107.7			
Aug.	105.6	81.8	105.7	108.4	108.4	104.9	108.9			
Sept.	103.7	77.8	104.6	110.1	108.2	103.7	109.0			
Oct.	102.8	69.4	106.0	109.8	107.2	102.8	107.5			
Nov.	100.8	72.5	103.6	108.4	107.4	100.5	109.5			
Dec.	102.7	67.3	105.5	105.4	108.4	100.1	108.4			
1988*										
Jan.	107.7	64.7	111.2	115.3	112.0	106.7	94.5			
Feb.	107.8	70.4	109.7	113.4	111.2	103.9	102.6			
March	105.5	74.0	106.6	110.5	104.5	103.0	105.7			
April	108.9	88.9	107.8	115.1	111.8	102.8	110.2			
May	108.9	101.5	108.3	108.7	113.3	107.2	103.6			
June	111.5	107.9	109.2	115.9	109.3	105.7	110.5			

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
1983	97.6	94.4	108.2	107.7	123.0	105.1	100.9	94.2
1984	97.2	96.8	101.8	104.1	112.8	96.2	98.6	96.9
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986*	104.7	102.5	94.0	88.4	99.9	99.5	105.2	101.8
1987*	111.3	107.7	95.6	89.0	101.0	102.6	113.8	106.1
1987*								
May	110.2	105.6	..	..	..	..	..	106.2
June	113.0	110.5	..	..	..	..	..	106.0
July	110.7	107.6	..	..	..	..	..	106.7
Aug.	111.0	107.2	..	..	..	..	..	106.7
Sept.	111.1	109.3	..	..	..	..	..	106.7
Oct.	114.5	107.7	..	..	..	..	..	106.6
Nov.	113.8	109.7	..	..	..	..	..	107.1
Dec.	111.0	110.6	..	..	..	..	..	107.6
I	108.4	104.8	93.5	90.0	99.1	94.1	112.4	104.3
II	112.7	108.8	97.4	95.2	105.0	105.5	121.6	106.1
III	110.9	108.0	95.3	85.5	101.0	105.2	100.2	106.7
IV	113.1	109.3	96.2	85.4	98.9	105.5	121.3	107.1
1988*								
Jan.	115.8	113.4	..	..	..	..	..	108.0
Feb.	113.7	110.7	..	..	..	..	..	108.5
March	110.7	115.5	..	..	..	..	..	108.3
April	120.1	108.2	..	..	..	..	..	107.9
May	109.8	116.0	..	..	..	..	..	109.3
I	113.4	113.2	108.7	93.7	125.6	113.3	113.3	108.3

8.4 WAGES AND PRICES, 1985=100

Period	Index of wage and salary earnings	By sectors				Consumer price index	Basic price index for domestic supply	By origin		Producer price index for manufacturing	By marketing area		Building cost index	
		Private Total	Of which: Manufacturing (SIC 3)	Central government	Local government			Non-profit institutions	Domes- tic goods		Import- ed goods	Export- ed goods		Home market goods
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1983	84.3	84.0	85.2	86.4	84.0	85.8	88.8	90.4	89.8	92.7	90.8	91.5	90.5	89.2
1984	92.2	92.0	92.9	92.6	92.8	92.1	95.1	95.3	94.8	97.1	96.0	98.1	95.1	94.6
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986¹	107.0	106.7	106.2	106.8	108.1	107.0	102.9	97.0	98.6	91.0	96.5	96.7	96.4	104.3
1987¹	114.6	114.5	113.4	115.8	114.0	116.2	107.2	97.9	100.2	89.3	97.3	98.1	96.8	109.1
1987¹														
July	..	..	..	..	..	..	107.2	98.2	100.4	90.3	97.4	98.2	97.0	109.4
Aug.	..	..	..	..	..	..	107.5	98.2	100.5	89.9	97.4	98.2	97.0	109.6
Sept.	..	..	..	..	..	..	108.1	98.4	100.8	89.4	97.9	98.7	97.5	109.9
Oct.	..	..	..	..	..	..	108.3	98.7	101.3	89.2	98.2	99.0	97.8	110.0
Nov.	..	..	..	..	..	..	108.1	98.7	101.6	88.3	98.4	99.4	97.9	110.8
Dec.	..	..	..	..	..	..	108.4	98.9	102.0	87.7	98.6	99.2	98.3	110.9
II	115.3	115.2	114.3	117.1	114.6	117.4	107.0	97.5	99.8	89.2	96.8	97.7	96.3	108.9
III	115.0	114.7	113.7	117.0	114.7	117.5	107.6	98.3	100.6	89.9	97.6	98.4	97.2	109.7
IV	116.6	116.8	115.2	117.3	115.0	117.8	108.3	98.8	101.6	88.4	98.4	99.2	98.0	110.6
1988¹														
Jan.	..	..	..	..	..	..	109.7	99.3	102.4	87.8	99.1	99.9	98.8	111.8
Feb.	..	..	..	..	..	..	110.0	99.6	102.7	87.9	99.5	100.1	99.2	111.9
March	..	..	..	..	..	..	110.6	99.7	103.0	87.5	100.0	101.1	99.4	112.3
April	..	..	..	..	..	..	111.4	99.9	103.1	88.3	100.1	101.5	99.4	115.0
May	..	..	..	..	..	..	112.3	100.9	104.1	89.3	100.8	102.6	100.0	116.2
June	..	..	..	..	..	..	112.9	101.3	104.7	89.1	101.1	103.1	100.2	116.6
July	..	..	..	..	..	..	112.9	102.0	105.4	89.6	102.1	104.3	101.1	117.0
I	119.0	118.5	117.0	122.9	117.8	123.2	110.1	99.5	102.7	87.7	99.5	100.4	99.1	112.0
II	125.8	125.6	124.2	130.5	123.3	130.6	112.2	100.7	104.0	88.9	100.7	102.4	99.9	115.9

¹Preliminary 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		
1983	68.7	2 527	2 390	386	2 004	303	606	183	1 298	138	5.5
1984	68.8	2 546	2 414	378	2 035	294	600	183	1 337	133	5.2
1985	69.2	2 567	2 437	361	2 076	280	597	178	1 380	130	5.0
1986	69.1	2 568	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
1987											
June	68.2	2 538	2 411	371	2 040	252	565	186	1 408	127	5.0
July	68.5	2 547	2 420	371	2 049	246	584	183	1 407	127	5.0
Aug.	69.0	2 568	2 441	367	2 073	248	570	183	1 439	127	5.0
Sept.	68.5	2 548	2 418	366	2 053	241	572	176	1 429	130	5.1
Oct.	68.5	2 551	2 423	378	2 045	255	575	185	1 408	128	5.0
Nov.	68.5	2 549	2 420	381	2 039	252	557	180	1 432	129	5.1
Dec.	68.4	2 548	2 419	378	2 041	247	558	183	1 430	128	5.0
1988											
Jan.	68.7	2 558	2 438	381	2 057	250	573	189	1 427	120	4.7
Feb.	68.4	2 549	2 430	374	2 057	253	551	176	1 451	118	4.6
March	68.5	2 549	2 428	371	2 057	240	557	182	1 450	120	4.7
April	68.3	2 541	2 426	367	2 059	241	551	192	1 442	115	4.5
May	68.3	2 540	2 415	366	2 049	243	543	177	1 451	125	4.9
June	68.7	2 556	2 439	363	2 076	231	548	194	1 466	117	4.6

