

**BANK OF FINLAND**

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# ECONOMIC DEVELOPMENTS IN 1986

A sharp fall in oil prices at the beginning of 1986 led to major changes in Finland's foreign trade. Finnish exports to the Soviet Union declined appreciably and exports to western markets did not start to grow until the second half of 1986. A significant improvement in the terms of trade supported the growth of domestic demand and total output increased by 2 per cent. Employment fell slightly and the unemployment rate rose to 7 per cent. The marked downward trend in foreign trade prices continued during the first half of 1986, and this contributed to limiting the rate of increase in consumer prices to 3.4 per cent in the course of the year. The deficit on the overall current account declined slightly, even though the deficit in convertible currencies continued to increase. So as to maintain equilibrium in the economy, the stance of economic policy was kept fairly stringent.

## THE WORLD ECONOMY AND FINNISH EXPORT MARKETS

The growth of total output in western industrial countries decelerated during the first half of 1986, because the fall in oil prices and major exchange rate changes initially exercised a restrictive impact on demand. In particular, the growth of exports and industrial output came to a halt. As the year progressed, however, the marked improvement in the terms of trade stemming from the fall in oil prices boosted domestic demand in industrial countries, and the growth of total output accelerated particularly in western Europe (Chart 1 A). The modest recovery in output did not yet have

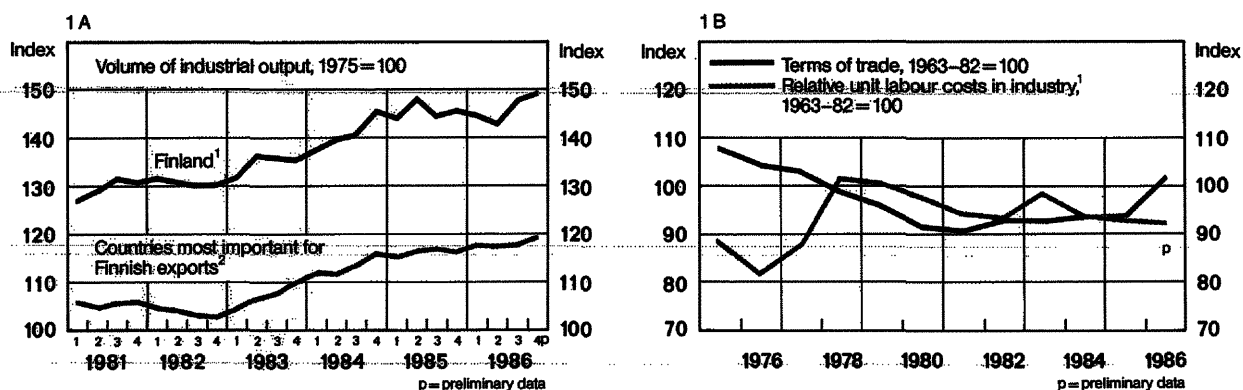
any significant effect on unemployment during 1986. In the European OECD countries, the unemployment rate averaged 11 per cent.

Measured in terms of the import volumes of customer countries, the growth of Finnish export markets slowed by one percentage point to just over 4 per cent. In western Europe, the growth of imports continued at a fairly rapid pace, whereas in other markets it decelerated or import volumes even declined.

Inflation in OECD countries continued to ease, mainly owing to the fall in foreign trade prices. Consumer prices rose, on average, by 2.8 per cent, and there was a further slight reduction

Chart 1.

### INTERNATIONAL BUSINESS CONDITIONS AND RELATIVE LABOUR COSTS



<sup>1</sup> Calculated from an adjusted working day series.

<sup>2</sup> An index weighted by the shares of these countries in Finnish exports.

<sup>1</sup> Ratio of 14 countries to Finland in terms of a common currency.

in the rate of increase in nominal wages and salaries. As the increase in labour productivity also levelled off, unit labour costs rose at the same rate as in the previous year. Nominal rates of interest fell in most countries, but real rates of interest remained at a high level as a result of the slowdown in inflation.

## ECONOMIC POLICY IN FINLAND

At the beginning of 1986, economic conditions in Finland were satisfactory, even though the economy was expected to undergo a cyclical weakening. It was estimated that the fall in the world-market price of crude oil would stimulate demand in western markets, but lead to a contraction in Finnish exports to the Soviet Union.

In the State budget for 1986, fiscal policy was designed to have a slightly expansionary effect on growth and employment. At the same time, income taxation was eased with a view to reducing pressures for raising nominal wages and salaries. Companies' operating conditions were enhanced by lowering the corporate tax rate. The reform of energy taxation, which became effective from the beginning of August, reduced industry's energy costs but tightened the taxation of other energy consumption. In the event, however, the impact of central government operation on domestic demand proved mildly restrictive, because the rapid growth of taxable income and consumption increased tax revenue more than assumed while the growth of expenditure was smaller than planned. The central government's net financing requirement fell to 0.3 per cent of GDP.

The curbing of inflation and the maintenance of the country's external liquidity limited the scope for easing monetary policy. A number of factors, including the continuing decline in the foreign exchange reserves, which had started in the previous year, the widening in the current account deficit in convertible currencies, the prospect of cutbacks in exports

to the Soviet Union, substantial pay rises and currency uncertainties in other Nordic countries, all had an adverse impact on expectations and generated temporary speculative pressures against the markka. To counter them, the Bank of Finland was forced to raise the call money rate substantially in the spring and again in the late summer. As a result of these measures and more optimistic expectations among firms, the foreign exchange market calmed down towards the end of the year, even if slight nervousness still prevailed in early December.

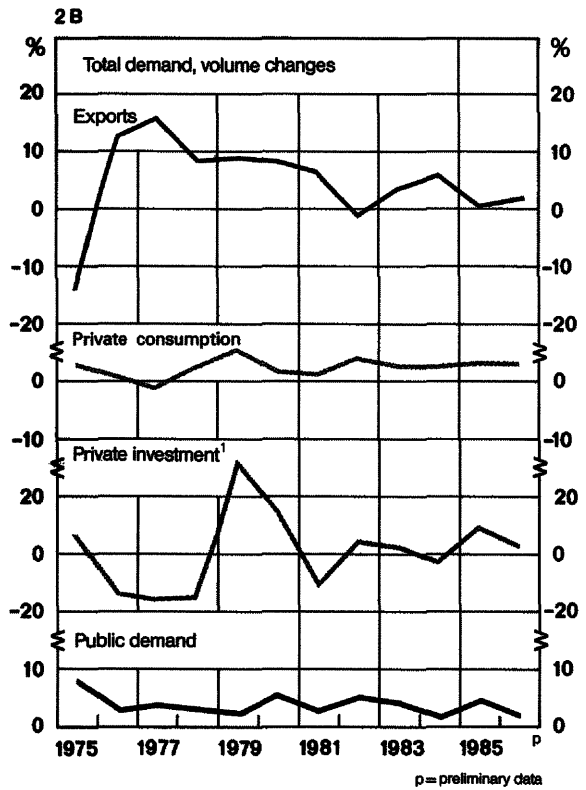
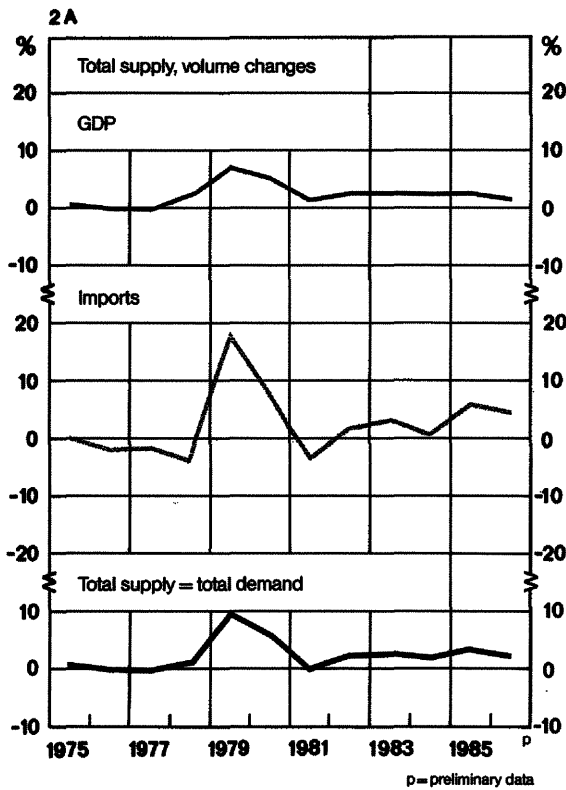
## SUPPLY AND DEMAND

The volume of exports of goods and services increased by 2 per cent (Chart 2). The decline in export deliveries, which had started in 1985, continued during the first half of 1986, but the second half of the year saw a rapid recovery. For the year as a whole, the volume of merchandise exports to western markets showed an increase of 2.5 per cent from 1985. The imbalance in bilateral trade caused by the fall in oil prices led to a sharp reduction in exports to the Soviet Union. The decline in exports of services continued. Sales of merchant vessels to shipping companies operating in other countries reduced transport receipts to a significant extent.

Of the domestic demand components, particularly private consumption and corporate investment increased in spite of the sluggishness of exports. The growth of investment by industry and the trade sector, which had begun earlier, continued. Analysed by industrial sector, developments were divergent. The volume of investment fell in the forest industries, in which a number of major mergers took place. The volume of investment by the metal and engineering industries and by other industrial sectors increased sharply.

Examined by type of capital goods, investment in machinery and equipment increased, whereas building investment declined. A key factor

Chart 2.  
SUPPLY AND DEMAND



<sup>1</sup> Incl. stockbuilding and statistical discrepancy; N.B. different scale.

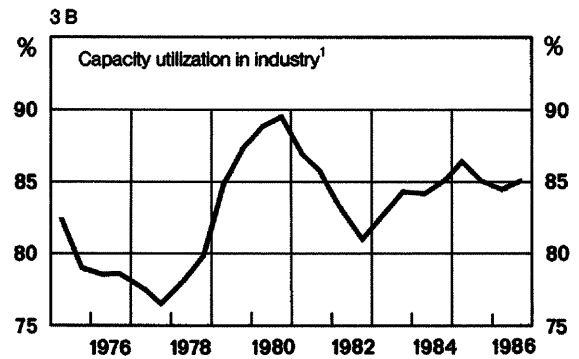
contributing to the decline in building investment were the strikes in the spring; the resultant delays could not be fully made up during the year. Residential construction experienced the sharpest decline. Apart from strikes, these developments were affected by demographic factors, the rather large number of unsold new dwellings and high real rates of interest. The total volume of fixed investment grew by only about one per cent.

Household disposable real income increased as a result of sizeable pay rises, the improvement in the terms of trade and the easing of income taxation. In fact, private consumption was the fastest growing demand component. For the year as a whole, it grew in volume by more than 3 per cent, even though the high rates of

interest on consumer credits slowed the rate of growth towards the end of the year. The emphasis in the growth of consumption continued to be on consumer durables. The growth of public sector demand was less than 2.5 per cent, with the emphasis in growth remaining on local government current expenditure.

The volume of GDP increased by 2 per cent in 1986. During the latter half of the year, the growth rate accelerated to more than 3 per cent, reflecting both the revival in export markets and the offsetting of earlier output losses. For the year as a whole, the fastest rate of output growth was recorded by the service sector. The volume of industrial output grew by just under one per cent, with the main

Chart 3.  
UNEMPLOYMENT AND CAPACITY UTILIZATION



<sup>1</sup>According to the Bank of Finland investment inquiry.

impetus to growth coming from the metal and engineering industries.

The growth of consumption and industrial investment was also reflected in imports, the volume of which grew by 6 per cent. In the consumer goods category, the volume of imports of passenger cars increased by as much as one-fifth. As regards imported inputs for use by industry, the fastest growth was recorded for imports of intermediate and investment goods in the metal and engineering sector.

## EMPLOYMENT

Total employment, which had been rising for a long period, came to a halt in 1986 and the employed labour force decreased slightly. The decline was sharpest, both in relative and absolute terms, in agriculture and forestry, but employment also fell in industry. A new feature was a distinct slowdown in the growth of employment in the service industries.

Labour supply grew by just under one per cent. Apart from the growth in the population of working age, the increase in labour supply was due to a rise in the labour participation

rate and the return of migrants. The unemployment rate rose to 7 per cent from 6.3 per cent in the previous year (Chart 3 A). The rise in unemployment was particularly evident as a rapid increase in the numbers on unemployment pension.

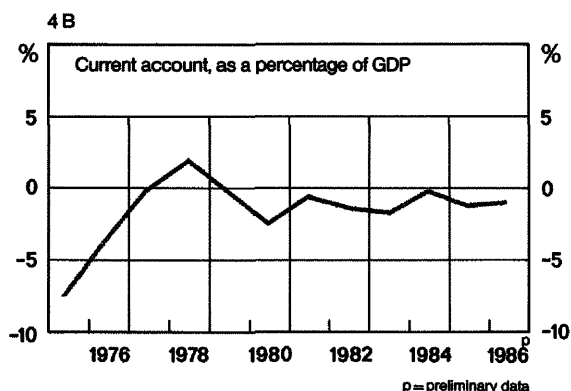
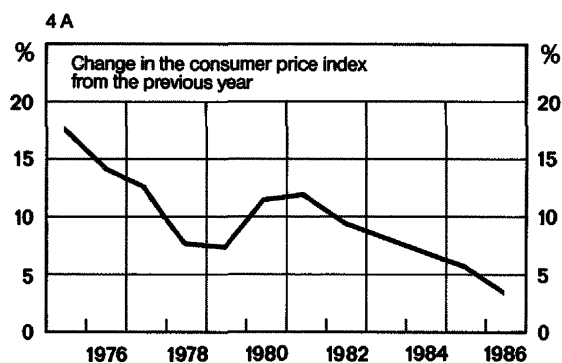
## PRICE DEVELOPMENTS

Foreign trade prices continued to fall at a rapid rate during the first half of 1986. The major factor behind the fall in import prices was the halving in the price of crude oil. Prices of other raw materials remained stable. Export prices started to rise in the third quarter of the year, along with the recovery in the demand for forest industry products. The terms of trade improved, on average, by 8.5 per cent in 1986.

The rapid fall in world-market prices contributed to the curbing of domestic inflation. Wholesale prices were, on average, 5 per cent lower than in 1985. Consumer prices rose, on average, by 3.6 per cent from the previous year and by 3.4 per cent in the twelve months to December 1986 (Chart 4 A).

Wage and salary earnings rose, on average, by 6.8 per cent, which was only about 1.5 per-

Chart 4.  
CONSUMER PRICES AND THE CURRENT ACCOUNT



centage points less than in 1985. Most pay agreements were only reached after strikes. Pay increases based on new and outstanding agreements raised earnings by 4.5 per cent. Wage drift was slightly lower than in the previous few years.

The rise in consumer prices in Finland was again faster than the average for the OECD countries and the inflation gap remained the same as in the previous year, i.e. one percentage point. Measured in terms of labour costs, the difference in costs was of the same order of magnitude. Taking into account the strengthening against the markka of the currencies of Finland's major European competitor countries, the competitiveness of Finnish exports did not deteriorate in terms of unit labour costs (Chart 1 B). The price competitiveness of the export sector improved significantly as a result of the removal of the tax on industry's energy consumption.

## FOREIGN AND DOMESTIC FINANCING

Although the trade account was in deficit in the first half of the year, it posted a surplus of FIM 5 billion for the year as a whole. The surplus arose entirely in the trade conducted in

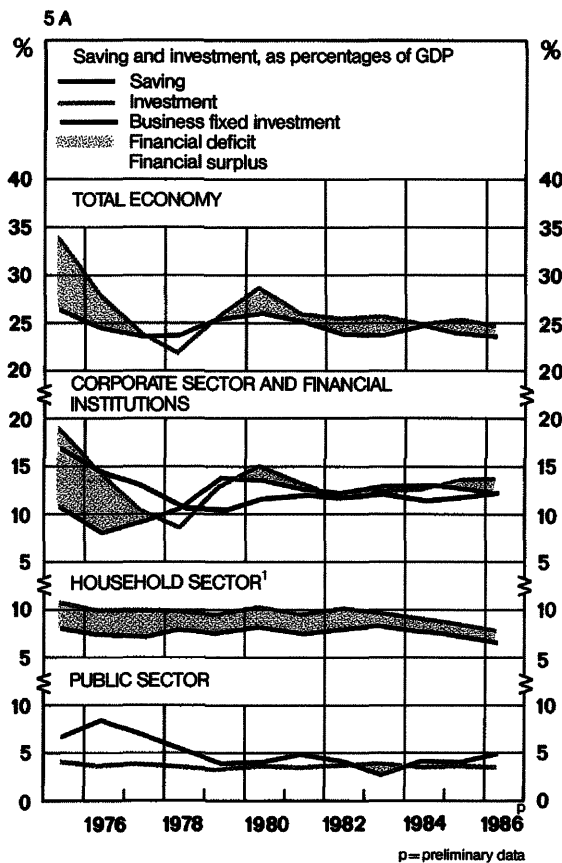
tied currencies. The services account was practically in balance. The deficit on the investment income and unrequited transfers account widened slightly, despite the fact that the weakening of the dollar and the fall in international interest rates reduced debt service payments on Finland's external debt. All in all, the current account registered a deficit of more than FIM 4 billion (Chart 4 B). Current transactions in tied currencies posted a surplus of 5.9 billion.

The financial balance of the economy remained relatively good (Chart 5 A). The financial deficit of the corporate sector was virtually unchanged from 1985. The surplus of financial institutions declined slightly, because the growth of pension funds decelerated owing to a fairly rapid increase in payments of benefits.

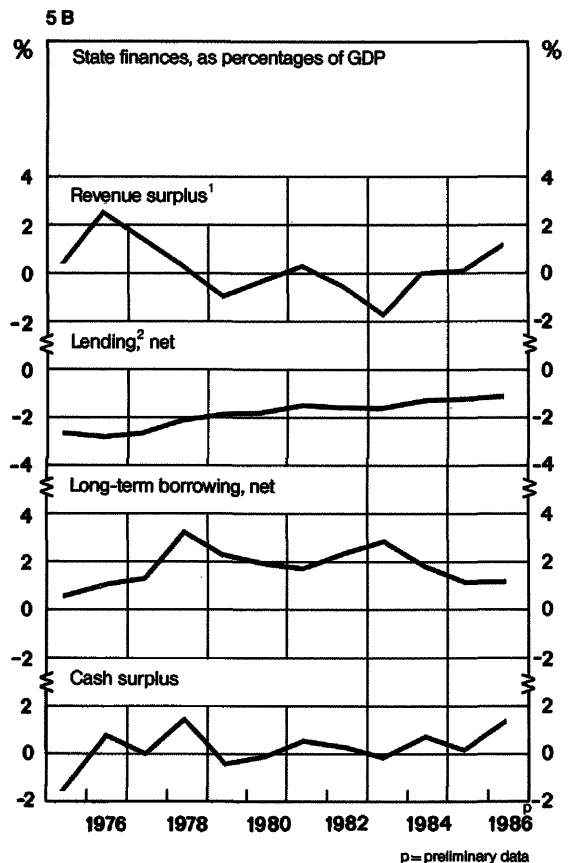
With the sharp reduction in housing investment, there was a further decline in the financial deficit of the household sector. Admittedly, the saving ratio of the household sector fell, but this reflected the fact that, owing to the strike of civil servants in the spring, tax refunds scheduled for December were not paid until January 1987. A growing proportion of the increase in financial assets



Chart 5.  
SECTOR FINANCIAL BALANCES



<sup>1</sup>Incl. non-profit institutions.



<sup>1</sup>Revenue less expenditure, excl. financial transactions.

<sup>2</sup>Incl. other financial investments.

was channelled from bank deposits to other, higher-yielding investment outlets.

In the central government sector, current revenue covered expenditure, excluding financial transactions (Chart 5 B). The net financing requirement decreased by just over FIM 2 billion as compared with the previous year. The gross financing requirement amounted to FIM 12 billion. The central government did not raise any capital abroad, in net terms, whereas it placed debt domestically up to the value of FIM 4.0 billion, net.

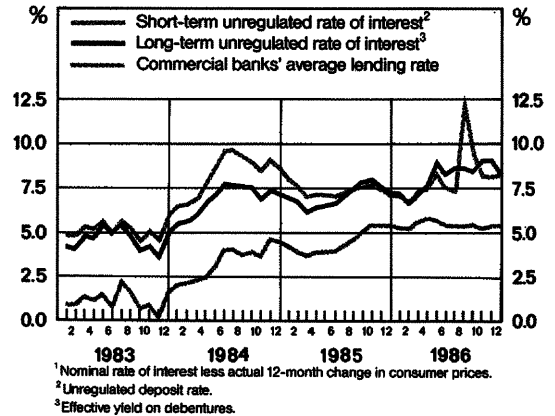
Because of the high cost of domestic finance companies' willingness to borrow long-term

foreign capital increased despite latent devaluation expectations. With effect from the beginning of August, the controls on foreign-currency loans with a maturity of more than five years were lifted in respect of borrowing by manufacturing and shipping companies. During the last months of the year, firms' drawings of these foreign-currency loans amounted to nearly FIM 5 billion. Capital imports by the corporate sector, both directly and through banks, amounted, in net terms, to just over FIM 5 billion. Firms' forward exchange assets with banks fell by FIM 5.1 billion in the course of the year, and the corporate sector's forward position amounted to FIM 10.1 billion at the end of the year.

The Bank of Finland's convertible foreign exchange reserves fell by FIM 11.7 billion and amounted to FIM 10.6 billion at the end of the year. At the same time, the Bank of Finland's outstanding forward purchase contracts, which totalled FIM 9 billion at the beginning of 1986, practically all matured. Owing to the surplus in bilateral trade, the tied currency reserves grew in the course of 1986 and showed a net claim of FIM 3.4 billion at the end of the year.