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)	Borrowing	Total revenue (7+8)	Consumption	Transfers and subsidies	Of which:	
												Local government	Other domestic sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13
1983	19565	36183	531	8284	64563	1854	66416	11378	77794	20984	39411	15717	22817
1984	22526	42737	598	9711	75572	1894	77466	10752	88218	22155	44333	18444	24836
1985	25750	47578	546	10415	84290	2071	86361	11189	97550	24835	49269	21183	26866
1986	28079	51733	323	11640	91774	2209	93983	14744	108727	26354	52845	23215	28131
1987	29454	57312	455	12437	99658	2482	102139	17484	119623	29419	59498	26456	30964
1987													
June	2561	5243	28	1092	8925	191	9115	455	9570	2468	4636	2630	1910
July	2941	5335	49	603	8929	95	9023	619	9642	2923	4775	2148	2434
Aug.	2935	4880	37	1098	8949	343	9292	1143	10435	2331	4892	2138	2618
Sept.	2461	4237	40	968	7706	144	7850	619	8470	2424	4341	2131	2102
Oct.	2480	4360	38	1025	7904	119	8023	2295	10318	2505	4713	2227	2296
Nov.	2545	5465	29	1024	9062	266	9329	2397	11726	2366	5746	2336	3306
Dec.	1995	7294	65	1454	10809	680	11488	1496	12984	2731	5271	2239	2720
1988													
Jan.	2495	3188	12	958	6654	21	6674	1680	8354	2367	5494	2221	3145
Feb.	2203	6490	38	837	9568	53	9622	1017	10639	2449	6390	2304	3948
March	3084	4470	49	998	8601	96	8698	1291	9989	2520	5301	2325	2552
April	3203	4517	44	1122	8886	85	8971	2089	11060	2341	4958	2682	2141
May	2659	5470	21	1787	9936	302	10238	834	11072	2760	6409	2640	3405
June	2994	5733	46	1012	9785	132	9917	1490	11407	2842	5368	2755	2376
During period	Expenditure						Financial balance						
	Fixed investment	Other expenditure	Expenditure before financial transactions (10+11+14+15)	Lending and other financial investment	Expenditure before redemptions of state debt (16+17)	Redemptions of state debt	Total expenditure, (18+19)	Revenue surplus (5-16)	Net borrowing requirement (7-18)	Gross borrowing requirement (7-20)	Cash surplus (9-20)		
	14	15	16	17	18	19	20	21	22	23	24		
1983	5454	4095	69944	4999	74943	3939	78881	-5381	-8527	-12465	-1088		
1984	5455	4220	76162	4717	80878	5552	86430	-590	-3412	-8964	1788		
1985	5700	4936	84739	4982	89722	7682	97404	-449	-3361	-11043	145		
1986	6111	5058	90368	4913	95281	10541	105822	1406	-1298	-11839	2905		
1987	7089	4732	100738	5672	106410	9880	116289	-1080	-4270	-14150	3334		
1987													
June	640	255	7999	561	8560	1314	9874	925	555	-759	-304		
July	643	284	8625	752	9377	190	9566	304	-353	-543	76		
Aug.	542	294	8059	479	8539	1410	9949	890	753	-657	487		
Sept.	648	137	7551	552	8102	320	8423	156	-252	-572	47		
Oct.	644	321	8184	446	8629	620	9249	-280	-606	-1226	1069		
Nov.	550	199	8861	407	9267	252	9519	202	62	-190	2207		
Dec.	878	-6	8874	483	9357	109	9466	1935	2131	2022	3518		
1988													
Jan.	502	764	9127	372	9499	1279	10778	-2473	-2824	-4103	-2423		
Feb.	535	324	9699	397	10096	512	10608	-130	-474	-986	31		
March	641	833	9296	427	9723	825	10548	-694	-1025	-1850	-559		
April	492	617	8407	341	8747	674	9421	479	224	-450	1639		
May	690	760	10619	623	11242	1044	12286	-684	-1004	-2048	-1214		
June	660	317	9186	603	9789	818	10607	598	128	-690	800		

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 Matured certificates of deposit, net (Column 3) = matured bank certificates of deposit held by the Bank of Finland - matured certificates of deposit issued by the Bank of Finland.

Table 2.3 Bank CDs held by the Bank of Finland (Column 2) include term credits from December 1986 to July 1987. Holdings of CDs issued by the Bank of Finland (Column 5) include term liabilities from February to July 1987.

3 RATES OF INTEREST

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

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

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

Table 3.4 *Lending.* New credits (Columns 1-4): the rates of interest on new credits drawn during the month are average monthly rates weighted by loan amounts, whereas annual rates are averages of monthly observations. *Deposits.* The rates of interest applied to deposit accounts (Columns 6-8) are the rates of interest applied to standard tax-exempt deposit accounts as agreed upon between banks. The average rate of interest on the stock of regulated deposits (Column 9) is the average rate of interest weighted by the deposit amounts at the end of period, where the stock of deposits comprises cheque accounts, postal giro accounts, deposit accounts with a cheque facility, savings and ordinary deposit accounts, other time deposit accounts and taxable investment accounts. The average rate of interest on unregulated deposits (Column 10) is the average rate of interest weighted by the amounts in the period. Unregulated deposits include, inter alia, sales of certificates of deposit, promissory notes and bonds as well as corporate deposits at market rates.

Table 3.5 *Secondary market rates.* The long-term unregulated market rate (Columns 1 and 2) is calculated by the Bank of Finland as the monthly average of the offered rates for taxable, fixed-rate bonds quoted by the five largest banks. The rate of interest for taxable government bonds (Column 3) is the effective annual yield, calculated as the arithmetic mean, on fixed-rate government bonds with a remaining maturity of between 4 and 5 years. The rate of interest for taxable public issues

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

4 RATES OF EXCHANGE

Table 4.2 The weights of the Bank of Finland currency index (Column 1) are moving averages of the shares of countries in Finland's merchandise export and import trade. The index comprises 12 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 12 convertible currencies. The weights of the MERM index (Column 3) are fixed 1977 weights computed on the basis of the IMF's world trade model. Fourteen currencies are included in this index.

5 OTHER DOMESTIC FINANCING

Table 5.1 Source: The Central Statistical Office of Finland. The public comprises households and non-profit institutions, enterprises (excl. financial institutions) and local government. Domestic foreign-currency deposits are included in the figures. Time deposits (Column 2) consist of tax-exempt time deposits held by the public. Investment

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

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

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

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

Transferable allocations amounted to FIM 7.7 billion at the end of 1986.

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

6 BALANCE OF PAYMENTS, FOREIGN LIABILITIES AND ASSETS

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

Table 6.2 Columns 1-8: Net change in long-term liabilities. Columns 9-13: Net change in long-term assets. Portfolio investment in Finland (Column 2) and abroad (Column 10): Secondary market transactions in securities and share issues. Long-term credits (Columns 3-6): Financial loans, import credits and leasing credits. Others (Column 5): Long-term credits of enterprises, financial institutions other than authorized banks and local government. Imports of other long-term capital (Column 7): Finland's subscriptions to international financial institutions paid in the form of promissory notes. Exports of other long-term capital (Column 12) = financial loans abroad + development credits + purchases of real estate and other acquisitions by private persons + Finland's subscriptions to international financial institutions.

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

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

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

7 FOREIGN TRADE

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

On January 1, 1988, the new international harmonized commodity description and coding system was introduced in the compilation of the official foreign trade statistics. Because of the changeover, the trade value figures in the customs statistics are exceptionally high for December 1987 and exceptionally low for January 1988 as compared with the old system. For the sake of comparability, the customs statistics figures for December 1987 and January 1988 have been adjusted in the Bulletin to comply with the old system. For this reason the total trade values for 1987 as a whole also differ from the customs statistics. The Bulletin follows the same practice as in the balance of payments statistics. Adjustments have been made to all value and volume figures for exports and imports. Unit values correspond to those of the customs statistics. The adjustments have been made by the Economics Department of the Bank of Finland.

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.

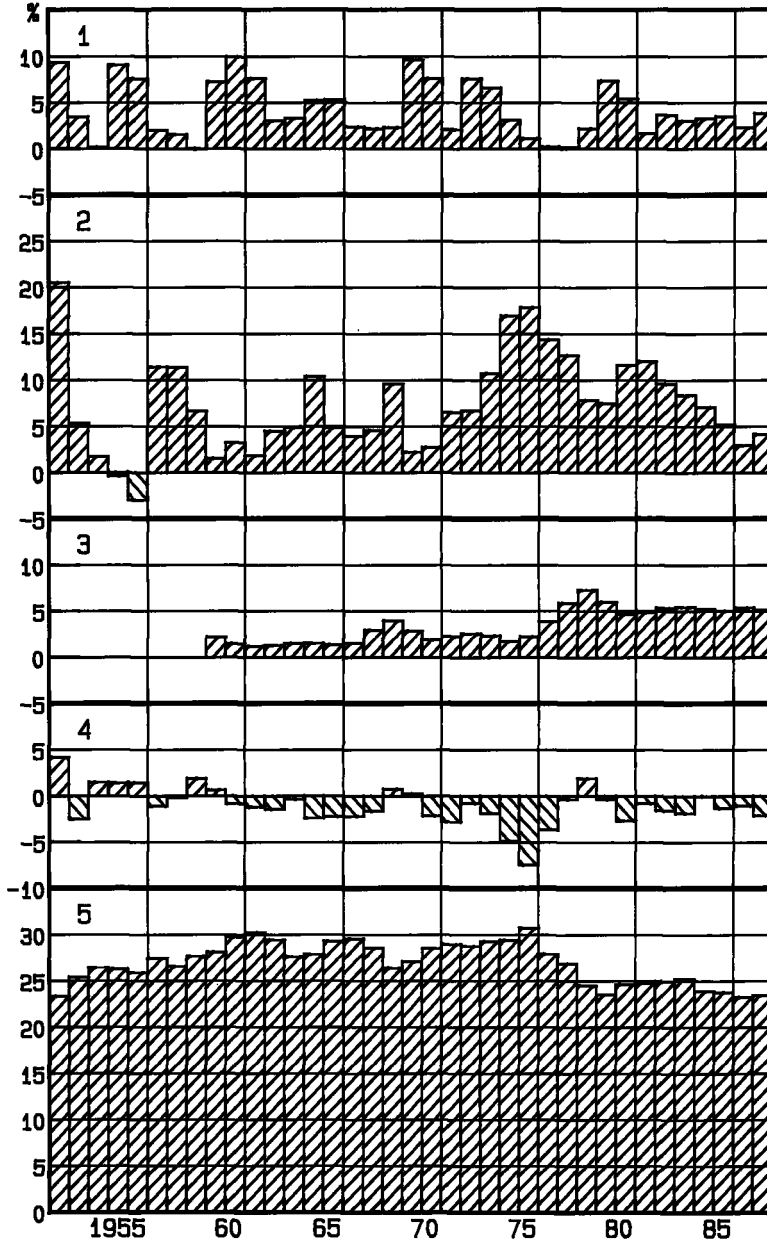
Table 8.3 The monthly indicator of GDP (Column 8) is weighted together from 11 readily available indicators of developments in output in various industries.

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.

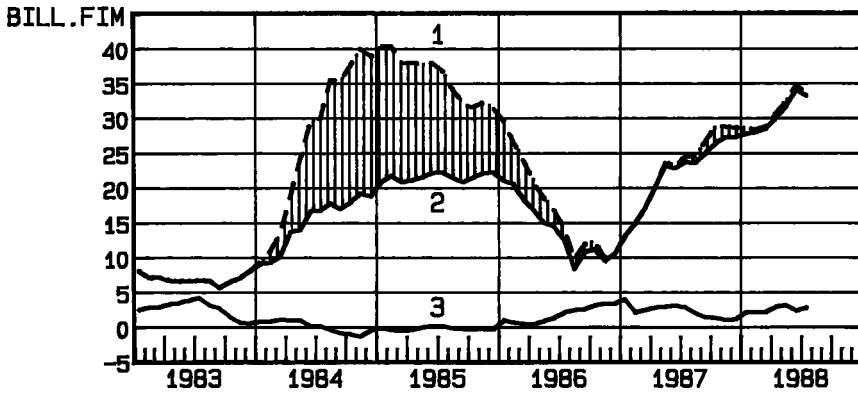
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26. Bilateral trade	S37
27. Foreign trade: prices and terms of trade	S38
28. Western trade: prices and terms of trade	S38
29. Bilateral trade: prices and terms of trade	S38
30. Production	S39
31. Fixed investment	S39
32. Employment and unemployment rate	S40
33. Prices and wages	S40
34. Central government finances	S41

1. LONG-TERM INDICATORS



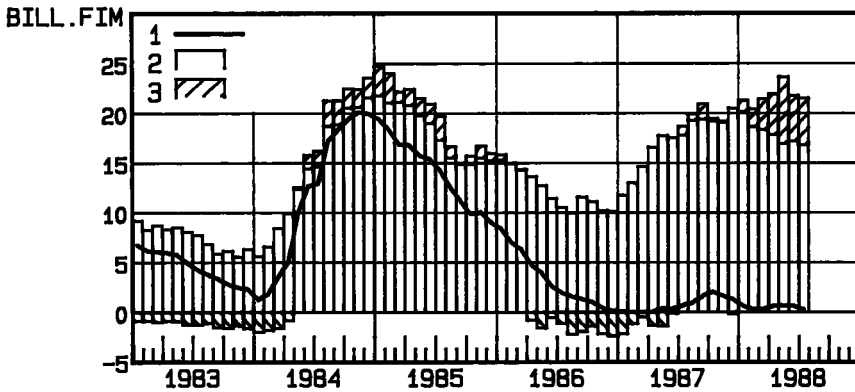
1. GDP, change in volume from the previous year, per cent
2. Consumer prices, change from the previous year, per cent
3. Unemployment rate, per cent
4. Current account, as a percentage of GDP
5. Fixed investment, as a percentage of GDP

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



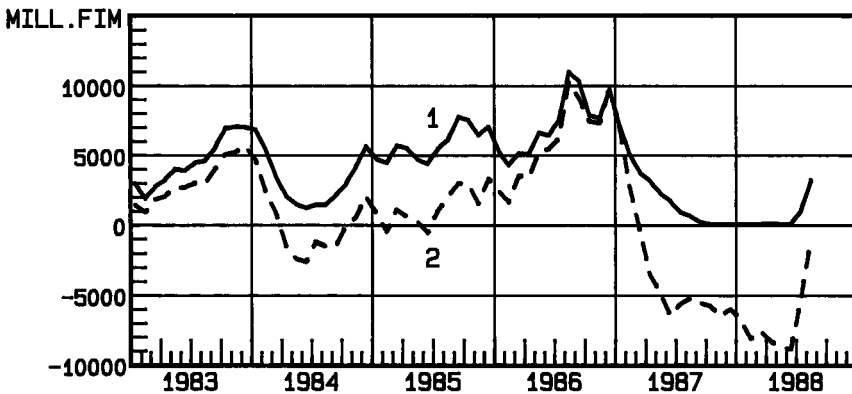
- 1. Convertible foreign exchange reserves plus forward position
- 2. Convertible foreign exchange reserves
- 3. Tied currencies

3. FORWARD MARKET



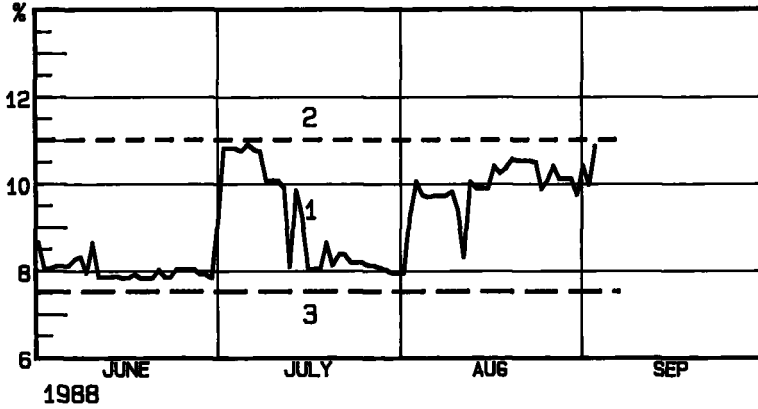
- 1. Forward exchange purchased by the Bank of Finland from banks
- 2. Forward exchange sold by companies to banks
- 3. Forward exchange sold by foreign banks to banks