Unregulated real rates of interest, calculated on the basis of changes in consumer prices, fell during the first quarter of the year. Both short and long-term unregulated rates rose in the spring, when the Bank of Finland was forced to raise the call money credit rate. The call money credit rate was raised again in August so as to counter the currency outflow caused by speculation against the markka. After speculative pressures and capital flows had calmed down, the call money rate was quickly lowered in the autumn; it stood at 12 per cent at the end of the year. Both short and long-term unregulated real rates of interest

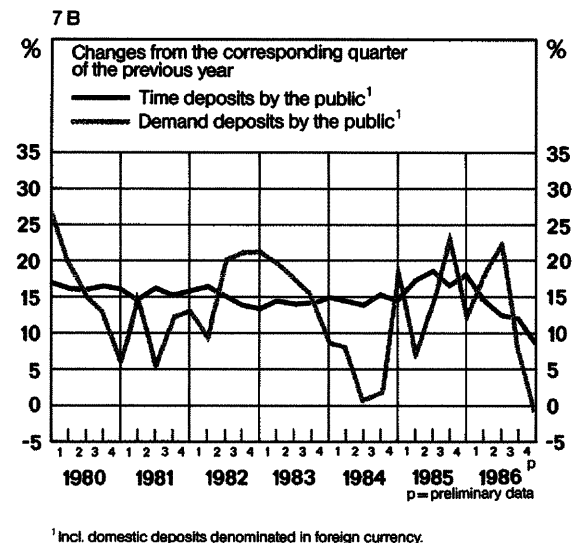
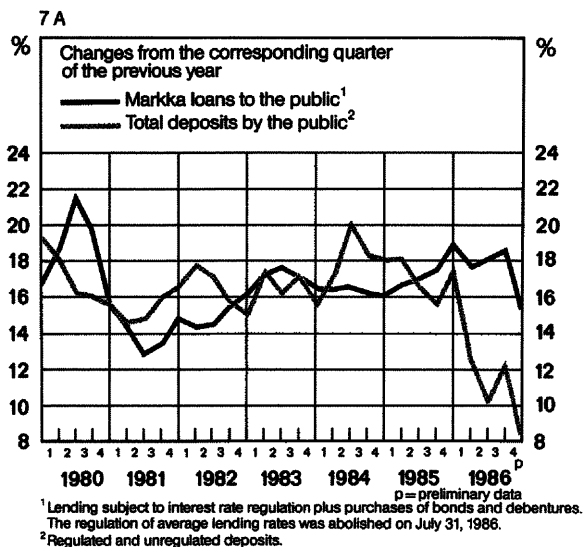
Chart 6.  
DOMESTIC REAL RATES OF INTEREST<sup>1</sup>



stayed at a high level for the rest of the year (Chart 6).

The average lending rate applied by commercial banks remained stable, in real terms, throughout the year. Rates on new credits were nevertheless clearly higher than the aver-

Chart 7.  
BANK LOANS AND DEPOSITS



age. The regulation of banks' average lending rates was abolished as from the beginning of August.

The rate of growth of bank lending continued to be rapid in relation to economic developments. Markka-denominated credits grew by more than 15 per cent. The breakdown of markka-denominated lending underwent a slight change, because the growth of lending in the form of bonds and debentures was more rapid than that of other markka-denominated credits (Chart 7 A).

The rate of growth of banks' total deposit-taking decelerated markedly during 1986. The growth of time deposits was slower than at any time previously in the 1980s. With the fall in deposit rates, the interest of investors turned to better-yielding instruments. In addition, time deposits made previously in connection with business acquisitions began to mature and funds were placed in other instruments (Chart 7 B). At the end of the year, unregulated deposits on banks' balance sheets totalled FIM 17.3 billion, an increase of FIM 3.3 billion from the previous year.

# CENTRAL BANK POLICY

The prime goal of central bank policy in 1986 remained the bringing down of inflation to the same level as in competitor countries. In the course of the year, the maintenance of the external value of the markka came to assume a central role in counter-inflationary policy. The markka was subjected to speculative pressures, which the authorities regarded as unwarranted given the basically sound state of the economy. Hence, the external value of the markka and the adequacy of the official foreign exchange reserves were secured through the pursuit of an active interest rate policy. At times, the Bank of Finland was forced to raise the call money rates sharply, and the downward trend in nominal rates of interest during the first half of the year was not maintained in the latter months of the year. The fluctuation limits of the official currency index were kept unchanged throughout the year, although the Bank of Finland allowed a minor adjustment in the index in the spring. The deregulation of financial markets was continued by relaxing interest rate regulation and of exchange control. Towards the end of the year, the Bank of Finland supplemented its arsenal of monetary policy instruments by offering the banks longer-term central bank financing in addition to call money credits. At the same time, the banks were allowed to introduce variable-rate lending, in which the rate of interest varies according to market conditions. The Bank also revised the terms of its special financing arrangements.

## MAIN FEATURES OF CENTRAL BANK POLICY

The first half of 1986 saw the continuation of the gradual easing of central bank policy which had been started in the previous year. Behind this was marked deterioration in the economic outlook and the slowdown in inflation stemming from the fall in foreign trade prices, particularly, oil prices, as a result of which real rates of interest were rising. Accordingly, the base rate and the call money rates were lowered in the early months of the year, and in addition, the banks' cash reserve requirement was reduced in both January and February (Chart 8). However, the Bank of Finland did not wish to proceed too rapidly in the lowering of interest rates, because the current account deficit was growing and, owing to the deceleration of inflation, central government budget operations seemed to be stimulating domestic demand even more than intended. By contrast, the base rate was lowered further in May, once the situation on the labour front had cleared up.

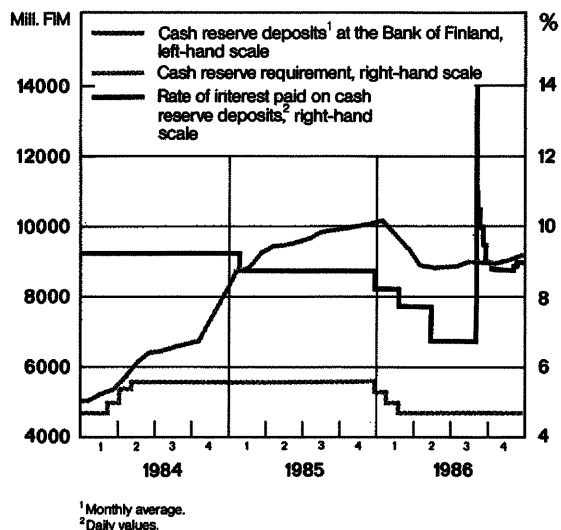
At the beginning of the year, the method of calculating the upper limit on banks' average

lending rates was altered, so that the upper limit was no longer binding. In the same context, the upper limit on new loans was removed, and hence interest rates on new credits reflected the supply of and demand for finance to an increasing extent. In May, the regulation of average interest rates was further relaxed, and, from the beginning of August, the Bank of Finland abolished it in full.

The Foreign Exchange Regulations were totally revised with effect from the beginning of 1986. The purpose of the revision was mainly to clarify the regulations and it did not involve any essential change in exchange control. In May, the Foreign Exchange Regulations were amended further. Among other things, banks were prohibited from granting foreign currency loans against domestic foreign currency deposits after a transition period and the upper limit on foreign credit intermediated by banks for the financing of imports was removed. In August, the provisions pertaining to long-term foreign borrowing were relaxed.

The incentives to borrow abroad had already diminished in 1985 following a substantial capital inflow and an increase in the convert-

Chart 8.  
BANKS' CASH RESERVE DEPOSITS



ible foreign exchange reserves (Chart 9). Nevertheless, the foreign exchange reserves of the Bank of Finland did not decrease at that time, because the amount of outstanding forward purchase contracts entered into by the Bank of Finland with banks fell by about FIM 11 billion during the same period. However, the convertible foreign exchange reserves started to fall from the beginning of 1986, despite the fact that the Bank's forward position continued to decline.

In connection with the devaluation of the Norwegian krone in May 1986, uncertainty also arose concerning the external value of the Finnish markka, and the decline in the convertible foreign exchange reserves accelerated. After the Bank of Finland had raised the call money rate twice within one week and — as part of a package of economic measures designed to strengthen competitiveness — allowed the currency index to rise by about 2 per cent within the fluctuation range, conditions in the foreign exchange market gradually calmed down.

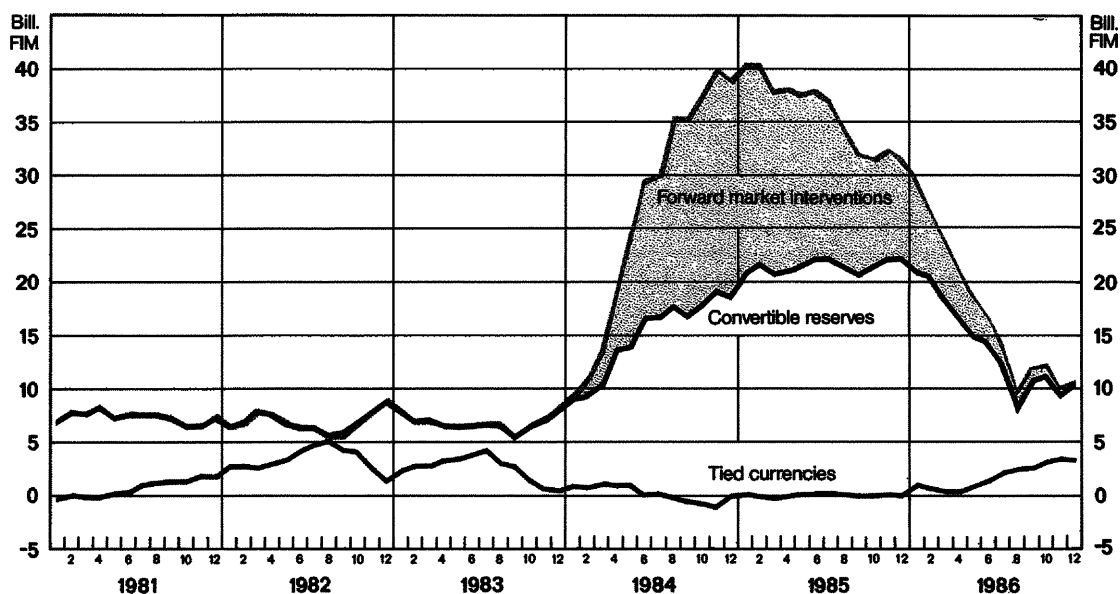
In the early summer, the convertible foreign exchange reserves remained stable. In July, however, the marked downward trend was resumed. At the same time, Euromarkka rates rose. Call money rate policy was linked to developments in the foreign exchange reserves and the Bank of Finland emphasized that it was pursuing a fixed-exchange rate policy, since neither economic conditions, nor competitiveness nor the country's external balance called for a change in the exchange rate. In early August, the call money rates were raised on several occasions. To counter the instability in the foreign exchange market, the Bank of Finland raised the call money credit rate to 40 per cent for one week, whereupon the capital outflow gradually came to a halt. In the late summer, developments in the foreign exchange reserves were supported by the partial deregulation of long-term borrowing abroad. The reserves slowly began to increase again. Thus, it was possible to progressively lower the call money rates during the autumn closer to the level called for by the economic outlook.

Since it was necessary to raise the call money rate by an exceptionally large amount to secure the foreign exchange reserves, the cost of banks' short-term funding rose appreciably and strained banks' profits. This led to mounting pressures for raising rates of interest on existing loans. However, the Bank of Finland did not consider it desirable that banks should unilaterally alter the terms of interest on their outstanding loans. Owing to the burden on banks' profitability caused by the rise in short-term interest rates, the Bank of Finland decided to raise the rate of interest payable on the banks' cash reserve deposits with the Bank of Finland for the period from the beginning of September until the end of the year (Chart 8).

The events in August underlined the fact that the interest rate risks incurred by banks had increased because lending had, to an increasing extent, been financed with unregulated funding. Since the linkage of long-term lend-

Chart 9.

**BANK OF FINLAND'S FOREIGN EXCHANGE RESERVES AND FORWARD POSITION**



ing to the base rate offered hardly any scope for managing interest rate risks, the banks began to shorten the maturities of their credits in the course of the autumn. So as to check this unhealthy development, the Bank of Finland allowed the introduction in banks' lending of reference rates reflecting the cost of unregulated funding. Nevertheless, the use of such reference rates was not allowed in the case of housing loans or loans with a maturity of more than five years. The introduction of reference rates required the prior approval of the Bank of Finland, and the first applications were dealt with in December.

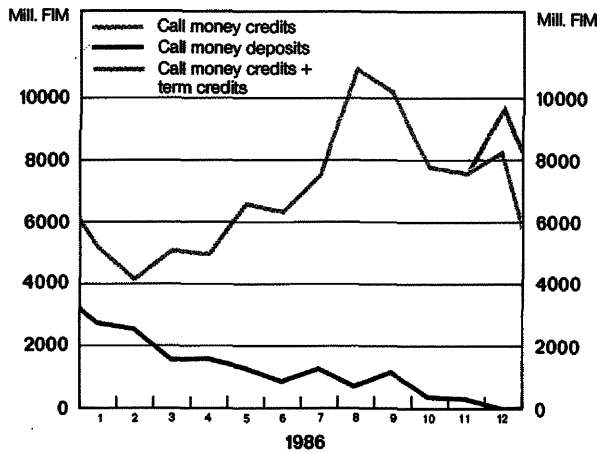
In early December, the call money credit rate was raised slightly because of a fall in the foreign exchange reserves. In addition, the Bank of Finland sold minor amounts of foreign currency in the forward market so as to push down the Euromarkka rate. Subsequently, the foreign exchange reserves started to increase.

At the beginning of December, the Bank of Finland introduced a system of three-month fixed-rate credits as part of its development of

the instruments of monetary control. In the same context, the differential between the call money deposit rate and the call money credit rate was widened appreciably.

With the ongoing deregulation of financial markets, the importance of the Bank of Finland's direct lending to companies has diminished. At the end of the year, the Bank of Finland implemented certain arrangements relating to direct lending. At the beginning of November, the Bank of Finland sold the share capital of Mortgage Bank of Finland Ltd to Postipankki, and, in December, the terms of the special financing arrangements were revised. The rate of interest applied in the financing of domestic suppliers' credits was raised and the Bank of Finland's share in financing was temporarily increased until the end of 1987. The interest rate on new-export credits was raised and, in addition, the terms of both the financing arrangements for exports were revised so that credits would be extended specifically to small and medium-sized companies and to firms entering into export business.

Chart 10.  
BANKS' CENTRAL BANK CREDITS  
AND DEPOSITS



cial markets were also swelled by the fact that credit continued to be used on a large scale to finance acquisitions of financial assets rather than real investment. Thus, for example, conditions in the housing market remained quiet in spite of the rapid growth of bank lending.

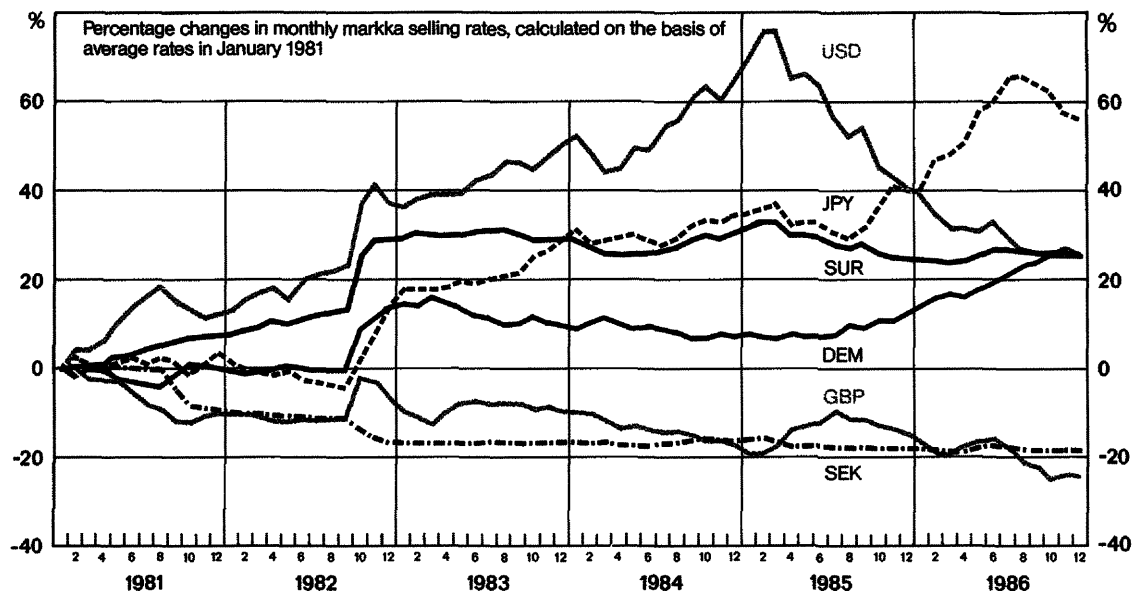
The banks' liquidity position remained tight throughout the year. In the course of the year, the banks' central bank position weakened and their debt to the Bank of Finland grew to exceptionally large proportions in connection with the currency speculation in August (Chart 10). By contrast, companies' sales of forward exchange fell, thereby reducing this component of their short-term debt. Unregulated-rate funding grew at approximately the same rate as in the previous year.

The growth of banks' markka-denominated lending and deposits was very rapid during the first half of the year, but it decelerated towards the end of the year. Of unregulated funding, particularly banks' off-balance items increased. The figures for the growth of finan-

## INTERNATIONAL AND DOMESTIC FOREIGN EXCHANGE MARKETS

There were further major changes in exchange rates in international foreign exchange markets in 1986 (Chart 11). The depreciation of the

Chart 11.  
CHANGES IN EXCHANGE RATES OF MAJOR CURRENCIES



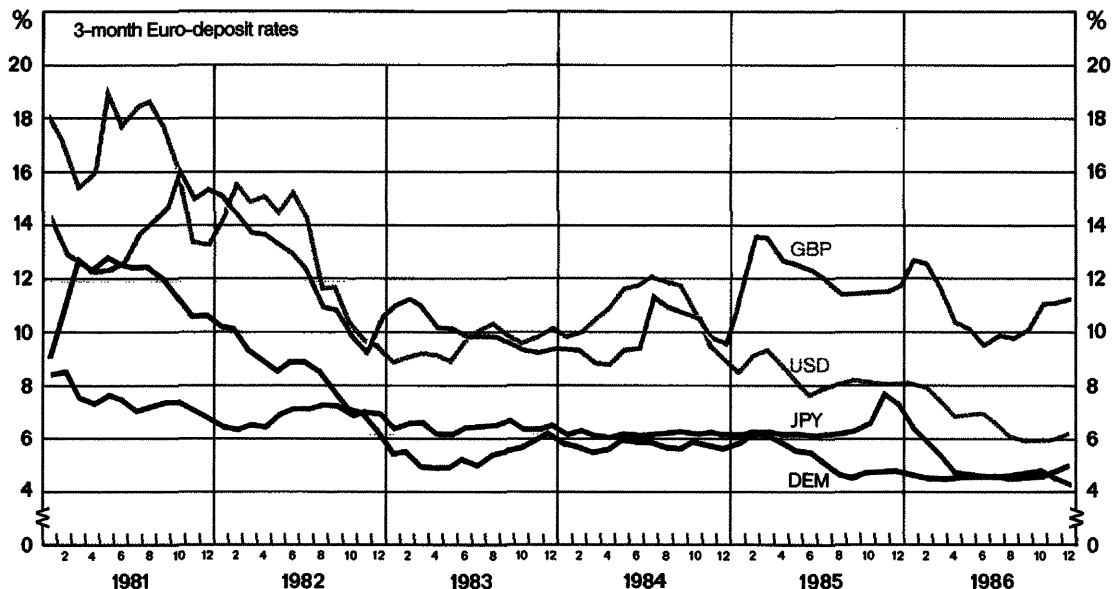
dollar against other major currencies, which had already started at the beginning of 1985, continued at a rapid rate up till the autumn of 1986. The main factors contributing to the weakening were an increase in the US current account deficit and a fall in US interest rates. As economic growth in the United States remained sluggish and inflation slowed down, monetary policy was eased appreciably in the early months of the year and further in the summer. In the last months of the year, the value of the dollar more or less stabilized in international foreign exchange markets on account of a tightening of US monetary policy and intervention by certain central banks. Interest rates in the United States during 1986 were, on average, at a notably lower level than in the previous year. Towards the end of the year, however, there was a slight rise in short-term interest rates (Chart 12).

The Deutsche Mark strengthened vis-a-vis other major currencies except the Japanese yen in the course of the year. This was due,

among other things, to a substantial increase in West Germany's current account surplus, a low rate of inflation and an improvement in growth prospects. On the other hand, there were no significant changes in monetary policy and the interest rate level (measured in terms of 3-month Euro-deposit rates) remained virtually unchanged during 1986.

The pound sterling weakened in the course of the year because of the fall in oil prices and the consequent narrowing in the current account surplus. In spite of the fall in the pound's exchange rate, interest rates were allowed to move lower in the early part of the year. Towards the end of the year, however, interest rates were raised and the central bank intervened in the foreign exchange market on a major scale so as to support the pound. The Japanese yen strengthened in international foreign exchange markets during the early part of the year, even though monetary policy was eased in order to bolster economic growth. In the autumn, the Japanese and US authorities

Chart 12.  
EURO-DEPOSIT RATES





agreed upon joint efforts to stabilize the exchange rate between the currencies of the two countries.

The exchange rates of the currencies within the European Monetary System (EMS) were realigned on April 7 because of exchange rate tensions between the Deutsche Mark and the French franc. On that date, the central rates of the Deutsche Mark and the Dutch guilder were raised by 3 per cent, whereas the central rate of the French franc was lowered by 3 per cent. The central rates of the Belgian franc and the Danish krone were raised by 1 per cent. A minor realignment was made on August 2, when the central rate of the Irish pound was lowered by 8 per cent because of the weakening of the pound sterling.

The Nordic foreign exchange markets were unstable on several occasions during the year. Pressures on the Norwegian krone emerged in the beginning of the year as oil prices fell and the country's competitiveness weakened because of higher costs. In May, the Norwegian krone was devalued by some 10 per cent. In spite of this, foreign exchange markets were occasionally unstable even during the latter part of the year. The Norwegian krone depreciated in effective terms and at times the currency index approached the upper limit of its band. The problems of the Danish krone, which were mainly caused by the country's current account deficit, were reflected in a weakening of the krone against the Deutsche Mark in the course of the year.

By contrast, the Swedish krona was not subjected to any major speculative pressures. The differential between international and domestic rates of interest in Sweden had already widened substantially in the spring of 1985 as a result of a rise in domestic interest rates. At the same time, there had been significant capital imports by the private sector owing to an improvement in the economic outlook, and the external value of the krona remained fairly stable throughout 1986.