4. BANKS' CENTRAL BANK POSITION



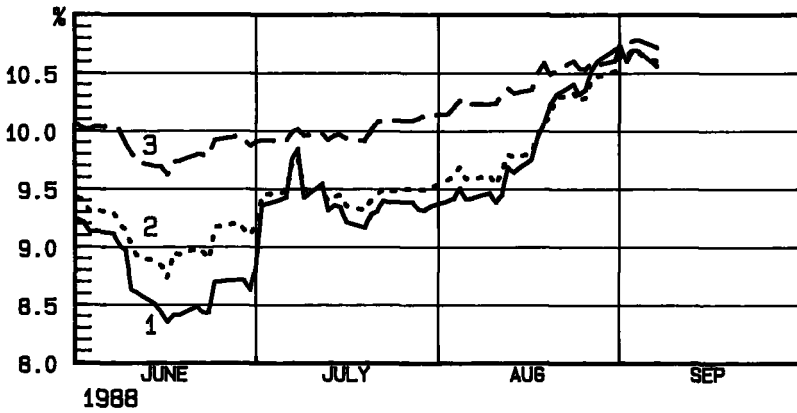
- 1. Gross debt to the Bank of Finland
- 2. Net debt to the Bank of Finland (excl. cash reserve deposits)

5. OVERNIGHT RATES



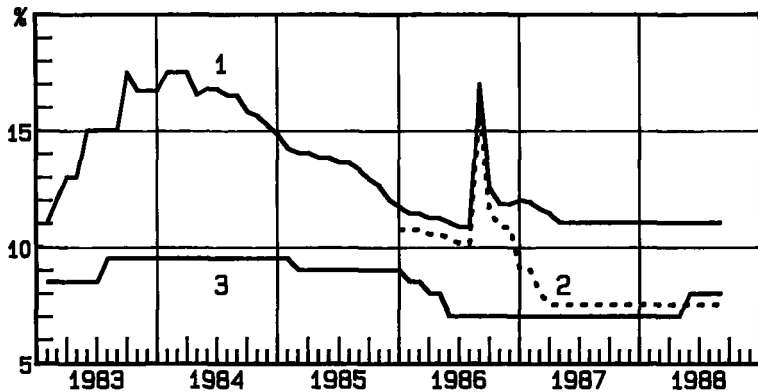
- 1. Inter-bank overnight rate
 - 2. Call money credit rate
 - 3. Call money deposit rate
- Daily observations

6. HELIBOR RATES OF INTEREST



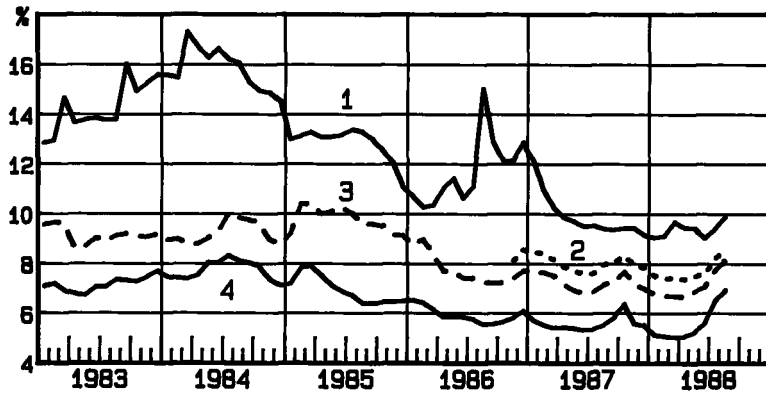
- 1. 1-month HELIBOR
- 2. 3-month HELIBOR
- 3. 12-month HELIBOR

7. RATES OF INTEREST APPLIED BY THE BANK OF FINLAND



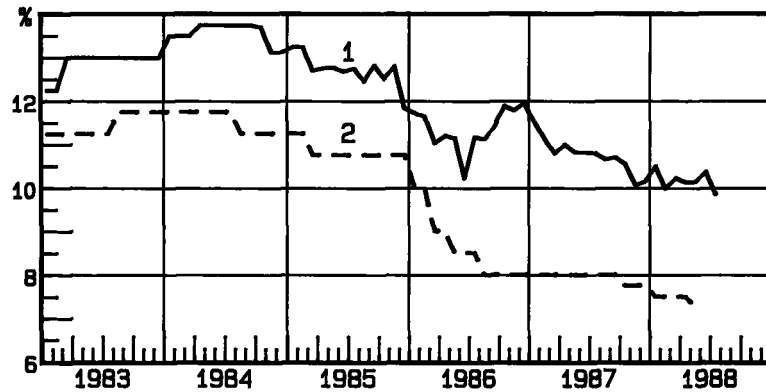
- 1. Call money credit rate
 - 2. Call money deposit rate
 - 3. Base rate
- End-of-month observations

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



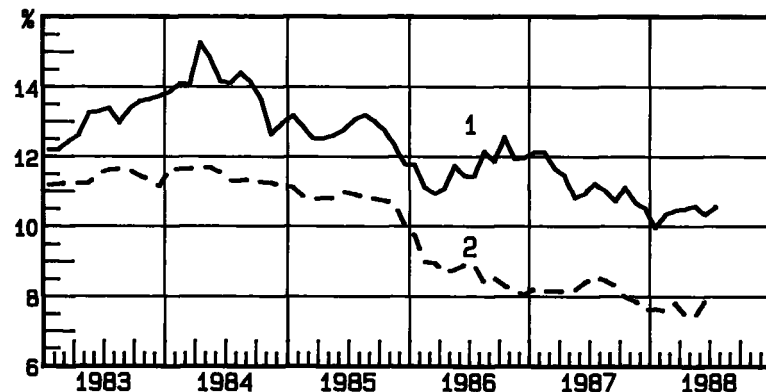
- 1. Covered Eurodollar rate
- 2. 12-currency basket rate
- 3. 8-currency basket rate
- 4. 3-currency basket rate

9. RATES ON NEW ISSUES OF BONDS AND DEBENTURES



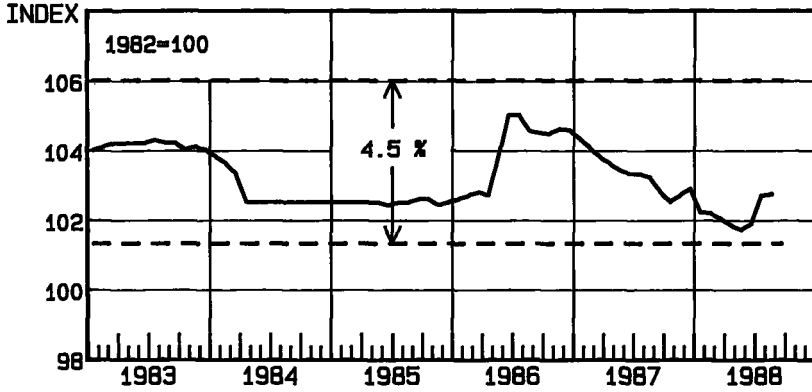
- 1. Rates on new fixed-rate debentures
- 2. Rates on new 10-year tax-free government bonds

10. SECONDARY MARKET RATES ON BONDS AND DEBENTURES



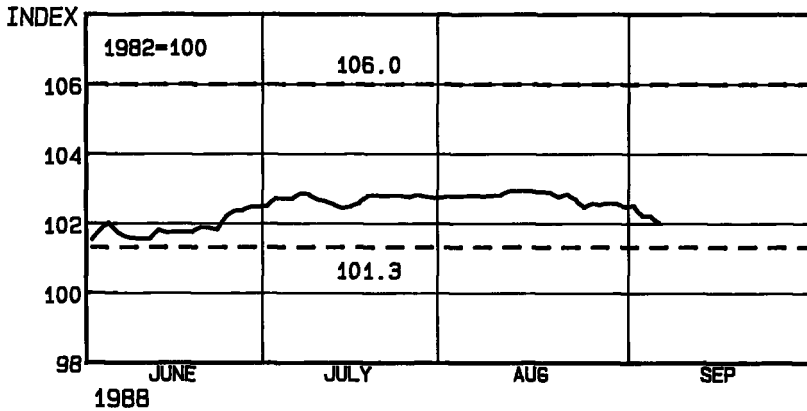
- 1. Secondary market rate on (3-6 year) fixed-rate debentures
- 2. Secondary market rate on (9-10 year) taxfree government bonds

11. BANK OF FINLAND CURRENCY INDEX



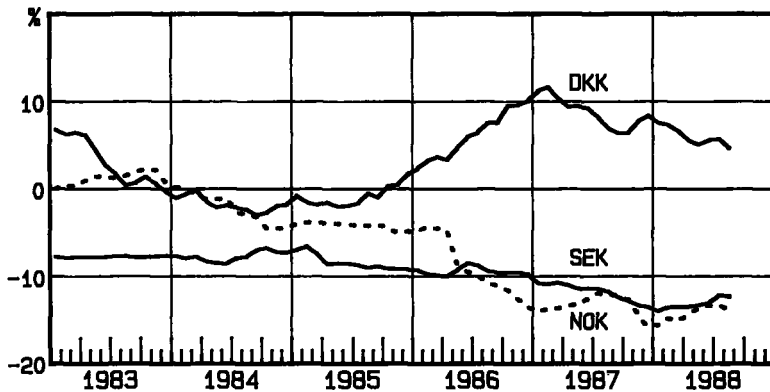
4.5 % = fluctuation range of the index
Monthly averages

12. BANK OF FINLAND CURRENCY INDEX



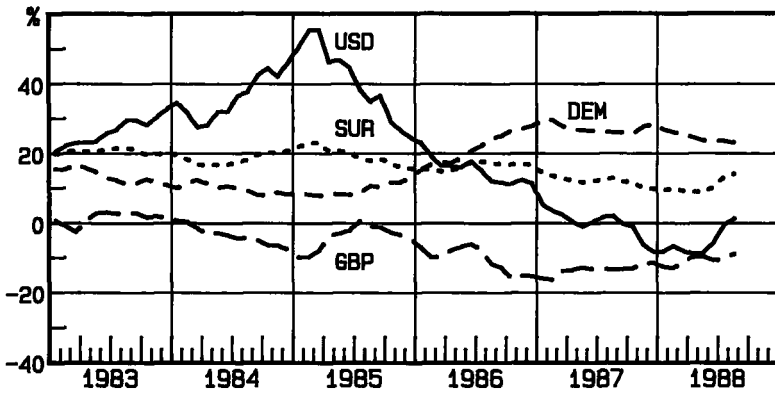
Daily observations

13. CHANGES IN THE EXCHANGE RATES OF SELECTED NORDIC CURRENCIES



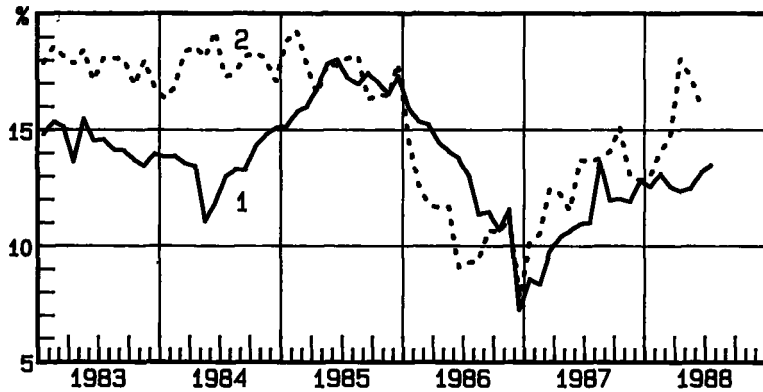
Monthly changes in markka selling rates calculated from the average rates for January 1982

14. CHANGES IN THE EXCHANGE RATES OF SELECTED MAJOR CURRENCIES



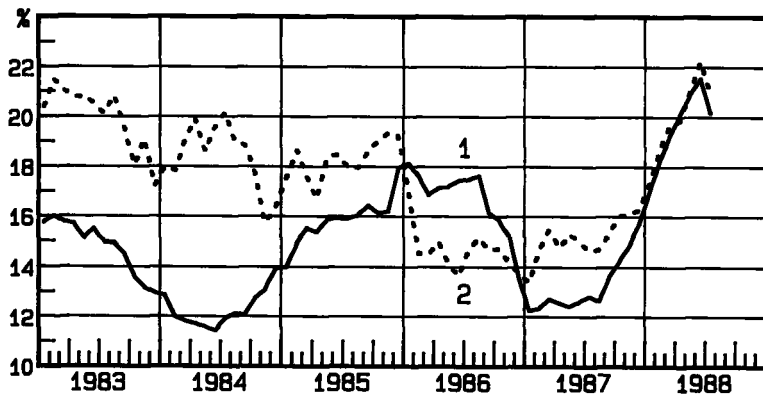
Monthly changes in markka selling rates calculated from the average rates for January 1982

15. BANK DEPOSITS FROM THE PUBLIC



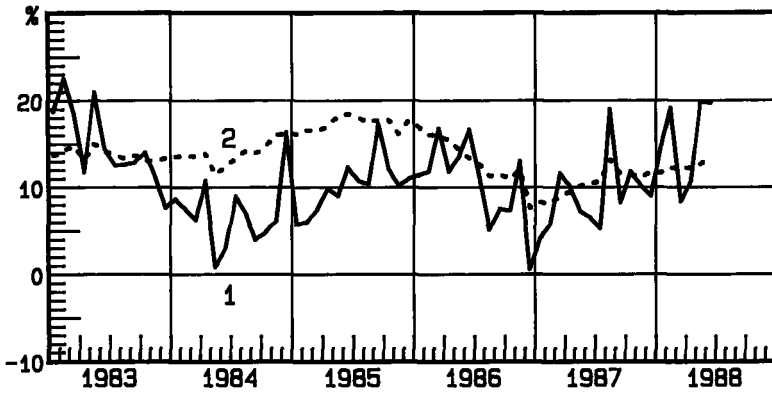
1. Regulated deposits
2. Total deposits
Change from the corresponding month of the previous year, per cent

16. BANK LENDING TO THE PUBLIC



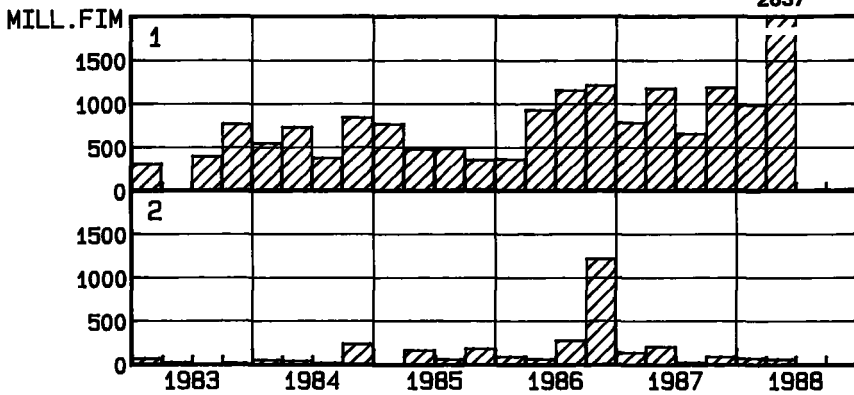
1. Markka lending
2. Total lending
Change from the corresponding month of the previous year, per cent

17. MONEY SUPPLY



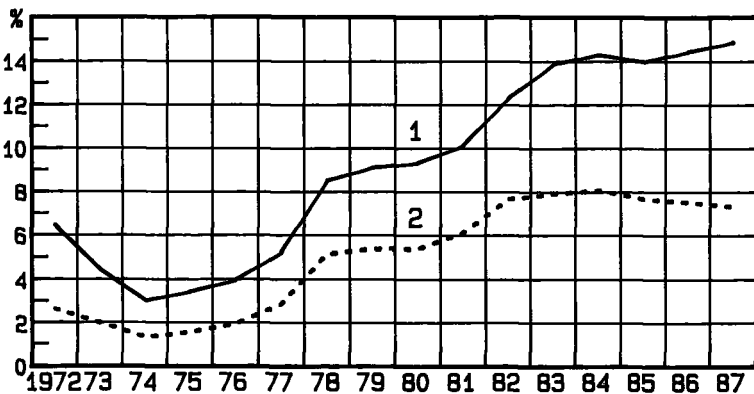
- 1. Narrow money supply (M1)
 - 2. Broad money supply (M2)
- Change from the corresponding month of the previous year, per cent