The Finnish foreign exchange market was also very restless at times during 1986. The convertible foreign exchange reserves started to decline in the early months of the year, even though the amount of the Bank of Finland's outstanding forward purchase contracts continued to fall substantially. In connection with the devaluation of the Norwegian krone in May and particularly in August, there emerged uncertainty about the external value of the Finnish markka. On both occasions, the convertible foreign exchange reserves declined sharply. The currency outflow came to an end when the call money rates were temporarily raised.

The convertible foreign exchange reserves fell by almost FIM 12 billion in the course of the year. In addition, practically all of the Bank of Finland's outstanding forward purchase contracts, which had amounted to FIM 9 billion at the beginning of the year, matured by the end of the year. At the end of the year, the Bank of Finland also had a minor amount of outstanding forward sales contracts.

The fluctuation limits of the Bank of Finland's currency index were kept unchanged throughout the year. In the early part of the year, the currency index stayed below the mean value of its fluctuation range. After the currency index was raised in May, the index remained above the mean value for the rest of the year, so that the external value of the markka fell slightly in the course of the year (Chart 13 A).

The trade-weights used for calculating the index were revised 5 times during 1986 in a normal way to take account of changes in the structure of foreign trade.

Measured in terms of indices based on payments shares and MERM weights, the effective exchange rate of the markka in 1986 continued to fluctuate more than as measured by the official currency index. This was mainly due to the fact that the weight of the US dollar in the first-mentioned indices is larger than in the official currency index. Neverthe-

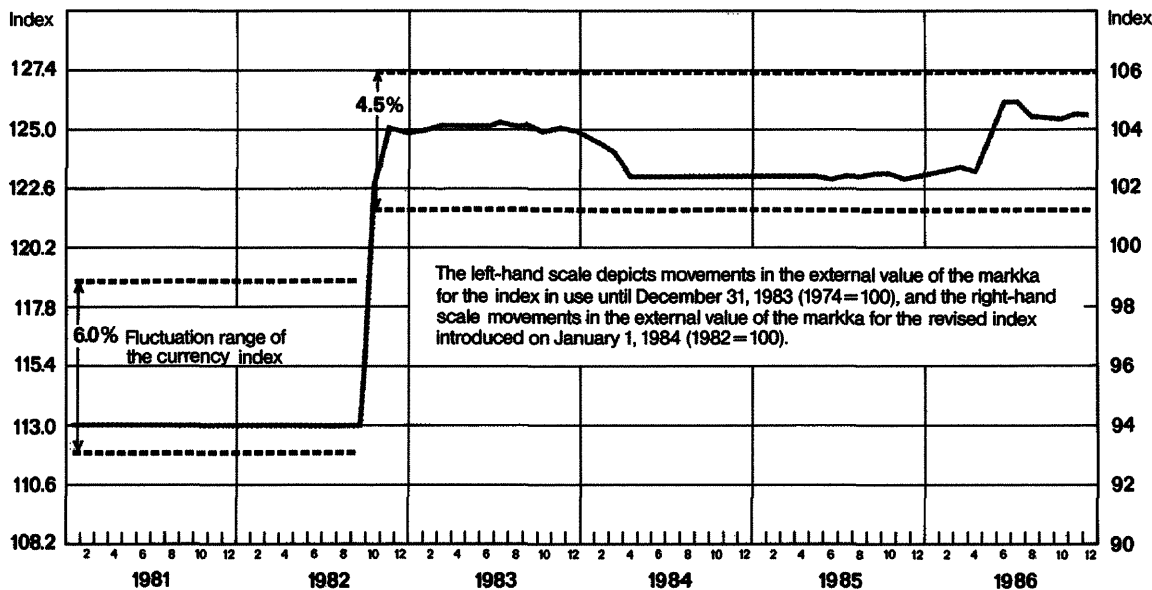
less, the levels of the different indices stayed fairly close to each other in the course of the year (Chart 13 B).

As the value of the markka was kept virtually unchanged, exchange rate changes in interna-

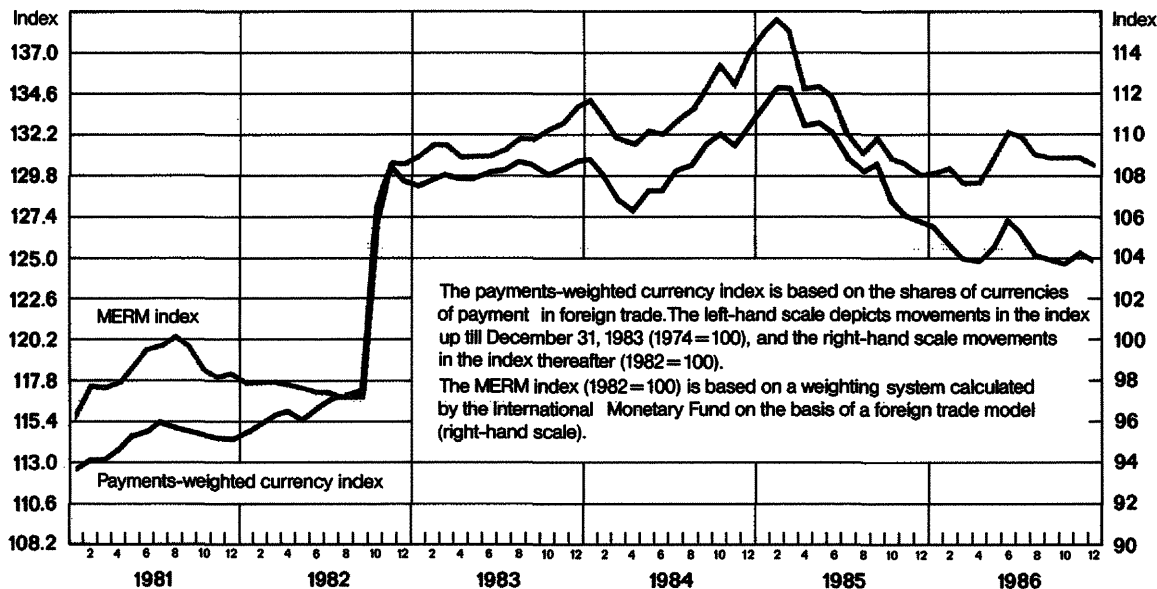
tional foreign exchange markets were reflected almost in full in the markka rates quoted by the Bank of Finland. During the course of the year, the selling rate of the US dollar fell by 11.5 per cent against the Finnish markka and that of the pound sterling by 9 per cent,

Chart 13.  
MOVEMENTS IN THE EXTERNAL VALUE OF THE MARKKA

13 A



13 B



whereas the selling rate of the Deutsche Mark rose by 12 per cent. The markka rates of both the Swedish krona and the Soviet rouble remained practically unchanged (Chart 11 and Table 8).

Forward rates rose in the course of the year owing to the widening in the interest rate differential between Finland and other countries. Rates rose temporarily in the spring and particularly sharply in the late summer. At the beginning of the year, the three-month forward rate of the US dollar exceeded the spot rate by 2.7 per cent at an annual level at the beginning of the year and by 6.8 per cent at the end of the year.

## INTEREST RATE POLICY AND CHANGES IN THE SYSTEM OF MONETARY CONTROL

As in previous years, the call money rate was the key instrument of interest rate policy. The easing and simplification of the regulation of average lending rates, which had been decided upon in December 1985, became effective from the beginning of January. The right to pass on part of the cost of unregulated funding in lending rates was abolished and a system was introduced under which the upper limit on the average lending rates of all banks could either be 1.75 percentage points above the Bank of Finland's base rate or, alternatively, 0.5 percentage point above the average rate on total deposits. Excluding housing loans rates of interest on new credits were allowed to be freely determined. In December 1985, the Bank of Finland had also decided to lower the base rate by 0.5 percentage point to 8.5 per cent from the beginning of January and the bank's cash reserve requirement by 0.3 percentage point to 5.0 per cent. In February, the cash reserve requirement was lowered further to 4.7 per cent.

The interest rate system applied in the call money market was also modified from the

beginning of the year, when the Bank started to pay interest on call money deposits at a rate which was 0.7 percentage point lower than the rate it charged on call money credits. The aim of the differentiation of call money rates was to promote the development of the inter-bank market for short-term funds.

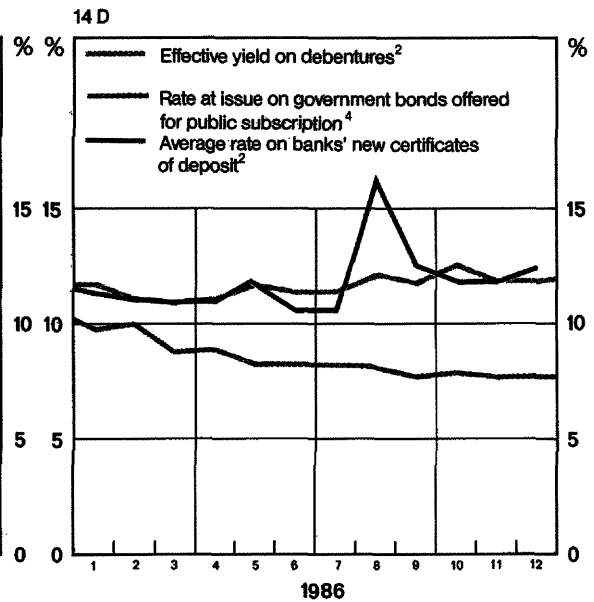
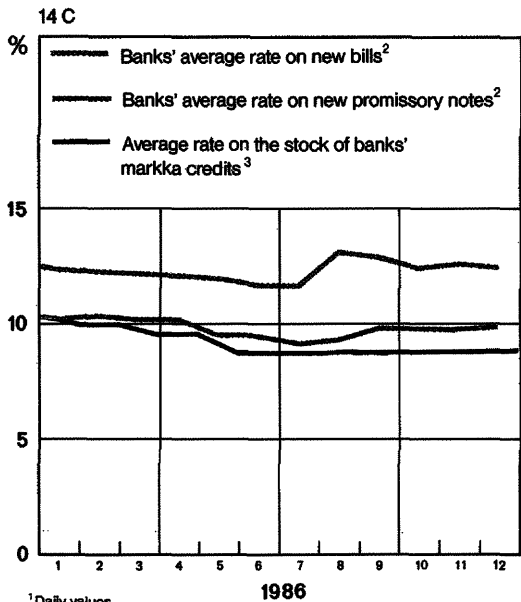
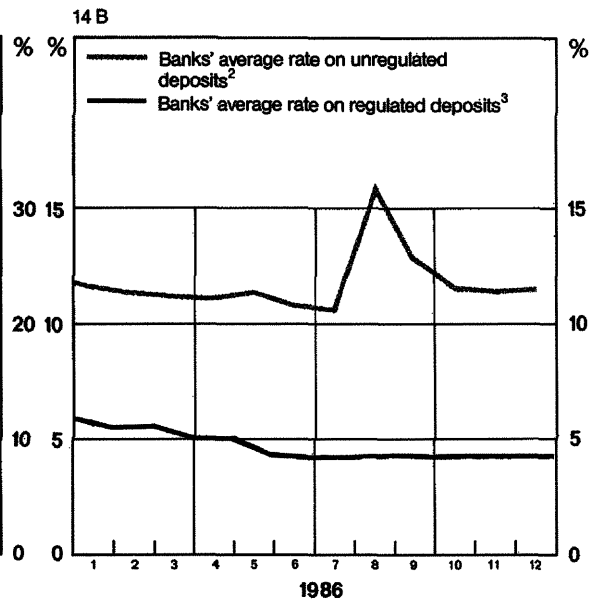
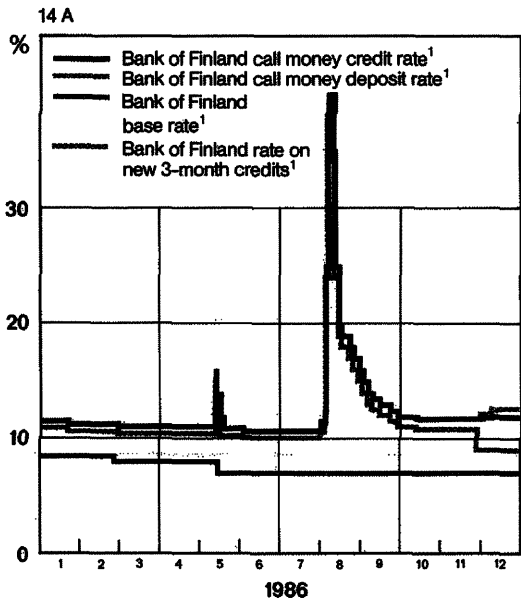
In call money rate policy, a cautious stance was pursued in the early months of the year. The call money rates were lowered on two occasions, in January and March, by a total of only 0.5 percentage point, whereupon the call money credit rate amounted to 11.2 per cent. By contrast, the base rate was lowered again by 0.5 percentage point from the beginning of March (Chart 14 A).

In connection with the currency speculation in May, the call money credit rate was raised to 16 per cent for two days. After conditions had calmed down, it was possible to lower the call money rates, and in June call money credit rate stood at 10.8 per cent.

In May, the base rate was also lowered and the regulation of average lending rates was further relaxed. The base rate fell by 1 percentage point to 7 per cent, whereas the rates applied to tax-exempt 12 and 24 month term deposits were lowered by only 0.75 percentage point. The upper limit on average lending rates in relation to the base rate was raised by 0.25 percentage point, in addition to which rates on all new lending were allowed to be determined fairly freely according to financial market conditions. The deregulation of average lending rates was continued in late July. As from the beginning of August, the Bank of Finland ceased to regulate banks' average lending rates by removing the upper limit on these rates. This measure did not affect the terms of interest on outstanding credits, but rates of interest on new loans could henceforth be determined freely according to the prevailing financial market situation (Chart 14 C).

So as to ensure an adequate level of foreign exchange reserves and to maintain the ex-

Chart 14.  
DOMESTIC RATES OF INTEREST



<sup>1</sup> Daily values.  
<sup>2</sup> Monthly average weighted by amounts.  
<sup>3</sup> End-month figures.  
<sup>4</sup> Weighted by sales of bonds.

change rate of the markka, at the end of July the Bank Supervisors delegated by Parliament extended the Board of Management of the Bank of Finland temporary powers to raise the call money rate without limit whenever neces-

ary. At the same time, the Bank of Finland decided to adopt a more flexible call money rate policy under which call money rates were to be determined in accordance with developments in the foreign exchange reserves. In

fact, the call money rates were raised on several occasions in early August, and in mid-August the call money deposit rate stayed at 40 per cent for one week. The high rate of interest stemmed the currency outflow, so that it was possible to gradually lower the call money rates. The call money credit rate amounted to 17 per cent at the end of August, 12.5 per cent at the end of September and 11.8 per cent in mid-October.

The strain on banks' profitability caused by the high call money rate was reduced by raising the rate of interest paid on cash reserve deposits from the beginning of September. The rate of interest on cash reserve deposits was linked to the rate on call money credits, so that it was 3 percentage points lower than that rate until the end of the year. Under the cash reserve agreement, the rate of interest on cash reserve deposits is 0.25 percentage point below the base rate.

The reform of the system of monetary control was started at the beginning of December by offering banks three-month fixed-rate credits in addition to call money credits. The quantity and rates of interest on term credits were determined daily on the basis of banks' bids and in accordance with the targets set for central bank financing. In December, three-month credits were granted daily up to the value of about FIM 100 million, and the average rate on these credits rose from 12.1 per cent to 12.65 per cent in the course of the month (Chart 14 A). In early December, the interest rate system applied in the call money market was also modified: the call money deposit rate was lowered to 9 per cent and it was no longer dependent on the call money credit rate. In early December, the call money credit rate was raised on two occasions by a total of 0.2 percentage point, whereupon it stood at 12 per cent.

At the end of December, the Bank of Finland and the banks agreed to revise the cash reserve agreement so that, with effect from

the beginning of January, certificates of deposit issued by banks and certain long-term foreign credits intermediated by banks would no longer be subject to the cash reserve requirement. During December, the Bank of Finland approved the banks' first applications pertaining to the new reference rates to be applied in lending. The reference rate applied by most banks was linked to developments in rates of interest on certificates of deposit.

## DOMESTIC MONEY AND CAPITAL MARKETS

The market for short-term financial assets continued to develop in 1986. Banks accepted an increasing amount of unregulated short-term funds in the form of marketable instruments. In short-term inter-company lending, a new marketable instrument, commercial paper, was introduced at the beginning of April. Nevertheless, deposits with the trust departments of banks and banks' non-negotiable short-term deposit instruments still constituted the main sources of unregulated short-term funding.

The Bank of Finland supported the development of the money market. The differentiation of the call money rates activated the interbank market for short-term funds as banks began to even out differences in their liquidity positions to an increasing extent. By introducing the three-month credits, the Bank of Finland contributed to shifting the emphasis in the money market from financing on a sight basis to term financing. The decision made in December to exempt certificates of deposit issued by banks from the cash reserve requirement led to the increased use of this marketable instrument at the expense of non-negotiable deposit instruments and trust department deposits.

The stock of outstanding Treasury notes remained at about FIM 2 billion throughout the year. Of the unregulated short-term funds shown in banks' balance sheets, outstanding

non-negotiable deposit instruments still accounted for about FIM 14 billion, even though the amount of certificates of deposit grew from FIM 1.4 billion to FIM 2.4 billion in the course of the year. Banks' off-balance items grew more rapidly than unregulated funds included in balance sheets. Deposits with bank trust departments totalled about FIM 15 billion in December. Sales of securities held by banks in their portfolios with a repurchase obligation increased from a few hundred million markkaa at the beginning of the year to about FIM 1.3 billion. In addition, the outstanding stock of commercial paper had risen to FIM 1.8 billion by mid-December.

Money market rates followed the call money rates very closely. Thus, with the exception of a temporary rise in May, there was a downward trend until the middle of the year (Chart 14 D). In connection with the currency speculation in August, money market rates rose to a high level but fell back to about 12 per cent in the course of the autumn.

All in all, 251 new bond and debenture issues with a total nominal value of FIM 24.0 billion were floated in Finland in 1986 (Table 6). Although the number of issues fell by more than 10 per cent from the previous year, the total nominal value of issues rose by the same amount. The share of "other bonds" in the total nominal value of issues increased to almost a half. The share of government bonds declined slightly, amounting to 33 per cent; the share of bond issues by mortgage banks and companies rose from 11 to 14 per cent. Issues of debentures declined substantially and their share fell from 9 to 5 per cent. Privately placed issues grew from the previous year, whereas public issues fell. This decline in the latter was mainly due to the decision of the Bank of Finland in June 1985 to prohibit the sale of Finnish bonds and debentures to non-residents. Although this ban was partially relaxed in June 1986 (see the list of Monetary and Foreign Exchange Policy Measures in 1986 on p. 45), the relaxation did not have a

significant impact on the amount of issues. The growth of private placements was primarily attributable to major issues by banks' subsidiaries, which were recorded in the portfolios of parent banks.

The stock of outstanding bonds and debentures grew rapidly during 1986. At the end of the year, the total value of all bonds and debentures amounted to FIM 70.8 billion, an increase of 23 per cent from the previous year. Of the different forms of lending, the stock of "other bonds" increased most, by 37 per cent; the stock of debentures grew by only 2 per cent.

Developments in rates of interest on bond issues were uneven in the course of the year. The weighted average rate of interest on taxable bond issues offered for public subscription fell from 11.74 to 10.43 per cent in January—June; in July, it started to rise and stood at 11.96 per cent in December. The weighted average rate of interest for the whole year fell by 1.43 percentage points to 11.30 per cent. The weighted average rate of interest on new tax-exempt public bond issues fell fairly steadily during the year from 9.82 to 7.90 per cent (Chart 14 D). Rates of interest on privately placed issues also displayed a downward trend: the average rate was 12.16 per cent in January and 10.54 per cent in December. Four-fifths of the new public issues and more than half of the privately placed issues bore a fixed rate of interest. The effective yield on outstanding debentures fell in the early months of the year. From April onwards, the yield rose slightly towards the end of the year. The two waves of currency speculation in May and August were reflected as only minor temporary rises in the yield on debentures (Chart 14 D).

## SPECIAL FINANCING ARRANGEMENTS AND INVESTMENT RESERVES

The special financing arrangements operated by the Bank of Finland consist of the financing

of domestic suppliers' credits, the financing of short-term export credits and new-export credits (see the Appendix on p. 42). The total value of outstanding credit under these arrangements increased slightly in 1986 and amounted to FIM 4.6 billion at the end of the year. The slow growth reflects the reduction in the significance of special financing arrangements with the deregulation of financial markets.

New commitments under the scheme for financing domestic suppliers' credits totalled FIM 1.4 billion, of which forest industry machinery accounted for 55 per cent. At the end of the year, outstanding credit commitments amounted to FIM 1.3 billion, 22 per cent less than one year earlier. The fall in the stock of outstanding commitments was due to rather sluggish investment activity and the unwillingness of some banks to participate in the financing of domestic suppliers' credits because of the fairly low rate of interest applied under the scheme. The total stock of domestic suppliers' credits amounted to FIM 6.5 billion at the end of the year, with the Bank of Finland's share in their financing

amounting to FIM 2.8 billion (Chart 15 A). The total stock of short-term export credits grew by 17 per cent during 1986 and amounted to FIM 1.1 billion at the end of the year. By contrast, the total stock of new-export credits fell slightly and amounted to FIM 0.7 billion at the end of the year (Chart 15 B).

In December, the Bank of Finland revised the terms applied under the special financing arrangements. The rate of interest on domestic suppliers' credits was raised by 1 percentage point, thus bringing it closer to the interest rate level prevailing in the market. In addition, the Bank of Finland's share in financing was temporarily raised. The rate of interest applied to new-export credits was raised as from the beginning of 1987 and the period of their utilization was restricted to five years per company. As from the beginning of 1987, the utilization of short-term export credits was restricted to apply to only small and medium-sized export companies.

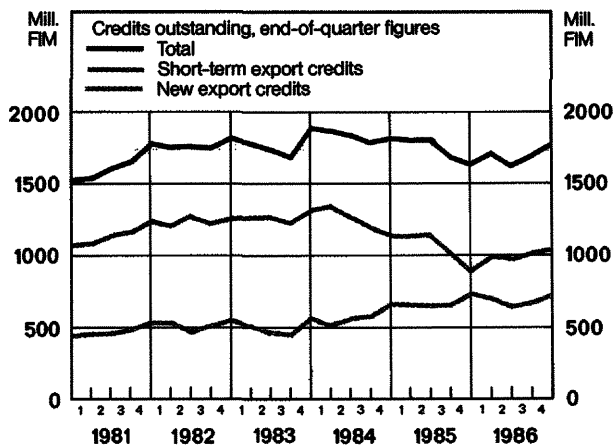
The main aim of the voluntary investment reserve scheme is to influence the timing of corporate investment (see the Appendix on p.