18. DIRECT INVESTMENT



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

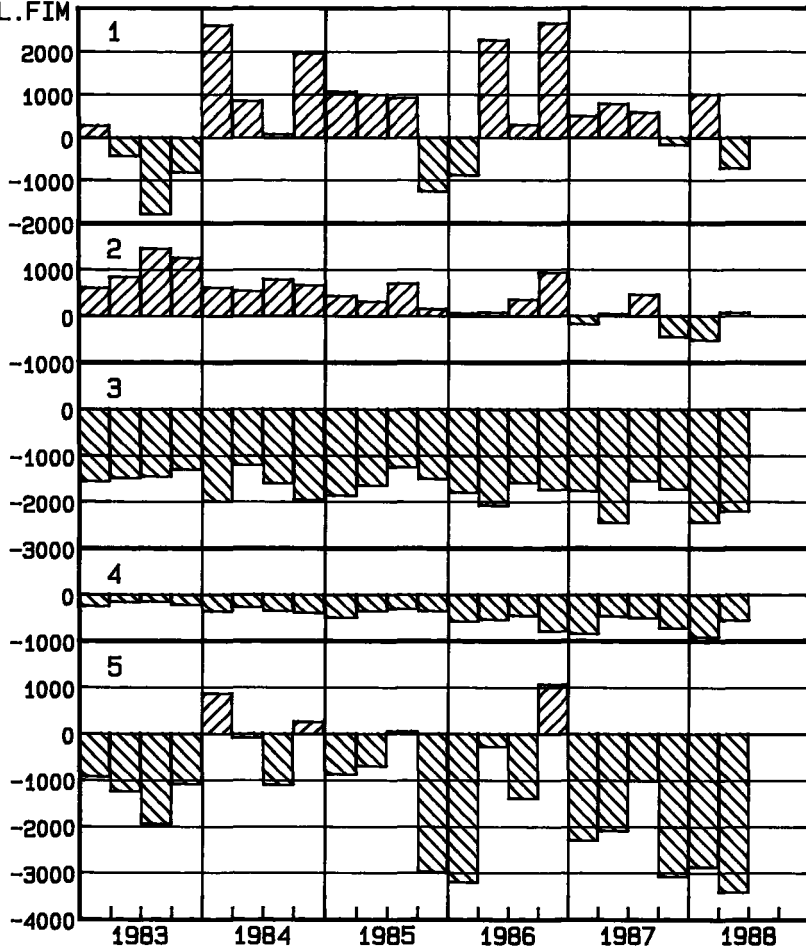
19. CENTRAL GOVERNMENT DEBT



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

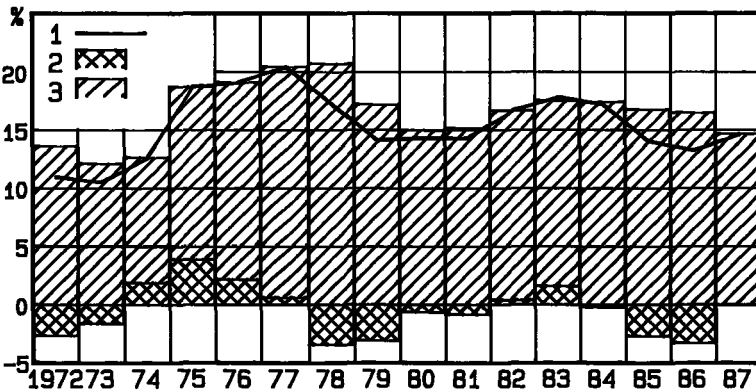
20. CURRENT ACCOUNT

MILL. FIM



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

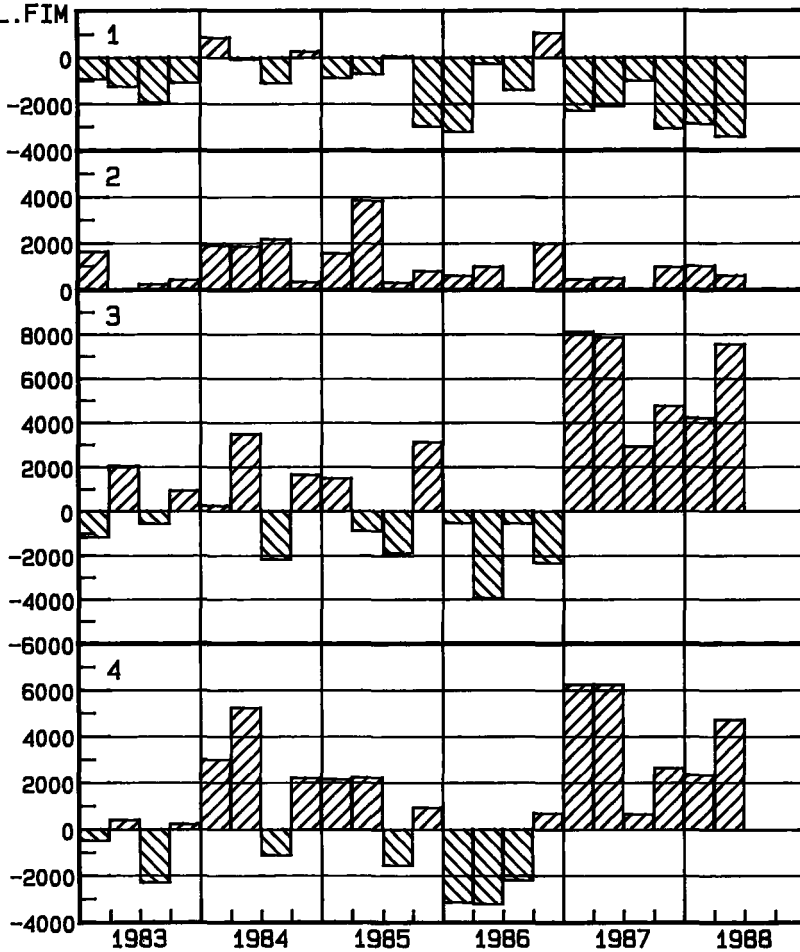
21. FOREIGN DEBT



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

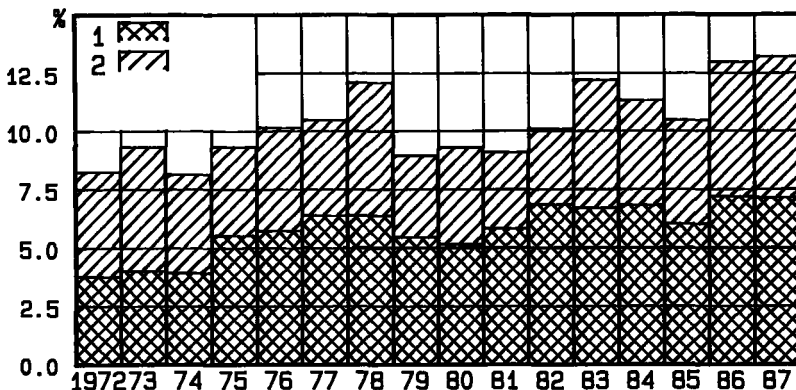
22. BALANCE OF PAYMENTS

MILL. FIM



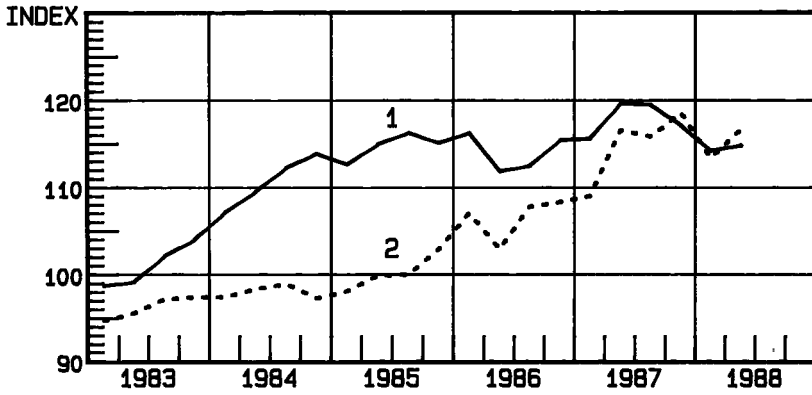
1. Current account
2. Long-term capital account
3. Short-term capital account
4. Overall balance = change in the foreign exchange reserves of the Bank of Finland

23. DEBT SERVICE RATIO



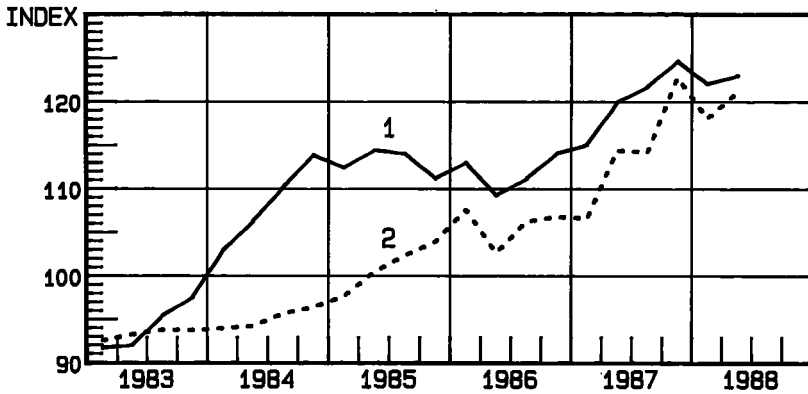
1. Interest payments
 2. Redemptions
- As a percentage of current account earnings

24. FOREIGN TRADE



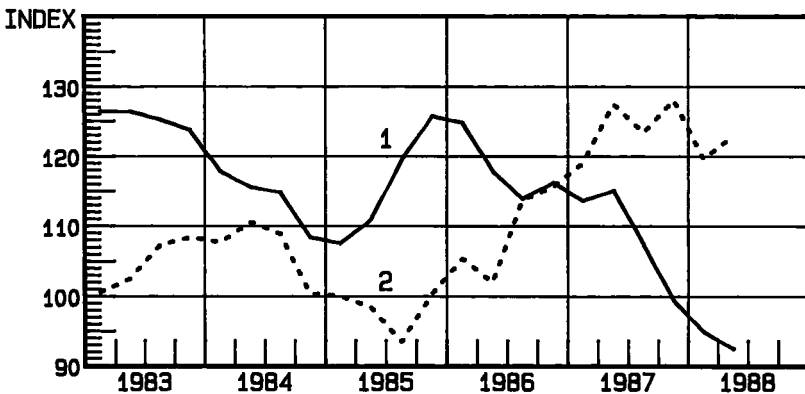
1. Total exports
2. Total imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

25. WESTERN TRADE



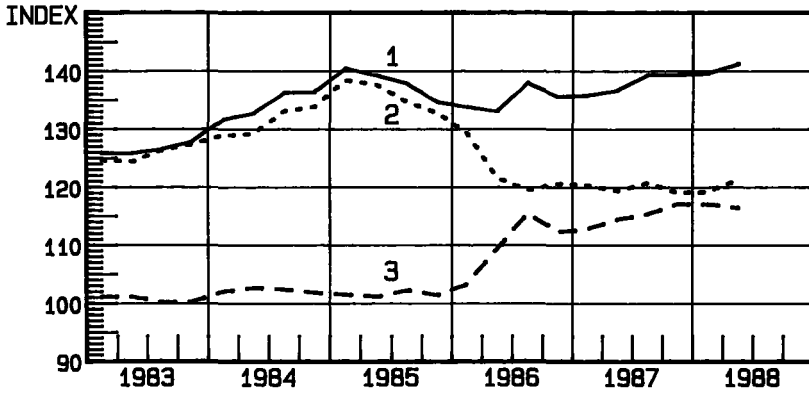
1. Western exports
2. Western imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

26. BILATERAL TRADE



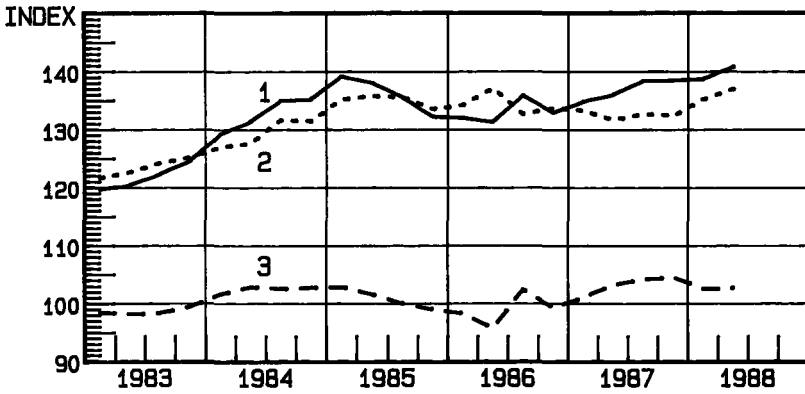
1. Bilateral exports
2. Bilateral imports
Volume index, 1980 = 100,
four-quarter moving average
shown as at the last quarter

27. FOREIGN TRADE: PRICES AND TERMS OF TRADE



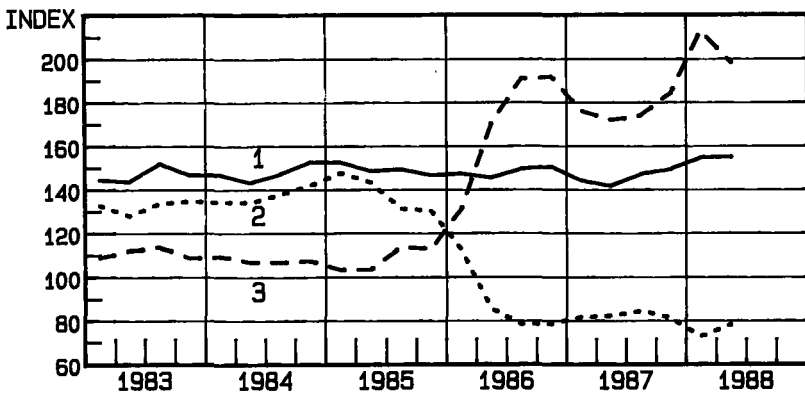
- 1. Unit value index of exports
 - 2. Unit value index of imports
 - 3. Terms of trade
- 1980 = 100

28. WESTERN TRADE: PRICES AND TERMS OF TRADE



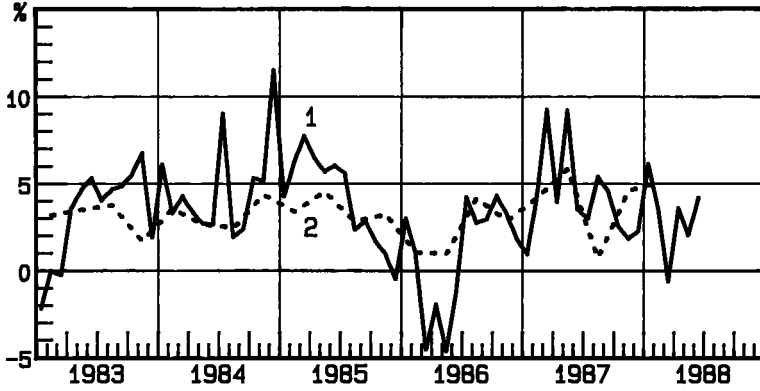
- 1. Unit value index of western exports
 - 2. Unit value index of western imports
 - 3. Terms of trade in western trade
- 1980 = 100