Chart 15.  
SPECIAL FINANCING ARRANGEMENTS

15 A FINANCING OF DOMESTIC DELIVERIES



15 B FINANCING OF NEW EXPORT CREDITS AND SHORT-TERM EXPORT CREDITS



42). Companies' investment deposits with the Bank of Finland continued to grow in 1986. The stock of deposits increased by more than one-fifth and amounted to FIM 4.7 billion at the end of the year. New deposits were made to the value of FIM 1.4 billion, while drawings of deposits totalled FIM 0.6 billion. So as to promote investment, the Council of State decided to release investment reserves on two occasions in the course of the year, in April and October (see the list of Monetary and Foreign Exchange Policy Measures in 1986). The stock of withdrawable investment deposits amounted to FIM 3.1 billion at the end of the year.

### INTERNATIONAL FINANCIAL MARKETS AND FINLAND'S FOREIGN CAPITAL FLOWS

Lending in international financial markets grew substantially in 1986 and is estimated to have amounted to more than USD 370 billion. Of this amount, bond issues accounted for about USD 230 billion, with the dominant share of Eurobond issues being further accentuated. Securitization took place on a growing scale. In particular, short and medium-term financing facilities similar to securities transactions increased rapidly.

Contributing to the growth in lending in 1986 was a continuation in the refinancing existing loans on more favourable terms. This was made possible by the fall in interest rates on instruments denominated in the major currencies, which continued practically throughout the year, and by ever-sharpening competition among financial institutions. The use of interest rate and currency swaps continued to be a salient feature of the new borrowing facilities. Competition for the arrangement of particularly bond issues was reflected in a marked improvement in issue terms from the point of view of borrowers, which caused marketing problems for issuing houses, especially in the Eurobond market.

### TERMS OF FIXED-RATE AND FLOATING-RATE LOANS RAISED IN 1981—1986

	Fixed-rate		Floating-rate	
	Average rate of interest, per cent	Average maturity, years	Average spread, per cent	Average maturity, years
1981	11.7	6.6	0.52	6.5
1982	11.0	5.6	0.50	5.9
1983	9.8	5.8	0.56	4.0
1984	9.5	7.0	0.35	7.5
1985	8.3	7.6	0.31	7.3
1986	7.1	6.9	0.17	7.6

Borrowers in industrial countries further increased their share in international financial markets in 1986, with about 90 per cent of all borrowers being from OECD countries.

In spite of the good borrowing opportunities in international markets, Finland's foreign capital flows turned into a net outflow in 1986. The outflow of FIM 1.7 billion in convertible currencies was particularly significant in view of the fact that current transactions in convertible currencies showed a deficit of FIM 10 billion. Thus, the convertible foreign exchange reserves of the Bank of Finland fell by FIM 11.7 billion. By contrast, current transactions in tied currencies showed a surplus of FIM 5.9 billion. Although there was also a capital outflow in tied currencies, the Bank of Finland's net liability on the tied-currency account turned into a net claim of FIM 3.4 billion by the end of the year. As in the previous year, transactions in the forward market continued to decline sharply.

Drawings of long-term foreign loans totalled FIM 19.3 billion in 1986, an increase of almost FIM 8 billion from the previous year. Repayments of long-term loans amounted to FIM 13.9 billion, which was FIM 5.7 billion more than in 1985. The marked increase in gross volumes was partly attributable to the very



## CAPITAL INFLOWS IN 1985—1986, MILLION FIM

	1985	1986 <sup>1</sup>
A Long-term capital inflows, net	6 594	4 151
Loans	4 105	5 640
Direct investment	— 1 681	— 1 956
Portfolio investment	4 264	646
— Foreign issues	— 10	708
— Investments made through the Helsinki Stock Exchange	4 274	— 62
Subscriptions	— 94	— 179
B Short-term capital inflows, net	1 650	— 7 881
Corporate sector	— 3 617	1 419
Banks (excl. forward cover)	2 137	—10 015
Banks' forward cover	3 130	715
Total (A + B)	8 244	— 3 730

<sup>1</sup> Preliminary figures.

widespread practice of repaying existing loans in advance of schedule and replacing them with new loans on more favourable terms. This policy was also pursued to a large extent by the central government. Net drawings of long-term foreign loans increased from FIM 3.5 billion to FIM 5.4 billion.

The fall in international interest rates was reflected in a fall in the average rate of interest on new fixed-rate and floating-rate loans. The average maturity shortened for fixed-rate loans and lengthened slightly for floating-rate loans. However, the comparison of average loan terms with those in previous years is increasingly being complicated by the increase in the diversity of terms on different financial market instruments. Mention can be made, for example, of zero-coupon loans, which bear no interest at all, and, on the other hand, of high-coupon loans, which provide investors with a high return immediately.

The net inflow of long-term capital amounted to FIM 4.2 billion, which was about FIM 2.4 billion less than in the previous year. However, the total net inflow of loans, including credits included in long-term assets, was FIM 1.5

billion more than in the previous year. Contributing to the growth in borrowing was the fact that the sale abroad of domestic bonds and debentures was prohibited in 1985. Capital inflows picked up towards the end of the year, after the Bank of Finland lifted the restrictions on borrowing abroad by manufacturing and shipping companies in respect of credits of at least five years' duration. Repayments of existing loans by companies, banking institutions other than banks and local authorities equalled their drawings of new capital. Similarly, repayments and drawings of central government loans almost offset each other, so that their net impact on capital flows was virtually negligible.

In fact, the growth in the capital inflow to the private sector was due to increased borrowing by authorized banks. In the course of the year, banks raised long-term credits amounting to FIM 5.7 billion in net terms. In the early part of the year, the growth in long-term borrowing by banks mainly reflected the conversion of their existing short-term loans into long-term ones. In the autumn, banks' capital inflows were boosted substantially by the fact that banks were also extended the right to interme-

## FINLAND'S FOREIGN DEBT IN 1983—1986, END-YEAR FIGURES, MILLION FIM

	1983	1984	1985	1986 <sup>2</sup>
Gross long-term debt <sup>1</sup>	61 518	73 546	76 602	83 751
Gross long-term assets <sup>1</sup>	16 710	19 524	19 837	22 378
Net long-term debt	44 808	54 022	56 765	61 373
Gross short-term debt	61 328	78 245	71 547	76 118
Gross short-term assets	57 020	79 035	82 112	86 101
Net short-term debt or assets <sup>3</sup>	4 308	-790	-10 565	-9 983
Total net foreign debt	49 116	53 232	46 200	51 390
— as a percentage of GDP	17.9	17.3	13.8	14.4

<sup>1</sup> The markka values of balances outstanding were calculated by using the selling rates of the same date.

<sup>2</sup> Preliminary figures.

<sup>3</sup> Including the Bank of Finland's foreign exchange reserves.

diate long-term credits to manufacturing and shipping companies. Drawings of credits intermediated by banks totalled FIM 3.8 billion in August—December. Recourse to these foreign currency loans may also have been increased by the decision of the Bank of Finland to prohibit the granting of credits against domestic foreign currency deposits. These credits are due to be phased out by the middle of 1987.

Repayments of long-term export credits, which are included in net borrowing, exceeded drawings of the same by FIM 0.5 billion. Thus, the decline in the stock of export credits, which had started in the previous year, continued mainly because of the small number of large ship deliveries. The opportunities to finance export receivables were enlarged in May, when companies were also allowed to raise credit abroad on their own account or through authorized banks for financing long-term export receivables. The purpose of this measure was to promote competition and thereby ensure that the cost of financing would be as favourable as possible from the point of view of exporters. Nevertheless, recourse to these new financial channels was fairly limited.

Although share issues abroad picked up slightly from the previous year, they were, however,

of little significance. By contrast, sales and purchases of shares through the Helsinki Stock Exchange increased substantially, even if their net impact on capital flows was no more than FIM 0.6 billion.

Both Finnish direct investment abroad and foreign direct investment in Finland increased from the previous year. Net direct investment abroad by Finnish companies amounted to FIM 3.5 billion and net direct investment in Finland by foreign companies to FIM 1.5 billion. The internationalization of Finnish banks continued, although the emphasis was on the setting up of branches. As a rule, these do not require the transfer abroad of share capital, so that they are not reflected in the payment flows pertaining to direct investment.

The reversal of the net inflow of short-term capital into a net outflow was very sharp in 1986. The outflow of short-term capital in convertible currencies amounted to FIM 5.9 billion and that in tied currencies to FIM 2.0 billion. The major part of this change was due to the conversion by authorized banks of their short-term liabilities into long-term ones.

Forward exchange purchased by banks from companies and foreign banks fell from FIM 16.0 billion to FIM 7.7 billion in the course of

the year. Since the forward position between the Bank of Finland and banks declined by even more than this, banks covered the difference by importing foreign capital. The removal of the quotas applied to foreign credits for financing imports in May contributed to increasing the amount of short-term capital used for financing imports. By contrast, the amount of credits raised for financing exports decreased. Banks' net short-term foreign liabilities fell by a total of FIM 9.3 billion. The corresponding liabilities of the corporate sector grew by FIM 1.4 billion, which was mainly attributable to an increase in import liabilities.

The convertible foreign exchange reserves of the Bank of Finland fell by FIM 11.7 billion and amounted to FIM 10.6 billion at the end of the year. On the other hand, the tied currency reserves grew by FIM 3.7 billion to FIM 3.4 billion owing to the imbalance in bilateral trade (Chart 9 and Table 2). In contrast to the previous two years, the Bank of Finland entered into only a small number of new contracts in the forward market. The Bank of Finland's outstanding forward purchase contracts with authorized banks, the stock of which amounted to FIM 9.0 billion at the beginning of the year, matured almost entirely in the course of the year.

At the end of the year, Finland's net long-term foreign debt amounted to FIM 61.4 billion. Because of exceptionally large early repayments of loans, the ratio of service charges on net debt — interest payments and repayments — to current account earnings rose to 21.4 per cent. Excluding early repayments, the corresponding ratio was 15.1 per cent. Finland's total net foreign debt amounted to FIM 51.4 billion, which represented about 14 per cent of GDP at current prices (Chart 16 and Table 9).

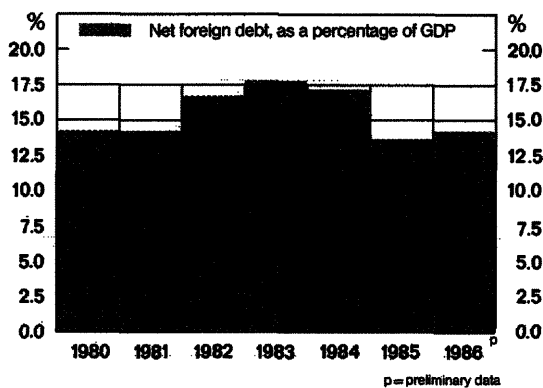
## AMENDMENTS TO THE FOREIGN EXCHANGE REGULATIONS

Exchange control has lost its significance in certain respects, with the development of domestic financial markets and the introduction of new financial instruments. The amendments to the Foreign Exchange Regulations in 1986 continued the cautious line pursued in the reform of control. The Bank of Finland also sought through the amendments to promote competition and efficiency in financial markets.

The new Foreign Exchange Regulations entered into force at the beginning of the year. The new regulations did not entail any significant change in exchange control. The bulk of capital movements continued to be subject to the permission of the Bank of Finland. The most important amendments were the abolition of the penalty surcharge scheme applied to short-term import credits and the limited liberalization of portfolio investment abroad.

In May, the Bank of Finland decided to make banks' domestic foreign currency deposits comparable to banks' borrowing abroad. After a transition period lasting until the end of June 1987, banks were no longer to be allowed to grant domestic foreign currency credits. The importance of these credits had been gradually increasing in domestic financial markets. This had, inter alia, weakened the efficiency of domestic monetary policy and caused unrea-

Chart 16.  
EXTERNAL INDEBTEDNESS



sonable interest expenses and exchange rate risks for borrowers. In the same context, the Bank of Finland removed the upper limit on the amount of foreign financing credits for imports intermediated by banks.

In June, the Bank expanded the opportunities for refinancing long-term export credits abroad. The authorized banks were granted permission to raise foreign credit to finance their customers' long-term export receivables. Similarly, the Bank started to grant exporters, on application, permission to raise foreign finance directly in their own names. In the same context, minor revisions were made mainly to the regulations pertaining to payments for goods and services, and the sale to non-residents of Finnish bonds and debentures was allowed in special cases.

At the beginning of August, the Bank of Finland revised the regulations concerning long-term borrowing abroad. The Bank also exempted from regulation foreign credits with a maturity of at least five years raised by manufacturing and shipping companies for financing their own operations. This decision did not apply to bond and debenture issues denominated in Finnish markkaa.

In December, the Bank of Finland accorded the Labour Savings Bank of Finland the status of an authorized bank. The status of the Bank of Helsinki Ltd as an authorized bank was cancelled after the bank ceased its operations at the end of October.

## **BILATERAL PAYMENTS ARRANGEMENTS**

In 1986, Finland maintained bilateral payments agreements with the Soviet Union, Bulgaria

and the German Democratic Republic. The Finnish markka was used as the clearing currency in payments between Finland and Bulgaria and between Finland and the German Democratic Republic. The Soviet rouble was used as the clearing currency in the trade between Finland and the Soviet Union.

The tied foreign exchange reserves of the Bank of Finland increased substantially during 1986 as a result of the large surplus in Finnish-Soviet trade. Because of the fall of almost 50 per cent in the world-market price of oil, the value of Finnish imports from the Soviet Union fell by about one-third from the previous year. Although the fall in the value of imports was already reflected in the value of Finnish exports for 1986, the bilateral current account posted a surplus of FIM 5.8 billion in Finland's favour. At the end of the previous year, the clearing account between the Soviet Union and Finland had still shown a liability of SUR 75 million (FIM 540 million) for Finland, but the balance already turned into a claim in Finland's favour in early 1986. At the beginning of August, Finland's claim exceeded the credit limit of SUR 300 million, and, at the end of the year, the value of the claim amounted to SUR 460 million (FIM 3.3 billion).

As in previous years, the clearing account between Finland and Bulgaria showed a large claim for Finland, which amounted to FIM 136 million at the end of the year. In the previous two years, the clearing account between Finland and the German Democratic Republic had displayed a substantial claim for Finland, but the situation changed during 1986, so that the account showed a liability of FIM 14 million for Finland at the end of the year.

# THE BANK OF FINLAND AND INTERNATIONAL ORGANIZATIONS

World economic problems, notably the trade imbalances between the leading economies, created uncertainty and gave rise to protectionist pressures in 1986. Owing to the decline in the price of oil, inflation decelerated, but its effect on economic growth was slower than expected. Indeed, growth was only modest in the first half of the year, although it accelerated in the latter part of the year. Towards the end of the year, a consensus was reached in the GATT negotiations on the general outlines of a new round of multilateral trade negotiations.

## THE INTERNATIONAL MONETARY FUND (IMF)

The major issue of the international economic dialogue was how to coordinate economic policies in different countries. This involved two opposing themes: on the one hand, there was a call for reductions in the budget and current account deficits of the United States and, on the other hand, a call for promotion of economic growth in Japan and Europe, primarily in the Federal Republic of Germany. These aims were considered to be of crucial importance for ensuring the continuation of balanced growth in the global economy.

These economic policy coordination aims paralleled those discussions in the Fund which sought to enhance the surveillance of the international monetary system. In this context, mention was made of the possibility of identifying economic indicators which could facilitate a better monitoring of economic policy coordination between different countries. It was decided that the discussions on economic indicators and the scope for using them should be continued.

There was also discussion on the possibility of setting up target zones for the major currencies, as a means of reducing exchange rate variability. However, the proposed system did not receive sufficient support and the discussion was discontinued.

Owing to the decline in interest rates of the major currencies and the price of oil, economic and financial conditions in most developing countries improved, although a number of oil-exporting developing countries ran into financial difficulties. However, the debt problems of the developing countries were, in general, not as severe as those encountered in previous years. The International Monetary Fund did not participate as actively in financial arrangements as in the early 1980s. The middle income developing countries, in particular, reduced their use of the Fund's financial facilities. The Fund continued its collaboration with the World Bank and other creditors in solving the debt-servicing problems of member countries.

The so-called Baker plan, which the United States launched in 1985 to alleviate the debt servicing problems of the developing countries, was put into practice in 1986. The majority of countries included in the plan either had stand-by arrangements negotiated with the Fund or their economies were subject to the Fund's enhanced surveillance. The principles of the new approach were particularly prominent in the terms of the Mexican stand-by arrangement made in November and in the terms of the other financial arrangements linked thereto. The total amount of credits extended to Mexico in 1986—1988 will ultimately depend on such factors as economic growth and developments in the price of oil.

**USE OF THE RESOURCES OF THE INTERNATIONAL MONETARY FUND,  
BILLION SDRs**

	1984	1985	1986
<b>TOTAL DRAWINGS OF CREDITS</b>	<b>7.3</b>	<b>4.0</b>	<b>3.8</b>
Use of credit tranches	3.1	2.7	3.0
Medium-term credits drawn under extended arrangements	3.3	0.4	0.3
Permanent special credit arrangements:			
– Credits drawn under the compensatory financing facility	0.8	0.9	0.6
– Credits drawn under the buffer stock financing facility	0.0	0.0	0.0
<b>REPAYMENTS OF CREDITS, TOTAL</b>	<b>2.5</b>	<b>3.6</b>	<b>5.7</b>
<b>NEW CREDIT COMMITMENTS APPROVED IN 1986</b>	<b>4.1</b>	<b>3.3</b>	<b>3.7</b>

In March 1986, the Fund's Executive Board established the Structural Adjustment Facility (SAF), the purpose of which was to promote structural changes in the economies of the poorest countries. A member country is entitled to apply for loans from the SAF-facility on condition that it has presented a medium-term economic programme for developing its economy.

At its meetings in April and September, the Interim Committee reviewed the world economic outlook. Policy statements made on the Fund's activities concerning the continuation of the enlarged access policy, new allocations of special drawing rights, issues relating to the surveillance of the international monetary system and the debt-servicing problems of the developing countries.

The Committee discussed the potential role of the SDR. It was noted that the SDR seems to be losing its significance as part of international liquidity. No agreement could be reached on a new allocation of SDRs, and in general, the discussion dealt with wider liquidity issues.

In accordance with the recommendation of the Interim Committee, the Executive Board of the Fund decided to continue the enlarged access policy in 1987. It had been created in the early 1980s to meet the increased financing require-

ments resulting from the second oil crisis. Members' access to Fund's resources was kept unchanged.

At the end of the year, the Fund concluded a borrowing agreement with Japan in an amount equivalent to SDR 3 billion. Under the agreement, the Fund may make drawings whenever necessary to assist members in their efforts to overcome balance of payments difficulties.

Net use of Fund credit fell by SDR 1.9 billion in 1986. This was due to repayments totalling SDR 5.7 billion of the large credits drawn in the early 1980s. Member countries increased their drawings of Fund credits later in the year, when low-income developing countries, in particular, concluded a large number of new credit arrangements with the Fund. Of the sizeable stand-by arrangements negotiated by the middle-income developing countries, some were drawn in 1986 and the remainder were deferred until 1987.

At the end of 1986, the Fund had credit arrangements with 40 countries and the resources committed under these totalled the equivalent of SDR 5.3 billion. This was SDR 4.6 billion less than in 1985.

The Executive Board of the Fund declared six member countries ineligible to use Fund re-

sources on account of persistent overdue obligations to the Fund. It was hoped that these decisions would prompt the members concerned to reassess their economic policies and to restore normal financial relations with the Fund.

In the autumn, Jacques de Larosière announced his intention of resigning from his duties as Managing Director of the Fund on January 15, 1987. The Fund's Executive Board appointed Michel Camdessus, Governor of the Bank of France, as his successor.

Kiribati and Poland joined the Fund in 1986. Hence, the Fund had a total of 151 members at the close of the year. The Bank of Finland continued to act as agent for Finland in its relations with the Fund.

#### THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The Bank for International Settlements, which, since 1930, has functioned as the body for cooperation between the central banks of the industrial countries, published two extensive reports in the spring. They dealt with the integration of national and international financial markets and the rapid structural changes in the financial markets. One of the reports considered the impact of financial instruments on monetary policies in the leading industrial countries, while the other report examined the effects of recent financial innovations on the operations of banks. The report of the Committee on Banking Regulations and Supervisory Practices — the so-called Cooke Committee — was discussed at a conference of bank supervision authorities held in Amsterdam in the autumn.

#### THE WORLD BANK GROUP (IBRD, IDA, IFC)

The International Bank for Reconstruction and Development (IBRD) increased the share of its

lending in support of adjustment programmes in 1986. Loans to middle-income developing countries under the Baker plan amounted to USD 4.1 billion. Many developing countries to which the International Monetary Fund had previously extended several stand-by credits on a roll-over basis turned to the IBRD for assistance in arranging their financing. This reflected the fact that economic adjustment in these countries was increasingly based on structural change.

During the fiscal year closing on June 30, 1986, the World Bank Group approved new loans totalling USD 17.5 billion, which was 14 per cent more than in the previous fiscal year. Financing from the World Bank Group accounted on average for 30 per cent of the total costs of the projects financed.

In 1986, the IBRD granted loans amounting to USD 13.2 billion for the financing of 131 projects in 41 member countries. The International Development Association (IDA) approved low-interest credits totalling USD 3.1 billion. They were granted for the financing of 97 projects in 37 countries belonging to the group of least developed countries. The International Finance Company (IFC) invested USD 1.2 billion in private sector enterprises in developing countries in fiscal year 1986.

In 1986, Finland paid about FIM 28 million to the IBRD of her contribution to the increase in the bank's capital. In addition, Finland paid her second annual contribution of FIM 120 million to the Seventh Replenishment of IDA resources and her second annual contribution of FIM 25 million to the African Facility.

Finland paid the first instalment of FIM 5 million of her contribution to the increase in the authorized capital of the International Finance Company (IFC) in 1986 — 1990.

In 1986, a Preparatory Committee was convened to prepare draft by-laws, rules and regulations for the Multilateral Investment

Guarantee Agency (MIGA) to be established in connection with the World Bank. MIGA was to begin operations once at least five capital-exporting countries and fifteen capital-importing countries had ratified the Convention concerning it. More than 50 countries had signed the Convention by the end of the year, but it had not been ratified by the necessary number of countries. Finland has not yet signed the Convention.

## OTHER INTERNATIONAL COOPERATION

Finland is a member of the Asian Development Bank (ADB), the African Development Bank (ADB) and the Inter-American Development Bank (IDB). As with the World Bank Group, the Bank of Finland assists in the management of Finland's relations with these international financial institutions, and, in accordance with the respective agreements, the Bank acts as the deposit bank for these organizations in Finland.

Together with the other relevant authorities, the Bank of Finland participated, in the activities of the Organization for Economic Cooperation and Development (OECD), the European Free Trade Association (EFTA) and the Economic Commission for Europe (ECE) and in the work carried on within the framework of the UN system and the GATT negotiations. At the meetings of the Trade and Development Board of the United Nations, preparations were made for the next general conference of UNCTAD, UNCTAD VII, due to be held in the summer of 1987. The conference will deal with issues relating to the trade, financing and economic development of developing countries.

In the course of the year, the preparations for the eighth round of multilateral GATT negotiations were completed and in Punta del Este in September the contracting parties agreed on the commencement of the so-called Uruguay round of negotiations. The main objectives of the negotiations were the further liberalization

of trade and the strengthening of the international trading system. With the commencement of the new round, the negotiations will extend beyond the traditional sectors. For the first time, the negotiations will deal with the liberalization of the trade in agricultural products and trade in services. The Bank of Finland participated in the domestic preparatory work for the negotiations on financial services and in a report on Finland's trade in services.

It was decided to discontinue the activities of the Nordic Senior Executives' Committee for Monetary and Financial Questions (NÄFV). In its place a new, wider-ranging committee on economic and financial issues was set up. Otherwise, Nordic cooperation in the field of foreign exchange policy continued along established lines.

As in previous years, the meetings of the Nordic Financial Commission (NFU) dealt with foreign exchange and financial issues. The NFU meetings were concerned with preparing the Nordic countries' common standpoints on issues to be dealt with by the International Monetary Fund and considered the reports prepared by a NÄFV working group on the possibilities of promoting industrial cooperation between the Nordic countries by liberalizing exchange controls.

The annual meeting of the Governors of the Nordic central banks was held in Greenland in August. The major topic of discussion was the development of the international monetary system. In March, the finance ministers of the Nordic countries issued a joint statement concerning the world economic situation and the difficulties arising from the debt problems of the developing countries. The statement emphasized the joint responsibility of all parties concerned in alleviating the debt-servicing problems. Hence, it was noted that, in the planning and implementation of economic policies, greater attention than hitherto should be drawn to the international effects of economic policy measures.



The Bank of Finland took part in the activities of the Finnish-Soviet Commission for Economic Cooperation and of the Commission for Economic Cooperation between Finland and the CMEA. The Bank of Finland participated as an observer at the 40th session of the Council of the International Investment Bank (MIB) and the 64th session of the Council of the International Bank for Economic Cooperation (IBEC).

The Bank of Finland was represented in the negotiations concerning the exchange of goods between Finland and the Soviet Union in 1987. In addition, the Bank was represented at the meetings with other centrally planned economies of the Joint Commissions for Reciprocal Removal of Obstacles to Trade and for Economic, Scientific and Technical Cooperation.

# THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF THE BANK OF FINLAND

The Bank of Finland's end-year Balance Sheets for the year under review and the preceding year are presented on pages 36–37. In keeping with the Regulations for the Bank, balance sheets were prepared and published four times a month. The end-month balance sheets for 1986 are shown in Table 1 of the Tables Section. Chart 17 depicts the movements in the major items of the balance sheet. The profit and loss account of the Bank of Finland for 1986 and the previous year are given on page 40.

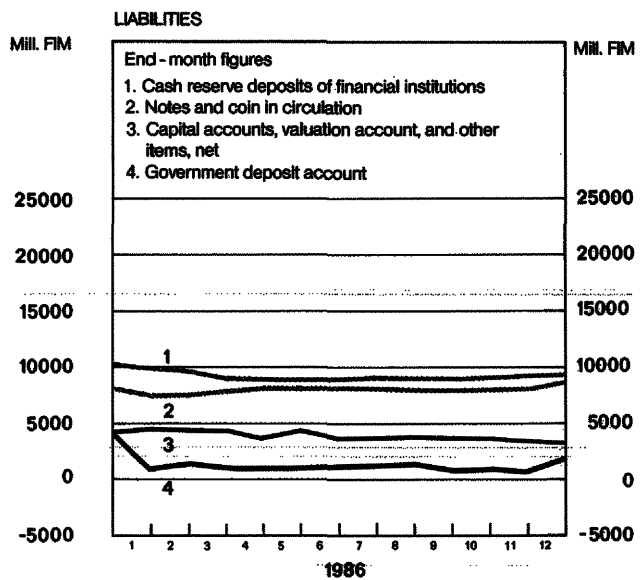
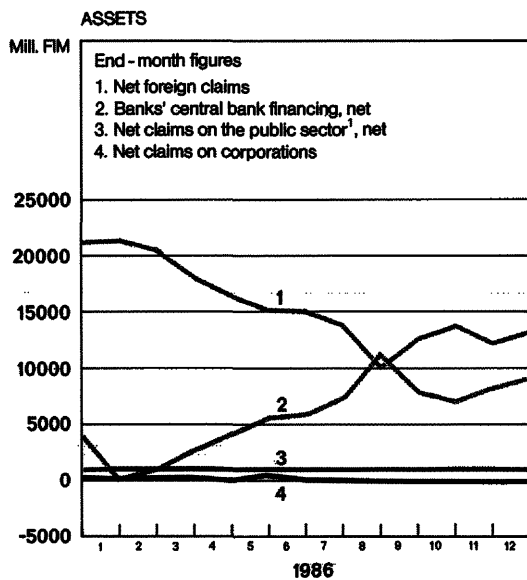
## FOREIGN SECTOR

Net foreign claims of the Bank of Finland declined by FIM 8 006 million in the course of 1986. At the end of the year, net foreign claims totalled FIM 13 219 million. They were at their highest at the beginning of the year and at their lowest in August.

The convertible foreign exchange reserves of the Bank of Finland, which include gold,

special drawing rights, the IMF reserve tranche and net convertible currency claims, fell by FIM 11 723 million in the course of 1986 and amounted to FIM 10 636 million at the end of the year. Holdings of convertible currencies, including foreign bonds, fell by FIM 11 794 million in net terms to FIM 6 778 million. The changes in the other items included under the convertible foreign exchange reserves were fairly minor.

Chart 17.  
BALANCE SHEET OF THE BANK OF FINLAND



<sup>1</sup>Excl. government deposit account.

The tied foreign exchange reserves showed a small net liability at the beginning of the year, but already shifted into a net claim of about FIM 1 billion in January. In June, the tied reserves again began to grow sharply, and amounted to FIM 3 421 million at the end of the year.

The Bank of Finland's other foreign claims, which comprised only the markka subscription to Finland's quota in the IMF, decreased by FIM 60 million to FIM 2 585 million. The Bank's other foreign liabilities fell by FIM 71 million to FIM 3 423 million. Of these items, the IMF markka accounts declined by FIM 60 million and allocations of special drawing rights by FIM 11 million. These changes were mainly exchange rate adjustments, which were due to the fact that both the markka subscription and the markka accounts are determined on the basis of the exchange rate for the SDR in accordance with the practice applied by the IMF.

## FINANCIAL INSTITUTIONS

The financial institutions had a net claim of FIM 2 897 million on the Bank of Finland at the beginning of the year. In the course of the year, the net claim decreased so much that at the end of the year the financial institutions had a net liability of FIM 4 345 million to the Bank of Finland.

Total central bank financing of the banks grew by FIM 3 980 million in the course of the year. At the beginning of the year, total central bank financing amounted to FIM 5 219 million and consisted exclusively of call money credits. In December, the Bank of Finland also started to extend to banks 3-month fixed-rate credits, which totalled FIM 2 381 million at the end of the year.

At the end of the year, the banking institutions had call money credits in the Bank of Finland's

call money market totalling FIM 6 818 million and call money deposits totalling FIM 131 million. The amount of call money credits was FIM 1 599 million more and that of call money deposits FIM 1 074 million less than one year earlier. The Bank of Finland made a placement in the call money market to cover the difference between call money credits and call money deposits, which totalled FIM 6 687 million at the end of the year. Including term credits, the banks' net central bank financing amounted to FIM 9 068 million at the end of the year.

The banking institutions' cash reserve deposits with the Bank of Finland fell by FIM 952 million in the course of the year. The decline in deposits was due to a lowering in the cash reserve requirement, since the cash reserve base was extended. Of the other items, capital import deposits by financial institutions fell by FIM 385 million to FIM 254 million.

The interest-free till-money credits, which are used to finance the notes and coin held by banking institutions in their tills, totalled FIM 2 305 million at the end of the year. This was FIM 380 million more than one year earlier. The Bank of Finland's holdings of bonds issued by financial institutions grew by FIM 46 million to FIM 2 111 million.

In addition to claims and liabilities, the financial institutions had contingent liabilities to the Bank of Finland, which had arisen in connection with the Bank's special financing arrangements. These liabilities include export and new-export bills, for the repayment of which the banks were liable. In the balance sheet, they are entered as "financing of exports" under claims on corporations and they amounted to FIM 1 748 million at the end of the year. In addition, contingent claims included guarantees given by the banks to the Bank of Finland for the repayment of domestic suppliers' credits; at the end of 1986, they totalled FIM 2 833 million.

## BALANCE SHEET, FIM

ASSETS	Dec. 31, 1985		Dec. 31, 1986	
<b>Gold and foreign currency claims</b>				
Gold	2 081 473 367,59		2 081 473 367,59	
Special drawing rights	930 718 648,41		982 808 877,02	
IMF reserve tranche	774 979 217,59		793 424 959,89	
Convertible currencies	18 607 612 626,92		6 794 836 229,34	
Tied currencies	255 590 259,39	22 650 374 119,90	3 435 168 207,81	14 087 711 641,65
<b>Other foreign claims</b>				
Markka subscription to Finland's quota in the IMF	2 645 250 356,40	2 645 250 356,40	2 584 934 647,11	2 584 934 647,11
<b>Claims on financial institutions</b>				
Banks' cheque accounts	—		—	
Call money credits	5 218 487 781,07		6 818 080 669,95	
Term credits	—		2 381 000 000,—	
Till-money credits	1 925 099 000,—		2 305 239 000,—	
Bonds	2 065 466 655,90		2 111 055 156,—	
Other claims on financial institutions	46 960 952,17	9 256 014 389,14	458 145 574,83	14 073 520 400,78
<b>Claims on the public sector</b>				
Bonds	118 271 158,20		59 368 866,30	
Total coinage	890 363 082,50		934 892 337,50	
Other claims on the public sector	14 272 062,88	1 022 906 303,58	8 121 146,98	1 002 382 350,78
<b>Claims on corporation</b>				
Financing of exports	1 601 267 819,72		1 748 451 566,11	
Financing of domestic deliveries	2 923 610 156,67		2 833 056 306,89	
Bonds	80 834 081,85		65 274 258,24	
Other claims on corporations	73 342 548,66	4 679 054 606,90	197 051 223,61	4 843 833 354,85
<b>Other assets</b>		145 789 189,14		149 508 627,13
<b>TOTAL</b>		<b>40 399 388 965,06</b>		<b>36 741 891 022,30</b>

## THE PUBLIC SECTOR

At the end of 1986, the Bank of Finland had a net liability of FIM 999 million to the public sector. This was FIM 2 278 million less than at the end of the previous year.

The Bank of Finland's claims on the public sector fell by FIM 21 million to FIM 1 002 million. The Bank of Finland's holdings of government bonds decreased by FIM 59 million, while total coinage, which is the counterpart to coin in circulation on the lia-

<b>LIABILITIES</b>	Dec. 31, 1985		Dec. 31, 1986	
<b>Foreign currency liabilities</b>				
Convertible currencies	35 580 755,14		16 937 900,38	
Tied currencies	540 182 349,73	575 763 104,87	13 852 350,03	30 790 250,41
<b>Other foreign liabilities</b>				
IMF markka accounts	2 645 338 209,12		2 584 978 568,94	
Allocations of special drawing rights	848 899 909,40	3 494 238 118,52	838 507 796,70	3 423 486 365,64
<b>Notes and coin in circulation</b>				
Notes	7 303 733 658,—		7 855 664 484,—	
Coin	767 807 115,93	8 071 540 773,93	811 611 811,97	8 667 276 295,97
<b>Liabilities to financial institutions</b>				
Banks' cheque accounts	55 851,34		14 537,83	
Call money deposits	1 204 627 078,60		130 787 689,43	
Cash reserve deposits	10 222 236 587,72		9 269 636 101,87	
Capital import deposits	639 260 170,—		254 513 460,00	
Other liabilities to financial institutions	86 939 097,95	12 153 118 785,61	73 910 617,26	9 728 862 406,39
<b>Liabilities to the public sector</b>				
Cheque accounts	371 047,09		363 241,63	
Government deposit account	4 300 000 000,—		2 000 000 000,—	
Capital import deposits	—		—	
Other liabilities to the public sector	260 763,04	4 300 631 810,13	269 621,81	2 000 632 863,44
<b>Liabilities to corporations</b>				
Deposits for investment and ship purchase	3 840 890 639,12		4 671 296 496,97	
Capital import deposits	423 943 037,97		336 211 288,47	
Other liabilities to corporations	2 127 020,99	4 266 960 698,08	11 553 625,45	5 019 061 410,89
<b>Other liabilities</b>		13 910 168,96		22 807 755,32
<b>Valuation account and reserves</b>		1 638 698 268,31		1 920 283 309,79
<b>SITRA's capital</b>		400 000 000,—		400 000 000,—
<b>Capital accounts</b>				
Primary capital	5 000 000 000,—		5 000 000 000,—	
Reserve fund	764 117 039,56		484 527 236,65	
Undisposed profits	—		—	
Profit/loss for the accounting year	-279 589 802,91	5 484 527 236,65	44 163 127,80	5 528 690 364,45
<b>TOTAL</b>		<b>40 399 388 965,06</b>		<b>36 741 891 022,30</b>

bilities side of the balance sheet, grew by FIM 44 million. Liabilities to the public sector fell by FIM 2 299 million to FIM 2 001 million. This item consists almost entirely of funds held in the government deposit account, which totalled FIM 2 000 million at the end of the year.

## CORPORATIONS

The Bank of Finland's net claim on corporations fell by FIM 587 million during the year. At the end of the year, the Bank had a net liability of FIM 175 million to corporations.

Of the Bank of Finland's claims on corporations, financing of exports increased by FIM 148 million while financing of domestic deliveries fell by FIM 91 million. At the end of the year, the total value of the outstanding credit granted under these special financing arrangements amounted to FIM 4 582 million. The Bank of Finland's holdings of bonds issued by corporations fell by FIM 16 million to FIM 65 million. Other claims on corporations increased by FIM 124 million.

Of the liabilities to corporations, deposits for investment and ship purchase increased by FIM 830 million, totalling FIM 4 671 million at the end of the year. Capital import deposits of corporations fell by FIM 88 million to FIM 336 million. These also include the cash reserve deposits made by corporations on the basis of short-term credits contracted with foreign banks. At the end of the year, these deposits amounted to FIM 191 million.

## NOTES AND COIN IN CIRCULATION

The amount of notes and coin in circulation grew by FIM 595 million, or 7.4 per cent. The increase corresponded fairly closely to growth of the national economy. At the end of the year, the amount of notes and coin in circulation totalled FIM 8 667 million, of which notes accounted for FIM 7 856 million and coin for FIM 811 million. In addition, the balance sheet item "other liabilities" included notes in the old denomination to the value of FIM 9 million.

## OTHER BALANCE SHEET ITEMS

The Bank's capital accounts, before adding the profit for the accounting year, amounted to FIM 5 485 million, or the same as the Bank's total capital accounts at the end of the previous year. The capital accounts represented 15.0 per cent of the balance sheet total.

In keeping with the Regulations for the Bank of Finland, the value of the Bank's holdings of

real estate, equipment and shares was not entered in the balance sheet, but the costs of these were depreciated in full in the profit and loss account at the rate they were incurred to the Bank. The Bank of Finland owns the bank premises in Helsinki and in the cities where the Bank has branch offices. The Bank owns the industrial premises in the City of Vantaa on which the Bank of Finland Security Printing House operates. The activities of this company will be described in a separate annual report. In addition, the Bank of Finland is a shareholder in the Industrialization Fund of Finland and certain industrial companies. The Bank of Finland also owns SITRA (Finnish National Fund for Research and Development). The Bank of Finland relinquished in full its shareholdings in the Mortgage Bank of Finland Ltd and Tervakoski Oy by selling the former to Postipankki and the latter to Enso-Gutzeit Oy.

## NOTE ISSUE

Ordinary note cover, which includes gold reserves and the Bank's indisputable foreign claims, fell by FIM 8 439 million in 1986, and totalled FIM 14 617 million at the end of the year. Supplementary note cover, which comprises coverable bills, remained at its upper limit of FIM 1 500 million. Hence, the total right of note issue declined by FIM 8 439 million to FIM 16 117 million.

As the utilized right of note issue, which includes notes in circulation and liabilities payable on demand, went up by a total of FIM 12 million, the note reserve fell by FIM 8 451 million and amounted to FIM 8 122 million at the end of 1986.

## THE NET BALANCE SHEET OF THE BANK OF FINLAND

The changes in the net balance sheet of the Bank of Finland in 1986 are summarized on page 39 by main sector.

## ITEMS IN THE NET BALANCE SHEET, MILLION FIM

	December 31, 1985	December 31, 1986	Change
+ Net foreign claims	21 225	13 219	- 8 006
+ Net claim on corporations	412	- 175	- 587
<b>= Total net claims</b>	<b>21 637</b>	<b>13 044</b>	<b>- 8 593</b>
+ Net liability to financial institutions	2 897	- 4 345	- 7 242
+ Net liability to the public sector	3 277	999	- 2 278
+ Notes and coin in circulation	8 072	8 667	+ 595
+ Capital accounts, valuation account and other balance sheet items, net	7 391	7 723	+ 332
<b>= Net liability plus capital accounts</b>	<b>21 637</b>	<b>13 044</b>	<b>- 8 593</b>

There were rather large decreases in the items in the net balance sheet in 1986. Net foreign claims went down by FIM 8 billion, while the Bank's net liability to the financial institutions declined by more than FIM 7 billion and that to the public sector by more than FIM 2 billion.

## PROFIT AND LOSS ACCOUNT

The format for the profit and loss account has been changed from that used last year. The item "agios and valuation for exchange rate changes" now appears as a separate main item and a new intermediate sum "profit/loss before agios and valuation for exchange rate changes and reserves" has been introduced.

Interest income of the Bank of Finland fell by FIM 444 million to FIM 2 529 million. Interest on domestic claims increased by FIM 108 million to FIM 1 579 million. Interest income on call money credits amounted to FIM 960 million and that on credits extended under special financing arrangements to FIM 372 million. Interest on foreign claims fell by FIM 552 million to FIM 950 million, mainly because of a decline in the foreign exchange reserves.

Interest expense of the Bank of Finland decreased by FIM 1 095 million to FIM 1 516 million. Interest on domestic liabilities also fell

by FIM 1 095 million, mainly because of a substantial decline in forward purchase contracts and call money deposits. Interest expense on cash reserve deposits totalled FIM 744 million and that on call money deposits FIM 141 million. As in the previous year, expense in the form of interest and commissions on drawn and undrawn foreign liabilities was only a minor item, amounting to just over FIM 1 million.

Net interest income, or the interest margin, grew by FIM 650 million, and totalled FIM 1 012 million.

Other income increased by FIM 226 million to FIM 334 million, mainly as a result of share transactions, of which the largest were the sales of the shareholdings in Tervakoski Oy and in the Mortgage Bank of Finland Ltd. Other expense, excluding the effect of the item "agios and valuation for exchange rate changes", remained unchanged at FIM 288 million. Salaries and social security costs increased by FIM 10 million, expenditure on banknote printing by FIM 1 million and miscellaneous expense by FIM 9 million. Depreciation amounted to FIM 50 million, which was FIM 20 million less than a year earlier.

The profit before taking into account "agios and valuation for exchange rate changes and

## PROFIT AND LOSS ACCOUNT, FIM

	Jan. 1—Dec. 31, 1985		Jan. 1—Dec. 31, 1986	
<b>Interest income</b>				
Interest on domestic claims	1 470 627 514,54		1 578 646 489,22	
Interest of foreign claims	1 502 281 032,66	+ 2 972 908 547,20	949 953 966,07	+ 2 528 600 455,29
<b>Interest expense</b>				
Interest on domestic liabilities	2 610 117 169,—		1 514 747 649,51	
Interest and commission on drawn and undrawn foreign liabilities	529 417,67	— 2 610 646 586,67	1 396 031,65	— 1 516 143 681,16
<b>Interest margin</b>		+ 362 261 960,53		+ 1 012 456 774,13
<b>Other income</b>				
Commissions	2 161 710,87		1 413 321,92	
Other income	105 678 422,06	+ 107 840 132,92	332 122 717,03	+ 333 536 038,95
<b>Other expense</b>				
Salaries	97 516 419,29		103 614 712,56	
Social security costs	39 437 739,46		43 497 863,41	
Banknote printing	33 597 037,01		34 845 200,60	
Depreciation	69 618 975,13		49 580 340,96	
Miscellaneous expense	48 181 183,78	— 288 351 354,67	56 812 609,16	— 288 350 726,69
<b>Profit/loss before agios and valuation for exchange rate changes and reserves</b>		+ 181 750 738,78		+ 1 057 642 086,39
<b>Agios and valuation for exchange rate changes</b>		— 461 340 541,69		— 1 013 478 958,59
<b>Change in reserves</b>		—		—
<b>PROFIT (+)/LOSS (—) FOR THE ACCOUNTING YEAR</b>		— 279 589 802,91		+ 44 163 127,80

reserves" amounted to FIM 1 058 million, which was FIM 876 million more than a year before.

Net expense attributable to "agios and valuation for exchange rate changes" amounted to FIM 1 013 million, which was more than double the amount in the previous year. This item consists of income from exchange dealings, the change in the value of outstanding foreign currency claims and liabilities resulting from exchange rate changes and the change in the value of outstanding forward contracts. The increase in expense resulting from ex-

change rate changes was mainly due to a fall in the value of the dollar. The amount of reserves was kept unchanged in the closing of accounts.