29. BILATERAL TRADE: PRICES AND TERMS OF TRADE



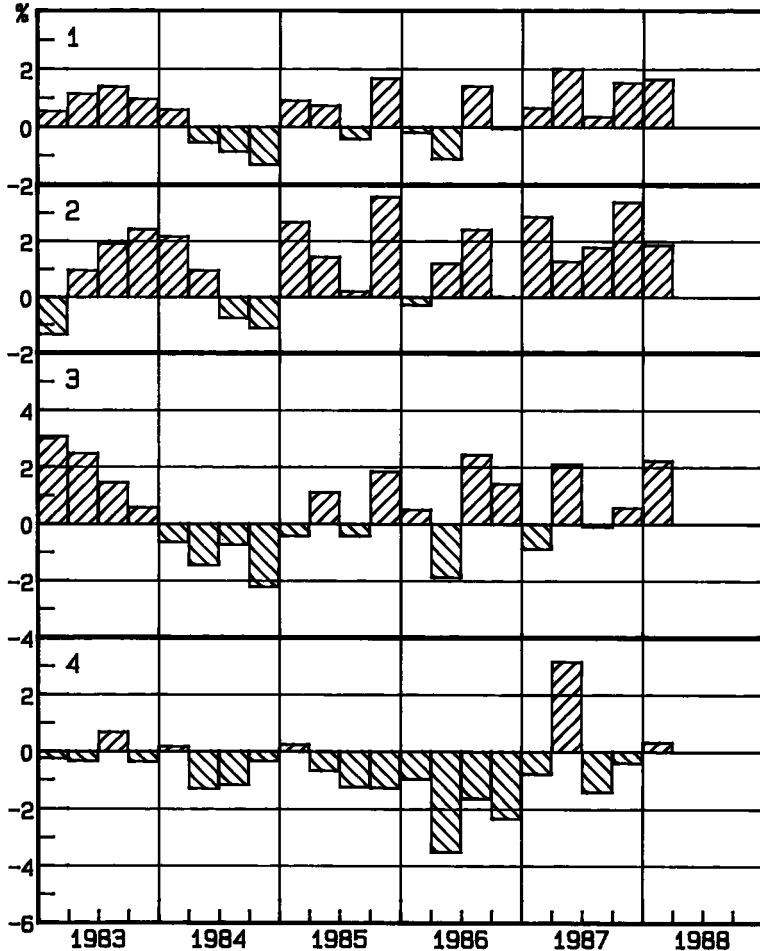
- 1. Unit value index of bilateral exports
 - 2. Unit value index of bilateral imports
 - 3. Terms of trade in bilateral trade
- 1980 = 100

30. PRODUCTION



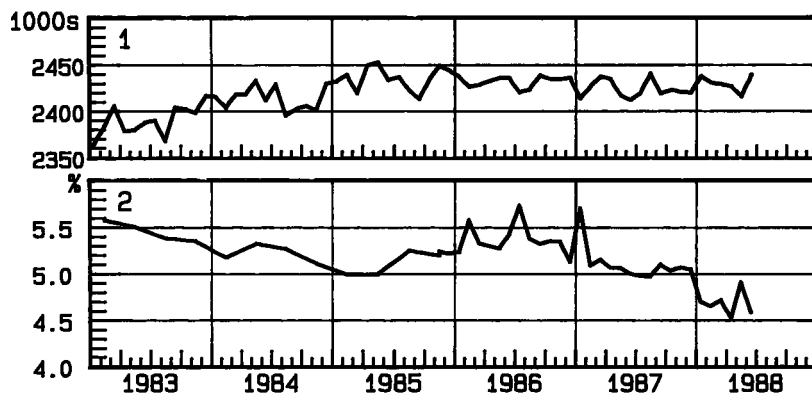
1. Industrial production, change in volume from the corresponding month of the previous year, per cent
2. GDP, change in volume from the corresponding quarter of the previous year, per cent

31. FIXED INVESTMENT



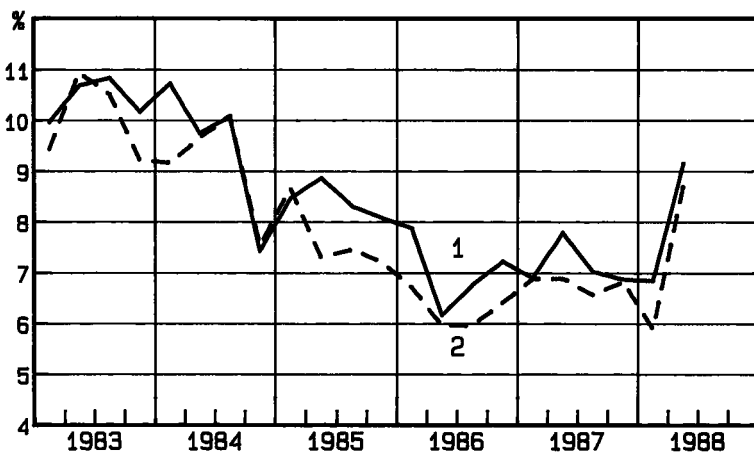
1. Total fixed investment
 2. Investment in machinery and equipment
 3. Building investment, excl. residential buildings
 4. Residential buildings
- Volume changes calculated from four-quarter moving totals and shown as at the last quarter, per cent

32. EMPLOYMENT AND THE UNEMPLOYMENT RATE

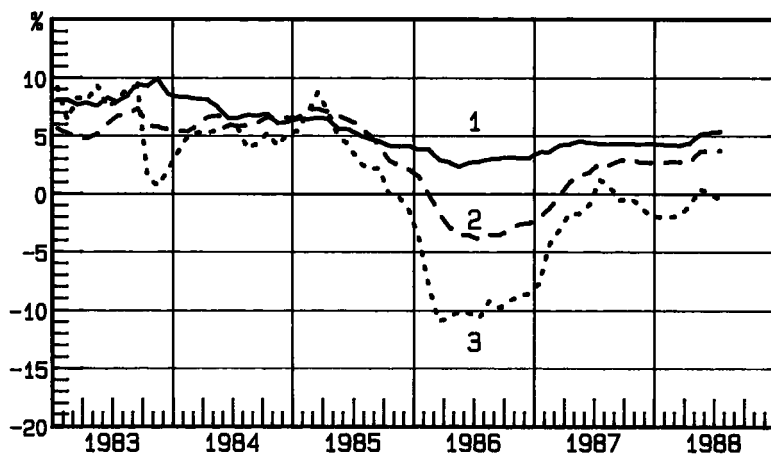


1. Employment, 1000 persons
2. Unemployment rate, per cent

33. PRICES AND WAGES

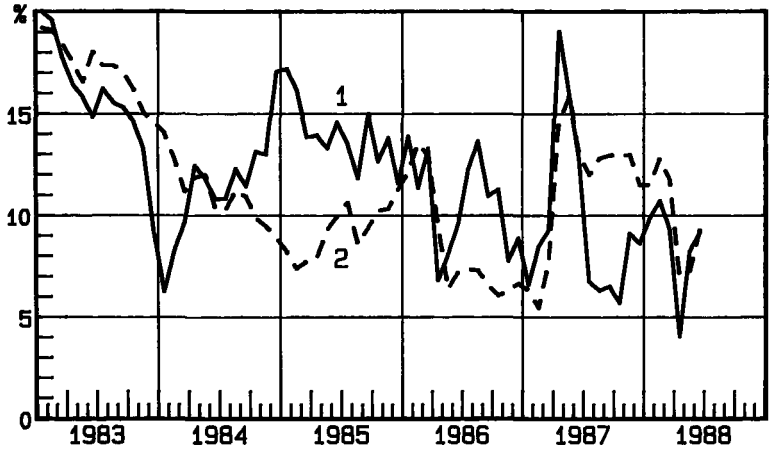


1. Index of wage and salary earnings, all wage and salary earners
 2. Index of wage and salary earnings, manufacturing workers
- Change from the corresponding quarter of the previous year, per cent



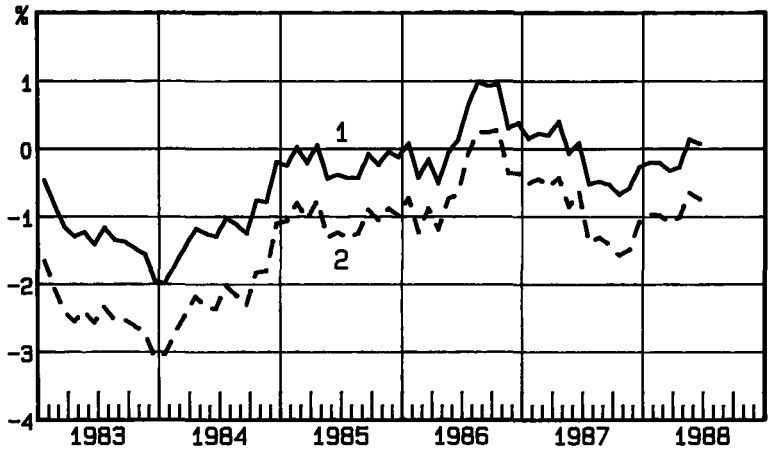
1. Consumer price index
 2. Wholesale price index
 3. Import price index
- Change from the corresponding month of the previous year

34. CENTRAL GOVERNMENT FINANCES



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

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



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

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

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