The Bank's profit for the accounting year amounted to FIM 44 million, whereas the closing of accounts for the previous year had shown a loss of FIM 280 million. In keeping with item 3 of § 30 of the Regulations for the Bank, the profit will be used in full to augment the reserve fund in the opening balance sheet for 1987.



## APPENDICES

## **THE SPECIAL FINANCING ARRANGEMENTS OF THE BANK OF FINLAND**

The aim of the domestic suppliers' credits scheme is to ensure that Finnish firms are financially competitive with foreign suppliers in the domestic market. The scheme is operated by the Bank of Finland, the commercial banks and Postipankki. Up till December 10, 1986, the Bank of Finland's share in the financing of the purchase price of a delivery was 30 per cent and the rate of interest collected from borrowers the base rate plus one percentage point. Since then, the Bank of Finland's share in financing has been 40 per cent and the rate of interest applied to these credits the Bank of Finland's base rate plus 2 percentage points.

The purpose of the financing scheme for short-term export credits is to finance export credits granted for up to a maximum of 24 months in connection with exports payable in convertible currencies. A firm's short-term export credits can be financed by the Bank up to an annual average of FIM 20 million. The rate of interest collected from exporters is the Bank of Finland's base rate plus 0.25 percentage point.

New-export credits are used to finance the working capital needs of small and medium-sized industrial firms arising from their exports. The credit limits for individual companies are decided on semiannually on the basis of firms' actual and projected exports. The rate of interest collected from firms is the Bank of Finland's base rate less 0.75 percentage point.

## **INVESTMENT RESERVES**

The investment reserve scheme was set up as a counter-cyclical instrument with the aim of influencing the timing of investments by encouraging companies to voluntarily postpone their investments until periods of recession. Investment reserves, which are deductible in taxation, can, at most, account for half of the company's net profit for the accounting period, unless some other percentage has been separately decided upon at any time. Funds representing at least half of the transfer to the reserve must be deposited in a blocked account with the Bank of Finland. Tax-free interest is paid on deposits at half of the Bank of Finland's base rate. In accordance with a separate decision, the Bank of Finland may pay a higher rate of interest on these deposits. The Council of State grants a temporary permit for the utilization of investment reserves, and the National Board of Taxation gives permission for the withdrawal of deposits.

# MONETARY AND FOREIGN EXCHANGE POLICY MEASURES IN 1986

January

## Interest rate policy

The Bank of Finland lowered its base rate from 9.0 to 8.5 per cent as from January 1, 1986. In the same context, the upper limit on the banks' lending rates was rescinded. The Bank of Finland required, however, that the rates of interest applied to loans granted for the acquisition of dwellings intended for own use would not be raised in relation to the base rate.

The rates applied by the banks to existing loans and tax-free deposits were generally presupposed to fall by 0.5 percentage point.

## Regulation of average lending rates

The Bank of Finland revised its regulation of the banks' average lending rates with effect from the beginning of 1986. The average interest rate at the end of each calendar month could at most be the Bank of Finland's base rate plus 1.75 percentage points. If the average interest rate on a bank's total markka-denominated deposits exceeded the Bank of Finland's base rate by more than 1.25 percentage points, the bank's average lending rate could at most equal the average deposit rate for the month in question plus 0.5 percentage point.

## Call money market

From the beginning of 1986, the Bank of Finland revised the system applied in the call money market, so that it paid a lower rate of interest on deposits than it charged on call money credits. The rate payable on call money deposits was 11.0 per cent as from January 2.

## Revision of foreign exchange regulations

The Foreign Exchange Act was renewed for five years from the beginning of 1986. At the same time, the Bank of Finland's exchange control powers were extended and the foreign exchange regulations were clarified. Among other things, the following regulations were eased: the penalty surcharge scheme applied to short-term import credits was abolished; the maximum period for suppliers' credit not requiring the special permission of the Bank of Finland was set at six months, i.e. the same as the former period for suppliers' credit not subject to the surcharge. Investments in securities quoted abroad and in the form of funds held in accounts with foreign monetary institutions were permitted up to a maximum of FIM 10 000 a calendar year per resident. The upper limit on foreign exchange which could be acquired for the purchase of a recreational dwelling abroad was raised to FIM 600 000. The upper limit on an emigrant's foreign exchange was also raised to FIM 600 000 per person for persons emigrating alone and to FIM 400 000 per person in cases where more than one member of the same family was emigrating. Authorized banks were granted the right to surrender travel exchange without upper limit on the basis of a breakdown of costs drawn up by the purchaser of travel exchange. Securities agents were accorded the same rights as the authorized banks to act as intermediaries in securities transactions between residents and non-residents.

## Payments arrangement between Finland and Czechoslovakia

In keeping with an agreement concluded between Finland and Czechoslovakia in August 1985, the practice of settling transactions in convertible currencies was extended for three years from the beginning of 1986. The agreement provides for the automatic renewal of the payments arrangement for three years at time unless subsequently agreed upon otherwise.

#### Payments arrangement between Finland and Poland

The Finnish and Polish authorities agreed in December 1985 that payments between Finland and Poland in 1986 could be effected in US dollars as well as in Finnish markkaa.

#### Cash reserve requirement

The Bank of Finland lowered the cash reserve requirement from 5.3 to 5.0 per cent of the total stock of deposits in January.

#### Call money market

The Bank of Finland lowered the rate on call money credits from 11.7 to 11.4 per cent and the rate on call money deposits from 11.0 to 10.7 per cent as from January 24.

### February

#### Cash reserve requirement

The Bank of Finland lowered the cash reserve requirement from 5.0 to 4.7 per cent of the total stock of deposits in February.

### March

#### Interest rate policy

The Bank of Finland lowered its base rate from 8.5 to 8.0 per cent as from March 1, 1986. As a result of this decision, the rates applied by the banks to existing loans generally fell by 0.5 percentage point. The rates applied to tax-free deposits were lowered by the same amount.

#### Call money market

The Bank of Finland lowered the rate on call money credits from 11.4 to 11.2 per cent and the rate on call money deposits from 10.7 to 10.5 per cent as from March 3.

#### Investment reserves

On March 20, the Council of State decided to release, with effect from October 1, 1985, investment reserves made by companies for accounting periods ending in 1984 in localities other than the Greater Helsinki area. The utilization period for investment reserves was to expire on December 31, 1987.

### May

#### External value of the markka

On May 16, the external value of the markka was lowered by 1.6 per cent by raising the currency index within its fluctuation range.

#### Interest rate policy

The Bank of Finland lowered its base rate from 8.0 to 7.0 per cent as from May 19, 1986. At the same time, the rates applied by the banks to existing loans fell by one percentage point, whereas the rates applied to 12 and 24-month time deposits fell, at most, by 0.75 percentage point. The rates applied to other tax-free deposits fell, at most, by one percentage point.

#### Regulation of average lending rates

The Bank of Finland raised the upper limit on the banks' average lending rate in relation to the base rate by 0.25 percentage point with effect from May 19, 1986.

The new upper limit was to be the Bank of Finland's base rate plus 2 percentage points or 9.0 per cent. If the average interest rate on a bank's total markka-denominated deposits exceeded the Bank of Finland's base rate by more than one percentage point, the bank's average lending rate could at most equal the average deposit rate for the month in question plus one percentage point.

#### Call money market

The Bank Supervisors delegated by Parliament authorized the Board of Management of the Bank of Finland to raise, whenever necessary, the call money rates to 30 per cent between May 15 and June 15, 1986. Prior to this period and thereafter, the upper limit on call money rates remained unchanged, i.e. the base rate plus 15 percentage points.

The Bank of Finland implemented the following changes in its call money rates:

Effective as from	Rate on call money credits Per cent	Rate on call money deposits Per cent
May 13	13.0	12.5
May 14	16.0	15.3
May 16	14.0	13.3
May 20 (I)	13.0	12.3
May 20 (II)	12.0	11.3
May 22	11.0	10.3

#### Amendments to Foreign Exchange Regulations

The authorized banks were granted permission to use foreign credit to finance their customers' long-term export receivables as from May 13, 1986. Similarly, exporters were, on application, granted permission to raise foreign finance in their own names in order to finance their long-term export receivables.

With effect from May 16, 1986, the Bank of Finland removed the upper limit on the amount of foreign credit intermediated by banks for financing imports. At the same time, the Bank decided to start treating domestic foreign currency deposits received by banks as equivalent to banks' foreign borrowing as from June 30; subsequent to this, banks were, in practice, no longer able to grant credits against domestic foreign currency deposits.

June

#### Call money market

On June 6, 1986, the Bank of Finland lowered the rate on call money credits to 10.8 per cent and the rate on call money deposits to 10.1 per cent.

#### Amendments to Foreign Exchange Regulations

The Bank of Finland revised the Foreign Exchange Regulations in some respects with effect from June 16, 1986. The main points of the amendments were as follows:

The prohibition concerning the sale of Finnish bonds and debentures to non-residents was rescinded in so far as they were bought with earnings or sales proceeds from Finnish bonds and debentures acquired previously or with funds held in Finland by persons who had emigrated from Finland.

The authorized banks and other securities agents were permitted to sell foreign securities from their own portfolios to residents within the quantitative limits set in the Foreign Exchange Regulations.

In addition, the Foreign Exchange Regulations were relaxed mainly with respect to payments for goods and services, and certain quantitative limits included in the Foreign Exchange Regulations were raised.

## August

### Call money market

On July 31, the Bank Supervisors Delegated by Parliament extended to the Board of Management of the Bank of Finland, until further notice, unlimited powers to raise the call money rate.

The Bank of Finland implemented the following changes in its call money rates in August:

Effective as from	Rate on call money credits Per cent	Rate on call money deposits Per cent
August 1 (I)	11.2	10.2
August 1 (II)	11.6	10.6
August 4	12.4	11.4
August 5 (I)	13.2	12.2
August 5 (II)	15.2	14.2
August 5 (III)	25.0	24.0
August 7	40.0	39.0
August 14	35.0	34.0
August 15 (I)	30.0	29.0
August 15 (II)	25.0	24.0
August 18	20.0	19.0
August 20	19.0	18.0
August 26	18.0	17.0
August 29	17.0	16.0

### Regulation of average lending rates

The Bank of Finland abolished the regulation of average lending rates as from August 1, 1986.

### Amendments to Foreign Exchange Regulations

With effect from August 1, the Bank of Finland decided to exempt from regulation foreign credits with a maturity of at least five years raised by manufacturing and shipping companies for financing their own operations. The decision on the removal of control did not apply to bond and debenture issues denominated in Finnish markkaa.

## September

### Cash reserve requirement

As an exception to the cash reserve agreement concluded with the banks, the Bank of Finland decided to pay interest on cash reserve deposits for the period September - December 1986 at a rate which was 3 percentage points below the Bank of Finland's rate on call money credits, but not less than 1/4 percentage point below the Bank of Finland's base rate.

### Call money market

The Bank of Finland implemented the following changes in its call money rates:

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

### October

#### Call money market

The Bank of Finland implemented the following changes in its call money rates:

Effective as from	Rate on call money credits Per cent	Rate on call money deposits Per cent
October 10	12.0	11.0
October 16	11.8	10.8

The decision of the Bank Supervisors Delegated by Parliament on the temporary removal of the upper limit on the call money credit rate expired on October 21, 1986. With effect from that date, the upper limit on the call money credit rate was again the base rate plus 15 percentage points.

#### Investment reserves

On October 23, 1986, the Council of State decided to release investment reserves made for accounting periods ending in 1984 for use in the Greater Helsinki area during the period April 1, 1986—December 31, 1987. In the same context, the Council of State raised the special investment allowance from 3 to 6 per cent in respect of investment reserves to be used outside the Greater Helsinki area during accounting periods ending between November 1, 1986 and December 31, 1987.

#### Changes in the cash reserve agreement and the terms of central bank financing

Samuel Montagu Osakepankki commenced operations in Finland at the beginning of October. On October 17, 1986, the bank joined the cash reserve agreement concluded between the Bank of Finland and the banks on September 7, 1984. As from the beginning of November, the Bank of Finland granted Samuel Montagu Osakepankki the same rights to central bank financing and to participation in the call money market as the other commercial banks.

After Bank of Helsinki Ltd ceased operations as an independent bank and merged with Union Bank of Finland Ltd at the beginning of November, the Bank of Finland cancelled the rights of Bank of Helsinki Ltd to central bank financing and to participation in the call money market with effect from November 1, 1986.

### November

#### Lending rates

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

agreements could be linked to a reference rate reflecting the cost of unregulated short-term funding. A condition for the introduction of a reference rate was the prior approval of the Bank of Finland.

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

December

#### Terms of central bank financing

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

At that stage, the Bank of Finland did not undertake to accept longer-term deposits at fixed rates.

#### Call money market

The Bank of Finland lowered the call money deposit rate from 10.8 to 9.0 per cent with effect from December 1 and raised the call money credit rate from 11.8 to 11.9 per cent with effect from December 2 and further to 12.0 per cent with effect from December 9.

#### Financing of domestic suppliers' credits

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

— — — — —

The following decisions were made on measures to enter into force in 1987:

#### Financing of short-term export credits

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

#### New-export credits

As from the beginning of 1987, the Bank of Finland restricted the use of new-export credits so that the duration of a new-export credit extended to a company could not exceed five years from the drawing of the first instalment. The rate of interest collected by the Bank of Finland from banks for new-export



credits was raised to the same level as that applied in the financing of short-term export credits, i.e. the Bank of Finland's base rate plus 0.25 percentage point.

#### Cash reserve agreement

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

#### Amendments to Foreign Exchange Regulations

As from January 1, 1987, the Bank of Finland accorded the Labour Savings Bank of Finland the status of an authorized bank.

Table 1.

**THE MONTHLY BALANCE SHEET OF THE BANK OF FINLAND IN 1986, MILLION FIM**

<b>ASSETS</b>	<b>I</b>	<b>II</b>	<b>III</b>
<b>Gold and foreign currency claims</b>	<b>22 383</b>	<b>21 501</b>	<b>19 096</b>
Gold	2 081	2 081	2 081
Special drawing rights	930	916	959
IMF reserve tranche	786	751	797
Convertible currencies	17 388	16 894	14 641
Tied currencies	1 198	859	618
<b>Other foreign claims</b>	<b>2 633</b>	<b>2 655</b>	<b>2 623</b>
Markka subscription to Finland's quota in the IMF	2 633	2 655	2 623
<b>Claims on financial institutions</b>	<b>5 601</b>	<b>6 934</b>	<b>7 688</b>
Banks' cheque accounts	—	—	—
Call money credits	1 852	3 174	3 806
Term assets	—	—	—
Till-money credits	1 558	1 531	1 657
Bonds	2 119	2 148	2 153
Other claims on financial institutions	72	81	72
<b>Claims on the public sector</b>	<b>1 036</b>	<b>972</b>	<b>976</b>
Bonds	132	69	71
Total coinage	896	899	902
Other claims on the public sector	8	4	3
<b>Claims on corporations</b>	<b>4 805</b>	<b>4 804</b>	<b>4 838</b>
Financing of exports	1 673	1 696	1 695
Financing of domestic deliveries	2 981	2 958	2 996
Bonds	79	78	75
Other claims on corporations	72	72	72
<b>Other assets</b>	<b>147</b>	<b>148</b>	<b>147</b>
<b>TOTAL</b>	<b>36 605</b>	<b>37 014</b>	<b>35 368</b>

IV	V	VI	VII	VIII	IX	X	XI	XII
<b>17 420</b>	<b>16 173</b>	<b>15 927</b>	<b>14 734</b>	<b>10 994</b>	<b>13 541</b>	<b>14 627</b>	<b>13 131</b>	<b>14 088</b>
2 081	2 081	2 081	2 081	2 081	2 081	2 081	2 081	2 081
939	989	981	981	983	986	983	989	983
780	838	813	812	819	803	801	799	794
13 082	11 160	10 619	8 648	4 532	7 008	7 517	5 741	6 795
538	1 105	1 433	2 212	2 579	2 663	3 245	3 521	3 435
<b>2 623</b>	<b>2 600</b>	<b>2 567</b>	<b>2 567</b>	<b>2 549</b>	<b>2 566</b>	<b>2 566</b>	<b>2 566</b>	<b>2 585</b>
2 623	2 600	2 567	2 567	2 549	2 566	2 566	2 566	2 585
<b>9 531</b>	<b>10 158</b>	<b>12 037</b>	<b>12 046</b>	<b>15 453</b>	<b>13 897</b>	<b>11 555</b>	<b>13 529</b>	<b>14 074</b>
—	—	—	—	—	—	—	—	—
5 285	6 070	7 939	7 936	11 525	9 761	7 128	9 181	6 818
—	—	—	—	—	—	—	—	2 381
1 984	1 842	1 875	1 844	1 650	1 847	1 755	1 709	2 305
2 153	2 150	2 121	2 153	2 161	2 141	2 097	2 111	2 111
109	96	102	113	117	148	575	528	459
<b>978</b>	<b>984</b>	<b>993</b>	<b>982</b>	<b>984</b>	<b>1 004</b>	<b>1 002</b>	<b>1 008</b>	<b>1 002</b>
71	75	85	74	72	84	75	73	59
904	906	908	908	912	920	927	935	935
3	3	—	0	0	—	—	—	8
<b>4 961</b>	<b>4 940</b>	<b>4 838</b>	<b>4 834</b>	<b>4 828</b>	<b>4 828</b>	<b>4 925</b>	<b>4 931</b>	<b>4 844</b>
1 629	1 632	1 610	1 614	1 584	1 642	1 747	1 773	1 749
3 036	3 012	2 942	2 938	2 966	2 910	2 903	2 886	2 833
75	74	73	73	70	68	67	66	65
221	222	213	209	208	208	208	206	197
<b>148</b>	<b>148</b>	<b>147</b>	<b>148</b>	<b>149</b>	<b>149</b>	<b>149</b>	<b>148</b>	<b>149</b>
<b>35 661</b>	<b>35 003</b>	<b>36 509</b>	<b>35 311</b>	<b>34 957</b>	<b>35 985</b>	<b>34 824</b>	<b>35 313</b>	<b>36 742</b>

Table 1. (Cont.)

<b>LIABILITIES</b>	<b>I</b>	<b>II</b>	<b>III</b>
<b>Foreign currency liabilities</b>	<b>143</b>	<b>148</b>	<b>178</b>
Convertible currencies	35	29	60
Tied currencies	108	119	118
<b>Other foreign liabilities</b>	<b>3 482</b>	<b>3 488</b>	<b>3 471</b>
IMF markka accounts	2 634	2 655	2 623
Allocations of special drawing rights	848	833	848
<b>Notes and coin in circulation</b>	<b>7 455</b>	<b>7 499</b>	<b>7 840</b>
Notes	6 710	6 753	7 082
Coin	745	746	758
<b>Liabilities to financial institutions</b>	<b>12 299</b>	<b>12 476</b>	<b>10 775</b>
Banks' cheque accounts	0	0	0
Call money deposits	1 734	2 221	1 102
Cash reserve deposits	9 828	9 556	8 942
Capital import deposits	631	599	614
Other liabilities to financial institutions	106	100	117
<b>Liabilities to the public sector</b>	<b>1 014</b>	<b>1 500</b>	<b>1 100</b>
Cheque accounts	1	0	0
Government deposit account	1 000	1 500	1 100
Capital import deposits	—	—	—
Other liabilities to the public sector	13	0	0
<b>Liabilities to corporations</b>	<b>4 585</b>	<b>4 432</b>	<b>4 446</b>
Deposits for investment and ship purchase	3 832	3 824	3 847
Capital import deposits	750	604	597
Other liabilities to corporations	3	4	2
<b>Other liabilities</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Valuation account and reserves</b>	<b>1 728</b>	<b>1 572</b>	<b>1 659</b>
<b>SITRA's capital</b>	<b>400</b>	<b>400</b>	<b>400</b>
<b>Capital accounts</b>	<b>5 484</b>	<b>5 484</b>	<b>5 484</b>
Primary capital	5 000	5 000	5 000
Reserve fund	484	484	484
Undisposed profits	—	—	—
Net earnings	—	—	—
<b>TOTAL</b>	<b>36 605</b>	<b>37 014</b>	<b>35 368</b>

IV	V	VI	VII	VIII	IX	X	XI	XII
182	151	16	63	60	28	47	52	31
65	35	16	60	57	19	27	28	17
117	116	—	3	3	9	20	24	14
<b>3 453</b>	<b>3 466</b>	<b>3 426</b>	<b>3 426</b>	<b>3 395</b>	<b>3 415</b>	<b>3 412</b>	<b>3 410</b>	<b>3 423</b>
2 623	2 600	2 567	2 567	2 549	2 567	2 566	2 566	2 585
830	866	859	859	846	848	846	844	838
<b>8 094</b>	<b>8 046</b>	<b>8 156</b>	<b>8 086</b>	<b>7 969</b>	<b>7 903</b>	<b>7 973</b>	<b>8 024</b>	<b>8 667</b>
7 330	7 280	7 381	7 304	7 190	7 126	7 193	7 237	7 856
764	766	775	782	779	777	780	787	811
<b>10 771</b>	<b>10 174</b>	<b>11 190</b>	<b>9 838</b>	<b>9 434</b>	<b>11 000</b>	<b>9 255</b>	<b>10 208</b>	<b>9 729</b>
0	0	0	0	0	0	0	0	0
1 204	477	2 098	612	252	1 886	88	931	131
8 846	8 862	8 891	9 030	9 023	8 954	9 052	9 180	9 270
631	676	68	67	66	65	21	20	254
90	159	133	129	93	95	94	77	74
<b>1 100</b>	<b>1 101</b>	<b>1 251</b>	<b>1 351</b>	<b>1 501</b>	<b>890</b>	<b>1 001</b>	<b>801</b>	<b>2 001</b>
0	1	1	1	1	0	1	1	1
1 100	1 100	1 250	1 350	1 500	890	1 000	800	2 000
—	—	—	—	—	—	—	—	—
0	0	0	0	0	0	0	0	0
<b>4 809</b>	<b>4 363</b>	<b>4 871</b>	<b>4 951</b>	<b>4 996</b>	<b>5 026</b>	<b>5 138</b>	<b>5 058</b>	<b>5 019</b>
3 904	3 938	4 662	4 735	4 792	4 847	4 798	4 715	4 671
896	424	205	207	201	170	334	340	336
9	1	4	9	3	9	6	3	12
<b>15</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>16</b>	<b>19</b>	<b>18</b>	<b>22</b>	<b>23</b>
<b>1 353</b>	<b>1 801</b>	<b>1 697</b>	<b>1 693</b>	<b>1 702</b>	<b>1 820</b>	<b>2 096</b>	<b>1 854</b>	<b>1 921</b>
<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>
<b>5 484</b>	<b>5 484</b>	<b>5 484</b>	<b>5 484</b>	<b>5 484</b>	<b>5 484</b>	<b>5 484</b>	<b>5 484</b>	<b>5 528</b>
5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
484	484	484	484	484	484	484	484	484
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	44
<b>35 661</b>	<b>35 003</b>	<b>36 509</b>	<b>35 311</b>	<b>34 957</b>	<b>35 985</b>	<b>34 824</b>	<b>35 313</b>	<b>36 742</b>

Table 2.

**CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES AT THE END OF THE YEAR, 1984–1986, MILLION FIM**

	1984	1985	1986
Gold	1 732	2 081	2 081
Special drawing rights	936	931	983
IMF reserve tranche	859	775	794
Convertible currencies			
Claims	15 387	18 608	6 795
Liabilities	— 84	— 36	— 17
<b>Convertible foreign exchange reserves</b>	<b>18 830</b>	<b>22 359</b>	<b>10 636</b>
Tied currencies			
Claims	388	255	3 435
Liabilities	— 725	— 540	— 14
<b>Tied foreign exchange reserves</b>	<b>— 337</b>	<b>— 285</b>	<b>3 421</b>

Table 3.

**INTEREST RATES APPLIED BY THE BANK OF FINLAND 1979–1986, PER CENT**

From	Base rate	Limits on interest rates for credits <sup>1</sup>		Call money rate	
		Minimum	Maximum	Minimum	Maximum
Nov. 1, 1979	8 <sup>1</sup> / <sub>2</sub>	6 <sup>3</sup> / <sub>4</sub>	9 <sup>3</sup> / <sub>4</sub>	8 <sup>1</sup> / <sub>2</sub>	24
Feb. 1, 1980	9 <sup>1</sup> / <sub>4</sub>	7 <sup>1</sup> / <sub>2</sub>	10 <sup>1</sup> / <sub>2</sub>	9 <sup>1</sup> / <sub>4</sub>	24 <sup>3</sup> / <sub>4</sub>
Jan. 1, 1981	9 <sup>1</sup> / <sub>4</sub>	7 <sup>1</sup> / <sub>2</sub>	10 <sup>1</sup> / <sub>2</sub>	9 <sup>1</sup> / <sub>4</sub>	24 <sup>1</sup> / <sub>4</sub>
June 1, 1982	8 <sup>1</sup> / <sub>2</sub>	6	11	8 <sup>1</sup> / <sub>2</sub>	23 <sup>1</sup> / <sub>2</sub>
July 1, 1983	9 <sup>1</sup> / <sub>2</sub>	7	12	9 <sup>1</sup> / <sub>2</sub>	24 <sup>1</sup> / <sub>2</sub>
Feb. 1, 1985	9	6 <sup>1</sup> / <sub>2</sub>	11 <sup>1</sup> / <sub>2</sub>	9	24
Jan. 1, 1986	8 <sup>1</sup> / <sub>2</sub>	6	11	8 <sup>1</sup> / <sub>2</sub>	23 <sup>1</sup> / <sub>2</sub>
March 1, 1986	8	5 <sup>1</sup> / <sub>2</sub>	10 <sup>1</sup> / <sub>2</sub>	8	23
May 16, 1986	8	5 <sup>1</sup> / <sub>2</sub>	10 <sup>1</sup> / <sub>2</sub>	8	30
May 19, 1986	7	4 <sup>1</sup> / <sub>2</sub>	9 <sup>1</sup> / <sub>2</sub>	7	30
June 16, 1986	7	4 <sup>1</sup> / <sub>2</sub>	9 <sup>1</sup> / <sub>2</sub>	7	22
Aug. 1, 1986	7	4 <sup>1</sup> / <sub>2</sub>	9 <sup>1</sup> / <sub>2</sub>	7	—
Oct. 21, 1986	7	4 <sup>1</sup> / <sub>2</sub>	9 <sup>1</sup> / <sub>2</sub>	7	22

<sup>1</sup> Limits on rates of interest applied to domestic lending other than bank financing.

Table 4.

**BANKS' CENTRAL BANK POSITION AND THE COST OF CENTRAL BANK FINANCING  
IN 1981—1986<sup>1</sup>**

Year and month	Central bank financing of the banks, gross Million FIM	Central bank financing of the banks, net Million FIM	Cash reserve deposits of the banks Million FIM	Central bank position of the banks Million FIM	Marginal cost of central bank financing Per cent
1981	4 095.2	2 761.8	2 794.5	— 32.7	14.75
1982	3 201.4	1 994.3	2 777.5	— 783.2	14.16
1983	4 539.0	3 132.0	4 344.9	—1 212.9	15.42
1984	3 175.7	— 39.3	6 325.5	—6 364.8	16.53
1985	5 811.8	1 285.2	9 577.9	—8 292.7	13.37
1986	7 237.2	5 981.3	9 189.1	—3 207.8	13.56
1986					
January	5 279.5	2 467.3	10 209.5	—7 742.2	11.64
February	4 241.8	1 631.3	9 817.8	—8 186.5	11.40
March	5 146.5	3 530.1	9 457.3	—5 927.2	11.21
April	5 033.5	3 374.1	8 938.9	—5 564.8	11.20
May	6 644.6	5 281.1	8 847.2	—3 566.1	12.02
June	6 393.3	5 454.5	8 863.0	—3 408.5	10.83
July	7 555.6	6 217.9	8 894.9	—2 677.0	10.80
August	11 014.5	10 268.6	9 029.7	1 238.9	24.17
September	10 290.2	9 088.3	9 020.7	67.6	13.86
October	7 845.8	7 435.5	8 959.7	—1 524.2	11.93
November	7 616.0	7 263.3	9 047.5	—1 784.2	11.80
December	9 784.9	9 763.1	9 183.2	579.9	12.48

<sup>1</sup> Averages calculated on the basis of daily figures.

Table 5.

**BANK OF FINLAND CALL MONEY MARKET IN 1981—1986<sup>1</sup>**

Year and month	Banks' call money credits	Banks' call money deposits	Bank of Finland's net placement in the market	Call money credit rate <sup>2</sup>	Call money deposit rate
	Million FIM	Million FIM	Million FIM	Per cent	Per cent
1981	3 494.4	1 333.4	2 161.0	11.48	10.32
1982	2 778.4	1 207.1	1 571.3	11.64	10.29
1983	4 131.3	1 407.0	2 724.3	15.37	14.87
1984	3 175.8	3 215.0	— 39.2	16.53	16.53
1985	5 811.8	4 526.6	1 285.2	13.37	13.37
1986	7 117.0	1 255.9	5 861.1	13.43	11.34
1986					
January	5 279.5	2 812.2	2 467.3	11.64	10.93
February	4 241.8	2 610.5	1 631.3	11.40	10.70
March	5 146.5	1 616.4	3 530.1	11.21	10.52
April	5 033.5	1 659.4	3 374.1	11.20	10.50
May	6 644.6	1 363.5	5 281.1	12.02	11.11
June	6 393.3	938.8	5 454.5	10.83	10.13
July	7 555.6	1 337.7	6 217.9	10.80	10.10
August	11 014.5	745.9	10 268.6	24.17	22.05
September	10 290.2	1 201.9	9 088.3	13.86	12.26
October	7 845.8	410.3	7 435.5	11.93	11.03
November	7 616.0	352.7	7 263.3	11.80	10.80
December	8 343.2	21.8	8 321.4	11.97	9.00

<sup>1</sup> Annual and monthly averages calculated on the basis of daily figures.

<sup>2</sup> This series does not include the supplementary charges which were levied from February 1, 1980 to April 30, 1983 in addition to the call money rate.



Table 6.

**DOMESTIC BOND AND DEBENTURE ISSUES IN 1985 AND 1986**

	Number of issues			Nominal value of issues Million FIM		
	1985	1986	Change	1985	1986	Change
Bond and debenture issues other than those by the central government, total	257	226	- 31	14 372	16 142	+ 1 770
Public issues, total	140	129	- 11	9 420	7 787	- 1 633
Private placements, total	117	97	- 20	4 952	8 355	+ 3 403
Bond issues	26	34	+ 8	2 426	3 424	+ 998
Public issues, mortgage banks	13	23	+ 10	1 400	2 304	+ 904
Tax-exempt	12	15	+ 3	1 350	1 799	+ 449
Taxable	1	8	+ 7	50	505	+ 455
Private placements	13	11	- 2	1 026	1 120	+ 94
Mortgage banks	8	11	+ 3	1 000	1 120	+ 120
Corporate sector	5	-	- 5	26	-	- 26
Debentures	27	16	- 11	1 983	1 088	- 895
Public issues	19	9	- 10	1 344	518	- 826
Private placements	8	7	- 1	639	570	- 69
Other bonds	204	176	- 28	9 963	11 630	+ 1 667
Public issues	108	97	- 11	6 676	4 965	- 1 711
Private placements	96	79	- 17	3 287	6 665	+ 3 378
Government bonds, total	26	25	- 1	7 669	7 870	+ 201
Public issues	10	10	-	5 044	5 688	+ 644
Private placements	16	15	- 1	2 625	2 182	- 443
<b>All bond and debenture issues, total</b>	<b>283</b>	<b>251</b>	<b>- 32</b>	<b>22 041</b>	<b>24 012</b>	<b>+ 1 971</b>

Table 7.

## FOREIGN EXCHANGE: SPOT SELLING RATES IN 1981-1986, FIM

Currency	1981			1982			1983		
	Max	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 USD, New York	4.707	4.315	3.812	5.572	4.820	4.325	5.899	5.570	5.241
1 CAD, Montreal	3.825	3.602	3.159	4.570	3.913	3.611	4.726	4.524	4.277
1 GBP, London	9.590	8.731	7.987	9.356	8.423	8.108	8.845	8.456	7.996
1 IEP, Dublin	7.367	6.976	6.650	7.461	6.854	6.518	7.540	6.957	6.613
100 SEK, Stockholm	89.05	85.74	79.00	80.50	77.03	72.65	73.10	72.75	72.45
100 NOK, Oslo	76.85	75.54	73.80	77.70	74.84	69.25	77.45	76.44	75.25
100 DKK, Copenhagen	64.30	60.96	58.50	63.40	57.93	54.20	63.85	61.07	58.85
100 ISK, Reykjavik	66.00	60.35	53.30	54.30	40.79	32.05	32.25	23.25	20.35
100 DEM, Frankf.o.M.	198.40	191.31	183.35	223.65	198.76	190.05	227.25	218.61	211.75
100 NLG, Amsterdam	181.35	173.43	165.30	202.40	180.66	173.00	204.45	195.66	189.35
100 BEF, Brussels <sup>1</sup>	12.280	11.688	11.230	11.450	10.584	9.870	11.860	10.934	10.450
100 CHF, Zurich	247.70	220.34	203.30	266.25	237.79	221.95	274.15	265.70	260.60
100 FRF, Paris	85.45	79.92	76.50	79.00	73.65	67.85	80.00	73.53	69.80
100 ITL, Rome	0.419	0.385	0.363	0.389	0.358	0.341	0.393	0.369	0.352
100 ATS, Vienna	28.48	27.17	26.14	31.85	28.31	27.12	32.30	31.11	30.15
100 PTE, Lisbon	7.45	7.17	6.83	6.85	6.13	5.48	6.04	5.14	4.41
100 ESB, Madrid	4.92	4.72	4.52	4.82	4.41	4.19	4.25	3.91	3.71
100 JPY, Tokyo	2.032	1.967	1.903	2.274	1.943	1.783	2.521	2.351	2.254
1 SUR, Moscow, clearing	6.328	5.986	5.646	7.473	6.624	6.170	7.636	7.491	7.411
1 special drawing right (SDR)	5.22182	5.07140	4.88542	5.92336	5.30563	5.05149	6.11828	5.94325	5.81780

<sup>1</sup> Commercial rate.

Currency	1984			1985			1986		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 USD, New York	6.552	6.010	5.530	7.132	6.206	5.425	5.467	5.078	4.802
1 CAD, Montreal	4.964	4.645	4.347	5.129	4.554	3.889	3.914	3.659	3.484
1 GBP, London	8.444	8.023	7.584	8.501	8.000	7.424	7.916	7.459	6.927
1 IEP, Dublin	6.696	6.533	6.371	6.763	6.590	6.435	7.090	6.816	6.593
100 SEK, Stockholm	73.75	72.77	71.85	73.85	72.22	71.35	72.61	71.38	70.45
100 NOK, Oslo	75.80	73.84	71.95	72.85	72.31	71.50	72.90	68.82	65.01
100 DKK, Copenhagen	59.55	58.16	56.75	60.60	58.71	57.45	65.72	62.90	60.05
100 ISK, Reykjavik	20.80	19.39	16.15	17.30	15.20	13.05	13.23	12.59	12.13
100 DEM, Frankf.o.M.	218.25	211.65	205.25	220.90	211.42	206.35	248.14	234.54	220.55
100 NLG, Amsterdam	193.25	187.72	182.00	196.20	187.45	181.95	219.53	207.89	195.85
100 BEF, Brussels <sup>1</sup>	10.670	10.428	10.170	10.820	10.483	10.250	11.930	11.399	10.780
100 CHF, Zurich	267.50	256.42	247.75	265.40	253.60	242.40	300.81	283.49	260.25
100 FRF, Paris	70.90	69.07	66.95	72.15	69.40	67.60	75.89	73.55	70.10
100 ITL, Rome	0.353	0.344	0.334	0.344	0.327	0.315	0.359	0.343	0.322
100 ATS, Vienna	31.00	30.13	29.20	31.45	30.12	29.40	35.46	33.39	31.40
100 PTE, Lisbon	4.46	4.14	3.87	3.93	3.67	3.42	3.55	3.43	3.31
100 ESB, Madrid	3.81	3.75	3.67	3.82	3.66	3.51	3.73	3.64	3.53
100 JPY, Tokyo	2.626	2.534	2.414	2.770	2.610	2.490	3.258	3.028	2.675
1 SUR, Moscow, clearing	7.547	7.357	7.198	7.773	7.419	7.140	7.367	7.228	7.040
1 special drawing right (SDR)	6.42611	6.14739	5.90956	6.75940	6.27879	5.93241	6.10906	5.94432	5.79542

<sup>1</sup> Commercial rate.

Table 8.

## FOREIGN EXCHANGE: SPOT SELLING RATES IN 1986, FIM

Currency	January			February			March		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 USD, New York	5.467	5.419	5.348	5.408	5.258	5.037	5.252	5.131	5.062
1 CAD, Montreal	3.914	3.860	3.763	3.823	3.748	3.571	3.749	3.659	3.544
1 GBP, London	7.914	7.747	7.463	7.617	7.513	7.438	7.710	7.531	7.324
1 IEP, Dublin	6.819	6.772	6.731	6.918	6.827	6.794	6.946	6.868	6.756
100 SEK, Stockholm	71.65	71.49	71.30	71.40	71.14	70.80	71.25	71.01	70.90
100 NOK, Oslo	72.10	71.90	71.70	72.85	72.27	72.05	72.90	72.07	71.75
100 DKK, Copenhagen	61.15	60.64	60.05	62.00	61.15	60.90	62.15	61.43	60.55
100 ISK, Reykjavik	13.15	13.03	12.85	13.00	12.80	12.40	12.85	12.67	12.45
100 DEM, Frankf.o.M.	225.05	222.15	220.55	228.80	225.39	224.10	229.70	226.89	223.40
100 NLG, Amsterdam	199.50	197.11	195.85	202.55	199.50	198.40	203.40	200.97	197.95
100 BEF, Brussels <sup>1</sup>	11.010	10.875	10.800	11.170	11.018	10.960	11.220	11.087	10.920
100 CHF, Zurich	266.20	262.42	260.25	272.30	269.08	265.05	271.80	269.37	266.50
100 FRF, Paris	73.45	72.55	72.05	74.50	73.58	73.25	74.80	73.91	72.80
100 ITL, Rome	0.331	0.327	0.325	0.337	0.332	0.331	0.339	0.335	0.330
100 ATS, Vienna	32.05	31.63	31.40	32.60	32.10	31.90	32.70	32.36	31.85
100 PTE, Lisbon	3.52	3.49	3.46	3.52	3.50	3.48	3.50	3.48	3.46
100 ESB, Madrid	3.58	3.56	3.54	3.63	3.59	3.57	3.65	3.62	3.58
100 JPY, Tokyo	2.780	2.712	2.675	2.918	2.850	2.810	2.919	2.876	2.829
1 SUR, Moscow, clearing	7.184	7.164	7.135	7.207	7.161	7.068	7.209	7.131	7.074
1 special drawing right (SDR)	5.96101	5.94024	5.90361	5.97151	5.92658	5.83686	5.94114	5.88885	5.84156

<sup>1</sup> Commercial rate.

Currency	April			May			June		
	Max	Av.	Min	Max.	Av.	Min.	Max.	Av.	Min.
1 USD, New York	5.341	5.128	4.922	5.321	5.105	4.948	5.377	5.195	5.123
1 CAD, Montreal	3.857	3.700	3.566	3.860	3.717	3.589	3.880	3.745	3.695
1 GBP, London	7.795	7.682	7.584	7.916	7.774	7.622	7.904	7.840	7.799
1 IEP, Dublin	6.966	6.853	6.651	7.058	6.985	6.902	7.085	7.055	6.994
100 SEK, Stockholm	71.35	70.92	70.45	72.58	71.57	70.55	72.61	72.17	71.94
100 NOK, Oslo	72.35	71.80	71.40	71.79	68.98	66.86	68.42	68.34	68.27
100 DKK, Copenhagen	61.65	61.17	60.20	62.64	62.01	61.21	63.02	62.77	62.12
100 ISK, Reykjavik	12.95	12.61	12.25	13.10	12.74	12.42	13.23	12.81	12.61
100 DEM, Frankf.o.M.	227.75	225.64	222.10	231.75	229.35	226.50	233.48	232.54	230.16
100 NLG, Amsterdam	202.45	200.20	197.25	205.75	203.69	200.85	207.24	206.54	204.69
100 BEF, Brussels <sup>1</sup>	11.180	11.066	10.780	11.420	11.237	11.020	11.440	11.389	11.290
100 CHF, Zurich	272.30	269.68	265.30	279.16	275.83	271.45	285.08	282.20	277.24
100 FRF, Paris	73.10	71.33	70.10	72.87	72.13	71.22	73.36	73.11	72.43
100 ITL, Rome	0.333	0.331	0.322	0.340	0.335	0.330	0.340	0.340	0.337
100 ATS, Vienna	32.45	32.17	31.70	33.18	32.65	32.01	33.27	33.12	32.77
100 PTE, Lisbon	3.55	3.46	3.39	3.52	3.46	3.40	3.54	3.47	3.42
100 ESB, Madrid	3.61	3.58	3.53	3.67	3.62	3.57	3.66	3.65	3.62
100 JPY, Tokyo	2.975	2.931	2.880	3.113	3.062	2.961	3.126	3.099	3.055
1 SUR, Moscow, clearing	7.256	7.148	7.040	7.367	7.230	7.111	7.367	7.301	7.245
1 special drawing right (SDR)	5.97152	5.88647	5.79542	6.07350	5.95402	5.83459	6.10906	6.03958	6.02064

<sup>1</sup> Commercial rate.

Table 8. (Cont.)

Currency	July			August			September		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 USD, New York	5.140	5.074	5.010	4.994	4.940	4.887	5.015	4.918	4.843
1 CAD, Montreal	3.736	3.681	3.634	3.624	3.564	3.524	3.617	3.552	3.496
1 GBP, London	7.870	7.671	7.481	7.453	7.356	7.283	7.399	7.256	7.087
1 IEP, Dublin	7.090	7.067	7.046	7.082	6.665	6.615	6.661	6.632	6.593
100 SEK, Stockholm	72.05	71.93	71.76	71.76	71.41	71.10	71.43	71.27	71.15
100 NOK, Oslo	68.40	68.03	67.44	67.76	67.31	66.93	67.50	67.17	66.71
100 DKK, Copenhagen	63.43	63.06	62.79	64.17	63.72	63.43	64.26	63.77	63.18
100 ISK, Reykjavik	12.69	12.58	12.47	12.50	12.40	12.25	12.58	12.38	12.22
100 DEM, Frankf.o.M.	238.54	235.78	233.34	240.76	239.66	238.24	243.12	241.14	239.27
100 NLG, Amsterdam	211.75	209.25	207.22	213.32	212.56	211.39	215.22	213.60	211.98
100 BEF, Brussels <sup>1</sup>	11.540	11.460	11.390	11.630	11.580	11.520	11.730	11.646	11.560
100 CHF, Zurich	297.40	290.80	286.19	298.81	297.48	294.91	300.35	297.72	293.72
100 FRF, Paris	73.79	73.42	73.15	74.15	73.68	73.27	74.40	73.79	73.34
100 ITL, Rome	0.350	0.345	0.340	0.350	0.350	0.346	0.353	0.351	0.350
100 ATS, Vienna	33.95	33.55	33.21	34.21	34.09	33.89	34.62	34.31	34.03
100 PTE, Lisbon	3.47	3.45	3.43	3.44	3.41	3.39	3.41	3.39	3.36
100 ESB, Madrid	3.73	3.70	3.67	3.71	3.69	3.68	3.70	3.68	3.67
100 JPY, Tokyo	3.258	3.201	3.126	3.248	3.209	3.171	3.206	3.182	3.155
1 SUR, Moscow, clearing	7.338	7.313	7.285	7.324	7.278	7.242	7.309	7.255	7.225
1 special drawing right (SDR)	6.04431	6.02488	5.99517	6.01491	5.96080	5.92345	6.01701	5.94398	5.91166

<sup>1</sup> Commercial rate.

Currency	October			November			December		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 USD, New York	5.026	4.896	4.835	5.029	4.959	4.892	4.963	4.907	4.802
1 CAD, Montreal	3.624	3.532	3.484	3.621	3.583	3.539	3.607	3.562	3.486
1 GBP, London	7.115	7.005	6.927	7.172	7.072	6.994	7.116	7.055	6.978
1 IEP, Dublin	6.701	6.669	6.643	6.736	6.685	6.625	6.754	6.712	6.684
100 SEK, Stockholm	71.50	71.26	71.10	71.49	71.33	71.16	71.37	71.11	70.80
100 NOK, Oslo	66.92	66.74	66.62	66.92	65.99	65.21	65.62	65.29	65.01
100 DKK, Copenhagen	65.19	64.89	64.23	65.50	64.95	64.43	65.72	65.23	64.88
100 ISK, Reykjavik	12.54	12.36	12.29	12.52	12.43	12.32	12.38	12.31	12.13
100 DEM, Frankf.o.M.	245.66	244.46	242.53	247.33	245.00	242.54	248.14	246.49	245.15
100 NLG, Amsterdam	217.40	216.31	214.69	218.85	216.85	214.70	219.53	218.09	216.93
100 BEF, Brussels <sup>1</sup>	11.830	11.780	11.700	11.900	11.795	11.690	11.930	11.853	11.790
100 CHF, Zurich	300.81	298.52	293.54	297.09	294.35	290.77	298.03	294.43	290.55
100 FRF, Paris	75.14	74.81	74.21	75.65	75.06	74.51	75.89	75.24	74.91
100 ITL, Rome	0.356	0.355	0.353	0.359	0.355	0.353	0.359	0.357	0.356
100 ATS, Vienna	35.46	34.81	34.48	35.17	34.83	34.50	35.25	35.05	34.87
100 PTE, Lisbon	3.39	3.37	3.35	3.36	3.35	3.33	3.36	3.33	3.31
100 ESB, Madrid	3.71	3.69	3.65	3.68	3.66	3.64	3.67	3.66	3.64
100 JPY, Tokyo	3.187	3.139	3.071	3.087	3.049	3.019	3.048	3.025	3.003
1 SUR, Moscow, clearing	7.304	7.252	7.227	7.299	7.263	7.233	7.279	7.242	7.175
1 special drawing right (SDR)	5.95441	5.92550	5.90038	5.95601	5.93316	5.91111	5.93678	5.91076	5.86397

<sup>1</sup> Commercial rate.

Table 9.

**FINLAND'S LONG-TERM FOREIGN ASSETS AND LIABILITIES IN 1986, MILLION FIM**

	Debt Dec. 31, 1985	Drawings in 1986	Redemp- tions in 1986	Net drawings in 1986	Impact of exchange rates in 1986	Debt Dec. 31, 1986
<b>FINANCIAL LOANS</b>	<b>63 228</b>	<b>19 041</b>	<b>12 934</b>	<b>+ 6 107</b>	<b>- 359</b>	<b>68 976</b>
Individual financial loans	24 881	2 772	5 202	- 2 430	- 328	22 123
Bonds	38 347	16 269	7 732	+ 8 537	- 31	46 853
Ordinary bonds	27 863	12 019	6 032	+ 5 987	+ 96	33 946
Debentures	3 756	3 291	621	+ 2 670	- 325	6 101
Certificates of deposit	678	—	282	- 282	- 60	336
Private placement loans	5 994	959	768	+ 191	+ 261	6 446
Loans from the World Bank	56	—	29	- 29	- 3	24
<b>IMPORT CREDITS</b>	<b>2 892</b>	<b>279</b>	<b>994</b>	<b>- 715</b>	<b>- 105</b>	<b>2 072</b>
Ship and aircraft credits	1 132	97	542	- 445	- 59	628
Other import credits	1 760	182	452	- 270	- 46	1 444
<b>LEASING CREDITS</b>	<b>243</b>	<b>1</b>	<b>2</b>	<b>- 1</b>	<b>- 28</b>	<b>214</b>
<b>DIRECT INVESTMENT</b>	<b>3 274</b>	<b>1 688</b>	<b>169</b>	<b>+ 1 519</b>	<b>- 2</b>	<b>4 791</b>
Equity capital	2 860	1 664	143	+ 1 521	- 6	4 375
Loans to subsidiaries and associates	414	24	26	- 2	+ 4	416
<b>PORTFOLIO INVESTMENT</b>	<b>6 313</b>	<b>3 576</b>	<b>2 930</b>	<b>+ 646</b>	<b>-</b>	<b>6 959</b>
<b>SUBSCRIPTIONS<sup>1</sup></b>	<b>652</b>	<b>261</b>	<b>174</b>	<b>+ 87</b>	<b>-</b>	<b>739</b>
<b>GROSS LONG-TERM DEBT<sup>1, 2</sup></b>	<b>76 602</b>	<b>24 846</b>	<b>17 203</b>	<b>+ 7 643</b>	<b>- 494</b>	<b>83 751</b>
<b>FINANCIAL LOANS</b>	<b>847</b>	<b>250</b>	<b>78</b>	<b>+ 172</b>	<b>- 80</b>	<b>939</b>
<b>EXPORT CREDITS</b>	<b>6 539</b>	<b>1 000</b>	<b>1 516</b>	<b>- 516</b>	<b>- 500</b>	<b>5 523</b>
<b>DEVELOPMENT CREDITS</b>	<b>273</b>	<b>97</b>	<b>4</b>	<b>+ 93</b>	<b>-</b>	<b>366</b>
<b>DIRECT INVESTMENT</b>	<b>10 524</b>	<b>3 619</b>	<b>142</b>	<b>+ 3 477</b>	<b>- 371</b>	<b>13 630</b>
Equity capital	9 248	2 914	103	+ 2 811	- 330	11 729
Loans to subsidiaries and associates	1 276	705	39	+ 666	- 41	1 901
<b>SUBSCRIPTIONS<sup>1</sup></b>	<b>1 654</b>	<b>266</b>	<b>-</b>	<b>+ 266</b>	<b>-</b>	<b>1 920</b>
<b>GROSS LONG-TERM ASSETS<sup>2</sup></b>	<b>19 837</b>	<b>5 232</b>	<b>1 740</b>	<b>+ 3 492</b>	<b>- 951</b>	<b>22 378</b>
<b>NET LONG-TERM DEBT</b>	<b>56 765</b>	<b>19 614</b>	<b>15 463</b>	<b>+ 4 151</b>	<b>+ 457</b>	<b>61 373</b>

<sup>1</sup> On the liabilities side, subscriptions to international financial institutions paid up in the form of bonds, and on the assets side, Finland's subscriptions to international financial institutions.

<sup>2</sup> The markka values of balances outstanding were calculated by using the selling rates of the same date, drawings and redemptions by using the middle rate on the date of transaction.



Table 10.

**INTERNAL CLEARING OPERATIONS: NUMBER AND VALUE OF BANK BILLS,  
CHEQUES AND TRANSFERS BETWEEN ACCOUNTS IN 1984–1986**

Year and month	Head office		Brand offices <sup>1</sup>		Total	
	Number, in thousands	Value, in million FIM	Number, in thousands	Value, in million FIM	Number, in thousands	Value, in million FIM
1984	112 179	475 412	208	13 189	112 387	488 601
1985	133 684	553 345	192	16 633	133 876	569 978
1986	159 105	604 292	61	13 451	159 166	617 743
1986						
January	12 298	51 232	16	2 176	12 314	53 408
February	11 121	49 697	15	1 577	11 136	51 274
March	11 669	43 058	14	1 275	11 683	44 333
April	13 761	55 755	2	926	13 763	56 681
May	13 596	46 562	1	677	13 597	47 239
June	12 454	54 505	2	736	12 456	55 241
July	13 795	50 860	2	821	13 797	51 681
August	12 729	49 630	1	1 534	12 730	51 164
September	13 575	50 568	2	959	13 577	51 527
October	13 977	53 240	2	1 044	13 979	54 284
November	12 453	46 174	2	769	12 455	46 943
December	17 677	53 011	2	957	17 679	53 968

<sup>1</sup> Clearing operations were terminated at branch offices other than Turku and Tampere as from the end of March, 1986.

Table 11.

## NOTE ISSUE IN 1981—1986, MILLION FIM

Date	Right of note issue			Used right of note issue			Note reserve	
	Ordinary cover	Supplementary cover	Total	Notes in circulation	Liabilities payable on demand	Undrawn cheque credits		Total
Dec. 31								
1981	9 350	1 308	10 658	5 152	144	2	5 298	5 360
1982	11 109	1 500	12 609	5 572	64	2	5 638	6 971
1983	9 491	1 500	10 991	6 029	88	2	6 119	4 872
1984	19 911	1 500	21 411	6 744	1 067	0	7 811	13 600
1985	23 056	1 500	24 556	7 304	679	—	7 983	16 573
1986	14 617	1 500	16 117	7 856	139	—	7 995	8 122
1986								
Dec. 31	22 821	188	23 009	6 710	268	—	6 978	16 031
Jan. 28	21 946	1 026	22 972	6 753	266	—	7 019	15 953
March 27	19 559	1 500	21 059	7 082	312	—	7 394	13 665
April 30	17 888	1 500	19 388	7 330	295	—	7 625	11 763
May 30	16 622	1 500	18 122	7 280	329	—	7 609	10 513
June 30	16 378	1 500	17 878	7 381	171	—	7 552	10 326
July 31	15 190	1 500	16 690	7 304	220	—	7 524	9 166
Aug. 29	11 442	1 500	12 942	7 190	173	—	7 363	5 579
Sept. 30	14 027	1 500	15 527	7 126	151	—	7 277	8 250
Oct. 31	15 157	1 500	16 657	7 192	166	—	7 358	9 299
Nov. 28	13 664	1 500	15 164	7 237	154	—	7 391	7 773
Dec. 31	14 617	1 500	16 117	7 856	139	—	7 995	8 122

Table 12.

**NOTES AND COIN IN CIRCULATION AT THE END OF THE YEAR, 1981—1986,  
MILLION FIM**

Denomination	1981	1982	1983	1984	1985	1986
<b>NOTES</b>						
<b>NEW</b>						
1 000 markkaa	.	.	.	.	.	497.8
500 "	1 655.8	1 925.1	2 173.0	2 659.8	2 984.3	2 815.1
100 "	2 611.3	2 728.1	2 890.7	3 101.5	3 247.7	3 410.6
50 "	462.8	476.1	498.2	557.5	611.9	661.2
10 "	329.9	345.1	362.0	389.5	429.6	441.9
5 "	86.4	90.8	98.5	29.1	23.3	22.1
1 "	6.4	6.5	6.7	6.8	6.9	7.0
Total	5 152.6	5 571.7	6 029.1	6 744.2	7 303.7	7 855.7
<b>OLD</b>						
10 000—100 mk	8.2	8.2	8.2	8.2	8.2	8.2
50—5 "	1.2	1.2	1.2	1.2	1.2	1.2
Total	9.4	9.4	9.4	9.4	9.4	9.4
<b>Grand total</b>	<b>5 162.0</b>	<b>5 581.1</b>	<b>6 038.5</b>	<b>6 753.6</b>	<b>7 313.1</b>	<b>7 865.1</b>
<b>COIN</b>						
<b>NEW</b>						
50 markkaa	24.4	42.7	63.4	62.6	75.9	75.5
25 "	19.9	19.9	19.9	19.9	19.9	19.9
10 "	39.2	38.4	38.4	38.5	38.4	38.4
5 "	28.5	30.1	32.1	169.6	202.7	221.3
1 "	197.5	214.6	234.1	243.8	256.8	273.6
50 penniä	45.8	50.0	55.3	56.9	60.7	63.7
20 "	38.7	42.9	46.8	49.8	54.0	57.6
10 "	20.6	23.0	24.8	26.1	27.8	29.2
5 "	18.7	19.9	21.2	22.3	23.5	24.4
1 "	9.3	8.8	8.5	8.2	8.1	8.0
Total	442.6	490.3	544.5	697.7	767.8	811.6
<b>OLD</b>						
1 000—1 markkaa	15.2	15.2	15.2	15.2	15.2	15.2
50—1 penniä	0.5	0.5	0.5	0.5	0.5	0.5
Total	15.7	15.7	15.7	15.7	15.7	15.7
<b>Grand total</b>	<b>458.3</b>	<b>506.0</b>	<b>560.2</b>	<b>713.4</b>	<b>783.5</b>	<b>827.3</b>

Table 13.

**PRINTING AND DESTRUCTION OF NOTES IN 1981–1986, MILLION FIM**

Notes printed	1981	1982	1983	1984	1985	1986
<b>NOTES</b>						
<b>NEW</b>						
1 000 markkaa	.	.	.	.	.	10 650.0
500 "	—	—	—	—	200.0	400.0
100 "	2 349.5	2 024.5	362.2	2 679.8	2 183.8	2 647.2
50 "	736.0	—	—	1,288.4	1 796.0	—
10 "	863.7	155.2	824.3	1 081.2	520.0	695.0
5 "	369.2	333.2	344.6	—	—	—
1 "	0.4	—	—	—	—	—
Total	4 318.8	2 512.9	1 531.1	5 049.4	4 699.8	14 392.2
In millions	198.8	102.4	155.0	160.7	110.2	107.4
<b>Notes cancelled</b>						
<b>NOTES</b>						
<b>NEW</b>						
1 000 markkaa	.	.	.	.	.	—
500 "	220.5	325.7	383.8	296.5	603.1	324.3
100 "	1 315.0	1 720.0	1 675.0	875.0	1 855.0	1 550.0
50 "	537.5	660.0	660.0	452.5	632.5	665.0
10 "	540.1	570.7	608.3	520.5	689.1	826.3
5 "	273.6	256.1	286.4	396.1	12.0	2.2
1 "	0.1	0.2	0.1	0.1	0.1	—
Total	2 886.8	3 532.7	3 613.6	2 540.7	3 791.8	3 367.8
In millions	133.2	139.5	149.0	149.8	103.8	112.5
<b>OLD</b>						
Total	0.0	0.0	0.0	0.0	—	—
In millions	0.0	0.0	0.0	0.0	—	—
<b>Grand total</b>	<b>2 886.8</b>	<b>3 532.7</b>	<b>3 613.6</b>	<b>2 540.7</b>	<b>3 791.8</b>	<b>3 367.8</b>
In millions	133.2	139.5	149.0	149.8	103.8	112.5

Table 14.

## NOTES AND COIN IN 1986, MILLION FIM

Denomination	Total issue Dec. 31, 1985	Issued in 1986	Destroyed in 1986	Total issue Dec. 31, 1986	Held by the Bank of Finland Dec. 31, 1986	In circu- lation Dec. 31, 1986
<b>NOTES</b>						
<b>NEW</b>						
1 000 markkaa	.	10 650.0	—	10 650.0	10 152.2	497.8
500 "	4 221.0	400.0	324.3	4 296.7	1 481.6	2 815.1
100 "	7 702.0	2 647.2	1 550.0	8 799.2	5 388.6	3 410.6
50 "	3 317.9	—	665.0	2 652.9	1 991.7	661.2
10 "	1 442.4	695.0	826.3	1 311.1	869.2	441.9
5 "	50.4	—	2.2	48.2	26.1	22.1
1 "	10.3	—	—	10.3	3.3	7.0
Total	16 744.0	14 392.2	3 367.8	27 768.4	19 912.7	7 855.7
In millions	316.4	107.4	112.5	311.3	202.3	109.1
<b>OLD</b>						
Total	9.4	—	—	9.4	0.0	9.4
In millions	11.5	—	—	11.5	0.0	11.5
<b>Grand total</b>	<b>16 753.4</b>	<b>14 392.2</b>	<b>3 367.8</b>	<b>27 777.8</b>	<b>19 912.7</b>	<b>7 865.1</b>
In millions	327.9	107.4	112.5	322.8	202.3	120.6
<b>COIN</b>						
<b>NEW</b>						
50 markkaa	79.3	—	0.8	78.5	3.0	75.5
25 "	20.0	—	—	20.0	0.1	19.9
10 "	38.5	—	—	38.5	0.1	38.4
5 "	264.3	25.0	0.1	289.2	67.9	221.3
1 "	295.0	10.0	0.3	304.7	31.1	273.6
50 penniä	69.8	4.5	0.1	74.2	10.5	63.7
20 "	58.7	4.0	0.0	62.7	5.1	57.6
10 "	31.6	1.5	0.0	33.1	3.9	29.2
5 "	24.9	1.0	0.0	25.9	1.5	24.4
1 "	8.3	—	0.2	8.1	0.1	8.0
Total	890.4	46.0	1.5	934.9	123.3	811.6
<b>OLD</b>						
1000—100 markkaa	15.2	—	—	15.2	0.0	15.2
50 markkaa—1 penni	0.5	—	—	0.5	0.0	0.5
Total	15.7	—	—	15.7	0.0	15.7
<b>Grand total</b>	<b>906.1</b>	<b>46.0</b>	<b>1.5</b>	<b>950.6</b>	<b>123.3</b>	<b>827.3</b>



## AUDITORS' REPORT

### on the Audit of the Accounts and Operations of the Bank of Finland for 1986

We, the Auditors elected by Parliament, have audited the accounts, including the financial statements, and the management of the Bank of Finland for 1986 on February 2—6, 1987, to the extent required by good auditing practices.

In the course of the accounting year, the Internal Audit Department of the Bank of Finland has carried out the audit of the Bank's accounting and operations. We have examined the report issued on the internal audit at the Bank.

We have read the Annual Statement of the Bank of Finland, and the Board of Management has provided us with information on the Bank's operations.

The financial statements of the Bank of Finland, showing a profit of FIM 44 163 127,80 for the accounting year, have been prepared in keeping with the principles on closing the accounts confirmed by the Bank Supervisors delegated by Parliament and the Regulations for the Bank of Finland.

On the basis of the above and in the absence of any further comments raised by the audit, we propose that the profit and loss account and the balance sheet be confirmed and the Board of Management discharged from responsibility for the accounting year audited by us.

Helsinki, February 6, 1987

Peter Muurman

Matti Vesterinen

Kalevi Mattila

Pentti Mäki-Hakola

Håkan Malm

./ . Kalervo Virtanen  
Authorized Public  
Accountant (KHT)

## **BANK SUPERVISORS DELEGATED BY PARLIAMENT, AT THE END OF 1986**

Matti Jaatinen (Chairman)  
Erkki Liikanen (Vice Chairman)  
Matti Majjala  
Aarne Saarinen  
Pirkko Työläjärvi  
Mauri Miettinen  
Veikko Vennamo  
Mikko Jokela  
Olli Helminen

## **THE BOARD OF MANAGEMENT OF THE BANK OF FINLAND, AT THE END OF 1986**

**The division of responsibilities in the Board of Management, as confirmed by the Bank Supervisors delegated by Parliament**

Rolf Kullberg Chairman	Overall management and supervision of the activities of the Bank General principles of central bank policy Representation of the Board of Management Supervision of the activities of the Members of the Board and the substance of their decisions
Pentti Uusivirta	Matters related to — the Bilateral Trade Department — the Exchange Control Department — the Foreign Financing Department International financial institutions and organizations
Ele Alenius	Branches Matters related to — the Cash Department — the Data Processing Department — the Research Department Security Printing House SITRA (the Finnish National Fund for Research and Development)
Harri Holkeri	Matters related to — the Accounting Department — the Administration Department — the Foreign Exchange Department — the Foreign Exchange Policy Department (excluding international financial institutions and organizations) — the Internal Audit Department — the Personnel Department
Seppo Lindblom Minister of Trade and Industry, on leave of absence	
Esko Ollila Minister of Finance, on leave of absence	
Markku Puntila Acting Member	Matters related to — the Domestic Financing Department — the Economics Department — the Information Department — the Monetary Policy Department



## HEAD OFFICE

<b>Directors</b>	<b>Departments</b>	<b>Heads of Department</b>
Eino Helenius		
Pentti Koivikko	Accounting Dept. Administration Dept. Cash Dept.	Ossi Leppänen Urpo Levo Reijo Mäkinen Chief Cashier
	Domestic Financing Dept. Personnel Dept.	Raimo Hyvärinen Anton Mäkelä
Sirkka Hämäläinen	Data Processing Dept.	Riitta Jokinen (Acting Head)
	Economics Dept. Information Dept. Monetary Policy Dept. Research Dept.	Kari Puumanen Antti Heinonen Ralf Pauli Heikki Koskenkylä
Matti Vanhala	Bilateral Trade Dept. Exchange Control Dept. Foreign Exchange Dept. Foreign Exchange Policy Dept. Foreign Financing Dept.	Kari Holopainen Esa Ojanen Kari Pekonen Johnny Åkerholm Markus Fogelholm
Secretary to the Board of Management and the Bank Supervisors		Heikki T. Hämäläinen
Internal Audit	Internal Audit Dept.	Timo Männistö
Security Group		Jyrki Ahvonen Security Manager
Construction projects		Bengt Palmroos Project Manager

## BRANCH NETWORK

<b>Branches</b>	<b>Managers</b>
Joensuu	Hilkka-Liisa Pitkänen
Jyväskylä	Pauli Lähde
Kotka	Anneli Soini (Acting Head)
Kuopio	Pekka Konttinen
Lahti	Kari Lottanen
Mikkeli	Juhani Huuskonen
Oulu	Juhani Vanhala (Acting Head)
Pori	Aarno Alsi (Acting Head)
Rovaniemi	Renne Kurth
Tampere	Rauno Haikarainen
Turku	Reino Ylönen
Vaasa	Martti Hagman

## SECURITY PRINTING HOUSE

Tor-Leif Huggare, Managing Director  
Heikki Taipale, Deputy Managing Director

# **BANK OF FINLAND**

Snellmaninaukio, Helsinki

Established 1811

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Jyväskylä:	Kauppakatu 21, P.O. Box 165, 40101 Jyväskylä, Telephone (941) 211 433
Kotka:	Keskuskatu 19, P.O. Box 211, 48101 Kotka, Telephone (952) 182 500
Kuopio:	Kauppakatu 25—27, P.O. Box 123, 70101 Kuopio, Telephone (971) 125 611
Lahti:	Torikatu 3, P.O. Box 170, 15111 Lahti, Telephone (918) 298 31
Mikkeli:	Päiviönkatu 15, P.O. Box 61, 50101 Mikkeli, Telephone (955) 148 40
Oulu:	Kajaaninkatu 8, P.O. Box 103, 90101 Oulu, Telephone (981) 224 366
Pori:	Valtakatu 11, P.O. Box 110, 28101 Pori, Telephone (939) 325 344
Rovaniemi:	Valtakatu 23, P.O. Box 205, 96201 Rovaniemi, Telephone (960) 160 01
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